

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu50.70 - Target: Eu79.00

Strong April Trends After Volatile 1Q, Outlook Confirmed

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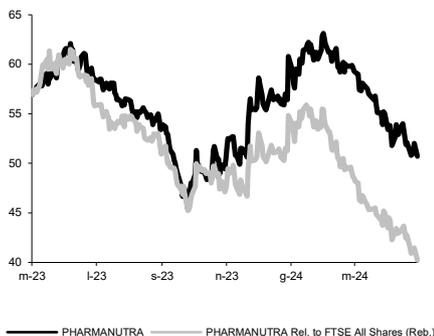
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-2.2%	-2.2%	-2.2%

Next Event

2Q24 Results Out 9 September

PHARMANUTRA - 12M Performance



Stock Data

Reuters code:	PHNU.MI		
Bloomberg code:	PHN IM		
Performance	1M	3M	12M
Absolute	-7.8%	-19.3%	-8.6%
Relative	-10.9%	-30.6%	-34.2%
12M (H/L)	63.10/45.40		
3M Average Volume (th):	5.15		

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	491
Total Mkt Cap (Eu mn):	491
Mkt Float - Ord (Eu mn):	172
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

Balance Sheet Data

Book Value (Eu mn):	63
BVPS (Eu):	6.54
P/BV:	7.8
Net Financial Position (Eu mn):	6
Enterprise Value (Eu mn):	485

■ **1Q24 results.** 1Q top line and EBITDA were broadly in line with our expectations. Net sales (€23.6mn, +1.1% YoY) benefitted from solid trends in foreign markets (+9.4% YoY, 32% of total sales), partially offset by the expected slowdown in Italy (-3.2% YoY). The latter was affected by dynamics related to the wholesale procurement process and a natural increase in competition due to high market fragmentation (notably, Sideral sales down 2.3% YoY). Akern contributed c.6% of total sales. Start-up costs for new projects (€1.4mn) drove adj. EBITDA down 25% to €5.0mn, a 20.9% margin of net revenues (-7.0pp YoY). Excluding these costs, the EBITDA margin on recurring business was 25.5% (-1.2pp YoY). Adj. net profit came in at €2.6mn (+5% vs our exp., -43% YoY, -17% YoY excluding start-up costs) as a result of lower EBITDA and higher D&A related to the new HQ. FCFO was negative for €2.3mn (our exp. €-2.5mn), reflecting seasonal working capital absorption (-€5.8mn), which coupled with CapEx (€0.8mn) drove net debt to €6.0mn (in line with our exp.), up slightly QoQ (YE23: €2.6mn).

■ **Reassuring messages from conference call.** Management is happy with current consensus on FY24 (revenue up low-teens, EBITDA margin at ~25%, NFP in positive ground). Wholesale trends in Italy normalising, with no further blows in the coming months. Very supportive figures in April in terms of both sell-in and sell-through. Sideral (66% of total sales): slightly declining market share both in units (47.1%, -0.7pp QoQ, -0.4pp YoY) and value (53.1%, -1.0pp QoQ, -0.9pp YoY), but in a growing market, the company targeting a recovery in market share in the coming quarters. USA: a complex but potentially transformative opportunity, working with hospitals, insurance companies and trying to secure reimbursement protocols. Cetilar is showing slightly increasing market share of volumes (+0.4pp QoQ). Apportal: flat volume market share (3.5%) despite the unfavourable comparison with post-pandemic quarters. R&D: exciting feedback from world partner convention held at PHN's Pisa HQ at the end of April, strong interest on the new Sucrosomial vitamins (to be launched by YE). International development: FY trends should see double-digit growth, but no meaningful contribution from recently-added countries yet (e.g. Mexico, Jordan, Kuwait).

■ **Change in estimates.** We are confirming our sales and EBITDA estimates which are consistent with management's outlook, while cutting EPS by 2% to reflect higher D&A.

■ **BUY confirmed; target still €79.** On our current estimates, we reiterate our BUY rating, confirming our DCF-based TP at €79, which offers 55% upside. 2024 is poised to be a transitional year, but we expect full normalisation of the contingent and temporary issues experienced in 1Q. We believe the market is ready to take a new look at a story of massive long-term structural growth, especially if the coming quarters provide greater visibility from new strategic initiatives. Based on hints provided at last year's Investor Day, new business opportunities could unlock significant further growth in both sales (2022-30 CAGR +19% vs. +11% organic) and EBITDA (CAGR +20% vs. 13% organic), resulting in huge, long-term upside worth up to €90-100/share on top of our TP. On the existing business, PHN looks very well placed in a steadily-growing industry thanks to undisputed leadership in solid oral iron supplements, high entry barriers due to IP protection, and a relentless commitment to R&D.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	83	100	111	122	134
EBITDA Adj (Eu mn)	24	26	28	31	34
Net Profit Adj (Eu mn)	15	15	17	19	21
EPS New Adj (Eu)	1.554	1.596	1.767	2.007	2.213
EPS Old Adj (Eu)	1.554	1.596	1.808	2.052	2.262
DPS (Eu)	0.800	0.850	0.884	1.003	1.107
EV/EBITDA Adj	25.3	20.6	17.3	15.2	13.5
EV/EBIT Adj	26.8	23.3	20.1	17.6	15.7
P/E Adj	32.6	31.8	28.7	25.3	22.9
Div. Yield	1.6%	1.7%	1.7%	2.0%	2.2%
Net Debt/EBITDA Adj	-0.4	0.1	-0.2	-0.5	-0.8

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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