

FARMACOSMO+

From leading e-pharmacy to digital health, pharma and beauty ecosystem

Sector: digital retail trade

We initiate coverage of Farmacosmo with a target price of Euro 2.79 p.s., providing for an upside vs. current trading of c. 114%. Our target price assumes a 50% dilution from the issuance of bonus shares (the results should be announced over the next weeks) and was obtained by a combination of a DCF model and multiple analysis for which we used three different peer groups: e-pharmacies, EGM listed digital retail & wholesale companies, and digital health services providers. At our target price the stock would be trading at EV/Sales FY23-24 multiples of 1.1x and 0.8x respectively vs. current 0.4x and 0.3x. The higher implied multiples compared to e-pharmacy peers (0.9x and 0.7x) is in our opinion justified by the Group's unique business model and strategic approach resulting in higher expected YoY growth rates, margins, and cash flow. Potential acquisitions represent further upside to our valuation.

Building Italy's first digital health ecosystem by rapidly delivering on IPO strategies. Farmacosmo is rapidly building Italy's first digital health ecosystem. The Group, which listed on EGM in March 2022, has over the last year quickly delivered on IPO strategies by transforming from a leading player in the Italian e-pharma, health, and beauty market into a provider of products and value-added health and wellness services with a strategy aiming at completing the offering to cover any potential customer's entire health journey. Farmacosmo also operates in the B2B segment as a "stellar" wholesale supplier to one of the world's largest marketplaces.

Unique business model allowing for efficient management of working capital and profit oriented commercial strategy. Farmacosmo operates with a unique business model based on just-in-time logistics, data intelligence and internally developed and managed technologies which allows the Group to work with a Sell&Buy approach, zero warehouse policy and data driven business decisions resulting in very low working capital absorption and a profit oriented commercial strategy.

Huge market potential. The Italian e-pharmacy market is still relatively underpenetrated both compared to other product categories and to other European countries (Italy 6% vs average European main countries between 10-15%, and 23% in Germany). The potential to bring these penetration levels to mirror the rest of Europe and other product categories leaves immense opportunity growth.

First market player to move into Digital Health Services. The recent launch of "ContactU", a digital platform specialized in telepsychology and telepsychotherapy, marks the entrance of the Group, as first e-pharmacy in Italy, in the fast-growing Digital Health Services market. This, in our view, puts the Group in a very interesting position and should provide for new high margin revenue streams.

Well defined strategy aligned with driving market trends provides for multiple growth opportunities. To accelerate growth Farmacosmo aims to i) consolidate B2C business by focusing on further enhancing customer experience and brand awareness (marketing, omnichannel, q-commerce, ii) expand wellness verticals (premium beauty and pet), iii) develop the digital health services offering. This strategy seems well aligned with driving market trends and should provide for multiple short and mid-term organic growth opportunities among which we highlight: digitalization of the Italian healthcare system with increased demand for end-to-end online experience, increased importance of brand awareness and possible future deregulation of the e-pharma market. In addition, we expect the operational scale and cost synergies from the recent acquisition to fully kick-in over the next months.

Target Price **2.79**

Price (€) **1.31**
Market Cap (€ m) **44**
EV (€ m) **38**

As of May 2nd, 2023

Share Data

Market	Euronext Growth Milan
Ticker	COSMO
ISIN	IT0005487670
N. of Shares	37.641.906
Free Float	26%
Main Shareholder	DECO F Srl
CEO	Fabio de Concilio

Financials

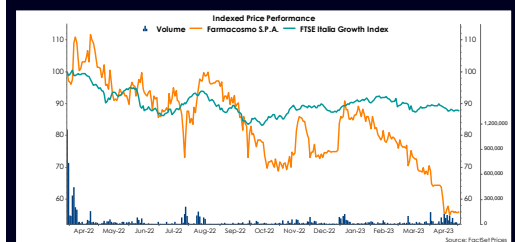
	22A	23E	24E	25E
Rev.	66,6	89,9	119,4	150,3
YoY	14%	35%	33%	26%
EBITDA	0,0	2,5	6,2	10,8
EBITDA	0,1%	2,7%	5,2%	7,2%
EBIT	(1,6)	0,4	4,1	8,4
EBIT	n.s.	0,4%	3,4%	5,6%
Net Inc.	(2,0)	(0,4)	2,4	5,5
Net Debt	(5,2)	(5,8)	(9,5)	(16,3)
Net Equity	19,0	18,6	20,9	26,4

Sustainability

ESG profile available

Performance

	1M	3M	6M
Absolute	-20%	-35%	-21%
Relative (FTSE Italia Growth)	-19%	-32%	-22%
52-week High/Low (Eu)	2.44	/	1.25



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