

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu59.20 - Target: Eu79.00

FY24 Consensus Highly Visible Despite Quarterly Volatility

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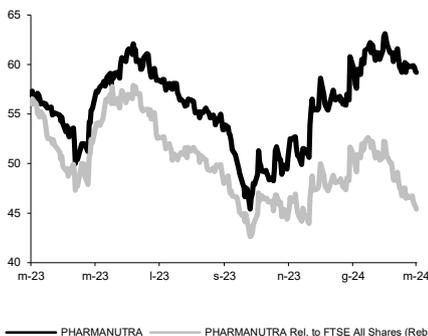
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 75.00 to 79.00		
	2024E	2025E	2026E
Chg in Adj EPS	-1.1%	-1.9%	

Next Event

1Q24 Results Out 13 May 2024

PHARMANUTRA - 12M Performance



Stock Data

Reuters code:	PHNU.MI		
Bloomberg code:	PHN IM		
Performance	1M	3M	12M
Absolute	-5.4%	1.0%	5.7%
Relative	-12.2%	-10.2%	-24.7%
12M (H/L)	63.10/45.40		
3M Average Volume (th):	6.17		

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	573
Total Mkt Cap (Eu mn):	573
Mkt Float - Ord (Eu mn):	201
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

Balance Sheet Data

Book Value (Eu mn):	64
BVPS (Eu):	6.58
P/BV:	9.0
Net Financial Position (Eu mn):	6
Enterprise Value (Eu mn):	567

- FY23 results.** EBITDA was much better than expected, while the bottom line was in line. FY sales (disclosed in January) came to €100.2mn, up 21% YoY and 2% higher than our initial estimate, thanks to very strong delivery on foreign markets (+37.2%, indirect distributor channel) compared to Italy (+14.8%, direct sales) mainly driven by Sideral (over 71% of group turnover) while Akern contributed c.5% to net sales. Thanks to the strong 4Q recovery, PHN has more than recovered from the temporary quarterly sales setback witnessed in 3Q, resuming double-digit growth (1Q: +25.3%, 2Q: 24.7%, 3Q: +6.0%, 4Q: +28.1%). New businesses (US and Spain) made a marginal contribution to sales, while the related start-up costs (€4.6mn) limited EBITDA growth (+8.7% YoY) and profitability (26.4% margin, -3pp YoY). Excluding start-up costs, the EBITDA margin related to the recurring business expanded to 30.4% (+1pp YoY). Adj. net profit came in at €15.5mn (+2.7% YoY, our exp. €15.7mn), excluding €2.6mn of one-offs related to deferred taxes. FCFO was €12.1mn, much stronger than expected (€7.9mn), thanks to WKC relief in 4Q, but was entirely absorbed by CapEx (c.€13.2mn, mostly for new HQ), dividends (€7.7mn), buybacks (€1.7mn) and the purchase of tax receivables (€4.2mn) leading to net debt of €2.6mn (FY22: positive NFP for €10.6mn). DPS proposal at €0.85 (our exp. €0.81).
- Confident tone from conference call.** Management is happy with current FY24 consensus, although the trend between quarters will be very volatile. 1Q24 sales expected in line with 1Q23, mainly due to timing differences on orders abroad and the recent distribution channel policy change in Italy, which has led many wholesalers to shorten stocking periods for products to be sold to pharmacies. The EBITDA margin should narrow slightly YoY due to start-up investments in new business, as already factored into current consensus. On the product pipeline: (+/-) Sideral faces slight market share decline in Italy (change in distribution channel policy, emerging competition) but an R&D push should support double-digit growth. (++) Cetilar aiming for #2 market position (currently #7). (+) Apportal maintains presence in growing sector. China experienced a surge in activity in late 2023, which should continue into 2024, but the business will remain small. On the other hand, as it is primarily focused on ecommerce, the impact on PHN's time and investment is minimal.
- Change in estimates.** We are revising our FY24 top line growth to c.11% (from 15% previously) but lifting profitability to 25.2% (from 24.6%; FY23: 26.4%) to reflect more gradual investments in start-up businesses, prioritising a market-demand driven approach. Higher D&A (now 3% of sales) and taxes lead to cuts of 1-2% in adj. EPS for FY24-26.
- BUY confirmed; new target €79 (from €75).** On the back of solid FY results, we reiterate our BUY rating, raising our TP to €79 to reflect a 50bp decrease in the risk-free rate and the rollover of our DCF model by one year. 2024 is poised to be another transitional year, but we believe the market is ready to take a new look at a story of massive long-term structural growth, especially as visibility starts to strengthen. 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	20	22
EPS New Adj (Eu)	1.554	1.596	1.808	2.052	2.262
EPS Old Adj (Eu)	1.554	1.618	1.828	2.092	
DPS (Eu)	0.800	0.850	0.904	1.026	1.131
EV/EBITDA Adj	25.3	20.6	20.2	17.8	16.0
EV/EBIT Adj	26.8	23.3	22.9	20.2	18.1
P/E Adj	38.1	37.1	32.7	28.8	26.2
Div. Yield	1.4%	1.4%	1.5%	1.7%	1.9%
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.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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