

## INITIATION OF COVERAGE



**Kevin TEMPESTINI**

+39.02.83424007

[ktempestini@ktepartners.com](mailto:ktempestini@ktepartners.com)

**Giancarlo DI VONA**

+39.02.83424008

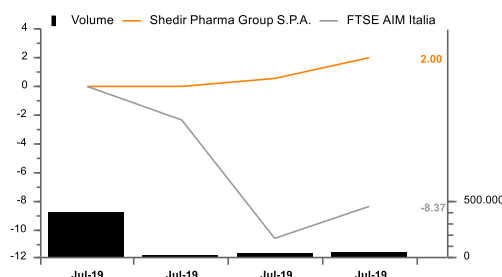
[gdivona@ktepartners.com](mailto:gdivona@ktepartners.com)

**Mauro IACCINO**

+39.02.83424008

[miaccino@ktepartners.com](mailto:miaccino@ktepartners.com)

### Relative Performance Chart since IPO



### Market Data:

Current Price (€)	6.94
Fair Value (€)	10.26
Market Cap (€mn)	79.31
52 Wk High (€)	7.28
52 Wk Low (€)	6.61
Free Float (%)	14%
Avg. Daily Trading 90d	121,625
Price Change 1w (%)	n.a.
Price Change 1m (%)	n.a.
Price Change YTD (%)	n.a.
EV/EBITDA 2019E	7.3x
EV/EBITDA 2020E	6.2x
P/E 2019E	10.4x
P/E 2020E	8.7x

## Don't Worry, buy Healthy!

**Overview.** Shedir Pharma Group SpA ("the company"), founded in 2008, is one of the main Italian nutraceutical companies. Shedir focuses on the most value-creating phases of the value chain: a) R&D, a team of 13 people which developed 120+ brands in 15+ therapeutic areas; b) Marketing and Sales, leveraging on a capillary sales network of 800+ exclusive agents which ranked 2<sup>nd</sup> in Italy for number of contacts with doctors (*Abacam data*). In 2017 the company entered the pharmaceutical market acquiring c. 20 drugs.

**Snapshot of the market.** Italian nutraceutical market reached €3.1bn, with a CAGR 2012-'18 of 8.5%. The increasing life expectancy (c. 77 years in Europe - WHO) and related chronic diseases focused the attention to prevention and healthy nutrition. Nutraceuticals - defined as food or food supplements with health benefits - attracted both food players - for the interesting profitability - and pharmaceutical companies - for the lower R&D and regulatory burden and their mass market. We also find pure-play nutraceutical companies such as Shedir, which enjoys the characteristics to lead the market: an internal R&D division and a strong sales network. Thanks to its competitive advantages, in 2018 Shedir ranked 2<sup>nd</sup> for growth and 8<sup>th</sup> for market share in the Italian nutraceutical market, among multinational players.

**Group historical figures.** Shedir FY18 Revenues reached €46.9mn, up by 16.7% YoY, with the pharmaceutical division tripling with respect to 2017 (€2.5mn vs €0.8mn). The company enjoys outstanding profitability, with FY18 EBITDA margin at 23.6% totaling €11.1mn, up by 57.6% YoY (+28% adjusting for non-recurring costs). Thanks to its asset-light business model, Shedir reached €6.4mn of Net Income (13.7% margin) with an adj. cash conversion ratio of around 54%. In 1H19 revenues increased by 10% YoY, mainly driven by cardiovascular, respiratory and gastrointestinal performances. Shedir launched 6 pet brands and recently obtained a patent a new product patent.

**IPO and Drivers of growth.** Shedir went public on July 23, 2019 with a free float of ca 14% raising ca. €10mn of capital increase and ca. €1.5mn from the Greenshoe. The IPO price was equal to €7.00ps for an initial market cap of ca. €81mn. Company's strategy is based on organic and external growth. Internal growth pillars are: a) Expansion of product portfolio, with launch of new brands and expansion of product lines; b) Continuous development of R&D activity both to maintain a state-of-the art product portfolio and to support it with new patent and clinical studies; c) Internationalization, thanks to already-signed partnership with international distributors in 40 countries to market around 50 products. Looking at external growth, the company is ready to exploit the upcoming wave of divestments from big pharma.

**Future estimates.** We expect on a stand-alone basis a 13% top line CAGR 18-22E, driven by product portfolio expansion and increasing maturity of brands, with €77mn total revenues in 2022E. EBITDA is expected to growth at a CAGR 18-22E of 14.5% thanks to both economies of scale and higher contribution of pharmaceutical division. Thanks to the outstanding cash generation, the company is expected to reach c. €33mn of net cash in 2022E.

**Valuation.** Our market multiples model returns an equity value of €120mn or €10.26ps, a potential upside of 48% on current market price (€6.94ps).

€ Million	Total Revenues	EBITDA	EBITDA Margin	EBIT	Net Profit	Net Margin
2017A PF	40.2	7.0	17.5%	5.3	3.5	8.7%
2018A PF	46.9	11.1	23.6%	9.1	6.4	13.7%
2019E Adj*	54.7	13.0	23.8%	11.0	7.6	13.9%
2020E	63.0	15.2	24.2%	13.1	9.1	14.5%
2021E	70.5	17.3	24.6%	15.2	10.6	15.0%
2022E	76.8	19.0	24.8%	16.8	11.7	15.3%

Source: Company data, KT&Partners' estimates; \*2019 results have been adjusted for extraordinary costs;

KT&Partners Srl

Via della Posta, 10 - Piazza Affari, 20123 Milano - Italy

Tel: +39.02.83424007 Fax: +39.02.83424011

[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)

## Shedir Pharma Group SpA - Key Figures

	Current price (€)	Fair Value (€)		Sector	Free Float (%)	
	6.94	10.26		Healthcare	14%	
<b>Per Share Data</b>	<b>2017A</b>	<b>2018A</b>	<b>2019E Adj*</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Total shares outstanding (mn)	n.m.	n.m.	11.43	11.43	11.43	11.43
EPS	n.m.	n.m.	0.67	0.80	0.93	1.03
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Profit and Loss (EUR million)</b>						
Revenues	40.2	46.9	54.7	63.0	70.5	76.8
EBITDA	7.0	11.1	13.0	15.2	17.3	19.0
EBIT	5.3	9.1	11.0	13.1	15.2	16.8
EBT	5.2	8.9	10.0	12.8	14.9	16.5
Taxes	(1.7)	(2.5)	(3.5)	(3.7)	(4.3)	(4.8)
Tax rate	33%	28%	35%	29%	29%	29%
Net Income	3.5	6.4	7.6	9.1	10.6	11.7
Net Income attributable to the Group	3.5	6.4	7.6	9.1	10.6	11.7
<b>Balance Sheet (EUR million)</b>						
Total fixed assets	15.0	12.4	11.1	9.8	8.4	7.0
Net Working Capital (NWC)	7.2	13.6	13.6	15.7	17.6	19.1
Provisions	(0.3)	(0.5)	(1.8)	(2.4)	(3.1)	(3.8)
Total Net capital employed	21.9	25.7	24.1	24.5	24.6	24.2
Net financial position/(Cash)	14.4	15.1	(1.3)	(10.0)	(20.5)	(32.5)
Total Shareholder's Equity	7.5	10.6	25.4	34.5	45.0	56.8
<b>Cash Flow (EUR million)</b>						
Net operating cash flow	-	-	8.8	11.5	13.0	14.2
Change in NWC	-	-	(0.9)	(2.4)	(2.2)	(1.8)
Capital expenditure	-	-	(0.5)	(0.5)	(0.5)	(0.5)
Other cash items/Uses of funds	-	-	1.0	0.4	0.4	0.5
Free cash flow	-	-	8.4	9.0	10.8	12.4
<b>Enterprise Value (EUR million)</b>						
Market Cap	n.a.	n.a.	79.3	79.3	79.3	79.3
Minorities	-	-	-	-	-	-
Net financial position/(Cash)	14.4	15.1	(1.3)	(10.0)	(20.5)	(32.5)
Enterprise value	n.a.	n.a.	78	69	59	47
<b>Ratios (%)</b>						
EBITDA margin	17.5%	23.6%	23.8%	24.2%	24.6%	24.8%
EBIT margin	13.2%	19.4%	20.1%	20.9%	21.5%	21.9%
Gearing - Debt/equity	192.3%	143.3%	-5.0%	-28.9%	-45.4%	-57.3%
Interest cover on EBIT	2.7%	2.2%	2.7%	2.3%	2.0%	1.8%
NFP/EBITDA	205.1%	136.6%	-9.8%	-65.6%	-118.0%	-171.2%
ROCE	24.2%	35.5%	45.7%	53.6%	61.8%	69.4%
ROE	46.5%	60.8%	30.0%	26.4%	23.5%	20.7%
EV/Sales	n.m.	n.m.	1.6x	1.5x	1.3x	1.2x
EV/EBITDA	n.m.	n.m.	7.3x	6.2x	5.4x	5.0x
P/E	n.m.	n.m.	10.4x	8.7x	7.5x	6.8x
Free cash flow yield	n.m.	n.m.	0.1x	0.1x	0.1x	0.1x
<b>Growth Rates (%)</b>						
Sales	n.a.	16.7%	16.6%	15.1%	12.0%	8.9%
EBITDA	n.a.	57.6%	17.5%	17.0%	13.9%	9.6%
EBIT	n.a.	71.6%	20.8%	19.4%	15.6%	10.8%
Net Income	n.a.	84.1%	18.5%	20.0%	15.9%	11.0%

Source: Company Data, KT&amp;Partners Elaboration; \*2019 results have been adjusted for extraordinary costs;

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## Investment Case

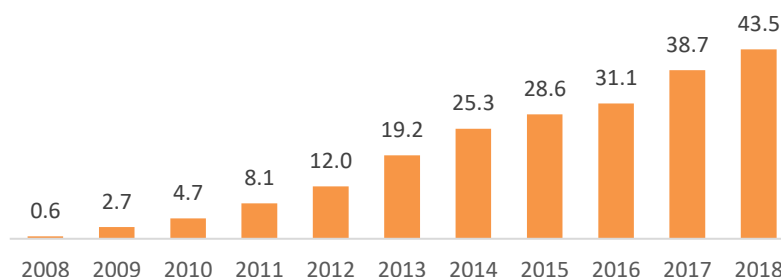
**A Dynamic company!** Shedir is one of the most dynamic companies in the Italian nutraceutical market ranking 8<sup>th</sup> among 1,800 players with a 1.8%<sup>1</sup> market share (in terms of 2018 sell-out in pharmacies). In terms of sales growth, Shedir ranks 2<sup>nd</sup> with a 9.8% YoY growth in terms of sell-out.

**Faithful to health.** Shedir was founded in 2008 with the mission “to have a positive impact on the lives of every person” and over time developed a strong business model centered on:

1. **A unique and innovative product portfolio** - more than 120 brands - internally developed - and 300 different formats, also called references;
2. **A widespread distribution to doctors and pharmacists** - more than 800 exclusive sales agents dedicated to nutraceutical products promotion to doctors and pharmacists. Shedir ranks 2<sup>nd</sup> in the Italian market in terms of meetings with doctors (ABACAM 2018), with more than 110,000 meetings per quarter in the first 3 quarter of 2018.

**Strong and long-lasting success.** Shedir reached €46.9mn of Total Sales in 2018 (+16.6% YoY) and €11.1mn EBITDA, equal to 23.6% EBITDA margin with a strong cash conversion (2018 Cash Flow adj./EBITDA adj. of c.55%). Profitable growth is a peculiar characteristic of the Shedir story since the company has managed to grow every year since its foundation.

Shedir's Revenue Evolution 2008-2018 (€mn)



Source: ITA GAAP Data - Financial Statement Shedir Pharma Srl

**M&A opportunities.** Pharmaceutical players are reorganizing their product portfolio focusing on core-assets. Diversification is no longer valuable and capital allocation is now a high priority, since companies are increasingly diligent about exploring strategic options for non-core or low-growth businesses. According to the EY Global Corporate Divestment Study<sup>2</sup>, 83% of life sciences executives are planning to divest a substantial part of their portfolio (>5% of sales) as companies look to build therapeutic depth without adding portfolio complexity. Shedir aims to play a significant role in this environment taking advantage of big pharma divestment to acquire and enlarge its current portfolio. The company's strong business model has already proved its ability to relaunch an underperforming portfolio; in fact, in 2017 Shedir entered the pharmaceutical market through the start-up of Dymalife and the acquisition of 20 generic branded drug varieties from 4

<sup>1</sup> IQVIA, «Lo scenario farmaceutico, Gennaio 2019» - Nutraceutical market in terms of sell-out in pharmacies

<sup>2</sup> Life Sciences, Global Corporate Divestment Study 2019 – EY

pharmaceutical companies. **Dymalife** - the pharmaceutical division launched in 2017 - has grown three-fold with respect to its launch year reaching €2.5mn in 2018 and €0.2mn EBITDA.

**IPO and use of proceeds.** Thanks to the IPO completed on July 23, 2019 Shedir raised ca €10mn as capital increase. The firepower generated both by the IPO and the strong cash generated by Shedir, is expected to foster business growth:

- Organically, through the launch of new brands and extension of existing lines, thanks to investment in R&D.
- Externally, by exploiting M&As opportunities, in both pharmaceutical and nutraceutical markets, in terms of product portfolio or target companies.

**Statement of risks.** In the European Union the European Food Safety Authority mainly oversees the various regulations that apply to nutraceutical products. Shedir's internal compliance activity, carried out by the R&D team, allows the company to be always in line with regulation and to be updated on potential regulatory changes. Furthermore, the broad product portfolio along with the experience matured by the R&D team, reduce the impact of regulatory change, avoiding regulatory risk and turning it in business opportunities. As a matter of fact, in the past Shedir exploited some regulatory changes: when 5mg came to be classified as a pharmaceutical product, Shedir, in contrast to its competitors, rapidly changed the format to a 1mg melatonin spray so avoiding having to withdraw the product from the market. Long story short, some Shedir competitors faced huge revenue losses, while Shedir gained market share.

M&A strategy entails execution and operating risks, even though the company already demonstrated, with the Dymalife launch, that it was capable of integrating product portfolios acquired from other companies and making them successful.

To minimize the risk of out-of-stock and boost company growth, Shedir in 2017 launched the product line Green Planet, conceived with a product portfolio destined to direct sales to pharmacies, through a dedicated group of exclusive sales agents.

## Company Overview

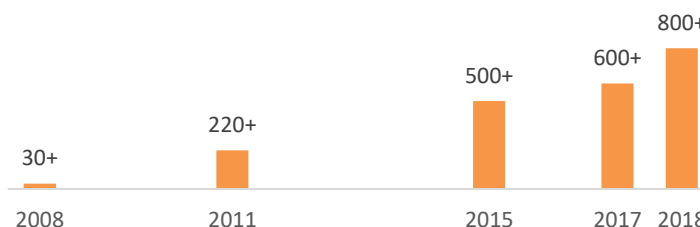
Shedir Group, founded in 2008, is one of the **main Italian nutraceutical** companies. In 2018 it reached **€46.9mn of Total Revenues** (+16.6% YoY) mainly thanks to its innovative product portfolio and its sales network - of 800+ exclusive agents - which ranked 2<sup>nd</sup> for contacts with doctors, among more than 700 companies<sup>3</sup>. In addition to its sales network, the company employs 90+ people. The focus of the group is on food supplements with a high functional effect on health exclusively distributed through pharmacies. The company entered in 2017 the pharmaceutical market through the acquisition of around 20 already-developed generic branded drugs. The group enjoys a **broad and consolidated product portfolio**, internally developed by the R&D department, that covers over 15 therapeutic applications - with 120+ brands - among which the most important are in the cardiovascular, respiratory, urologic and gynecologic, osteo-articular and neurologic areas.

Shedir leverages on its **capillary sales network of more than 800 exclusive agents**, which have been internally trained. The working relationship with the best-performing agents is strong, with some of them working for Shedir since its establishment. According to the management, the sales network covers more than 70% of the Italian territory, promoting Shedir's products to doctors and pharmacists. Doctors' recommendations are one of the key drivers of nutraceutical consumption<sup>4</sup> and **Shedir** fully exploit this driver by visiting more than 110,000 doctors every quarter (data related to the first 3 quarter of 2018).

Thanks to its commercial model - based on high-quality and safe products promoted to health professionals - Shedir enjoys a consolidated revenue flow. Customers are more inclined to keep buying **Shedir's products** since they are **supported by doctors' recommendations**, while competitors' products - marketed prevalently through media channels - bear the risk of being replaced either by the consumer's own choice or by the pharmacist's and doctor's recommendation.

The company **internally developed over 300 innovative references** (a reference is a specific format of a brand), 7 patents and 50 patents pending, thanks to an expert R&D department which works to constantly create new formulations or innovate existing lines. The R&D expertise has been recognized both by the "Ministero per lo Sviluppo Economico" (MISE) - which selected - among many - an R&D project carried out by Shedir - and by **international players which collaborate** with Shedir to develop and market new products.

### Shedir's Agents Evolution 2008-2018



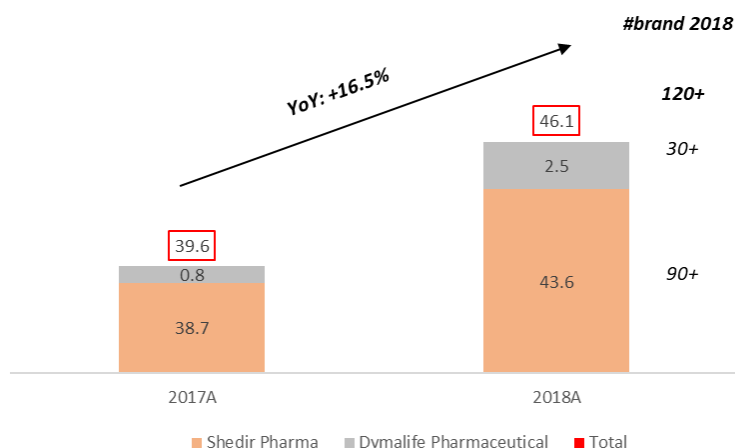
Source: Analyst presentation

<sup>3</sup> ABACAM (2018)

<sup>4</sup> Quintiles IMS - "Giornale Italiano di Farmacoeconomia e Farmacoutilizzazione", March 2019

Shedir's 2018A product sales reached €46.1mn with a contribution of €2.5mn from the pharmaceutical division (BU2) - launched in 2017 after the acquisition of c. 20 pharmaceutical products - and €43.6mn from the nutraceutical division (BU1). The main products sold are food supplements (80% of 2018 revenues), followed by medical devices and dermocosmetics. Looking at therapeutic area, the most important areas are respiratory and cardiovascular for the BU1, while for BU2 the main areas are antibiotic and intestinal anti-inflammatory.

#### Shedir's Product Sales Evolution (€mn) 2017-2018



Source: Analyst presentation, KT&P elaboration

Shedir focuses on the most value-added phases of the value chain - the R&D and the marketing activities - registering brilliant profitability performances reaching an EBITDA margin adj. of 24.1% and an adj. cash conversion ratio of c. 55%.

#### Shedir Group's Positioning in the Nutraceutical Market

In the last few decades food supplements have entered our lifestyle choices, thanks to an increasing awareness of their benefits. **People are more and more interested in their wellness and have concentrated their attention on nutrition and prevention with nutraceuticals combining these needs.** Furthermore, the nutraceutical market has been pushed by an aging population which in turn has resulted in an increase in chronic diseases which affected c. 38% of Italians<sup>5</sup> (OECD - Organization for Economic Co-operation and Development).

Nutraceuticals may be defined as *food or food supplements* with potential *health benefits*, and its peculiarities have attracted players from both the food and the pharmaceuticals industries.

**Nutraceuticals** attracted food players for their **interesting profitability**, while attracting pharmaceutical players for their **lower R&D and regulatory burden**. Among food players - who leverage on their merchandising expertise - and pharma companies - who leverage on their scientific and regulatory advantages - we find companies such as **Shedir** which **has been set up as a pure-play nutraceutical company and recently expanded in the pharmaceutical market**. Shedir enjoys all the characteristics of a leading

<sup>5</sup> "Nutraceutici, Integratori e Valutazioni Economiche", Associazione Farmaceutici Industria, 2018 on OECD data

player: a) a robust R&D team to both develop new products and comply with regulatory issues; b) a strong and widespread sales network with more than 800 exclusive agents to bring the product to the market.

### Nutraceutical Market Challenges and Opportunities



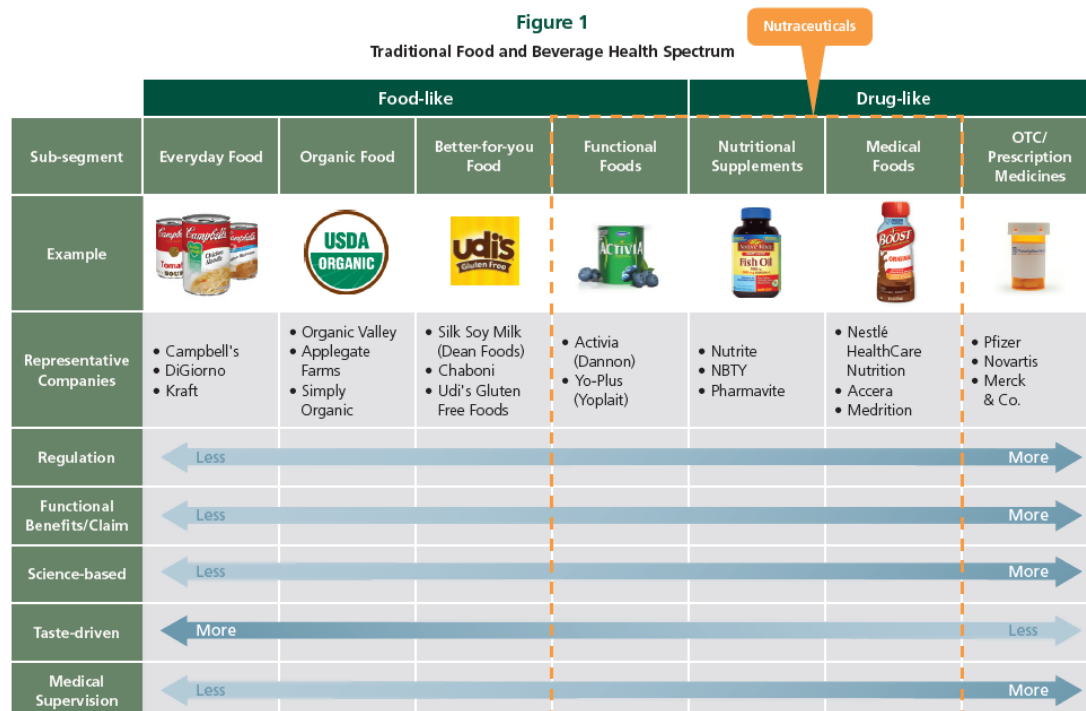
Source: KPMG, "Nutraceuticals: the future of intelligent food", 2015

LEK Consulting classified nutraceutical products in **three different categories**, according to their proximity to either food products or drugs. The range goes from functional foods to medical foods, passing through nutritional supplements, which also are the main product category sold by Shedir.

*Drug-like* products, when compared to *food-like* ones, are characterized by stronger regulation, functional benefits, science-base and medical supervision and are also characterized by lower taste-driven consumption.



## Food and Beverage Health Spectrum



Source: L.E.K. Consulting

Source: LEK Consulting, "Executive Insights, Volume XV, Issue 12"

To sum up, in order to succeed in the nutraceutical market, companies will have to **focus on**: a) **Innovative products** backed by solid scientific evidence; b) **Doctors' and pharmacists' recognition** - whose recommendations are a key driver of nutraceutical consumptions - as a high-quality company with effective products. **Shedir** embraced this vision by a) building a **strong product portfolio backed by clinical studies** carried out with leading pharmaceutical players and with research centers, such as universities and academies; b) a **capillary sales network** which promotes Shedir's products to health professionals.



## Shedir's Product Portfolio



Shedir's product portfolio is composed of more than 120 brands (300+ references), which cover more than 15 therapeutic areas. The broad product portfolio also reduces the risk of changing regulations.

The continuous innovation of the R&D department coupled with the capillary sales network allows Shedir to compete with giant international pharmaceutical players. Shedir's products are based on innovative and complex formulations made by more than one active ingredient. Shedir currently owns 7 products' patents and is filing for 50 new ones.

## Examples of Shedir's Products vs Market Leader

	Market Leader 	Shedir 
<i>active substances</i>		
Serenoa repens	320 mg	400 mg
Ananas comosus tit in bromelain	X	100 mg
Curcuma longa	X	50 mg
Zinc	X	15 mg
Lycopene	X	3 mg
Selenium	X	41.5 mg
Quantity	30 softgel	15 softgel
Price per package	€ 23	€22.90
Price per softgel	€0.77	€1.53
Patents	X	yes

	Market Leader 	Shedir 
<i>active substances</i>		
Bromelain	40 mg	120 mg
Ananas comosus	X	400 mg
Fermented malto-dextrins enzymes	X	100 mg
Quantity	20 tablets	18 sachets
Price per package	€ 12	€16.90
Price per tab/sachet	€0.60	€0.94
Patents	X	X

	Market Leader 	Shedir 
<i>active substances</i>		
N-acetylcysteine	600 mg	600mg
Vitamin C	X	500
Eucalyptus	X	50
Quantity	30 sachets	20 sachets
Price per package	€15.90	€13.90
Price per sachet	€ 0.53	€0.70
Patents	X	yes

Source: Analyst presentation

Note: Patents "Yes" means that, for at least one reference of the relevant product, there is a patent or a pending patent

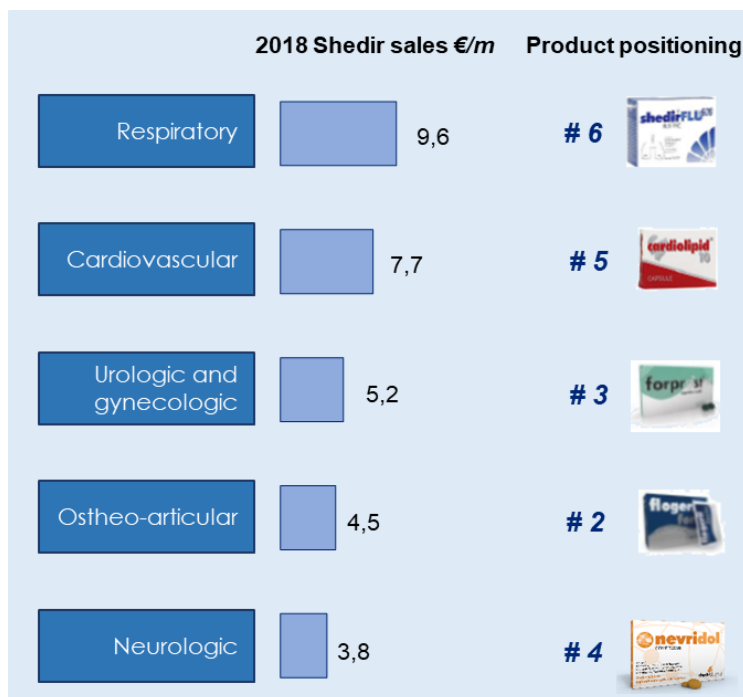
Thanks to its high-quality and competitive products, Shedir is able to demand a price premium over its competitors and thanks to its capillary sales network to rank some of its products among the top 10 sellers in their segment<sup>6</sup>.

Among the most important brands we find:

- ShedirFlu: product for the upper respiratory track, it ranked sixth in its market segment thanks to its innovative formulation, enriched by pharmaceutical-like active ingredients.
- Cardiolipid: product for the control of cholesterol, with a formulation based on monacolina K combined with other active ingredients which, as opposed to other competitors' products, do not have side-effects. Cardiolipid ranked 5<sup>th</sup> in its segment and some references of the Cardiolipid are patent-protected and are supported by scientific and clinical studies.
- Nevridol: product for the treatment of neuropathies, protected by a patent and with a competitive price positioning. Thanks to its characteristics it ranked 4<sup>th</sup> in its segment.
- Flogeril: anti-inflammatory product based on a pharmaceutical product formulation and developed by Shedir with active natural ingredients. It ranked 2<sup>nd</sup> in its market segment and is suitable for both children and adults.
- Forprost: acts against benign prostatic hyperplasia with 3 different formulations to be used according to the complexity of the problem and the age of the patient. Thanks to the combined active ingredients, it offers a strong effectiveness for the patient allowing it to be ranked as 3<sup>rd</sup> in its market.

<sup>6</sup> Source: Analyst presentation based on "New Line ricerche di mercato"

## Therapeutical Area and Product Ranking 2018

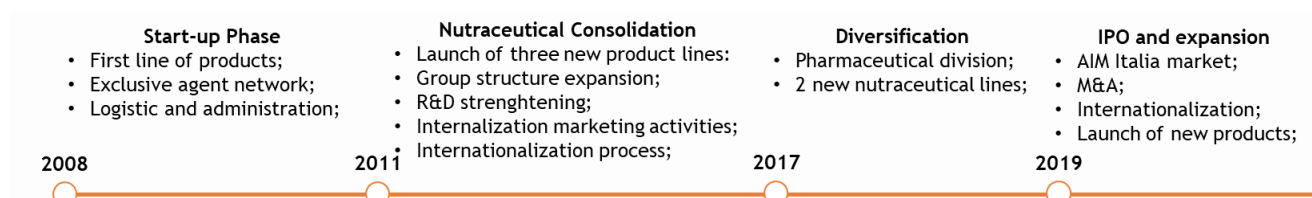


Source: Analyst presentation: Company data (Shedir Sales); New Line ricerche di mercato (Product positioning)

## Shedir Group's History

Shedir was founded in 2008 by **Umberto Di Maio** who bet on the promising nutraceutical sector, leveraging on its 15+ years of experience in the healthcare sector. In 2018, after just 10 years, Shedir registered €46.9m of Total Revenues, with more than 300 references and a capillary network of 800+ exclusive agents at the end of 2018.

### Shedir Group's History



Source: Analyst presentation, KT&Partners Elaboration

The company's history can be divided into 3 main phases:

- **Start-up (2008-2011):** Shedir entered the market with the first line of products (20+ references) selling it through a network of 30+ agents. Along with recruiting the sales force, the company set up its logistic and administration activities in Piano di Sorrento.
- **Nutraceutical Consolidation (2011-2017):** The second phase has been characterized by:
  - The launch of 3 new product lines (1 in 2011 and 2 in 2014) achieving more than 130 references;
  - The expansion of both headquarters, warehouse and distribution network to support the company's growth;
  - R&D strengthening through the set-up of a captive company, the registration of its first patent and the publishing of the first clinical study in an international paper;
  - Internalization of marketing activities in 2015 - through the acquisition of Adhara - to boost both brand recognition and profitability;
  - Start of internationalization process and establishment of Shedir Farmaceutica Espana.
- **Diversification (2017-2019):** In the last few years, Shedir has expanded in new nutraceutical areas through the launch of a division dedicated only to pharmacies and with the launch of Shedir Pet. In 2017, Shedir - leveraging on its experience - founded Dymalife Pharmaceutical Srl, entering the pharmaceutical market thanks to the acquisition of c. 20 drugs.
- **IPO and further expansion (2019-2021)** - Shedir is now planning to expand and enhance its current product portfolio. In order to accelerate its growth, Shedir went public on the AIM Italia market on July 23, 2019. The proceeds of the IPO - ca €10mn - are expected to be invested in order to grow through M&A activities, internationalization and product portfolio strengthening.

### Focus on Dymalife Start-up

During the last few years, Shedir has conducted successful M&As, among which were the acquisition of selected pharmaceutical assets that supported the start-up of Dymalife Pharmaceutical Srl. Shedir acquired 20 drug varieties from 4 pharmaceutical companies for a total consideration of c. €4.7mn.

After only 18 months, Dymalife reached an EBITDA break-even of €0.2mn with €2.5mn of Revenues. This brilliant result has been possible thanks to Shedir's successful set-up and management of a dedicated sales network - of 100+ agents - which directly promotes products to doctors and pharmacists. Thanks to Shedir Group value creation, those c. 20 drugs acquired in 2017 for €4.7mn are now valued - according to a recent estimate - at c. €7mn.

## Management Team and Group Organizational Chart

The company employs more than 90 people, among which 13 are in the R&D department and 28 in the sales & marketing department. The board of directors is composed of the Chairman Umberto Di Maio, the CEO Antonio Scala, Giuseppina Fusco and two other independent directors to be appointed.

### Umberto Di Maio (Founder and Chairman)

Umberto Di Maio is the founder and Chairman of Shedir Group. He has more than 20 years of experience in the healthcare sector. Before founding Shedir, he worked as manager in Chiesi Farmaceutici and co-founded Stardea, a healthcare company focused on nutraceutical products. He holds a degree in pharmacy from the University of Naples.

### Antonio Scala (CEO)

Antonio Scala entered the Shedir Group in 2014 as CEO and Managing Director. He worked as Financial Auditor in Ernst & Young, covering the role of Senior Auditor, and as a Business Consultant for SMEs. He holds a degree in International Economics Sciences from the University of Naples and a master's degree from Il Sole 24 Ore Business School.

### Giuseppina Fusco (PR & Advertising Manager)

Giuseppina Fusco covers the role of Public Relations and Advertising Manager. She has worked at Shedir since 2008 and has more than 10 years' experience. She holds a degree in Business Economics from the University of Naples.

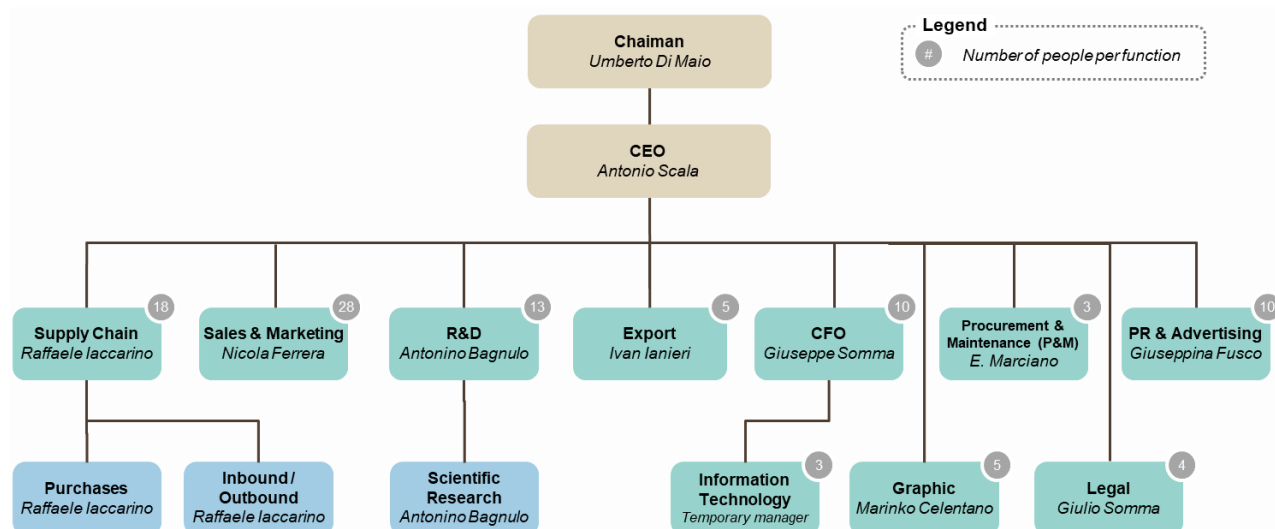
### Raffaele Iaccarino (Supply Chain Manager)

Raffaele Iaccarino, Shedir's Supply Chain Manager, has more than 20 years' experience in Supply Chain Management. He has worked as purchasing manager, logistics plant manager, and operation & supply chain manager in various companies. He holds a degree in electronic engineering from the University of Naples.

### Antonino Bagnulo (R&D Manager)

Antonino Bagnulo is responsible for Shedir's R&D division. After graduating in Biology at the University of Naples he worked as a biologist with a focus on quality control at Myllenium Lab. Since 2012 he has been in charge of R&D, regulatory affairs and project management at Shedir Group.

## Shedir Group's Organizational Chart



Source: Company presentation

## Shedir Group's Structure

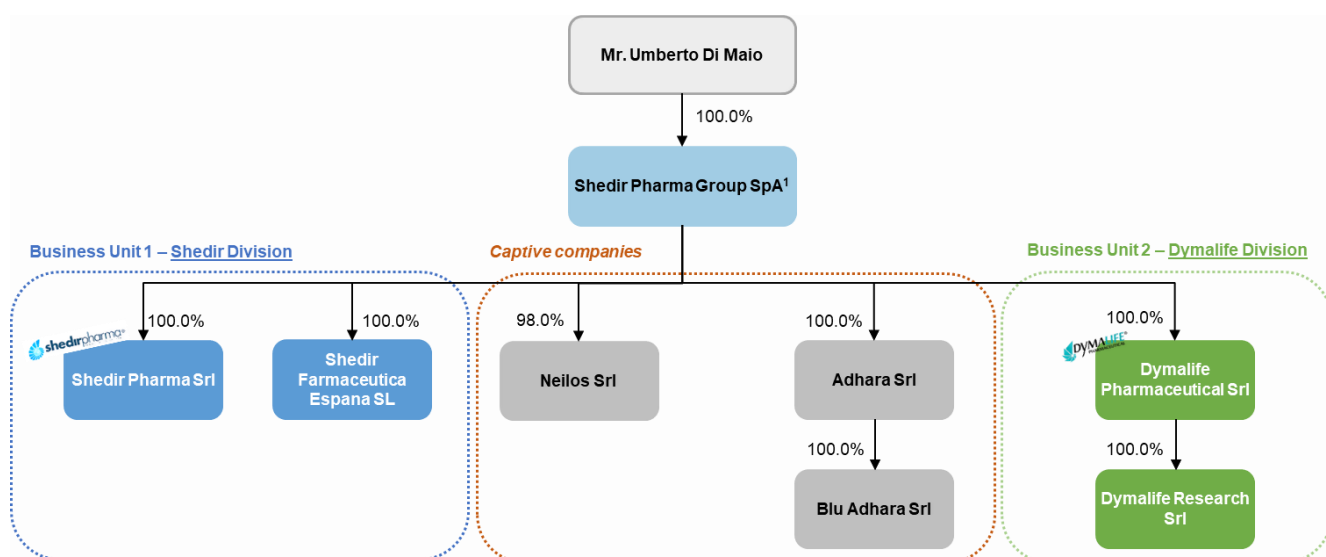
Shedir Group's structure is controlled by Shedir Pharma Group SpA, the holding company fully owned by Umberto Di Maio.

The group was previously controlled by Maior Finanziaria Srl (renamed Shedir Pharma Group SpA) and included other non-core companies: Cobrax Srl, Kali Srl and Medusa Srl. To optimize the structure before the IPO the management conducted a carve-out of such companies by excluding them from the IPO perimeter (for instance the real estate company).

The holding company is responsible for the co-ordination of the 3 pillars of the group:

- **Shedir Division:** Engaged in the sale of nutraceutical products such as supplements, dermocosmetics and medical devices mainly in Italy through Shedir Pharma Srl and directly in Spain through Shedir Farmaceutica Espana SL;
- **Dymalife Division:** Engaged in the sale of pharmaceutical products such as drugs, supplement and medical devices through Dymalife Pharmaceutical Srl - owner of 31 drugs' AIC (*"Autorizzazione per Immissioni al Commercio"*) - and engaged in the Research and Development activities in the pharmaceutical sector through Dymalife Research Srl;
- **Captive Companies:** the companies who support the other business units: Neilos Srl (established in 2005), owner of patents and intellectual properties in the nutraceutical sphere and responsible for the R&D Division of Shedir Pharma; Adhara Srl, which fully owns Blu Adhara Srl, responsible respectively for marketing/communications and conventions/travel management.

## Shedir Group's Structure

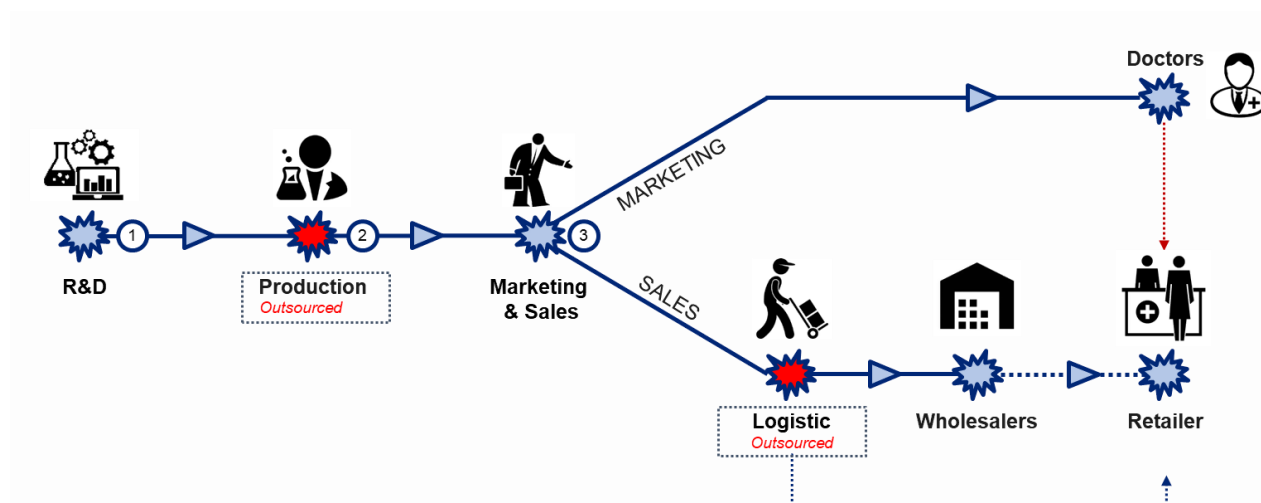


Source: Company presentation

## Business Model

Shedir's business model focuses on the value-added phases of the value chain: R&D, Marketing and Sales & Distribution. The group enjoys an asset-light model, having outsourced the Production and Logistics activities to selected players. Nevertheless, Shedir carries out **continuous control on the whole production process** to ensure the highest quality in line with the best practice in the healthcare industry. The value chain is completed by the sales network represented by **more than 800 exclusive agents who promote Shedir's product** to doctors, whose feedback and prescriptions are the main drivers of nutraceutical and pharmaceutical product demand<sup>7</sup>. According to Abacam (2018), Shedir is the 2<sup>nd</sup> company - among more than 700 players - for number of contacts with doctors.

### Business Model Overview



Source: Analyst presentation

The group operates through two business units: Shedir Division and Dymalife Division, which account respectively for 95% and 5% of 2018A total revenues.

## Origination and R&D

The R&D team is composed of 13 professionals whose main activity is to **develop new formulations** based on both **in-house research activities** and **international pharmaceutical research**. In the last few years Shedir invested around 3% of its revenues in R&D activities, and all investments have been expensed in P&L.

The company carries out internal research activities - also in partnership with universities, private institutions and pharma players - in order to originate new products or new formulations. The R&D activity is enriched by feedback collected from doctors, pharmacists and sector conventions.

Shedir **internally developed all the nutraceutical references** currently commercialized with an average of 50 new references per year in the most recent years.

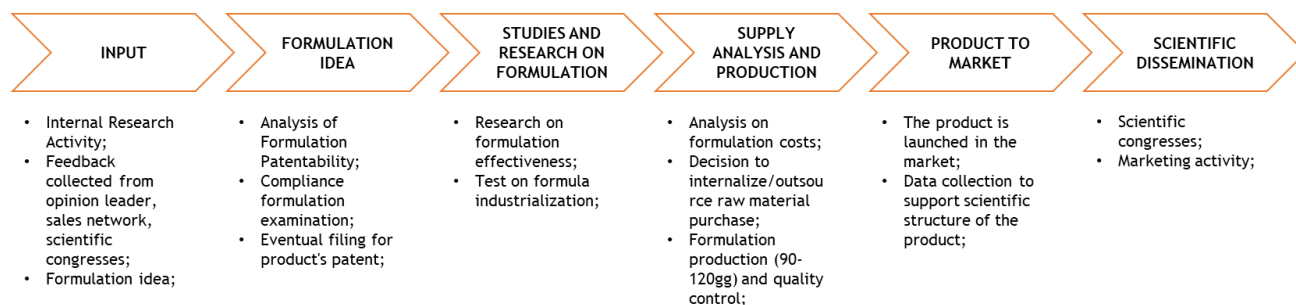
The phases of the product development go from input to the go-to-market stage combined with supporting scientific dissemination. On average, for nutritional supplements and dermocosmetics it takes 6 months from the input

<sup>7</sup> Quintiles IMS - "Giornale Italiano di Farmacoeconomia e Farmacoutilizzazione", March 2019



idea to the marketing of the products, while for medical devices the timing is around 15-20 months.

### Product Development Phases



Source: Company's Management, KT&Partners' Elaboration

The R&D quality has been recognized both by the “*Ministero per lo Sviluppo Economico*” (MISE) - which selected among many a project carried out by Shedir - and by **international players, which collaborate** with Shedir to develop and market new products.

The R&D team is also responsible for the regulatory compliance and the preparation of technical documents. Shedir already has **7 patented products** and has filed for **c. 50 new patents**. The object of the patent is the formulation of the products, the vehiculation for medical devices or the production process.

The R&D division is also responsible for the product packaging and carries out this activity in order to strengthen the brand recognition.

Finally, the team is involved in training programs and materials for agents, along with producing information material for doctors, to support sales.

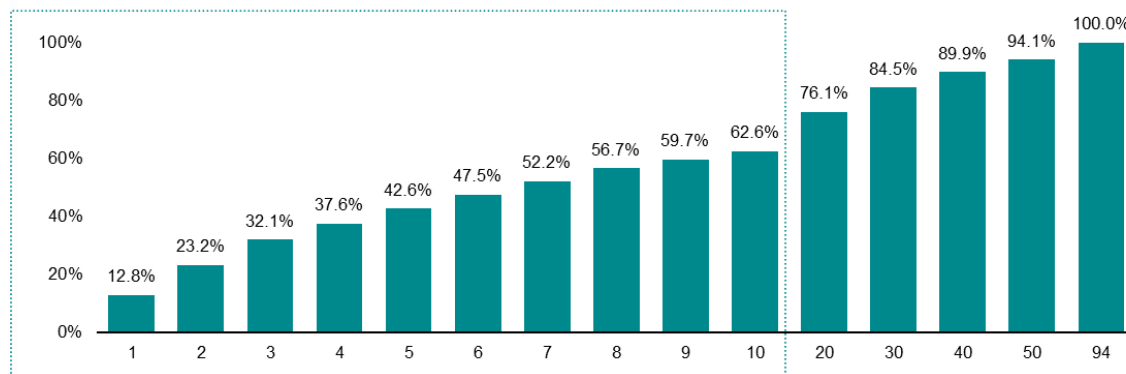
### Production and Sourcing - Outsourced

Although externalized, **Shedir oversees the whole production process** to guarantee the highest product quality. The company has **direct access to the best raw materials** and procures directly the most important raw materials for c. 80% of products commercialized.

The group currently operates with 94 suppliers with which it has a long-lasting relationship, among which are **40 specialized companies** located in Italy. Contract manufacturers are subject to both **strict selection**, among different companies, and **continuous monitoring** to ensure that they have a certified quality management system and the specific quality standards adopted by the group. Shedir performs quality controls thanks to its system of internal protocols, with **periodic testing and auditing** of the production processes.

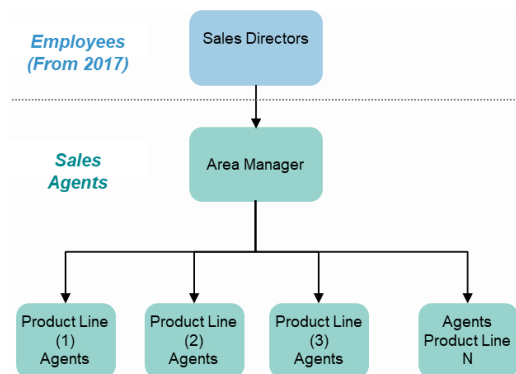
Quality controls are performed throughout the production phases starting from the supply of raw materials and packaging to the final checks before shipment through laboratory analysis and inbound checks.

### Supplier Base Concentration



Source: Analyst presentation

### Shedir's Sales Network Structure



Source: Analyst Presentation

### Marketing and Sales

Shedir's sales network represents a *unicum* in the nutraceutical sector, being composed of more than 800 exclusive agents - of which around 70-80% are graduate professionals - which ensures capillary marketing activity. According to the management, Shedir sales network currently covers c. 70% of Italian territory and it is planning to increase its coverage.

The commercial activity mainly dedicated to health professionals ensures the company a stable revenue flow: consumers tend to follow doctors' and pharmacists' recommendations for their health issues and thus for nutraceutical purchasing.

The commercial structure is formed of 11 sales directors (10 BU1 and 1 BU2), 70 area managers (60 BU1 and 10 BU2) and more than 700 single brand agents (600 BU1 and 100 BU2). The company keeps recruiting to expand its sales network and to replace poorly performing agents. Usually the replacement occurs in the first six months of work following the poor results of newly hired agents. According to the management around 60% of the sales network recently started to work in the group, representing a significant growth potential.

The organization is based on 8 product lines with geographical overlap of agents for different product lines. The commercial force is made up of specialized professionals trained as scientific representatives by Shedir with a two-phase program:

- **Phase 1:** 1-year training program carried out by area managers with specific sessions held twice a week/month.
- **Phase 2:** Area managers support agents directly in the field, contributing to agents' training.

The marketing is supported by scientific advertising conferences, direct marketing with media campaigns (TV and Web), promotional activities and sponsorship. The marketing strategy is enriched by Web-based communications, career day events and scientific conventions in which Shedir participates.

### Warehousing and Logistic - Partially Outsourced

The orders are managed by a customer services team, which constantly monitors the wholesalers' stocks, and by the company's ordering software. Thanks to its short lead time (48-72 hours) the group registered more than 280,000 orders during 2018.

The warehousing activities are supported by two plants:

- **Nutraceutical logistic plant** located in Mercato San Severino (SA), formed by two units with a total of c. 5,800 sqm indoor area and c. 2,450 sqm outdoor area;
- **Pharmaceutical logistic plant** located in Naples and managed by a third-party.

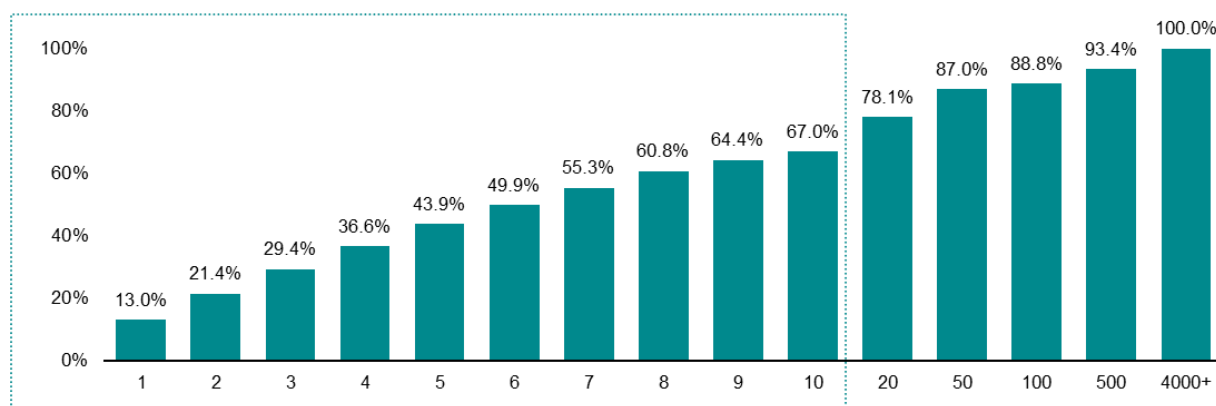
## Sales and Distribution

Shedir distributes its products directly to 4,000+ pharmacies and indirectly to wholesalers among which are the main players within nutraceutical/pharmaceutical sectors. According to the management the group serves all Italian pharmacies both directly (20%) and indirectly through wholesalers (80%). The company also sells its products abroad, relying on 45 international distributors in 40 countries. The outsourced distribution allows the company more flexibility while giving the opportunity to explore new markets.

The company enjoys a stable customer base, thanks to its consolidated 10+ years relationship with the top customers: the main wholesaler distributors of nutraceuticals and the pharmaceutical market.

The concentration of sales on wholesalers allows the company to a) minimize credit risk; b) minimize logistic expenses; and c) optimize client-relationship management.

### Customer Base Concentration



Source: Analyst presentation

### Top 10 Customers

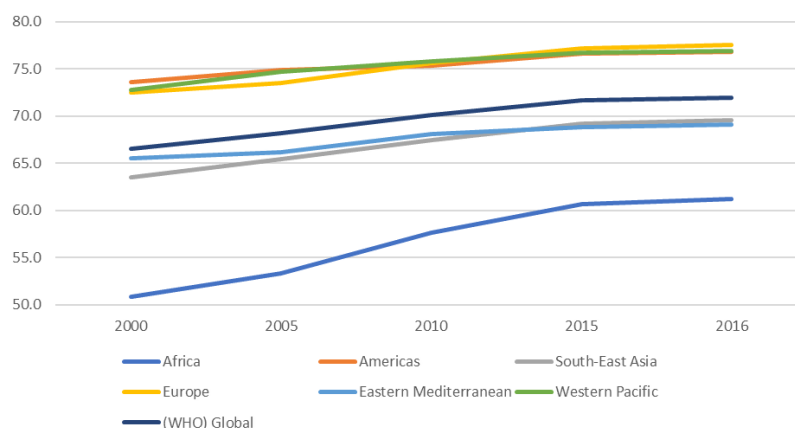
Rank	Client	Tipology of Client / Channel	Relationship's lenght	% del Total Sales		
				2017	2018	Sales Growth
1	COMIFAR S.P.A.	Wholesaler distributor	10+ years	16.9%	13.0%	(9.8%)
2	ALLIANCE HEALTHCARE	Wholesaler distributor	5 years	8.4%	8.4%	17.2%
3	FARVIMA S.P.A.	Wholesaler distributor	10+ years	8.3%	8.0%	13.0%
4	UNICO S.P.A.	Wholesaler distributor	10+ years	6.9%	7.3%	23.3%
5	GUACCI S.P.A.	Wholesaler distributor	10+ years	5.6%	7.2%	52.0%
6	SO.FARMA MORRA S.P.A.	Wholesaler distributor	10+ years	5.6%	6.0%	25.3%
7	CEF FARMA SCRL	Wholesaler distributor	8 years	3.7%	5.5%	70.8%
8	VIM S.R.L.	Wholesaler distributor	10+ years	5.2%	5.4%	22.4%
9	D.M. BARONE S.P.A.	Wholesaler distributor	10+ years	3.4%	3.6%	25.6%
10	FARMACENTRO SOC. COOP.	Wholesaler distributor	8 years	2.3%	2.6%	31.2%
Top 10 Clients in 2018 (% of Total Sales)				66.2%	67.0%	18.4%
Totale Sales (€/m)				38.7	45.3	n.a.

Source: Analyst presentation

## Market Overview

The growing health culture with the focus on prevention along with the aging population are key drivers of the nutraceutical market. Between 2000 and 2016 global life expectancy increased from 66.5 to 72.0 years, with Europe following the same trend from 72.5 to 77.5 years. Nutraceuticals deal with and help to prevent or alleviate symptoms of diseases strictly related to aging disorders such as cardiovascular, cancer, obesity, diabetes and osteo-articular.

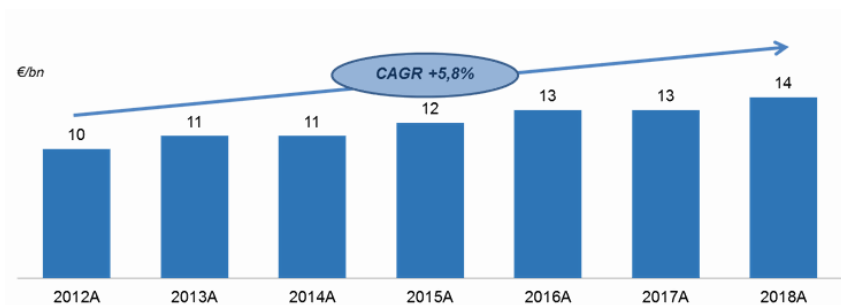
### Aging Population - Life expectancy



Source: World Health Organization

The European nutraceutical market followed the social and demographic trend registering a CAGR 2012-2018 of 5.8% reaching €14bn in 2018. The greatest contribution came from the Italian market which in the same period grew at a CAGR of 8.5% (+2.7% with respect to the European market) reaching a market share of 22% with c. €3.1bn of value.

### European Market 2012-2018 (€bn)



Source: Euromonitor, Analyst Presentation

## Nutraceutical Industry

Nutraceutical products may be defined as food or food extracts providing health benefits, such as preventing or treating diseases. Given their peculiarities, nutraceuticals fall in between food and drug categories and may be classified as follows:

- **Functional foods and beverages:** i.e. foods and beverages enriched by natural ingredients which provide light/medium therapeutic effects for healthy people who are interested in preventing diseases.

These products are marketed both in supermarkets and via the Internet.

- **Dietary supplements:** such as vitamins and tonics extracted from food sources, to treat common health problems. Given their medium/high therapeutic effect these products are also sold in pharmacies.

### Nutraceutical Segments

Segments	Product description		Target group	Channel	Therapeutic effect
FOOD	Generic		Everyone	• Everywhere	NONE
NUTRACEUTICALS	FUNCTIONAL FOODS	Foods and beverages which provide health benefits beyond their nutritional value through added natural/ healthy ingredients	Healthy people seeking to preserve wellness	• Supermarket • Internet	MEDIUM / LIGHT
	FUNCTIONAL BEVERAGES				
	DIETARY SUPPLEMENTS	The aggregation of dietary supplements, vitamins, tonics, pediatric vitamins in order to provide health benefits	People with common health problems	• Supermarket • Pharmacies • Internet	MEDIUM / HIGH
DRUGS	Specific		People with specific health problem	• Pharmacies	STRONG

NUTRACEUTICALS Shedir Pharma Group focus

Source: Analyst presentation - AT Kearney report "Nutraceuticals: the front line of the battle for consumer health", 2014

Beside an aging population and greater attention to health, there are other relevant market drivers which characterize the nutraceutical market:

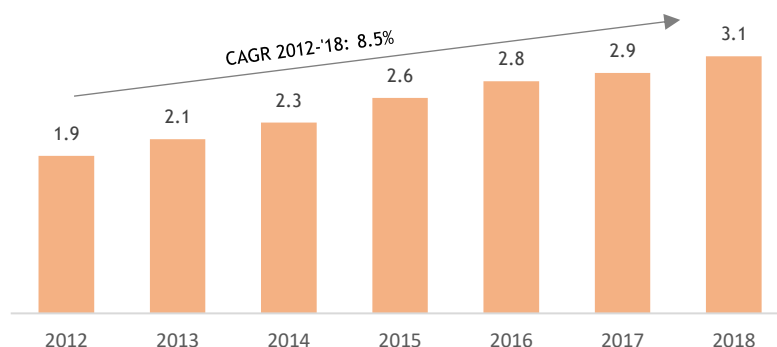
- **Nutraceutical recognition:** Company quality recognition from doctors and pharmacists (increasing awareness of function of natural substances);
- **Product innovation:** advances in food processing technologies gave room to new foods and beverages with added nutritional value;
- **Combined therapy with drugs:** (also for areas less covered by drugs).

### The Market in Italy

The Italian nutraceutical market, from 2012 to 2018, grew at a faster rate than the European aggregate (CAGR 8.5% vs 5.8%), consolidating its leadership with 22% market share and €3.1bn of value.

The increasing attention to health, combined with the aging population and rising population stress - with stress affecting around 90% of Italians according to Assosalute - is driving the consumption of nutraceutical products.

## Italian Nutraceutical Market 2012-2018 (€bn)

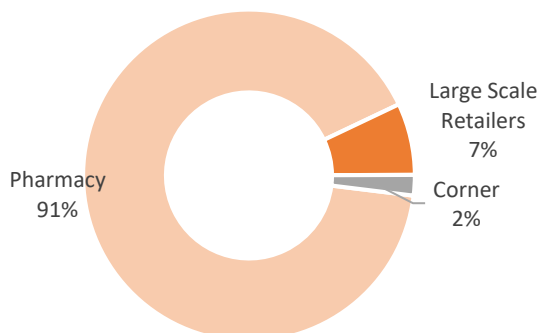


Source: Federsalus "La filiera italiana degli integratori alimentari" III and IV indagine di settore, 2017 and 2018

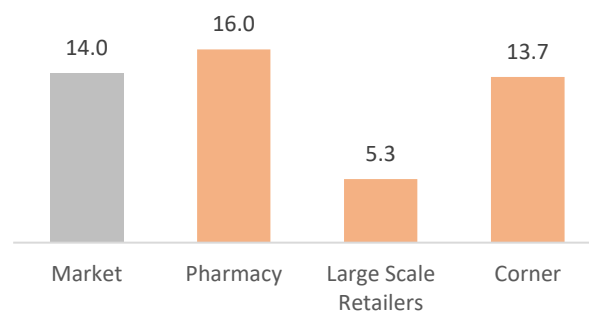
Italian consumers mainly rely on pharmacies for their nutraceutical purchasing, making this channel worth 91% of the overall sell-out, often on the back of doctors' and pharmacists' recommendations, a key demand driver of nutraceuticals. Shedir fully exploits this market driver by basing its marketing strategy on communications to health professionals. Furthermore, pharmacies have the highest average sale price, confirming that distribution based on this channel is a reasonable path to create value and enhance brand positioning.

It is worth noting that the pharmacy market is expected by IQVIA to consolidate. In 2021 more than 30% of pharmacies will be part of virtual or real networks totaling more than 50% of market value. Today networks account for only 13% of pharmacies with a 13% market share.

## 2018 Sell-Out by Distribution Channel



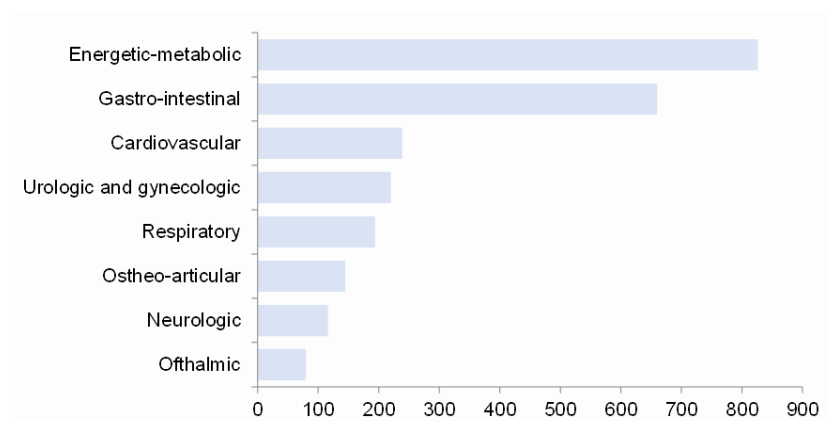
## 2018 Average Sale Price by Channel (€)



Source: New Line ricerche di mercato - Federsalus (December 2018)

Nutraceutical products cover a wide range of therapeutic areas, with a strong concentration on the first eight areas which cover almost 80% of the entire Italian market.

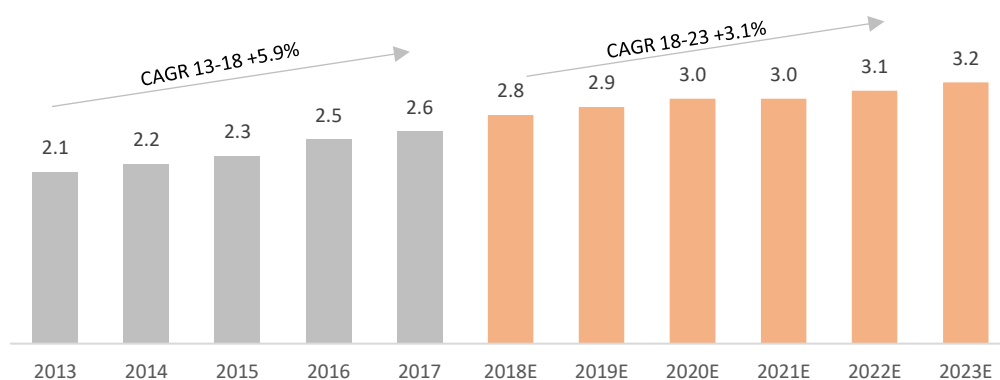
## Main Nutraceuticals Therapeutic Areas (€mn - Jan 2019 LTM)



Source: Shedir Elaboration on IQVIA data "Lo scenario farmaceutico, Gennaio 2019"

After the brilliant growth achieved in the last few years (CAGR 13-18 +5.9%), the nutraceutical market is expected to keep growing in the next 5 years driven by the key factors which are already pushing the market: aging population and increasing awareness of benefits from natural substances. Vitamins and dietary supplements - the main products sold - are estimated to be at €3.2bn in 2023 from €2.8bn in 2018 (CAGR 18-23 +3.1%).

## Italian Vitamins and Dietary Supplements Market 2013-2023E (€bn)



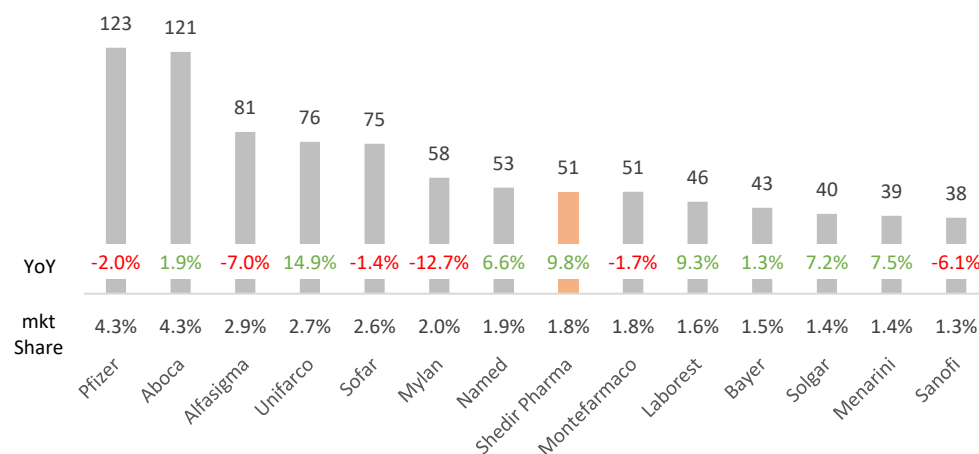
Source: "Consumer Health in Italy" - Euromonitor international, February 2019 (Category "Vitamins and Dietary Supplements")

## Shedir Market Positioning

In Italy, Shedir competes in an extremely fragmented market with more than 1,800 players, with the main 14 players accounting for c. 30% of market value. In just 10 years Shedir reached the 8<sup>th</sup> position (in terms of sell-out in pharmacies) among multinational pharmaceutical companies such as Pfizer and Mylan (which rank higher with respect to Shedir) and Bayer and Sanofi (which rank in lower positions).

Shedir grew at a higher pace than the market in the last year, registering in 2018 the 2<sup>nd</sup> highest growth in terms of sales, just behind Unifarco, which is basically an association of pharmacies for private label.

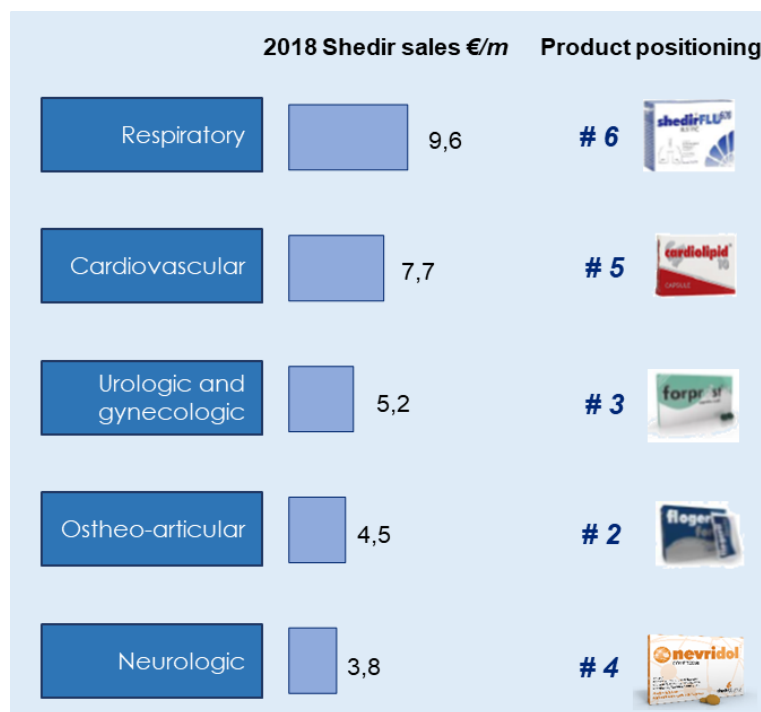
## Main Italian Market Players 2018 (€mn)



Source: Nutraceutical market in terms of sell-out in pharmacies: i) New Line ricerche di mercato (mkt value) | ii) IQVIA, "Lo scenario farmaceutico, Gennaio 2019" (growth YoY)

Shedir's brilliant positioning has been supported by its innovative products, which rank in the top positions in their segments. Cardiolipid and ShedirFlu, the greatest contributors to Shedir's Revenues, are positioned respectively 5<sup>th</sup> and 6<sup>th</sup> in their segments, while Flogeril, a product in the osteo-articular segment, is the 2<sup>nd</sup> most sold anti-inflammatory just behind Ananase produced by Meda Pharma SpA.

## Therapeutical Area and Product Ranking



Source: Analyst Presentation, New Line Ricerche di mercato



Shedir's products' competitive advantage relies on their innovative and patent-protected formulations. The formulations of Shedir products are the results of the continuous innovation carried out internally by the R&D





department. Shedir's products enjoy a price premium with respect to their competitors, thanks to innovative formulations with more complex mixes of active substances.

### Comparison with Market Leader Products

	Market Leader 	Shedir 
<b>active substances</b>		
Serenoa repens	320 mg	400 mg
Ananas comosus tit in bromelain	X	100 mg
Curcuma longa	X	50 mg
Zinc	X	15 mg
Lycopene	X	3 mg
Selenium	X	41.5 mg
Quantity	30 softgel	15 softgel
Price per package	€ 23	€22.90
Price per softgel	€0.77	€1.53
Patents	X	yes

	Market Leader 	Shedir 
<b>active substances</b>		
Bromelain	40 mg	120 mg
Ananas comosus	X	400 mg
Fermented malto-dextrins enzymes	X	100 mg
Quantity	20 tablets	18 sachets
Price per package	€ 12	€16.90
Price per tab/sachet	€0.60	€0.94
Patents	X	X

	Market Leader 	Shedir 
<b>active substances</b>		
N-acetylcysteine	600 mg	600mg
Vitamin C	X	500
Eucalyptus	X	50
Quantity	30 sachets	20 sachets
Price per package	€15.90	€13.90
Price per sachet	€ 0.53	€0.70
Patents	X	yes

Source: Analyst presentation

Note: Patents "Yes" means that, for at least one reference of the relevant product, there is a patent or a patent pending

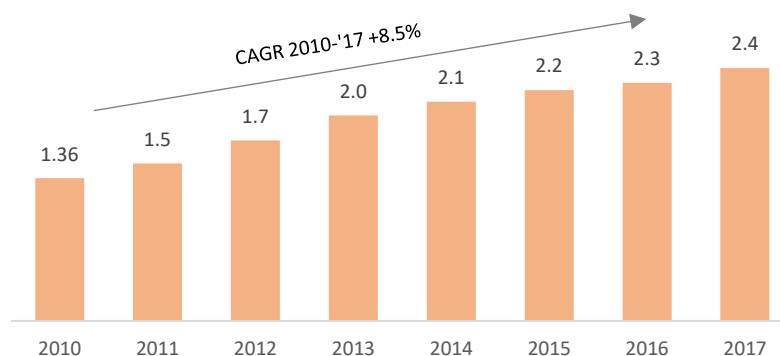
### Focus on Pharmaceutical Market

During 2017, with the acquisition of c. 20 branded generic drugs, Shedir entered the pharmaceutical market, in the generics segment.

Generic pharmaceuticals are marketable after patent expiration of the active substance and usually take a large slice of the market thanks to their competitive pricing.

To lower their healthcare expenditure, both private and public buyers of pharmaceutical products are rapidly shifting their purchases to generic products. The segment grew at a CAGR of 8.5% between 2010 and 2017, reaching €2.4bn from 1.4bn.

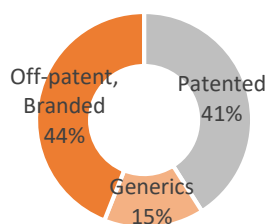
### Generics Retail Spending: Public and Private. Pharma Retailers - Classes A, C, H, SOP, OTC (€bn)



Farmindustria "Indicatori Farmaceutici", July 2018

As mentioned before, generic products had the higher market share in Italy in 2017, 18pp higher than patented products (59% vs 41%) with the branded generics representing 44% of the overall market. The rising level of generics consumption, combined with their lower price with respect to patented

### Market share by Patent State (Italy 2017)

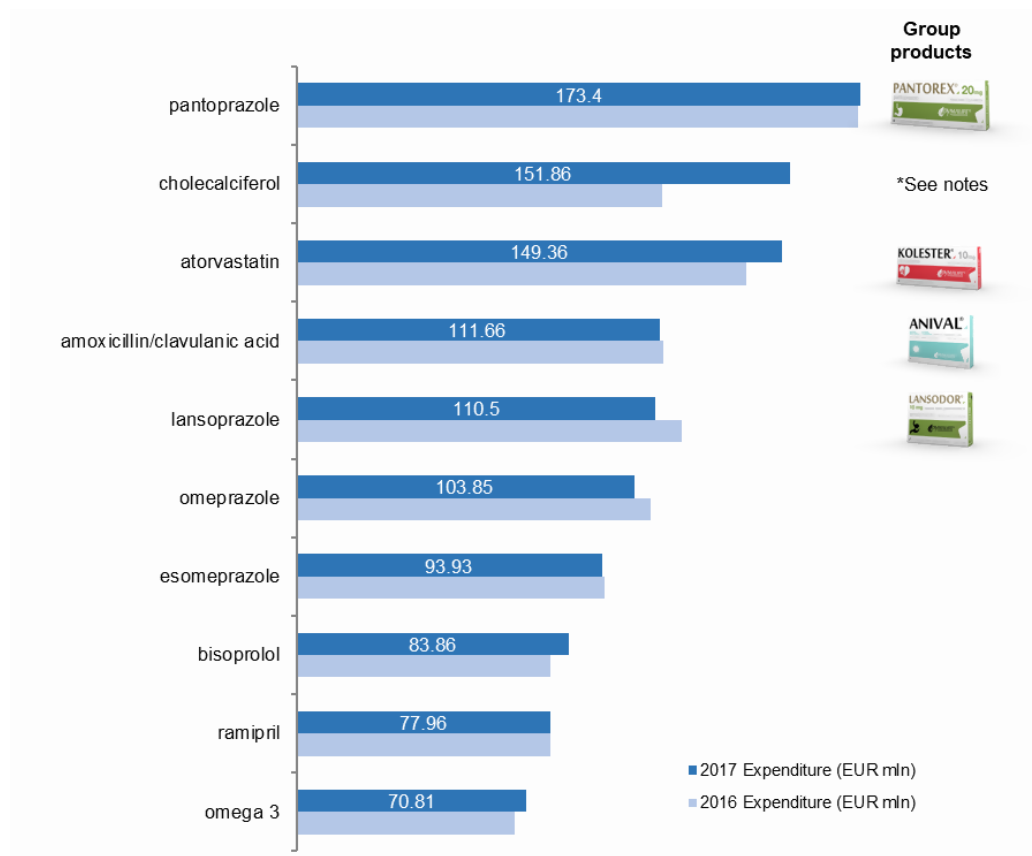


Uso dei farmaci in italia - rapporto OsMed AIFA 2017

products, slowed down the growth of the pharmaceutical market. Indeed in 2017 in Italy the market reached €29.6bn, with generics representing 59% of sales value and 79.4% of sales volumes.

Shedir products belongs to the 2017 top 5 selling substances in Italian pharmaceutical market, with pantoprazole - market by Shedir through the brand Pantorex - leading the market.

### Sales of Top 10 Off-patent Active Substances

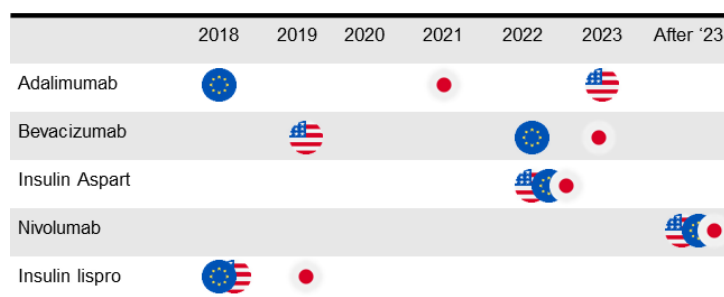


Source: Osservatorio Nazionale sull'Impiego dei medicinali - Rapporto Nazionale 2017

Notes: \*AIFA registration in progress (dossier developed internally)

For companies focusing on generics, monitoring future patent expiration has become extremely strategic. It is estimated that between 2019 and 2023 more than €100bn of impact will be registered due to patent expiration, with the top 20 branded drugs facing generic competition.

### Top 5 Active Substances Expiration Within 2023



Source: Analyst Presentation

## Historical Financials

In just 10 years of life Shedir has grown considerably thanks to: a) the product innovation brought into the fast-growing nutraceutical market; and b) its business model based on a solid sales network focused on direct communication with doctors and pharmacists.

The model set by Shedir's experienced management resulted in brilliant economic and financial performances in FY18A: i) in terms of total revenues, Shedir reached €46.9mn (+16.6% YoY); ii) EBITDA stood at €11.1mn with a margin of 23.6%; and iii) outstanding cash generation thanks to the asset-light model.

It is worth noting that 2017 and 2018 financials are the result of the carve-out that the company conducted in 2019 and reflects the IPO perimeter.

The key economics and financials of 2018 are the following:

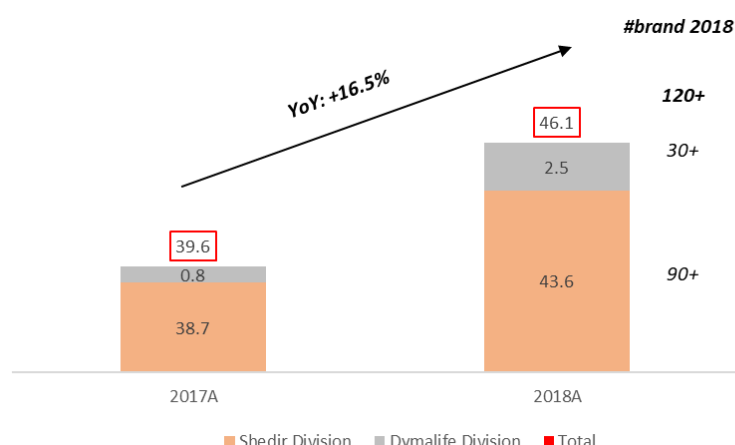
- Total Revenues at €46.9mn vs €40.2mn in 2017, +16.6% YoY;
- EBITDA (excluding non-recurring costs) at €11.3mn vs €8.8mn in 2017, +28% YoY;
- EBIT at €9.1mn vs €5.3mn in 2017, +71.4% YoY;
- Net income at €6.4mn vs €3.5mn in 2017;
- Net financial position (NFP) at €15.1mn, up by €0.7mn vs 2017.

## Breaking Down Revenues

Shedir recorded €46.1mn of sales in FY18 growing by 16.5% YoY. Foreign sales remained stable at €0.8mn and are expected to grow thanks to the already-signed agreement with c. 45 distributors in 40 countries for c. 50 products to be marketed.

**Dymalife** - pharmaceutical division launched in 2017 - has grown three-fold with respect to the launch year reaching €2.5mn in 2018, while **Shedir** - the historical nutraceutical division - experienced a double-digit growth (+12.6%) reaching €43.6mn (including foreign sales).

### Breakdown of Sales Revenues by Business Unit (€mn), 2017-2018

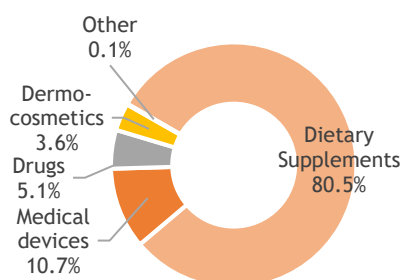


Source: Company data

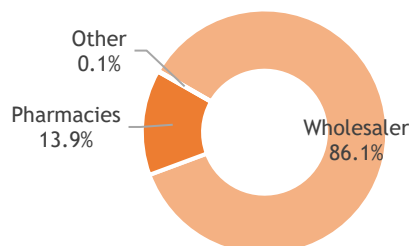
**Dietary supplements are the most sold products**, contributing 80.5% to 2018 revenues, with medical devices and drugs ranking 2<sup>nd</sup> (10.7% share) and 3<sup>rd</sup> (5.1% share) respectively.

The company minimizes both credit risk and logistic expenses by selling mainly to **wholesalers**, also optimizing client-relationship management. The wholesale channel was worth 86.1% of revenues in 2018, while the pharmacies channel was worth 13.9%. Despite the imbalance in the distribution channels, all Shedir products are sold to final consumers by pharmacies which buy products from wholesalers.

**Breakdown of Revenues by Products, 2018**



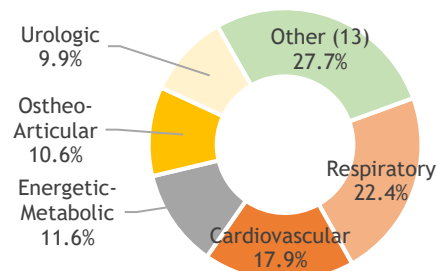
**Breakdown of Revenues by Sales Channel, 2018**



Source: Company data

Shedir's product lines cover more than 15 therapeutic areas, with the respiratory and cardiovascular segments being the main source of revenues in 2018 (22.5% and 18% respectively). The respiratory area is boosted by the brand ShedirFlu which accounted for 7.3% of revenues in 2018 (+17.3% YoY) and ranks 6<sup>th</sup> in the sector. Cardiolipid - the most important company brand - belongs to the cardiovascular area and accounted for 10.9% in 2018 (+14.2% YoY), placed 5<sup>th</sup> in its market segment.

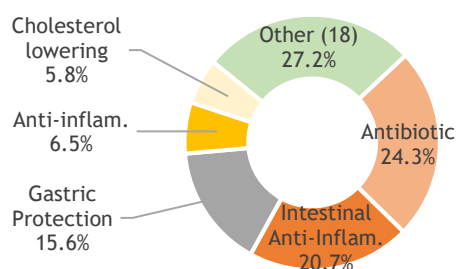
**Shedir Division Breakdown of Revenues by Therapeutic Area, 2018**



Source: Company data

The Dymalife division developed 35 brands that cover more than 20 therapeutic areas. Among these the most important are the antibiotic and intestinal anti-inflammatory segments, which in 2018 accounted for 24.3% and 20.7% respectively.

### Dymalife Division Breakdown of Revenues by Therapeutic area, 2018

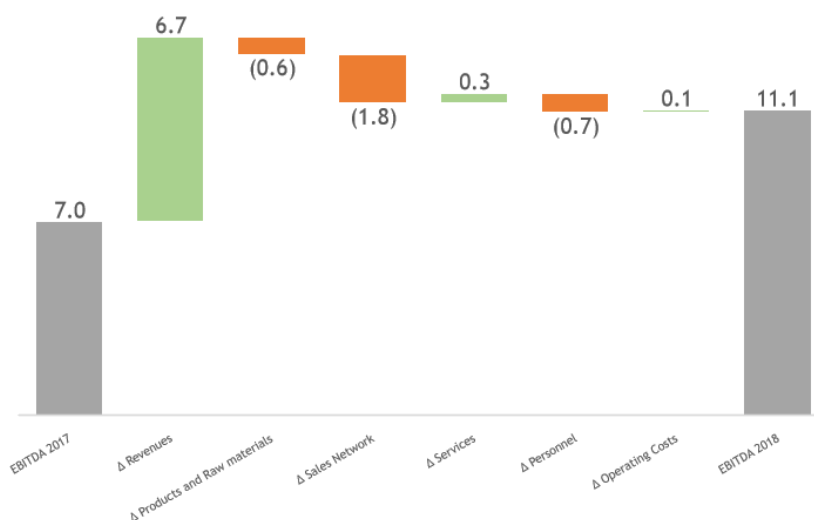


Source: Company data

### Profitability Analysis

Shedir's EBITDA adj. (excluding non-recurring costs) reached €11.3mn in 2018 growing by 28% from €8.8mn in 2017. EBITDA margin adj. increased by 2pp reaching the stunning level of 24.1% mainly thanks to the lower incidence of overhead costs.

### EBITDA Breakdown by Business Unit (€mn), 2017-2018

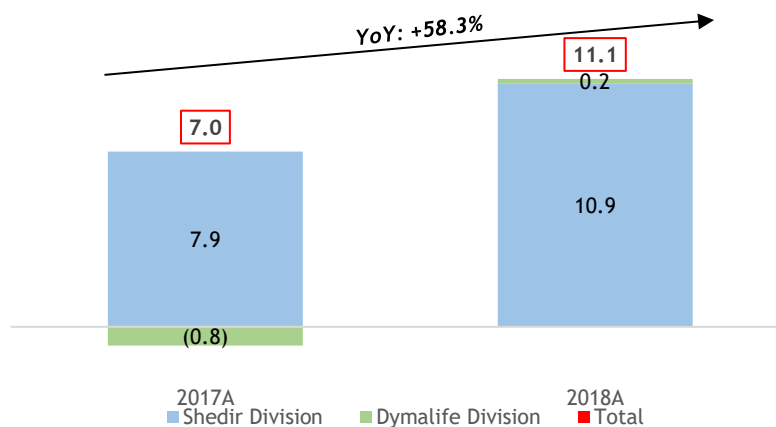


Source: Company data

The Shedir division in 2018 reached €10.9mn of EBITDA (€11.3mn excluding the launch of Green Planet) with a margin of 24.6%. The growth of 38.9% has been achieved thanks to both lower non-recurring costs (€0.4mn) and a lower incidence of costs of sales network and overheads.

The Dymalife division in 2018, after only 18 months of activity, reached a breakeven EBITDA (€0.2mn) starting from the negative results of 2017 (-€0.8mn).

## EBITDA Breakdown by Business Unit (€mn), 2017-2018



Source: Company data

In 2018 the lower non-recurring costs (€0.2mn vs €1.8mn) influenced both EBIT - which stood at €9.1mn (+71.4% YoY) - and bottom line, which reached €6.4mn - almost double with respect to 2017 - with a net margin of 13.7%.

## Consolidated Income Statement 2017-2018

€ million	FY17A	FY18A	YoY 17-18
Shedir Division	38.7	43.6	12.6%
Dymalife Division	0.8	2.5	201.8%
<b>Sales Revenues</b>	<b>39.6</b>	<b>46.1</b>	<b>16.6%</b>
Other Revenues	0.7	0.8	21.1%
<b>Total Revenues</b>	<b>40.2</b>	<b>46.9</b>	<b>16.7%</b>
Products and Raw materials	(7.6)	(8.2)	8.2%
<b>Gross Profit</b>	<b>32.6</b>	<b>38.7</b>	<b>18.6%</b>
<i>Gross Margin</i>	81.2%	82.5%	
Cost of Sales Network	(13.6)	(15.4)	12.9%
Cost of Services	(7.2)	(6.9)	
Personnel Expenses	(3.2)	(3.9)	
Other Operating Expenses	(1.5)	(1.5)	-4.1%
<b>EBITDA</b>	<b>7.0</b>	<b>11.1</b>	<b>57.6%</b>
<i>EBITDA margin</i>	17.5%	23.6%	
D&A and Provisions	(1.7)	(1.965)	14.4%
<b>EBIT</b>	<b>5.3</b>	<b>9.1</b>	<b>71.6%</b>
<i>EBIT margin</i>	13.2%	19.4%	47.1%
Financial Income and Expenses	(0.1)	(0.202)	39.3%
Extraordinary items	-	-	
<b>EBT</b>	<b>5.2</b>	<b>8.9</b>	<b>72.5%</b>
Taxes	(1.7)	(2.5)	48.5%
<i>Tax Rate</i>	32.5%	28.0%	-13.9%
<b>Net Income</b>	<b>3.5</b>	<b>6.4</b>	<b>84.1%</b>
<i>Net margin</i>	8.7%	13.7%	

Source: Company presentation

### Capital Structure: An Asset-Light Business Model

Shedir is characterized by an asset-light business model allowing strong cash generation and in turn a balanced financial structure despite strong growth. Ordinary Capex of the last 2 years were stable at €0.2mn (0.4% of 2018 Revenues) and are mainly related to products' patents.

Trade working capital reached €16.5mn in 2018, influenced by: a) an increase of inventory mainly related to the start-up phases of both the Green Planet line (€0.4mn impact) and the Dymalife division (€2.3mn impact); and b) an increase of c €4.0mn in trade receivables following the company growth.

The strong decrease in other assets and liabilities which reached a negative value of €2.7mn is the result of an increase in both tax payables and other liabilities associated with business growth.

NFP stood at €15.1mn in 2018, +0.7mn when compared with 2017, influenced by an extraordinary cash absorption linked to the launch of Green Planet and Dymalife and by business growth.

The company enjoys a strong cash-generation ability, registering an adj. cash conversion rate of c. 54%<sup>8</sup> in 2018, which allowed the company to reduce in 2018 the NFP/EBITDA adj. ratio to 1.3x from 1.6x of 2017.

#### Consolidated Balance Sheet 2017-2018

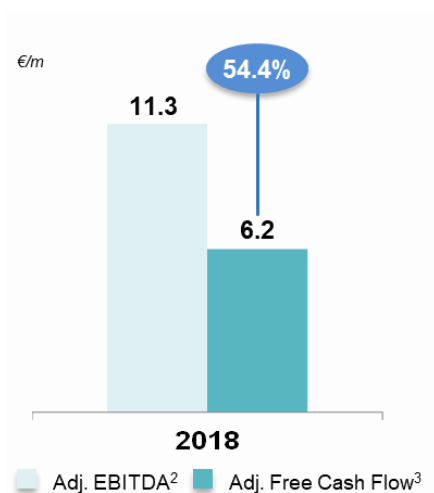
€ million	FY17A	FY18A
Goodwill	0.0	0.0
Tangible and Intangible	12.6	11.4
Other LT Assets	2.5	1.0
<b>Fixed Assets</b>	<b>15.0</b>	<b>12.4</b>
Trade receivables	7.3	11.6
Inventory	8.0	13.5
Trade Payables	(9.3)	(8.6)
<b>Trade Working Capital</b>	<b>6.0</b>	<b>16.5</b>
Other assets and liabilities	1.3	(2.7)
Provisions	(0.1)	(0.2)
<b>Net Working Capital</b>	<b>7.2</b>	<b>13.6</b>
<b>Other Provisions</b>	<b>(0.2)</b>	<b>(0.3)</b>
<b>Net Capital Employed</b>	<b>21.9</b>	<b>25.7</b>
Shareholders' equity	7.5	10.6
Short-term debt / Cash (-)	1.5	5.2
Long-term liabilities	12.9	10.0
<b>Net Financial Position</b>	<b>14.4</b>	<b>15.1</b>
<b>Sources</b>	<b>21.9</b>	<b>25.7</b>

Source: Company data

#### 2019 Interim Results: Keeping on Growing

In the first quarter of 2019, Shedir kept showing an outstanding growth with Revenues up by 21% YoY - completely organic growth - reaching €13.1mn, with foreign sales doubling with respect 2018. All product lines showed a positive result, and those with younger maturity growing faster as expected. The company launched around 20 references for Dymalife division and around 15 references for Shedir division. It is important to point out that, according to the management, the company is not affected by seasonality thanks to its broad and diversified portfolio.

#### Cash Conversion Rate €mn



Source: Company Presentation

<sup>8</sup> Cash Conversion calculated as Adj. Free Cash Flow divided by the Adj. EBITDA; Adj EBITDA refers to the EBITDA adjusted for the extraordinary items affecting P&L; Adj. Free Cash Flow refers to the Free Cash Flow adjusted for extraordinary items affecting P&L and BS (purchases of AIC and the launch of new line of products / businesses)



Looking at profitability, in the 1Q19 the company confirmed an outstanding 23% EBITDA margin, in line with 2018 end-year results, with 1Q19 EBITDA almost doubled with respect to 1Q18 (3.0mn vs 1.6mn), and also thanks to the greater contribution from the pharmaceutical division.

During 1Q19 Shedir incurred in extraordinary costs which totaled around €1.3mn (€0.7mn accounted as extraordinary items and €0.6mn as extraordinary taxes) related to a tax assessment agreement for FY2013 and to provisions for subsequent years assessments.

The growth in Revenues and EBITDA drove a strong increase in Shedir's bottom line: 1Q19 Net Income - adjusted for extraordinary cost and extraordinary taxes (total of €1.3mn) - reached ca. €1.6mn doubling 1Q18 result.

### Consolidated Income Statement 1Q18-1Q19

€ mn	1Q18	1Q19	YoY %	1Q19 Adj.	YoY %
<b>Sales Revenues</b>	<b>10.7</b>	<b>13.0</b>	<b>21.1%</b>	<b>13.0</b>	<b>21.1%</b>
Other revenues	0.1	0.1		0.1	
<b>Total Revenues</b>	<b>10.9</b>	<b>13.1</b>	<b>20.6%</b>	<b>13.1</b>	<b>20.6%</b>
Cost of Raw Material	(2.3)	(2.9)		(2.9)	
<b>Gross Profit</b>	<b>8.6</b>	<b>10.2</b>	<b>18.0%</b>	<b>10.2</b>	<b>18.0%</b>
Gross Margin	79.2%	77.6%		77.6%	
Labour Cost	(0.9)	(0.9)		(0.9)	
Services	(6.0)	(6.0)		(6.0)	
Other Operating Costs	(0.2)	(0.9)		(0.2)	
<b>EBITDA</b>	<b>1.6</b>	<b>2.4</b>	<b>50.1%</b>	<b>3.0</b>	<b>94.1%</b>
EBITDA margin	14.4%	18.0%		23.2%	
D&A and Provisions	(0.4)	(0.7)		(0.7)	
<b>EBIT</b>	<b>1.2</b>	<b>1.7</b>	<b>41.1%</b>	<b>2.3</b>	<b>100.2%</b>
EBIT margin	10.8%	12.6%		17.8%	
Net Financial result	(0.1)	(0.1)		(0.1)	
<b>EBT</b>	<b>1.1</b>	<b>1.6</b>	<b>43.6%</b>	<b>2.3</b>	<b>105.6%</b>
Taxes	(0.3)	(1.3)		(0.7)	
Tax Rate	0.3	0.8		0.3	
<b>Net Income</b>	<b>0.8</b>	<b>0.3</b>	<b>-65.3%</b>	<b>1.6</b>	<b>103.6%</b>
Net margin	7.1%	2.0%		12.0%	

Source: Company data

### Consolidated Balance Sheet 2018-1Q19

€ mn	FY18	1Q19
<b>Fixed Assets</b>	<b>12.4</b>	<b>12.3</b>
Trade receivables	11.6	8.8
Inventory	13.5	14.1
Trade Payables	(8.6)	(7.7)
<b>Trade Working Capital</b>	<b>16.5</b>	<b>15.2</b>
Other assets and liabilities	(2.7)	(2.0)
Provisions	(0.2)	(0.8)
<b>Net Working Capital</b>	<b>13.6</b>	<b>12.4</b>
<b>Other Provisions</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>Net Capital Employed</b>	<b>25.7</b>	<b>24.3</b>
Group shareholders' equity	10.6	10.4
Minority shareholders' equity	0.0	0.0
<b>Shareholders' equity</b>	<b>10.6</b>	<b>10.4</b>
Short-term debt / Cash (-)	5.2	4.5
Long-term liabilities	10.0	9.5
<b>Net Financial Position</b>	<b>15.1</b>	<b>14.0</b>
<b>Sources</b>	<b>25.7</b>	<b>24.3</b>

Looking at the balance sheet, trade working capital slightly decreased despite the business growth, mainly following a decrease in trade receivables. Furthermore, inventory just slightly increased, indeed 2018 result was influenced by an extraordinary stock associated with the launch of the new product lines.

Net Financial Position improved by €1mn reaching €14.0mn at the end of March 2019.

## Group Strategy

### Organic Growth

Shedir's organic growth strategy is based on 3 pillars:

- ***Expansion of current product portfolio:***

The company aims to boost its sales by launching new brands and through innovations within the existing ones. For instance, in the energetic-metabolic segment, the most important in the Italian nutraceutical market, the company developed Miramag Sport, based on the already existent Miramag, but dedicated to athletes. The extension of the product should both increase sales and boost brand awareness and cross-selling. The management expects that each new product will follow the same growth path of the historical ones.

Looking at the pharmaceutical division (€2.5mn of revenues in 2018), the company is expected to capitalize its investments and therefore keep growing. Furthermore, the company in 2019 launched Shedir Pet, a new nutraceutical line with dedicated products and its own agents, to exploit the growing market of pet products sold by pharmacies. Finally, Shedir will launch new specialized product lines in strategic therapeutic areas with a sales network dedicated to medical specialists.

- ***Continuous development and consolidation of R&D activity:***

Shedir will keep investing in product development and product innovation to maintain a state-of-the-art product portfolio. On the pharmaceutical side, the group intends to internally develop new AICs, so as to be a first mover, and will constantly monitor patent expiration to exploit opportunities for the launch of generic products.

The strong innovation brought by Shedir has been recognized by the Italian MISE, which selected - among many - one of the group's projects for an innovative nutraceutical ingredient. At the end of the study, the company will obtain a patent for the extraction equipment giving the company the *de facto* property of the new raw material.

The company's effort and results, such as content of patents and clinical studies, will be the subject of continuing scientific conferences.

- ***Internationalization:***

The group has already signed partnership with 45 international distributors in 40 countries. Around 20 products are currently distributed abroad and 35 are in the registration phase. The outsourced distribution will allow the company to be more flexible while evaluating the economic performances in the international markets.

In 2017 Shedir entered the Spanish market directly with a network of exclusive agents. The country has been strategically selected for its similarities with Italian markets, thus allowing the group to replicate the current marketing and sales model.

To optimize international distribution, Shedir will in-source a secondary packaging system, both to comply with requests from abroad (smaller batches and different packaging) and in turn to reduce logistic expenses.

## External Growth

*M&A aimed at accelerating the Group's expansion:* After having brilliantly integrated the pharmaceutical assets acquired in 2017, Shedir will continue seeking M&A opportunities to boost growth.

The focus of the group will be on:

- acquisition to exploit product synergies, both in the nutraceutical and pharmaceutical areas;
- international acquisition to accelerate expansion abroad.

It is important to note that, despite the current negotiations, we did not include in our projections any M&A activity.

## Future Financials

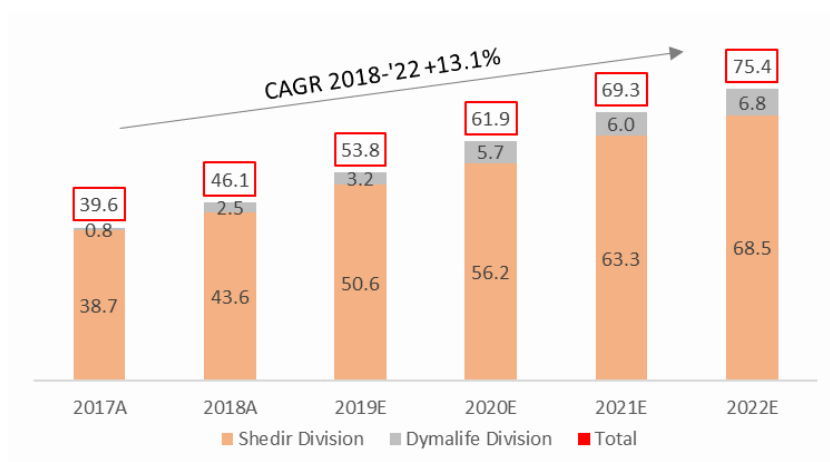
### Deconstructing Forecasts

Considering Shedir business model and company strategy, we built our forecast on the period 2019E-22E. The expected growth is associated with both the consolidation of existing brands and the launch of new ones.

It is important to point out that we did not factor in any M&As in our forecast.

Starting from the top line, we expect revenues to grow with a CAGR 2018A-22E of 13.1%, reaching €75.4mn at the end of the period.

#### Sales Revenue Forecast (€mn) 2017A-2022E



Source: Company data, KT&Partners' elaborations

In order to estimate revenues, we analyzed Shedir division brands and: a) we isolated the top 10 brands and subsequently b) we divided the remaining brands into four different categories according their maturity (0-2 years; 2-5 years; 5-8 years; 8+ years). The higher the maturity of the brand, the higher the expected level of average turnover. In the following years different brands will reach a higher level of maturity and, therefore, bring in higher revenues. We applied this analysis to both the nutraceutical division and the Dymalife division, even if with a different level of average turnover for the various maturities.

Considering each business unit, revenue forecasts are as follows:

- Shedir Division:** it is expected to grow at a CAGR FY18A-22E of 12.0%, reaching €68.5mn (c. 90% of Sales Revenues). The division will benefit from the recently launched product lines Green Planet (launched in 2017) and Shedir Pet (launched during 2Q2019). We expect the top 10 brands to keep overperforming the market in 2019 and 2020 and then to grow at the same pace of the market (3% expected CAGR 2018-2022). Looking at the remaining brands, the category 8+ years should reach 20+ brands (from 13 in 2018) with the brand's average turnover expected to follow the same growth trend of the top 10 brands. In our assumption in 2022E more than 50 brands (from c. 40 in 2018) will be at the middle level of maturity (from 2 to 8 years). Finally, we expect c. 5 new brand launches per year, reaching around 100 brands in 2022.

- **Dymalife division:** according to our estimates, the division launched in 2017 will reach around €6.8mn of revenues in 2022 (CAGR 2018A-2022E equal to 28.2%). We expect the division to launch 5 new brands each year, in line with the historical nutraceutical division, and to commercialize in 2022 around 40 brands with a maturity higher than 2 years.

To sum up, we have assumed that Shedir will benefit from a) the increasing maturity of its strong portfolio, that will be enriched by new brands and new references; and from b) its capillary sales network which promotes brands to doctors and pharmacists, consolidating the brands reputations and demand.

### Consolidated Income Statement (€mn) 2017A-2022E

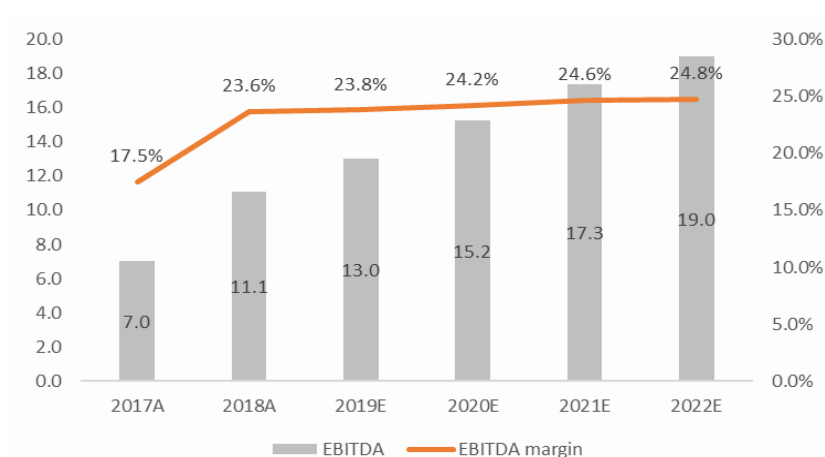
€ million	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	CAGR 18A-22E
Shedir Division	38.7	43.6	50.6	56.2	63.3	68.5	12.0%
Dymalife Division	0.8	2.5	3.2	5.7	6.0	6.8	28.2%
<b>Sales Revenues</b>	<b>39.6</b>	<b>46.1</b>	<b>53.8</b>	<b>61.9</b>	<b>69.3</b>	<b>75.4</b>	<b>13.1%</b>
Growth %		16.6%	16.6%	15.1%	11.9%	8.8%	
Other Revenues	0.7	0.8	0.9	1.0	1.2	1.4	
<b>Total Revenues</b>	<b>40.2</b>	<b>46.9</b>	<b>54.7</b>	<b>63.0</b>	<b>70.5</b>	<b>76.8</b>	<b>13.1%</b>
Products and Raw materials	(7.6)	(8.2)	(9.6)	(11.0)	(12.2)	(13.3)	
<b>Gross Profit</b>	<b>32.6</b>	<b>38.7</b>	<b>45.1</b>	<b>52.0</b>	<b>58.3</b>	<b>63.5</b>	<b>13.2%</b>
Gross Margin	81.2%	82.5%	82.5%	82.6%	82.7%	82.7%	
Cost of Sales Network	(13.6)	(15.4)	(18.0)	(20.6)	(23.0)	(25.0)	
Cost of Services	(7.2)	(6.9)	(8.1)	(9.2)	(10.3)	(11.1)	
Personnel Expenses	(3.2)	(3.9)	(4.5)	(5.1)	(5.6)	(6.1)	
Other Operating Expenses	(1.5)	(1.5)	(2.3)	(1.9)	(2.1)	(2.3)	
<b>EBITDA</b>	<b>7.0</b>	<b>11.1</b>	<b>12.3</b>	<b>15.2</b>	<b>17.3</b>	<b>19.0</b>	<b>14.5%</b>
EBITDA margin	17.5%	23.6%	22.5%	24.2%	24.6%	24.8%	
Growth %		57.6%	11.2%	23.6%	13.9%	9.6%	
<b>EBITDA adj.</b>	<b>7.0</b>	<b>11.1</b>	<b>13.0</b>	<b>15.2</b>	<b>17.3</b>	<b>19.0</b>	<b>14.5%</b>
EBITDA margin adj.	17.5%	23.6%	23.8%	24.2%	24.6%	24.8%	
Growth %		57.6%	17.5%	17.0%	13.9%	9.6%	
D&A and Provisions	(1.7)	(1.965)	(2.0)	(2.1)	(2.2)	(2.2)	
<b>EBIT</b>	<b>5.3</b>	<b>9.1</b>	<b>10.3</b>	<b>13.1</b>	<b>15.2</b>	<b>16.8</b>	<b>16.6%</b>
EBIT margin	13.2%	19.4%	18.9%	20.9%	21.5%	21.9%	
Growth %		71.6%	13.2%	27.4%	15.6%	10.8%	
<b>EBIT adj.</b>	<b>5.3</b>	<b>9.1</b>	<b>11.0</b>	<b>13.1</b>	<b>15.2</b>	<b>16.8</b>	<b>16.6%</b>
EBIT margin	13.2%	19.4%	20.1%	20.9%	21.5%	21.9%	
Growth %		71.6%	20.8%	19.4%	15.6%	10.8%	
Financial Income and Expenses	(0.1)	(0.202)	(0.3)	(0.3)	(0.3)	(0.3)	
<b>EBT</b>	<b>5.2</b>	<b>8.9</b>	<b>10.0</b>	<b>12.8</b>	<b>14.9</b>	<b>16.5</b>	<b>16.7%</b>
Taxes	(1.7)	(2.5)	(3.5)	(3.7)	(4.3)	(4.8)	
Tax Rate	32.5%	28.0%	35.1%	29.0%	29.0%	29.0%	
<b>Net Income</b>	<b>3.5</b>	<b>6.4</b>	<b>6.5</b>	<b>9.1</b>	<b>10.6</b>	<b>11.7</b>	<b>16.3%</b>
Net margin	8.7%	13.7%	11.9%	14.5%	15.0%	15.3%	
Growth %		84.1%	1.3%	40.3%	15.9%	11.0%	
<b>Net Income adj.</b>	<b>3.5</b>	<b>6.4</b>	<b>7.6</b>	<b>9.1</b>	<b>10.6</b>	<b>11.7</b>	<b>16.3%</b>
Net margin	8.7%	13.7%	13.9%	14.5%	15.0%	15.3%	
Growth %		84.1%	18.5%	20.0%	15.9%	11.0%	

Source: Company data and KT&Partners' elaborations

Note: 2019 adjusted results are associated to extraordinary costs related to fiscal assessment

We forecast EBITDA at €19.0mn in 2022E, with a CAGR of 14.5%, slightly higher than revenues growth thanks to economies of scale. The forecast includes an increasingly higher contribution from the Dymalife division, which was at break-even level in 2018A.

#### EBITDA Forecast (€mn) 2017A-2022E



Source: Company data and KT&Partners' elaborations

Note: 2019 EBITDA has been adjusted for extraordinary costs related to fiscal assessment

EBIT is estimated to grow at a higher pace than EBITDA growth, thanks to the asset-light business model set by Shedir. Indeed, D&A and Provisions will increase less than proportionally to revenue increase. EBIT is expected to reach €16.8mn in 2022 (CAGR 2018-22E of 16.6%).

2019 results are influenced by extraordinary costs of €1.3mn (€0.7mn accounted as extraordinary items and €0.6mn as extraordinary taxes) related to a tax assessment agreement for FY2013 and to provisions for subsequent years assessments.

On the bottom line, Net Income will reach €11.7mn, with a CAGR over the period 2018A-2022E equal to 16.3%, influenced by both stable Net financial expenses and increasing taxes on EBT.

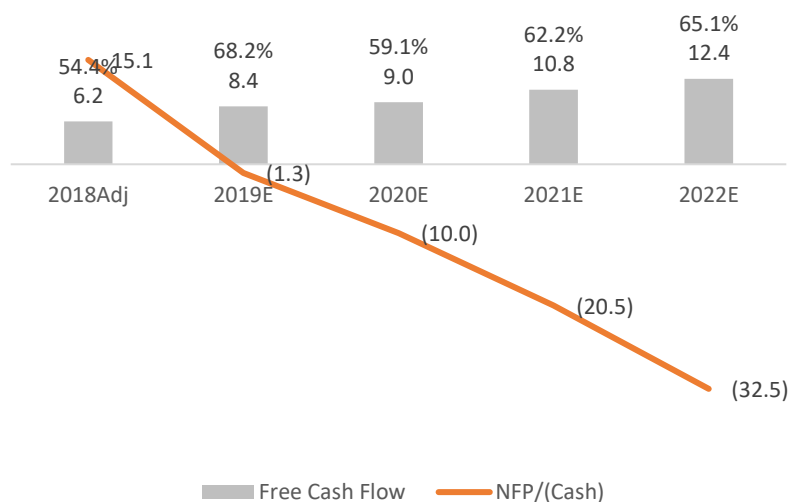
Working capital is expected to follow the growth of the company in the next few years, therefore maintaining a constant ratio on revenues.

Capex is expected to be in the region of €0.5mn, mainly related to products' patent filing.

Net financial position is expected to reach a net cash of around €24mn, thanks to the strong company cash generation (EBITDA cash conversion ratio at regime of around 60%).

According to the Shedir dividend policy, for 2019 and 2020 the cash flow of the is expected to be fully reinvested in the company. The objective is to develop and strengthen product portfolio and the international distribution, thanks to internal R&D activity and to the acquisition of both companies and already-developed products.

## Cash Flow (€mn; cash conversion ratio %) - NFP/(Cash) (€mn) 2017A-2022E



Source: Company data, KT&amp;Partners' elaborations

## Consolidated Balance Sheet 2017A-2022E

€ million	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
<b>Fixed Assets</b>	<b>15.0</b>	<b>12.4</b>	<b>11.1</b>	<b>9.8</b>	<b>8.4</b>	<b>7.0</b>
Trade receivables	7.3	11.6	16.1	18.6	20.8	22.6
Inventory	8.0	13.5	9.6	11.0	12.2	13.3
Trade Payables	(9.3)	(8.6)	(10.0)	(11.5)	(12.8)	(13.9)
<b>Trade Working Capital</b>	<b>6.0</b>	<b>16.5</b>	<b>15.7</b>	<b>18.1</b>	<b>20.2</b>	<b>22.0</b>
Other assets and liabilities	1.3	(2.7)	(1.0)	(1.0)	(1.0)	(1.0)
Provisions	(0.1)	(0.2)	(1.1)	(1.4)	(1.6)	(1.9)
<b>Net Working Capital</b>	<b>7.2</b>	<b>13.6</b>	<b>13.6</b>	<b>15.7</b>	<b>17.6</b>	<b>19.1</b>
<b>Other Provisions</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(1.0)</b>	<b>(1.4)</b>	<b>(1.9)</b>
<b>Net Capital Employed</b>	<b>21.9</b>	<b>25.7</b>	<b>24.1</b>	<b>24.5</b>	<b>24.6</b>	<b>24.2</b>
<b>Shareholders' equity</b>	<b>7.5</b>	<b>10.6</b>	<b>25.4</b>	<b>34.5</b>	<b>45.0</b>	<b>56.8</b>
Short-term debt / Cash (-)	1.5	5.2	(11.2)	(19.9)	(30.4)	(42.5)
Long-term liabilities	12.9	10.0	10.0	10.0	10.0	10.0
<b>Net Financial Position</b>	<b>14.4</b>	<b>15.1</b>	<b>(1.3)</b>	<b>(10.0)</b>	<b>(20.5)</b>	<b>(32.5)</b>
<b>Sources</b>	<b>21.9</b>	<b>25.7</b>	<b>24.1</b>	<b>24.5</b>	<b>24.6</b>	<b>24.2</b>

Source: Company data and KT&amp;Partners' elaborations

## Valuation

Following the projections of Shedir's future financials, we carried out the valuations of the company by applying two major methods: (i) 2019-2020 EV/EBITDA multiple; (ii) 2019-2020 Price/Earnings multiple.

According to the different valuation methods, our estimate of Shedir's fair value is equal to €119.5mn or €10.26ps, resulting from the average of:

- EV/EBITDA method: €102.0mn or €8.76ps;
- P/E method: €137.0mn or €11.77ps;

## Peer Comparison

We carried out an in-depth analysis of potential public companies that could be considered as peers of Shedir, taking into account both its nutraceutical business and recently launched pharmaceutical activity.

We built an 8-companies sample, which includes:

- **Laboratorio Reig Jofre SA:** listed on the Spanish stock exchange, with a market capitalization of ca. €180mn. Laboratorio Reig Jofre engages in the research, development, manufacture and trade of pharmaceutical products and distribution and trade of nutritional supplements segments. In 2018, the company reached revenues of €180mn.
- **Usana Health Sciences:** listed on NYSE exchange, with a market capitalization of ca. €1.4bn. Usana develops and manufactures nutritional, personal care and weight-management products. In 2018, the company reached revenues of €1.0bn.
- **Naturhouse Health SA:** listed on the Spanish stock exchange, with a market capitalization of ca. €120mn. Naturhouse engages in the exportation, wholesale and retail sale of products related to dietetics, medicinal herbs and natural cosmetics. In 2018, the company reached revenues of €87mn.
- **Jamieson Wellness Inc.:** listed on the Toronto stock exchange, with a market capitalization of ca. €520mn. Jamieson Wellness engages in the manufacture and sale of sports nutrition products and specialty supplements. In 2018, the company reached revenues of €209mn.
- **Pharmanutra SpA:** listed on AIM Italia market, with a market capitalization of ca. €190mn. Pharmanutra develops nutraceutical products and medical devices. In 2018, the company reached revenues of €38mn.
- **Balchem Corporation:** listed on NASDAQ, with a market capitalization of ca. €2.9bn. Balchem engages in the development, manufacture and marketing of specialty performance ingredients and products. It operates through the human nutrition segment, animal nutrition, specialty products and industrial products. In 2018, the company reached revenues of €546mn.



- **Kolinpharma SpA:** listed on AIM Italia market, with a market capitalization of ca. €15mn. Kolinpharma engages in the research, development and marketing of food supplements based on raw materials of natural origin. In 2018, the company reached revenues of €7.2mn.
- **Herbalife Nutrition Ltd.:** listed on NYSE, with a market capitalization of ca. €5.6bn. Herbalife engages in the development and sale of nutrition solutions. In 2018, the company reached revenues of €4.1bn.

We analyzed the peer companies by considering their marginalities and historical growth rates and compared their average results to Shedir historical and expected financials.

The peer companies have a level of marginality which is below Shedir: the average EBITDA margin in 2018 recorded by the peers was 20.4%, whereas Shedir's margin registered in the same period was 23.6%. At net income level, the peers' average net margin was equal to 10.3%, while Shedir's was 13.7%.

#### Peers Comparison - EBITDA Margin and Net Margin

Company Name	EBITDA Margin					Net Margin				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
LABORATORIO REIG JOFRE, S.A.	16.8%	17.0%	10.3%	13.0%	14.6%	5.3%	5.1%	3.3%	4.7%	6.2%
USANA Health Sciences, Inc.	14.2%	17.2%	15.3%	16.4%	n.a.	6.0%	10.6%	8.4%	9.1%	n.a.
Naturhouse Health SA	30.1%	26.6%	n.a.	n.a.	n.a.	21.0%	17.6%	n.a.	n.a.	n.a.
Jamieson Wellness, Inc.	17.8%	18.5%	21.6%	21.7%	n.a.	neg	8.3%	10.6%	11.5%	n.a.
PharmaNutra S.p.A.	25.8%	25.1%	23.5%	24.2%	24.8%	16.0%	18.3%	16.0%	16.5%	17.0%
Balchem Corporation	24.1%	23.9%	24.1%	23.0%	n.a.	15.1%	12.2%	14.0%	14.9%	n.a.
Kolinpharma S.p.A.	14.7%	19.3%	22.9%	25.4%	26.2%	neg	3.8%	8.9%	11.1%	9.8%
Herbalife Nutrition Ltd.	15.3%	15.5%	15.8%	16.2%	n.a.	4.8%	6.1%	7.9%	8.4%	n.a.
<b>Peers Average</b>	<b>19.8%</b>	<b>20.4%</b>	<b>19.1%</b>	<b>20.0%</b>	<b>21.9%</b>	<b>11.4%</b>	<b>10.3%</b>	<b>9.9%</b>	<b>10.9%</b>	<b>11.0%</b>
<b>Shedir Group</b>	<b>17.5%</b>	<b>23.6%</b>	<b>23.8%</b>	<b>24.2%</b>	<b>24.6%</b>	<b>8.7%</b>	<b>13.7%</b>	<b>13.9%</b>	<b>14.5%</b>	<b>15.0%</b>

Source: Shedir's company presentation, FactSet, KT&Partners' estimates

Note: 2019E EBITDA and Net Income Adjusted for extraordinary costs related to fiscal assessment

Looking at revenue growth rates, Shedir in 2018 overperformed its peers by 11%, growing by 16.7% (vs 5.7% of peers average).

Looking at EBITDA growth from 2017 to 2018 Shedir grew by more than 50% or 28% adjusting for non-recurring items, while its peers grew in average by 3.1%.

#### Peers Comparison - Sales (€mn) and Sales CAGR (%)

Company Name	Sales			YoY 17-18	Sales			CAGR 2018-'21
	2017	2018			2019	2020	2021	
LABORATORIO REIG JOFRE, S.A.	168	180	7.4%		203	230	244	10.6%
USANA Health Sciences, Inc.	928	1,008	8.6%		939	1,007	n.a.	n.a.
Naturhouse Health SA	95	87	-7.8%		n.a.	n.a.	n.a.	n.a.
Jamieson Wellness, Inc.	205	209	1.8%		233	251	n.a.	n.a.
PharmaNutra S.p.A.	38	47	23.5%		53	60	66	12.5%
Balchem Corporation	527	546	3.5%		612	687	n.a.	n.a.
Kolinpharma S.p.A.	4	7	n.m.		10	12	16	31.8%
Herbalife Nutrition Ltd.	3,925	4,146	5.6%		4,521	4,883	5,181	7.7%
<b>Peers Average</b>	<b>736</b>	<b>779</b>	<b>5.8%</b>		<b>939</b>	<b>1,019</b>	<b>n.m.</b>	<b>n.m.</b>
<b>SHEDIR</b>	<b>40</b>	<b>47</b>	<b>16.7%</b>		<b>55</b>	<b>63</b>	<b>70</b>	<b>14.5%</b>

Source: Shedir's company presentation, FactSet, KT&Partners' estimates

## Peers Comparison - EBITDA (€mn) and EBITDA CAGR (%)

Company Name	EBITDA			EBITDA			CAGR 2018-'21
	2017	2018	YoY 17-18	2019	2020	2021	
LABORATORIO REIG JOFRE, S.A.	28	31	8.8%	21	30	36	4.9%
USANA Health Sciences, Inc.	132	174	32.1%	144	166	n.a.	n.a.
Naturhouse Health SA	29	23	-18.8%	n.a.	n.a.	n.a.	n.a.
Jamieson Wellness, Inc.	36	39	6.0%	50	54	n.a.	n.a.
PharmaNutra S.p.A.	10	12	20.2%	13	14	17	12.1%
Balchem Corporation	127	130	2.4%	147	158	n.a.	n.a.
Kolinpharma S.p.A.	1	1	n.m.	2	3	4	46.0%
Herbalife Nutrition Ltd.	601	644	7.3%	713	791	n.a.	n.a.
<b>Peers Average</b>	<b>331</b>	<b>341</b>	<b>3.1%</b>	<b>156</b>	<b>174</b>	<b>n.m.</b>	<b>n.m.</b>
<b>SHEDIR</b>	<b>7.0</b>	<b>11.1</b>	<b>57.6%</b>	<b>13.0</b>	<b>15.2</b>	<b>17.3</b>	<b>16.1%</b>

Source: Shedir's company presentation, FactSet, KT&Partners' estimates

Note: 2019E EBITDA Adjusted for extraordinary costs related to fiscal assessment

## Market Multiple Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2019 and 2020 data.

## Peers Comparison - Market Multiples 2018-2020

Company Name	Exchange	Market Cap	EV/SALES 2018	EV/SALES 2019	EV/SALES 2020	EV/EBITDA 2018	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBIT 2018	EV/EBIT 2019	EV/EBIT 2020	P/E 2018	P/E 2019	P/E 2020
LABORATORIO REIG JOFRE, S.A.	Spain	183	1.1x	0.9x	0.8x	6.2x	9.1x	6.4x	8.2x	22.1x	13.9x	17.0x	26.8x	17.2x
USANA Health Sciences, Inc.	NYSE	1,399	1.2x	1.3x	1.2x	6.9x	8.3x	7.2x	7.5x	10.3x	8.7x	13.8x	17.4x	13.9x
Naturhouse Health SA	Spain	123	1.4x	n.a.	n.a.	5.1x	n.a.	n.a.	5.3x	n.a.	n.a.	7.8x	n.a.	n.a.
Jamieson Wellness, Inc.	Toronto	523	3.1x	2.7x	2.5x	16.5x	12.7x	11.8x	19.5x	16.1x	14.8x	29.7x	21.7x	18.9x
PharmaNutra S.p.A.	Milan	189	3.8x	3.4x	3.0x	15.3x	14.3x	12.4x	16.2x	15.0x	13.0x	22.5x	22.6x	19.5x
Balchem Corporation	NASDAQ	2,953	5.6x	5.0x	4.4x	23.4x	20.7x	19.3x	32.8x	24.7x	21.0x	44.5x	36.0x	32.3x
Kolinpharma S.p.A.	Milan	15	2.2x	1.6x	1.3x	11.4x	7.2x	5.1x	28.8x	13.2x	7.7x	54.1x	19.2x	12.1x
Herbalife Nutrition Ltd.	NYSE	5,640	1.6x	1.5x	1.4x	10.5x	9.5x	8.5x	12.1x	11.1x	9.9x	22.2x	14.1x	12.1x
<b>Average peer group</b>		<b>1,378</b>	<b>2.5x</b>	<b>2.3x</b>	<b>2.1x</b>	<b>11.9x</b>	<b>11.7x</b>	<b>10.1x</b>	<b>16.3x</b>	<b>16.1x</b>	<b>12.7x</b>	<b>26.4x</b>	<b>22.5x</b>	<b>18.0x</b>
<b>Median peer group</b>		<b>356</b>	<b>1.9x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>11.0x</b>	<b>9.5x</b>	<b>8.5x</b>	<b>14.1x</b>	<b>15.0x</b>	<b>13.0x</b>	<b>22.3x</b>	<b>21.7x</b>	<b>17.2x</b>

Source: FactSet

We based our evaluation upon including a liquidity discount of 15%, and our estimates of Shedir's EBITDA and Net Income for 2019 and 2020.

## EV/EBITDA Valuation

Multiple Valuation (€mn)	2019E	2020E
EV/EBITDA Comps	9.5x	8.5x
Shedir EBITDA*	13.01	15.22
Enterprise value	123.5	130.1
FY18E Net Debt adj.**	6.8	6.8
<b>Equity Value</b>	<b>116.6</b>	<b>123.3</b>
Average Equity Value	120.0	
Liquidity Discount	15%	
<b>Equity Value Post-Discount</b>	<b>102.0</b>	
Number of shares (mn)	11.6	
<b>Value per Share €</b>	<b>8.76</b>	

## P/E Valuation

Multiple Valuation (€mn)	2019E	2020E
P/E Comps	21.7x	17.2x
Shedir Net Income*	7.60	9.12
<b>Equity Value</b>	<b>165.3</b>	<b>157.0</b>
Average Equity Value	161.2	
Liquidity Discount	15%	
<b>Equity Value Post-Discount</b>	<b>137.0</b>	
Number of shares (thousand)	11.6	
<b>Value per Share €</b>	<b>11.77</b>	

Source: FactSet, KT&Partners' estimates;

\*2019E EBITDA and Net Income Adjusted for extraordinary costs related to fiscal assessment

\*\* FY18 Net Debt adjusted for net IPO proceeds



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Via della Posta, 10 - Piazza Affari, 20123 Milano - Italy  
Tel: +39.02.83424007 Fax: +39.02.83424011  
[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)