

# PHARMANUTRA

**BUY**

Sector: Consumers

Price: Eu51.20 - Target: Eu87.00

## Impressive Sales Growth Underpinned By Strong Volumes

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### Stock Rating

**Rating:** Unchanged

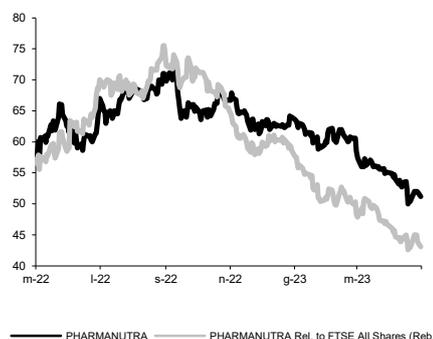
**Target Price (Eu):** from 85.00 to 87.00

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	3.4%	4.8%	4.5%

### Next Event

3Q23 Results Out 11 September 2023

### PHARMANUTRA - 12M Performance



### Stock Data

**Reuters code:** PHNU.MI

**Bloomberg code:** PHN IM

Performance	1M	3M	12M
Absolute	-7.1%	-14.5%	-7.1%
Relative	-7.7%	-15.2%	-22.5%
12M (H/L)	71.40/50.00		
3M Average Volume (th):	6.23		

### Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	496
Total Mkt Cap (Eu mn):	496
Mkt Float - Ord (Eu mn):	174
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

### Balance Sheet Data

Book Value (Eu mn):	58
BVPS (Eu):	5.95
P/BV:	8.6
Net Financial Position (Eu mn):	6
Enterprise Value (Eu mn):	489

■ **1Q23 results.** Overall, a 5% positive surprise on net revenues and adj. EBITDA drove adj. net profit +12% above forecasts. Net sales accelerated at a double-digit rate (1Q23: +25%, FY22: +21%) on both the domestic (1Q: +27%, FY: +23.9%; now c. 70% of total sales), and foreign markets (1Q: +22%, FY: +16%), boosted by Eu1.5mn of sales at Akern (consolidated as of 3Q). Moreover, in March PharmaNutra hit a monthly record of 400k units sold in Italy; while at Group level 2.8mn units were sold in 1Q, up 12% YoY. The SiderAL line (76% of sales) grew 14.5% YoY, reaching a 53.8% market share in iron-based supplements, while Cetilar (11% of sales), Apportal (8%) and Ultramag (1%) all grew by >30%. Reported figures benefitted from a €0.8mn one-off on a contractual tax indemnity owed to the Parent Company relating to 2016. Despite a +26% OpEx increase (COGS +15%, SG&A +27%, labour a+46%) linked to higher sales volumes, the consolidation of Akern and commercial investments, the adj. EBITDA margin was flattish (at 27.7%), as set-up costs for new businesses (USA, Spain, Cetilar Nutrition) started operationally from the end of March, with a limited economic impact on the quarter. With c.€8mn of NWC (higher sales, future orders, stocking of Cetilar nutrition products), higher CapEx (€3.6mn) and buybacks (€1.6mn), NFP was still positive, but came down to €2.9mn (our exp. €2.1mn) from €10.6mn at YE22.

■ **Conference call feedback. 2023 outlook:** still expecting high double-digit top line growth for the existing business (c.20% in Italy, as in FY22) while the margin reflects notable set-up costs as of 2Q (€5-7mn at FY, not capitalised) to support top line growth in the medium/long term. USA: 2 commercial staff already hired, initial sales in September. Cetilar Nutrition: sales launched end of March. Spain: starting operations with ad-hoc distribution network. China: learning experience, material long-term upside. Sales force in Italy: currently 165 reps, also managing the sport nutrition launch, still room to reach 200 reps, although domestic sales targets may even be reached without additional recruitment, leveraging on higher productivity.

■ **Change in estimates.** We are raising our FY23 top line forecast by 4%, leaving margins virtually unchanged: this leads to a 3-5% increase in adj. EPS for 2023-25.

■ **BUY confirmed; new TP €87 (from €85).** On the back of a strong 1Q, new estimates drive an increase in our DCF-based TP to €87 (from €85). 2023 is poised to be a transitional year but this does not justify the recent stock underperformance: we believe the market is ready to take another look at a story of massive long-term structural growth, especially if some visibility starts to emerge in the near future. Based on management indications provided at the recent Investor Day, new business opportunities could unlock significant additional growth in both turnover (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 its undisputed leadership in solid oral iron supplements, high entry barriers due to IP protection and a relentless commitment to R&D.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	68	83	98	113	124
EBITDA Adj (Eu mn)	20	24	24	28	31
Net Profit Adj (Eu mn)	13	15	15	18	20
EPS New Adj (Eu)	1.375	1.554	1.571	1.844	2.107
EPS Old Adj (Eu)	1.375	1.554	1.520	1.760	2.016
DPS (Eu)	0.710	0.800	0.786	0.922	1.054
EV/EBITDA Adj	23.6	25.3	20.5	17.3	15.2
EV/EBIT Adj	25.4	26.8	22.7	19.2	16.8
P/E Adj	37.2	32.9	32.6	27.8	24.3
Div. Yield	1.4%	1.6%	1.5%	1.8%	2.1%
Net Debt/EBITDA Adj	-1.4	-0.4	-0.3	-0.5	-0.8