



Continuous solid growth in FY22 (sales +26%), investments in internationalization for mid/long term growth

Sector: Healthcare Technologies

FY22 revenue growth outperforming market, slight slowdown in profitability. Kolinpharma, innovative SME active in the Italian nutraceutical market, continued its growth trajectory and recorded sales of Euro 14.1 m in FY21, +26% YoY boosted by an increase both in volumes (+17%) and price and a better sales mix. The result was slightly (-3%) below our expectations (Euro 14.5 m), but well above market growth which according to IQVIA grew by +9.3% in the period (Italian food supplements market). FY22 EBITDA, not considering Euro 0.3 m of extraordinary expenses, came in at Euro 2.5 m, +15% vs prior year (Euro 2.1 m) and with an EBITDA margin of 17.5%, below prior year's (19.1%) and our estimates (20%) due principally to higher personnel costs (+21%) and an increase in overheads following the full resumption of commercial activities after the pandemic affected years (including international trade fairs). With all raw-material and production orders for 2022 already placed in early fall 2021, profitability was not significantly affected by the general price surge. After D&As of Euro 1.4 m (Euro 0.9 in FY21) and net financial charges of Euro 0.2 m, Net Profit stood at Euro 0.3 m vs. Euro 0.6 m as of prior year. On the balance sheet we note a significant improvement in working capital management, with a reduction in terms of NWC/Sales from 22% in FY21 to 12%. Net Cash at the end of the period stood at 0.8 m thanks to good operating cash flow (Euro 2.8 m) and after investments in the period of Euro 1.4 m. of Euro. At year end the number of MSR stood at 76, compared to 85 at year end 2021 and 89 at the end of 1H22.

Strong prescription growth (+23% in January) and focus on consolidation of MS network to support short-term growth. Management did not provide guidance for FY23 but highlighted that after double-digit growth in prescriptions in Q422 (11% volumes and 15% values), the strong trend continued in January (+23% both in terms of values and volumes) and should support our growth expectations in the short term. Management also stressed that it does not expect any significant short-term impact on gross margin thanks to the implemented an increase in price lists and direct purchase policy which should compensate for any increase from contractor suppliers. The commercial strategy will focus on the consolidation of the commercial network aiming to reduce the turnover rate and increase the productivity per MSR through a more selective and targeted monitoring of the different geographical areas and the different therapeutic areas.

International expansion and M&A in the mid-term. Over the years since listing in 2018, Kolipharma has been able to grow revenues at a CAGR of 28% thanks to a strategy focused on consolidating in the domestic market while widening the product offering. Over the last year the Company has intensified activity aimed at laying the ground for an international expansion strategy with product notification in several European and Extra-European countries, establishment of a subsidiary in Switzerland, participation in main international sector trade fairs, and most recently, with a partnership agreement with Swedish AstaReal® AB (Fuji Chemical Industries Co. group) for the B2C sale of Kolpinphara's products in mainland China, Hong Kong, Taiwan and Macau starting from 2023. In addition, in December 2022, the Company announced the emission of a Euro 4.0 m unsecured bond in support of investments for long-term growth. Given the above, and considering the Company's relentless commitment to product development, Kolinpharma looks in our view very well placed to continue to outperform its steadily growing industry. On top of this, we see important mid/long term business opportunities to be unlocked from the investments in internationalization.

Changes to estimates and TP. Following FY22 results, we left our sales expectations for FY23 largely unchanged while increasing slightly our expectations for FY24 when we believe the effects from the AstraReal agreement shall start to kick-in. We further trimmed FY23-24 profitability levels due to a prudential stance on raw material prices and increased costs to grow the MSR network. Our analysis does not consider neither M&A nor expansion in new specialist areas which both represent further upside to our valuation. Based on the above, we updated our DCF and multiple based valuation and set a new target price of Euro 14.59 p.s. (Euro 14.33 pr.) providing for a potential upside on current trading of approx. 75%. At our target price we value the Company at FY23-24 EV/EBITDA multiples of 7.3x and 6.0x respectively vs. current 4.0x and 3.3x.

Target Price 14.59 (14.33 pr.)

Market Price (€) **8.34**

Market Cap (€ m) **13.7**

EV (€ m) **12.9**

As of March 28th, 2023

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%)
Chairman	Rita Paola Petrelli

Financials

	2021A	2022A	2023E	2024E
Sales	11.2	14.1	16.6	19.6
YoY %	+36%	+26%	+18%	+18%
EBITDA	2.1	2.5	3.2	3.9
EBITDA %	19%	18%	19%	20%
EBIT	1.2	0.8	2.0	2.6
EBIT %	10%	6%	12%	13%
Net Income	0.6	0.3	1.1	1.5
Net Debt	0.2	(0.8)	(1.5)	(2.6)
Equity	8.2	8.4	9.5	11.0

Performance

	1M	3M	6M
Absolute %	-2%	-7%	4%
Relative (FTSE Italia Growth)	-2%	-9%	-1%
52-week High/Low (Eu)	9.60	/	6.98

Sustainability

Sustainability report since 2019, impact report for Benefit Corporations as of 2021

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