Shedir Pharma

Sponsored Research

Italy|Healthcare

Investment Research

Company Update

Reason: Company results (post view)

8 May 2020

Buy	
Recommendation unchanged	
Share price: EUR	**4.16**
closing price as of 07/05/2020	
Target price: EUR	**6.70**
from Target Price: EUR	*6.00*
Upside/Downside Potential	**61.1%**
Reuters/Bloomberg	SHE.MI/SHE IM
Market capitalisation (EURm)	**48**
Current N° of shares (m)	11
Free float	**13%**
Daily avg. no. trad. sh. 12 mth	15
Daily avg. trad. vol. 12 mth (m)	25.81
Abs Perfs 1/3/12 mths (%)	26.44/-20.91/

Key financials (EUR)	**12/19**	**12/20e**	**12/21e**
Sales (m)	51	51	53
EBITDA (m)	7	10	11
EBITDA margin	*14.5%*	*20.3%*	*20.7%*
EBIT (m)	5	8	9
EBIT margin	*10.4%*	*16.1%*	*16.6%*
Net Profit (adj.)(m)	3	6	6
ROCE	14.0%	19.0%	20.7%
Net debt/(cash) (m)	8	5	(1)
Net Debt Equity	*0.4*	*0.2*	*0.0*
Net Debt/EBITDA	1.1	0.5	-0.1
Int. cover(EBITDA/Fin.int)	20.2	(922.7)	(278.8)
EV/Sales	1.8	1.1	0.9
EV/EBITDA	12.2	5.2	4.3
EV/EBITDA (adj.)	10.4	5.2	4.3
EV/EBIT	17.0	6.6	5.4
P/E (adj.)	28.2	8.0	7.4
P/BV	3.5	1.7	1.4
OpFCF yield	*-12.9%*	*22.1%*	*14.0%*
Dividend yield	*0.0%*	*0.0%*	*0.0%*
EPS (adj.)	0.25	0.52	0.56
BVPS	1.97	2.49	3.05
DPS	0.00	0.00	0.00

Shareholders

Di Maio 88%;

Source: FactSet

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Innovative commercial initiatives to operate in a Covid-19 scenario

Shedir's activity falls under the "essential category" as per the prime minister's decree DPCM of 22 March. For the time being, the group is experiencing few impacts on sales. There are no critical issues, neither on procurement nor on logistics. The commercial activity towards wholesales and pharmacies is fully operational.

To face the difficulties of operating in the current social distancing scenario, Shedir's management has promptly put in place a series of initiatives aimed at pushing sales.

- ✓ *FY 19 results were substantially in line with estimates* - FY 19 sales were EUR 50.7m, +7% (vs Akros estimates of EUR 48.4m, +4.8% Y/Y) thanks to the positive sales growth of both business units. FY 19 EBITDA adj of EUR 9.5m was in line with our estimate of EUR 9.7m; the heavy EBITDA decrease of 15.2% Y/Y, was due to: 1) the decrease in the BU2 (Dymalife Division) EBITDA (EUR -0.9m in 2019 vs EUR 0.4m in 2018) due to the higher cost of goods sold; 2) higher procurement costs for BU1 (Shedir Division).
- ✓ Although the group is currently fully operational, the potential future effects of the Covid-19 epidemic are not completely foreseeable at present; based on the management indications, we estimate that, in Q1 20, the group continued to enjoy positive sales growth in the drugs-driven Dymalife division and a Shedir division's turnover holding up well.

  Therefore, we confirm our estimates of flattish FY 20 sales compared to the previous year coupled with a recovery in profitability; indeed, both targets at the moment seem reasonable and, in light of the current trend despite the lockdown, reachable by the group.
- ✓ *Valuation* - based on our estimates and on our DCF model (WACC 8.2% and 1.75% perpetual growth rate), we obtain a Fair Value of EUR 6.80 per share. Our valuation is supported by a multiple comparison: indeed, at the current price, Shedir offers a strong discount versus its peers: SHE 20e EV/EBITDA is 5.3x, well below the peer average 20e EV/EBITDA of 12.4x.

  Given the defensive and resilient nature of Shedir's business in this context of Covid-19 emergency, as well as the light cost structure of the group, we no longer deem it necessary to apply a discount to fair value, therefore, we set our target price at EUR 6.7 per share vs previous EUR 6.0.

CONTENTS

FY 19 results substantially in line with estimates

FY 19 sales were EUR 50.7m, +7%(vs Akros estimates of EUR 48.4m, +4.8% Y/Y) thanks to the positive sales growth of both business units. This performance was due to the continuous branching process of the different product lines and strengthening / consolidation of the portfolio through new product launches and line extensions.

FY 19 EBITDA adj of EUR 9.5m was in line with our estimate of EUR 9.7m– the EBITDA decrease of 15.2% Y/Y, was due to:

1) the decrease in the BU2 (Dymalife Division) EBITDA (EUR -0.9m in 2019 vs EUR 0.4m in 2018) due to the higher cost of goods sold (from 18% in 2018 to 48% in 2019), which incorporated the inventory write-downs for non-market goods obtained with the purchase of pharmaceutical products in the start-up phase: this negative impact is transitory and limited to 2019;
2) higher procurement costs for BU1 (Shedir Division) : this was due to the new products launched in 2019 (about 60 new references), which, in the most cases, were characterised by patents and innovative formulas; this impacted for about 2pp on the division's EBITDA margin (22% in 2019 vs 24% in 2018); to face this costs increase, a sales prices hike was already made in the early months of 2020 to improve profitability.

FY 19 ended with a net profit adj of EUR 5.4m (-17% Y/Y).

Despite the investments to acquire new products in 2019 (Mesaflor, Geniad, Liste and Solumag), Net Debt improved from EUR 14.6m in 2018 to EUR 8.0m in 2019, decidedly better than our estimate of EUR 13m.

FY 19 Profit & loss

	FY 18a	FY 19a	*% Chg*	Akros FY 19e	*Vs Estimates*
Revenues	47.3	50.7	*7.1%*	48.4	*+4.8%*
EBITDA adj	11.2	9.5 (*)	*-15.2%*	9.7	*-2.1%*
Margin	*23.7%*	*18.7%*		*20.0%*	
EBITDA reported	10.9	7.3	*-32.6%*		
Margin	*23.0%*	*14.5%*			
EBIT adj	9.7	7.6 (*)	*-21.6%*	7.7	*-1.3%*
Margin	*20.5%*	*15.0%*		*15.9%*	
EBIT reported	9.3	5.3	*-43.6%*		
Margin	*19.7%*	*10.4%*			
Net Profit adj	6.5	5.4 (*)	*23.1%*	5.6	*-3.6%*
Net Profit	6.5	2.9	*-17.0%*		

Source: Company data

(*) FY 19 data adjusted for:

a) non-recurring expenses related to some fiscal disputes (operating costs for EUR 0.7m, EUR 0.1 of one-off financial charges for the fiscal issue and EUR 0.6m of taxesfor the fiscal settlement)

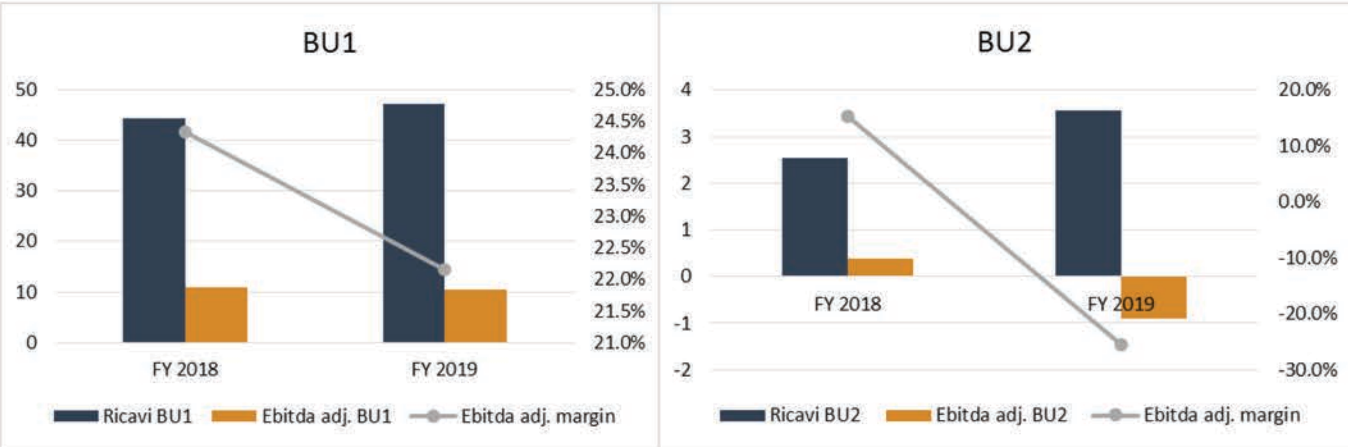
b) EUR 0.9m one-off costs for listing

c) one-off inventory write-downs for EUR 0.5m

(BU 1) Shedir division(nutraceuticals) sales grew by 6.0% Y/Y to EUR 47.1m, more than the reference market trend (based on IMSHEALTH, the nutraceutical market recorded an increase in value of +3.6%); in particular, the positive performance was driven by products such as ShedirFluin respiratory segment (+19%) andZolyc in the gastrointestinal segment (+26%).

(BU 2) Dymalife (the pharma division) sales grew by 40% Y/Y to EUR 3.6m; the products that contributed most to growthwere: Alvenex® in the phlebology area, Dymavig® (Tadalafil molecule generic ofCialis) in the urological area, and Eliosid® in the respiratory area.

Sales and EBITDA by division (EUR m)



Source: Company data

Current outlook based on Covid-19 epidemic

Shedir's activity falls under the "essential category" as per the prime minister's decree DPCM of 22 March. For the time being, the group is not experiencing any impact on sales. There are no critical issues, neither on procurement nor on logistics. The commercial activity towards wholesales and pharmacies is fully operational.

<u>Commercial network supporting doctors and pharmacies</u> - furthermore, to face the difficulties of operating in the current social distancing scenario, Shedir's management has promptly put in place a series of initiatives aimed at preserving the commercial and consultancy activities of its agents, who rapresent the largest strength asset of its business model. The agent network, in fact, has activated a series of channels and virtual initiatives both with doctors and pharmacies to keep in touch and continue with information and product promotion activities. In addition, Shedir launched a series of promotional initiatives on the web channel for the end consumer who, in this lockdown, use internet much more.

<u>Focus on products related to COVID-19 symptomatology and treatment</u> - on the product side, the promotional activity focuses on those products in the group's portfolio (drugs and supplements) that are most useful in this phase of the Covid-19 epidemic, such as antibiotics, immunostimulants, supplements based on Vitamin C, of iron, cough products, throat antiseptics.

In particular, it should be noted that two antibiotics in the Dymalife portfolio have been included in the list of drugs for the treatment of Covid-19 patients treated at home.

<u>M&A opportunities</u> - the management, also in this phase, have several ongoing negotiations to acquire small product portfolios, especially from pharmaceutical groups which, given this new epidemic, are refocusing their strategy and are considering the disposal of products that are no longer convenient for them to sell.

<u>Growing patent's portfolio</u> - consistently with the promise made to investors during the IPO process, the company is continuing to widen the number of patents with eight new authorisations obtained in the first quarter of 2020. With these additional patents, Shedir's portfolio has reached a total of 28 patents (applied to 40 product references in several therapeutic areas), of which 24 obtained after the listing. This strategy has proven to be successful: indeed, according to IQVIA data on the sell-out to pharmacies and end-users, in Q1 Shedir's patented products grew, by 42% Y/Y on average, contributing significantly to the consolidation of their brands. We consider these performances even more remarkable in the current environment.

Light network cost– Shedir's business model is based on a capillary network of agents, who are paid primarily on a variable basis. The strategy allows the company to enjoy a light cost base (we estimate that the network costs account for 30% -35% of the turnover). Especially in the current environment, with strong restrictions on peoples mobility, this cost structure provides high flexibility and a strong competitive advantage compared to most of Shedir's competitors, which instead are penalised by a less favourable network remuneration.

Additional cost savings - the company is anyway trying to obtain additional efficiencies. Some marketing expenses have been cut, especially the ones linked to the organisation of events and congresses.

Estimates and valuation

Our 2020-22 estimates

Although the group is currently fully operational, to date all potential future effects of the Covid-19 epidemic are not completely foreseeable.

As previously pointed out, we remind investors that, the group has an operating structure characterised by high variable costs, therefore we do not believe that a drop in turnover will significantly impact on operating margins, which, therefore, are expected to be very resilient. Based on our sensitivity analysis, it is possible to assume that a 10% drop in turnover would have no significant impact on the EBITDA margin and that even a strong 50% decrease in turnover would impact by only about 2 percentage points on the EBITDA margin.

Nevertheless, based on the management indications, we estimate that, in Q1 20, the group continued to record positive sales growth of the drugs-driven Dymalife division and a Shedir division's turnover holding up well.

Therefore, we confirm our estimates of flattish FY 20 sales compared to the previous year and of a slight recovery in profitability; indeed, both targets at the moment seem reasonable and, in light of the current trend despite the lockdown, reachable by the group.

PROFIT & LOSS (EUR m)			Estimates			
	2018	2019	2020e	2021e	2022e	%CAGR
Revenues	**47.3**	**50.7**	**50.9**	**53.3**	**55.2**	*4.1%*
growth rate		***7.1%***	***0.4%***	***4.7%***	***3.5%***	
Cons. of products & raw materials	(9.1)	(11.8)	(9.5)	(10.0)	(10.3)	
First Margin	**38.3**	**38.9**	**41.4**	**43.3**	**44.9**	
Costs of sales network	(23.0)	(25.7)	(7.5)	(18.2)	(18.8)	
Other expenses	(0.6)	(1.9)	(0.5)	(0.5)	(0.5)	
Contribution Margin	**14.7**	**11.3**	**16.9**	**17.8**	**18.6**	
growth rate		*-23.1%*	*46.9%*	*5.5%*	*4.0%*	
Personnel expenses	(3.8)	(4.0)	(3.5)	(3.6)	(3.7)	
Overhead costs	(0.0)	(0.0)	(3.0)	(3.2)	(3.3)	
EBITDA Adj	**11.2**	**9.5**	**10.3**	**11.0**	**11.6**	*1.1%*
growth rate		***-15.2%***	***8.8%***	***6.6%***	***5.0%***	
EBITDA Adj margin	*23.7%*	*18.7%*	*20.3%*	*20.7%*	*21.0%*	
One-off costs	(0.3)	(2.2)	0.0	0.0	0.0	
EBITDA	**10.9**	**7.3**	**10.3**	**11.0**	**11.6**	*1.1%*
growth rate		***-32.6%***	***41.0%***	***6.6%***	***5.0%***	
EBITDA margin	*23.0%*	*14.5%*	*20.3%*	*20.7%*	*21.0%*	
D&A	(1.3)	(2.0)	(2.1)	(2.2)	(2.3)	
Provisions	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	
EBIT Adj	**9.7**	**7.6**	**8.4**	**9.0**	**9.5**	*1.0%*
growth rate		***-21.6%***	***8.7%***	***7.7%***	***5.2%***	
EBIT Adj margin	*20.5%*	*15.0%*	*8.1%*	*16.9%*	*17.2%*	
EBIT	**9.3**	**5.3**	**8.4**	**9.0**	**9.5**	*1.0%*
growth rate		***-43.6%***	***55.9%***	***7.7%***	***5.2%***	
EBIT margin	*19.7%*	*10.4%*	*16.4%*	*16.9%*	*17.2%*	
Net financial income(charges)	(0.2)	(0.4)	(0.2)	(0.1)	(0.1)	
Pre-tax profit	**9.1**	**4.9**	**8.2**	**8.9**	**9.3**	
Taxes	(2.6)	(2.0)	(2.3)	(2.5)	(2.6)	
Tax rate	*28.2%*	*41.6%*	*28.0%*	*28.0%*	*28.0%*	
Minorities	(0.0)	0.0	0.0	0.0	0.0	
Net profit	**6.5**	**2.8**	**5.9**	**6.4**	**6.7**	*1.4%*
growth rate		*-56.4%*	*n.m.*	*8.1%*	*5.2%*	
Net profit Adj	**6.5**	**5.4**	**5.9**	**6.4**	**6.7**	

DCF valuation

Based on our DCF model, we obtain a fair value of EUR 6.70 per share.

We have run our DCF analysis based on the following assumptions:

- Sales forecast: a) for the period 2020/2022e we assume the estimates described in the paragraph above; b) for the period 2023/2024e we estimate a sales CAGR of 3.3%;
- Profitability forecast: a) for the period 2020/2022e we assume the estimates described in the paragraph above; b) in terms of long-term forecasts we assume a stable EBITDA margin of around 21.5%, which is in line with the FY 21e EBITDA margin. This expected profitability is higher than the FY 20e EBITDA of 20.3%, because we reckon the group's EBITDA margin will improve thanks to a lower incidence of operating costs and the progressive improvement in profitability of BU2 owing to the strong operating leverage of the business model.

- A WACC of 8.2% calculated by assuming: a) a risk-free rate of 3.5% and a market risk premium of 5.0% (in line with ESN standards); b) a target capital structure with debt covering 27.0% of net capital employed; c) a beta of 1.1, reflecting that Shedir is a small cap, so it is slightly penalised in light of the stock's modest liquidity, but it operates in an anti-cyclical sector.
- A terminal growth rate of 1.75%.

SHEDIR: Free Cash Flow projection (EUR m)

	2020e	2021e	2022e	2023e	2024e
EBITA	8.2	8.9	9.3	9.8	10.1
Taxes	-2.3	-2.5	-2.6	-2.7	-2.8
Tax rate	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*
NOPLAT	**5.9**	**6.4**	**6.7**	**7.0**	**7.2**
Depreciation & other provisions	2.0	2.1	2.1	2.2	2.3
Operating Cash Flow	**7.9**	**8.4**	**8.9**	**9.3**	**9.5**
Capex	-4.1	-0.8	-0.8	-0.8	-0.9
Change in Net Working Capital	6.6	-1.1	-1.5	-1.9	-1.8
Free Operating Cash Flow (FOCF)	**10.4**	**6.5**	**6.5**	**6.5**	**6.9**

Source: Banca Akros estimates

SHEDIR: DCF analysis

Perpetual Growth Rate	*1.75%*
WACC	*8.20%*
Terminal Value	**87.0**
Discounting Rate of Terminal Value	0.62
Discounted Terminal Value	54.5
Cumulated DFOCF	**29.7**
Financial Assets as of 31/12/19	1.0
Enterprise Value (EUR m)	**84.9**
Net Financial Debt as of 31/12/19 (EUR m)	(8.0)
Minorities market value (EUR m)	0.1
Equity Value (EUR m)	**77.1**
Value per share (EUR)	**6.7**

Source: Banca Akros estimates

DCF sensitivity table (EUR)

WACC	*Terminal growth rate (g)*						
	1.00%	*1.25%*	*1.50%*	*1.75%*	*2.00%*	*2.25%*	*2.50%*
7.30%	6.8	7.0	7.3	**7.5**	7.8	8.1	8.4
7.60%	6.6	6.8	7.0	**7.2**	7.5	7.7	8.0
7.90%	6.4	6.6	6.8	**7.0**	7.2	7.4	7.7
8.20%	**6.2**	**6.4**	**6.6**	$\boxed{\textbf{6.7}}$	**6.9**	**7.2**	**7.4**
8.50%	6.0	6.2	6.4	**6.5**	6.7	6.9	7.1
8.80%	5.9	6.0	6.2	**6.3**	6.5	6.7	6.9
9.10%	5.7	5.9	6.0	**6.2**	6.3	6.5	6.7

Source: Banca Akros estimates

Peer multiples

We point out that Shedir and all these players are not entirely comparable due to the significant differences in terms of size and geographies, reference segments, business model, distribution channels.

Nevertheless, as shown by the following table, Shedir offers a strong discount compared to the sector peers. Although this difference is partly motivated by Shedir's smaller relative size and the fact that its turnover is concentrated almost entirely in Italy, we do not believe that this wide discount is justified considering the resilient business model of the group and the good growth perspectives of the Dymalife division.

	EV/EBITDA		P/E	
	2020e	**2021e**	**2020e**	**2021e**
DERMAPHARM	14.2	12.8	23.6	20.3
FAES FARMA	10.3	9.7	15.5	13.9
BALCHEM	21.3	18.7	33.9	28.7
PHARMANUTRA	15.1	12.6	23.7	20.1
ALLIANCE PHARMA	12.8	11.4	15.2	13.8
USANA HEALTH SCIENCES	9.6	9.0	17.4	16.5
NATURHOUSE HEALTH	4.2	-	7.3	-
HERBALIFE NUTRITION	11.1	8.7	13.2	10.8
AVERAGE	**12.4**	**11.8**	**18.7**	**17.7**
SHEDIR PHARMA	5.3	4.3	8.7	8.0
Premium (discount) on average	***-57.2%***	***-63.7%***	***-57.3%***	***-58.3%***

Source: Bloomberg data at 7th May 2020 and Banca Akros estimates

Shedir Pharma: Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Sales	**40.2**	**47.3**	**50.7**	**50.9**	**53.3**	**55.2**
Cost of Sales & Operating Costs	0.0	0.0	-10.6	-9.1	-11.8	-12.5
Non Recurrent Expenses/Income	0.0	0.0	-1.3	0.0	0.0	0.0
EBITDA	**7.0**	**10.9**	**7.3**	**10.3**	**11.0**	**11.6**
EBITDA (adj.)*	**7.0**	**10.9**	**8.6**	**10.3**	**11.0**	**11.6**
Depreciation	-1.7	-1.3	-2.0	-2.0	-2.1	-2.1
EBITA	**5.3**	**9.6**	**5.4**	**8.3**	**9.0**	**9.4**
EBITA (adj)*	**5.3**	**9.6**	**6.7**	**8.3**	**9.0**	**9.4**
Amortisations and Write Downs	0.0	-0.3	-0.1	-0.1	-0.1	-0.1
EBIT	**5.3**	**9.3**	**5.3**	**8.2**	**8.9**	**9.3**
EBIT (adj.)*	**5.3**	**9.3**	**6.6**	**8.2**	**8.9**	**9.3**
Net Financial Interest	-0.1	-0.2	-0.4	0.0	0.0	0.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	**5.2**	**9.1**	**4.9**	**8.2**	**8.9**	**9.4**
Tax	-1.7	-2.6	-2.0	-2.3	-2.5	-2.6
Tax rate	*32.3%*	*28.2%*	*41.6%*	*28.0%*	*28.0%*	*28.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	-0.0	-0.0	0.0	0.0	0.0
Net Profit (reported)	**3.5**	**6.5**	**2.8**	**5.9**	**6.4**	**6.7**
Net Profit (adj.)	**3.5**	**6.5**	**2.8**	**5.9**	**6.4**	**6.7**

CASH FLOW (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Cash Flow from Operations before change in NWC	5.2	8.1	4.9	8.0	8.6	9.0
Change in Net Working Capital	0.0	-5.3	-11.0	6.6	-1.1	-1.5
Cash Flow from Operations	**5.2**	**2.8**	**-6.0**	**14.6**	**7.4**	**7.5**
Capex	-4.7	-0.2	-4.3	-4.1	-0.8	-0.8
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	**0.5**	**2.5**	**-10.3**	**10.5**	**6.6**	**6.6**
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.0	9.8	11.5	-7.6	-0.1	-0.1
NOPLAT	3.6	6.4	4.5	5.6	6.1	6.4

BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Tangible Assets	1.1	12.5	0.8	4.9	3.6	2.3
Net Intangible Assets (incl.Goodwill)	11.5	4.7	11.1	11.1	11.1	11.1
Net Financial Assets & Other	2.5	12.0	1.0	1.0	1.0	1.0
Total Fixed Assets	**15.0**	**29.2**	**12.9**	**17.0**	**15.7**	**14.4**
Inventories	8.0	13.5	14.5	11.1	11.9	12.8
Trade receivables	7.3	11.9	11.3	8.2	8.6	9.3
Other current assets	2.9	1.4	8.0	8.0	8.4	8.7
Cash (-)	-5.6	-4.1	-1.1	-1.4	-2.6	-9.1
Total Current Assets	**23.8**	**30.9**	**34.9**	**28.7**	**31.5**	**39.9**
Total Assets	**38.9**	**60.1**	**47.8**	**45.7**	**47.2**	**54.3**
Shareholders Equity	7.4	26.4	22.6	28.5	34.9	41.6
Minority	0.1	0.1	0.1	0.1	0.1	0.1
Total Equity	**7.5**	**26.5**	**22.7**	**28.6**	**35.0**	**41.8**
Long term interest bearing debt	12.9	10.2	2.1	1.5	0.3	0.3
Provisions	0.2	0.3	0.5	0.1	0.1	0.1
Other long term liabilities	0.2	0.4	5.4	0.2	0.2	0.2
Total Long Term Liabilities	**13.4**	**11.0**	**7.9**	**1.8**	**0.6**	**0.6**
Short term interest bearing debt	7.1	8.4	7.0	5.0	0.9	0.9
Trade payables	9.3	8.1	6.1	6.1	6.4	6.6
Other current liabilities	1.6	6.1	4.1	4.1	4.3	4.5
Total Current Liabilities	**18.0**	**22.6**	**17.2**	**15.2**	**11.6**	**11.9**
Total Liabilities and Shareholders' Equity	**38.9**	**60.1**	**47.8**	**45.7**	**47.2**	**54.3**
Net Capital Employed	**21.4**	**46.9**	**33.1**	**30.6**	**30.2**	**30.3**
Net Working Capital	**6.4**	**17.7**	**20.2**	**13.6**	**14.5**	**15.9**

GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Sales growth	*n.m.*	*17.7%*	*7.1%*	*0.4%*	*4.7%*	*3.5%*
EBITDA (adj.)* growth	***n.m.***	***54.6%***	***-20.6%***	***19.8%***	***6.6%***	***5.0%***
EBITA (adj.) growth*	*n.m.*	*80.4%*	*-30.5%*	*24.7%*	*7.7%*	*5.2%*
*EBIT (adj)*growth*	*n.m.*	*75.7%*	*-29.6%*	*25.0%*	*7.8%*	*5.2%*

Shedir Pharma: Summary tables

GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Profit growth		*85.7%*	*-56.4%*	*108.8%*	*8.1%*	*5.2%*
EPS adj. growth	*n.m.*	*-10.5%*	*-45.7%*	*108.8%*	*8.1%*	*5.2%*
DPS adj. growth						
EBITDA (adj) margin*	*17.5%*	*23.0%*	*17.0%*	*20.3%*	*20.7%*	*21.0%*
EBITA (adj) margin*	*13.2%*	*20.3%*	*13.1%*	*16.3%*	*16.8%*	*17.1%*
EBIT (adj) margin*	*13.2%*	*19.7%*	*13.0%*	*16.1%*	*16.6%*	*16.9%*
RATIOS	**12/2017**	**12/2018**	**12/2019**	**12/2020e**	**12/2021e**	**12/2022e**
Net Debt/Equity	1.9	0.5	0.4	0.2	0.0	-0.2
Net Debt/EBITDA	2.0	1.3	1.1	0.5	-0.1	-0.7
Interest cover (EBITDA/Fin.interest)	48.5	48.3	20.2	n.m.	n.m.	n.m.
Capex/D&A	273.7%	15.7%	209.0%	193.7%	37.0%	36.7%
Capex/Sales	11.7%	0.5%	8.5%	8.1%	1.5%	1.5%
NWC/Sales	15.8%	37.5%	39.8%	26.7%	27.3%	28.8%
ROE (average)	94.5%	38.5%	11.6%	23.2%	20.2%	17.6%
ROCE (adj.)	19.3%	18.3%	14.0%	19.0%	20.7%	21.8%
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
ROCE (adj.)/WACC	2.3	2.2	1.7	2.3	2.5	2.7
PER SHARE DATA (EUR)*	**12/2017**	**12/2018**	**12/2019**	**12/2020e**	**12/2021e**	**12/2022e**
Average diluted number of shares	5.7	22.7	11.4	11.4	11.4	11.4
EPS (reported)	0.51	0.46	0.25	0.52	0.56	0.59
EPS (adj.)	0.51	0.46	0.25	0.52	0.56	0.59
BVPS	1.30	1.16	1.97	2.49	3.05	3.64
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	**12/2017**	**12/2018**	**12/2019**	**12/2020e**	**12/2021e**	**12/2022e**
EV/Sales			1.8	1.1	0.9	0.7
EV/EBITDA			12.2	5.2	4.3	3.5
EV/EBITDA (adj.)*			**10.4**	**5.2**	**4.3**	**3.5**
EV/EBITA			16.7	6.5	5.3	4.4
EV/EBITA (adj.)*			**13.5**	**6.5**	**5.3**	**4.4**
EV/EBIT			17.0	6.6	5.4	4.4
EV/EBIT (adj.)*			**13.6**	**6.6**	**5.4**	**4.4**
P/E (adj.)			**28.2**	**8.0**	**7.4**	**7.1**
P/BV			3.5	1.7	1.4	1.1
Total Yield Ratio			0.0%	0.0%	0.0%	
EV/CE			2.8	1.8	1.6	1.4
OpFCF yield			-12.9%	22.1%	14.0%	13.9%
OpFCF/EV			-11.5%	19.4%	14.0%	16.2%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)			0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	**12/2017**	**12/2018**	**12/2019**	**12/2020e**	**12/2021e**	**12/2022e**
Price** (EUR)			7.00	4.16	4.16	4.16
Outstanding number of shares for main stock	5.7	22.7	11.4	11.4	11.4	11.4
Total Market Cap			**80**	**48**	**48**	**48**
Net Debt	**14**	**15**	**8**	**5**	**-1**	**-8**
o/w Cash & Marketable Securities (-)	*-6*	*-4*	*-1*	*-1*	*-3*	*-9*
o/w Gross Financial Debt (+)	*20*	*19*	*9*	*7*	*1*	*1*
o/w Lease Liabilities (+)						
Other EV components	**3**	**13**	**2**	**1**	**1**	**1**
Enterprise Value (EV adj.)			**90**	**54**	**48**	**41**

Source: Company, Banca Akros estimates.

Notes

** Where EBITDA (adj.) or EBITA (adj)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj)= EBIT-/+ Non Recurrent Expenses/Income - PPA amortisation*

Sector: Healthcare/Healthcare Providers

Company Description: Shedir is a leading player in the healthcare sector with strong specialisation in nutraceuticals. The company has recently expanded into the pharmaceutical sector through the acquisition of some pharmaceutical assets. The comapny, founded 11 years ago, now boasts a national network of more than 800 sales agents who sell more than 300 product references divided into 8 product lines, which cover more than 15 therapeutic areas. The group has organised its activities within 2 business units: the “Shedir division” (nutraceuticals), which is specialised in the distribution of supplements, dermocosmetics and medical devices, and the more recent “Dymalife division” (pharma), which is specialised in the distribution of group A, group C and OTC medicines. Lastly, the group has recently started an international process, initially relying on local distributors with their own sales network.

European Coverage of the Members of ESN

Aerospace & Defense	**Mem(*)**
Airbus Se	CIC
Avio	BAK
Dassault Aviation	CIC
Figeac Aero	CIC
Latecoere	CIC
Leonardo	BAK
Lisi	CIC
Safran	CIC
Thales	CIC
Alternative Energy	**Mem(*)**
Encavis Ag	CIC
Plc	BAK
Siemens Gamesa Re	GVC
Voltalia	CIC
Automobiles & Parts	**Mem(*)**
Brembo	BAK
Faurecia	CIC
Ferrari	BAK
Fiat Chrysler Automobiles	BAK
Gestamp	GVC
Indelb	BAK
Landi Renzo	BAK
Piaggio	BAK
Pininfarina	BAK
Plastic Omnium	CIC
Sogefi	BAK
Banks	**Mem(*)**
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankia	GVC
Bankinter	GVC
Bbva	GVC
Bcp	CBI
Bnp Paribas	CIC
Bper	BAK
Caixabank	GVC
Credem	BAK
Credit Agricole Sa	CIC
Creval	BAK
Intesa Sanpaolo	BAK
Mediobanca	BAK
Natixis	CIC
Rothschild & Co	CIC
Societe Generale	CIC
Ubi Banca	BAK
Unicredit	BAK
Basic Resources	**Mem(*)**
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Corticeira Amorim	CBI
Ence	GVC
Semapa	CBI
The Navigator Company	CBI

Tubacex	GVC
Chemicals	**Mem(*)**
Air Liquide	CIC
Arkema	CIC
Plasticos Compuestos	GVC
Electronic & Electrical Eq.	**Mem(*)**
Rexel	CIC
Fin. Serv. Holdings	**Mem(*)**
Cir	BAK
Corp. Financiera Alba	GVC
Digital Magics	BAK
Eurazeo	CIC
Ffp	CIC
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Wendel	CIC
Fin. Serv. Industrials	**Mem(*)**
Bolsas Y Mercados Espanoles	GVC
Dovalue	BAK
Nexi	BAK
Tinexta	BAK
Financial Services Banks	**Mem(*)**
Amundi	CIC
Anima	BAK
Azimut	BAK
Banca Farmafactoring	BAK
Banca Generali	BAK
Banca Ifis	BAK
Banca Mediolanum	BAK
Banca Sistema	BAK
Finecobank	BAK
Poste Italiane	BAK
Food & Beverage	**Mem(*)**
Advini	CIC
Bonduelle	CIC
Campari	BAK
Danone	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Italian Wine Brands	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Orsero	BAK
Pernod Ricard	CIC
Remy Cointreau	CIC
Tipiak	CIC
Vidrala	GVC
Vilmorin	CIC
Viscofan	GVC
Vranken Pommery Monopole	CIC
Food & Drug Retailers	**Mem(*)**
Carrefour	CIC
Casino Guichard-Perrachon	CIC
Jeronimo Martins	CBI

Marr	BAK
Sonae	CBI
General Industrials	**Mem(*)**
Adl Bionatur Solutions	GVC
Cembre	BAK
Sergeferrari Group	CIC
General Retailers	**Mem(*)**
Emova Group	IAC
Fnac Darty	CIC
Inditex	GVC
Maisons Du Monde	CIC
Ovs	BAK
Unieuro	BAK
Healthcare	**Mem(*)**
Abionyx Pharma	CIC
Amplifon	BAK
Atrys Health	GVC
Crossject	CIC
Diasorin	BAK
El.En.	BAK
Fermentalg	CIC
Fine Foods	BAK
Genfit	CIC
Guerbet	CIC
Korian	CIC
Oncodesign	CIC
Orpea	CIC
Recordati	BAK
Shedir Pharma	BAK
Theraclion	CIC
Household Goods	**Mem(*)**
Abeo	CIC
De Longhi	BAK
Fila	BAK
Groupe Seb	CIC
Industrial Engineering	**Mem(*)**
Alstom	CIC
Biesse	BAK
Caf	GVC
Carraro	BAK
Cnh Industrial	BAK
Danieli	BAK
Datalogic	BAK
Exel Industries	CIC
Fincantieri	BAK
Groupe Gorge	CIC
Haulotte Group	CIC
Ima	BAK
Interpump	BAK
Manitou	CIC
Prima Industrie	BAK
Prysmian	BAK
Talgo	GVC
Zardoya Otis	GVC

Industrial Transportation	**Mem(*)**
Bollore	CIC
Clasquin	IAC
Ctt	CBI
Insurance	**Mem(*)**
Axa	CIC
Catalana Occidente	GVC
Cattolica Assicurazioni	BAK
Generali	BAK
Mapfre	GVC
Net Insurance	BAK
Unipolsai	BAK
Materials, Construction	**Mem(*)**
Acs	GVC
Aena	GVC
Astaldi	BAK
Astm	BAK
Atlantia	BAK
Buzzi Unicem	BAK
Capelli	CIC
Cementir	BAK
Clerhp Estructuras	GVC
Eiffage	CIC
Ezentis	GVC
Fcc	GVC
Ferrovial	GVC
Groupe Adp	CIC
Groupe Poujoulat	CIC
Groupe Sfpi S.A.	CIC
Herige	CIC
Hexaom	CIC
Imerys	CIC
Kaufman & Broad	IAC
Lafargeholcim	CIC
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Sacyr	GVC
Saint Gobain	CIC
Salcef	BAK
Salini Impregilo	BAK
Sonae Industria	CBI
Tarkett	CIC
Thermador Groupe	CIC
Vicat	CIC
Vinci	CIC
Media	**Mem(*)**
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Cairo Communication	BAK
Cofina	CBI
Digital Bros	BAK
Digitouch	BAK
Gedi Gruppo Editoriale	BAK
Gl Events	CIC
Il Sole 24 Ore	BAK

Impresa	CBI
Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6-Metropole Television	CIC
Mediaset	BAK
Mediaset Espana	GVC
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Solocal Group	CIC
Teleperformance	CIC
Tf1	CIC
Ubisoft	CIC
Vivendi	CIC
Vogo	CIC
Oil & Gas Producers	**Mem(*)**
Ecoslops	CIC
Enauta	CBI
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Maurel Et Prom	CIC
Repsol	GVC
Total	CIC
Oil Services	**Mem(*)**
Bourbon	CIC
Cgg	CIC
Gtt	CIC
Rubis	CIC
Saipem	BAK
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Vallourec	CIC
Personal Goods	**Mem(*)**
Basicnet	BAK
Brunello Cucinelli	BAK
Cellularline	BAK
Cie Fin. Richemont	CIC
Geox	BAK
Hermes Intl.	CIC
Interparfums	CIC
Kering	CIC
L'Oreal	CIC
Lvmh	CIC
Moncler	BAK
Safilo	BAK
Salvatore Ferragamo	BAK
Smcp	CIC
Swatch Group	CIC
Technogym	BAK
Tod'S	BAK
Real Estate	**Mem(*)**
Igd	BAK
Lar España	GVC

Merlin Properties	GVC
Quabit Immobiliaria	GVC
Realia	GVC
Software & Computer Ser.	**Mem(*)**
Agile Content	GVC
Akka Technologies	CIC
Alten	CIC
Altran	CIC
Amadeus	GVC
Assystem	CIC
Atos	CIC
Axway Software	CIC
Capgemini	CIC
Cast	CIC
Catenon	GVC
Econocom	CIC
Ekinops	CIC
Esi Group	CIC
Exprivia	BAK
Gigas Hosting	GVC
Gpi	BAK
Groupe Open	CIC
Indra Sistemas	GVC
Lleida.Net	GVC
Neurones	CIC
Reply	BAK
Sii	CIC
Sopra Steria Group	CIC
Visiativ	CIC
Worldline	CIC
Support Services	**Mem(*)**
Bureau Veritas	CIC
Cellnex Telecom	GVC
Edenred	CIC
Enav	BAK
Fiera Milano	BAK
Inwit	BAK
Openjobmetis	BAK
Prosegur	GVC
Prosegur Cash	GVC
Rai Way	BAK
Technology Hardware & Eq.	**Mem(*)**
Adeunis	CIC
Evolis	CIC
Hf Company	CIC
Ingenico	CIC
Memscap	IAC
Osmozis	CIC
Stmicroelectronics	BAK
Tier 1 Technology	GVC
Telecommunications	**Mem(*)**
Altice Europe	CIC
Bouygues	CIC
Euskaltel	GVC
Iliad	CIC
Masmovil	GVC

Nos	CBI
Orange	CIC
Telecom Italia	BAK
Telefonica	GVC
Tiscali	BAK
Vodafone	BAK
Travel & Leisure	**Mem(*)**
Accor	CIC
Autogrill	BAK
Beneteau	CIC
Codere	GVC
Compagnie Des Alpes	CIC
Edreams Odigeo	GVC
Elior	CIC
Europcar	CIC
Fdj	CIC
Groupe Partouche	IAC
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Melia Hotels International	GVC
Nh Hotel Group	GVC
Pierre Et Vacances	CIC
Sodexo	CIC
Sonae Capital	CBI
Trigano	CIC
Utilities	**Mem(*)**
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Audax	GVC
Derichebourg	CIC
Edp	CBI
Edp Renováveis	CBI
Enagas	GVC
Endesa	GVC
Enel	BAK
Erg	BAK
Falck Renewables	BAK
Greenalia	GVC
Hera	BAK
Holaluz	GVC
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Naturgy	GVC
Red Electrica Corporacion	GVC
Ren	CBI
Snam	BAK
Solaria	GVC
Terna	BAK

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Il presente documento è stato redatto da Paola Saglietti e Pietro Gasparri (soci AIAF) che svolgono funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 8 May 2020, ore 08:43 italiane.**
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- specialista del titolo Shedir Pharma, quotato sul segmento AIM Italia;
- ha partecipato ha partecipato in qualità di Joint Global Coordinator, Joint Bookrunner e Specialist al consorzio di collocamento e garanzia dell'Offerta Pubblica Iniziale di azioni, organizzato nel mese di luglio 2019.
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http://www.bancaakros.it/menu-informativa/analisi-finanziaria-e-market-abuse.aspx
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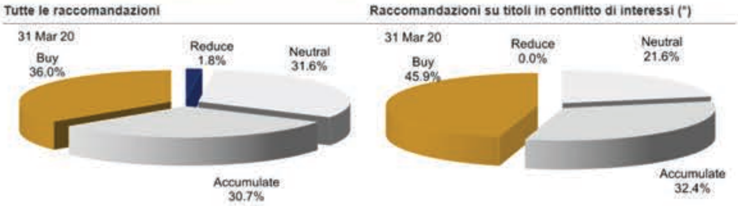
Percentuale delle raccomandazioni al 31 marzo 2020



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 32.46% del totale degli emittenti oggetto di copertura

Recommendation history for SHEDIR PHARMA

Date	Recommendation	Target price	Price at change date
05-Mar-20	Buy	6.00	4.14
31-Jan-20	Buy	0.00	5.46
23-Jan-20	Rating Suspended	0.00	4.73
16-Oct-19	Buy	10.00	7.16

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Paola Saglietti(since 16/10/2019)

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended**: the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, …) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
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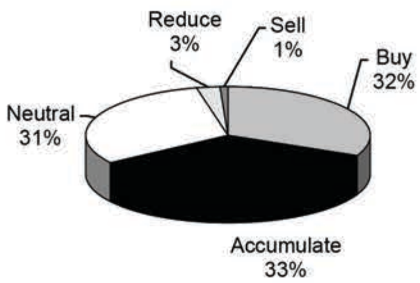
Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website Link
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