



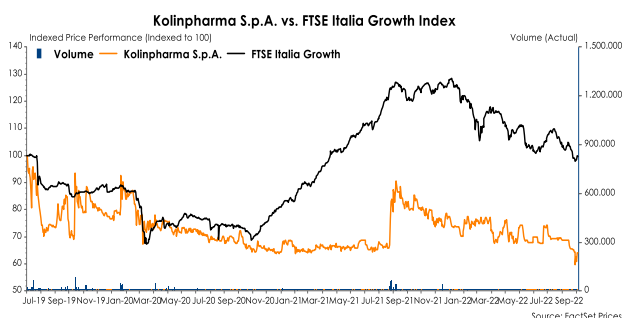
1H22: solid top-line growth, pressure on margins to be recovered in 2H

Sector: Healthcare Technologies

Kolinpharma continues its growth trajectory. Kolinpharma, innovative SME active in the Italian nutraceutical market, continued to benefit from a strong momentum in 1H22 as sales grew by 12% to Euro 5.7 m (Euro 5.1 m in 1H21) overperforming the market which posted a YoY growth of c. 8%. The positive result was mainly driven by a very good performance of new products (DOLTENDIX® and XINPROX®) MILESAX® which confirmed its position as market leader in the Italian market of muscle relaxants, and a return to normal in scientific information activities after the Covid-19 outbreak. Regarding profitability EBITDA came in at Euro 0.7 m, vs. Euro 1.1 m in 1H21 as EBITDA margin dropped to 12% (21% in 1H21) after an increase in Opex by c. 14% mainly due to the expansion of the MSI network and a gradual return to normal for physical marketing and training events. In spite of the inflationary context raw material did not increase as a percentage as the Company has already provided to cover the entire 2022 production at pre-established prices. After an increase in D&As by Euro 0.15 m and net financial charges in line with prior year (Euro 0.1 m) Net Result was negative of Euro 27k (Net profit of Euro 0.4 m in 1H21). A slowdown in trade receivables cash in impacted cash flows with Net Debt at the end of the period considered of Euro 1.4 m, compared to Euro 0.2 m in FY21. Management however stressed that on July 8, Net Debt was already down to Euro 0.1m. The number of MSI at the end of 1H22 stood at 89 (85 at year-end 2021).

Expected recovery in margins in 2H, positive outlook confirmed. Management did not provide guidance for FY22 but expressed confidence that the growth trend will continue with a recovery also in profitability in 2H. Management confirmed that it does not expect any short-term impact on gross margin from the current geopolitical situation and inflationary scenario thanks to the new procurement policy which in addition to programmed purchase also provides for direct purchase from producers rather than subcontractors at lower sale prices which is now possible thanks to higher purchase volumes. Considering that the Company has historically always showed stronger 2H vs. 1H and looking at the increase in MISs and prescription trend (Number of prescriptions 375k, +21% YoY in 1H21 and +14% YoY (volumes) and +18% (value) in July and August), both key growth drivers for the Company, we believe the results to be in tune with our last FY22 estimates. As already underlined in our earlier reports, Management's relentless commitment to R&D for new product launches, continuous expansion of sales network and recent efforts towards international expansion, places Kolinpharma very well to continue to outperform its steadily growing industry.

Changes to estimates and TP. Given the above, we confirm growth expectations for FY22-23 and only prudentially making minor adjustment in FY22-23 profitability margins given the uncertain market conditions. Finally, we also added FY24 to our explicit forecast period. We did not assume any M&A activity or expansion in new areas of specialization which remain key strategic pillars of Management and represent a potential upside to our estimates. We left our DCF and multiple based target price largely unchanged at Euro 14.33 p.s. (Euro 14.28 pr.) providing for an upside on current trading of approx. 80%. At our target price we value the Company at FY22-23 EV/EBITDA multiples of 8.0x and 6.5x respectively vs. current of 4.3x and 3.5x.



Target Price 14.33 (14.28 pr.)

Market Price (€) **7.96**

Market Cap (€ m) **13.1**

EV (€ m) **14.5**

As of October 5th, 2022

Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	KIP:IM/KIP.MI
ISIN	IT00053232950
N. of Shares	1,639,571
Free Float	40.4%
Main Shareholder	RP Petrelli (59.6%)
CEO	Rita Paola Petrelli

Financials

	2021A	2022E	2023E	2024E
Sales	11.2	14.5	16.7	19.2
YoY %	+36%	30%	15%	15%
EBITDA	2.2	2.9	3.6	4.2
EBITDA %	19%	20%	22%	22%
EBIT	1.2	2.1	2.6	3.0
EBIT %	10%	14%	15%	16%
Net Income	0.6	1.3	1.6	1.9
Net Debt	0.2	(0.6)	(1.6)	(3.1)
Equity	8.2	9.5	11.2	13.1

Performance

	1M	3M	6M
Absolute %	-6%	-8%	-11%
Relative (FTSE Italia Growth)	-4%	-7%	+5%
52-week High/Low (Eu)	10.70	/	7.40

Sustainability

ESG Profile available

Luisa Primi

l.primi@irtop.com