

Don't Worry, Buy Healthy!

ADD | Fair Value: €7.62 | Current Price: €3.88 | Upside: +96.4%

| € Million | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|----------------|-------|-------|-------|-------|-------|--------|--------|--------|--------|
| Total Revenues | 40.2 | 46.9 | 48.8 | 43.9 | 45.2 | 52.9 | 57.5 | 62.3 | 66.9 |
| EBITDA | 7.0 | 11.0 | 5.4 | 8.1 | 8.3 | 10.6 | 11.9 | 13.1 | 14.2 |
| margin | 17.5% | 23.6% | 11.1% | 18.4% | 18.3% | 20.1% | 20.6% | 21.0% | 21.2% |
| Net Profit | 3.5 | 6.3 | 0.9 | 3.7 | 3.5 | 5.3 | 6.1 | 7.0 | 7.8 |
| margin | 8.7% | 13.5% | 1.9% | 8.4% | 7.7% | 10.1% | 10.7% | 11.2% | 11.6% |
| EPS | n.a. | n.a. | 0.25 | 0.34 | 0.34 | 0.47 | 0.54 | 0.61 | 0.68 |
| NFP | 14.4 | 15.1 | 8.9 | 0.0 | (6.8) | (13.3) | (20.7) | (28.9) | (37.9) |

Source: Company data (2019–21), KT&Partners' elaboration (2022–25)

Company Overview. Shedir Pharma – founded in 2008 in Piano di Sorrento (Naples) – is a company leader in the Italian nutraceutical industry. Aiming at diversifying its offerings, since 2017, with the constitution of Dymalife Pharmaceutical Srl, Shedir Pharma has entered the pharmaceutical industry. The Company is organized in two business units: i) Shedir Division, responsible for the development and the distribution of food supplements, dermocosmetics, and medical devices, with more than 150 brands belonging to 15 different therapeutic areas; and ii) Dymalife Division, active in the pharmaceutical industry with more than 30 drug brands divided into two specific product lines, Dyma and Horizon.

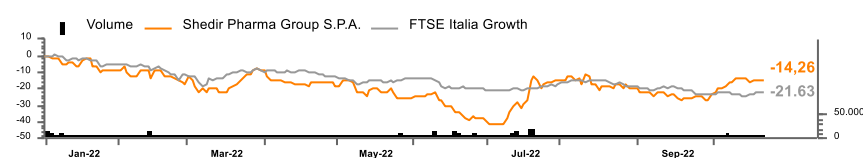
Market Overview. Shedir Pharma operates mostly in the nutraceutical industry. According to Mediobanca in 2021, the global nutraceutical Industry was valued ca. \$500bn and is expected to achieve a strong growth in the following years with a CAGR21-27E of 6.9%, mainly driven by: i) life expectancy increases and ii) a greater interest in healthy habits such as a well-balanced nutrition programme.

1H22 Financial Results. In the first semester of 2022, Shedir Pharma achieved excellent results, improving all its key financials. Indeed, sales revenues grew from €18.5mn in 1H21 to €23.3mn in 1H22 (+25.6% YoY), mainly following the recovery of respiratory brands that were highly impacted by the lower number of influenza diseases during the lockdown. Also, the Dymalife Division showed an increase, with sales growing by +30% YoY, reaching €2.9mn in 1H22 vs €2.0mn in 1H21. At the EBITDA level, the Group witnessed a significant improvement, reaching €2.7mn vs €2.3mn in 1H21 (+20% YoY), with the EBITDA margin remaining stable at ca. 12%. This result was mostly driven by the slower obsolescence pace of Dymalife's inventory, which characterized Dymalife Division's business in the 2020-2021 period and is expected to be completely dissipated by the end of 2022. Net Income reached €1mn vs €0.7mn in 1H21 (+45.2% YoY), reporting a slight net margin improvement of +0.6pp (from 3.6% in 1H21 to 4.2% in 1H22). Finally, the NFP stood at -€8.9mn (cash positive), improving by €2.1mn from FY21, confirming Shedir Pharma's strong cash generation ability.

Future Estimates. Our financial projections over the 2022E-2025E period are based on Shedir Pharma's business model and strategy. We projected sales mainly considering: i) a strengthening of the top 10 Shedir's brands in their respective markets following the consolidation in key therapeutic areas; ii) higher foreign sales thanks to the nutraceutical brands newly acquired through Again Life' acquisition, and iii) Dymalife growth driven by the increasing level of brands maturity, thanks to their presence on the pharmaceutical market since 2017. Starting from the top line, we anticipate sales growing at a CAGR21A-25E of +10%, reaching €65.8mn in FY25E. In terms of EBITDA, we estimate that Shedir Pharma will achieve €10.6mn in FY22E and will grow at a CAGR21A-25E of 13% in the following years, reaching €14.2mn in FY25E, with EBITDA margin improving from 19.1% in FY21A to 21.2% in FY25E. Looking at Shedir Pharma's financial soundness, we expect NFP to progressively improve from -€8.9mn in 1H22A to -€37.9mn (cash positive), mainly thanks to the Shedir Pharma's asset-light business model.

Evaluation. Our valuation – based on DCF and market multiple methods – returns an average equity value of €87.1mn or a fair value of €7.62ps, showing a potential upside of +96.4% on current market price.

Performance Chart – Since IPO



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Re-Initiation of Coverage

October 28, 2022 – 7.00 h

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Market Data

| | |
|-------------------|--------|
| Main Shareholders | |
| Umberto Di Maio | 87.49% |
| Dimainvest Srl | 1.9% |
| Mercato | 12.5% |
| Mkt Cap (€ mn) | 43.5 |
| EV (€ mn) | 43.7 |
| Shares out. | 11.4 |
| Free Float | 12.5% |

| Market multiples | 2021 | 2022 | 2023 |
|-------------------------------|-------|-------|-------|
| EV/EBITDA | | | |
| Shedir Pharma Group S.P.A. | 4.5x | 3.5x | 3.2x |
| Comps Median | 9.0x | 8.4x | 7.0x |
| Shedir Pharma Group S.P.A. vs | -50% | -58% | -54% |
| P/E | | | |
| Shedir Pharma Group S.P.A. | 12.7x | 8.3x | 7.2x |
| Comps Median | 14.1x | 13.8x | 12.0x |
| Shedir Pharma Group S.P.A. vs | -10% | -40% | -40% |

Stock Data

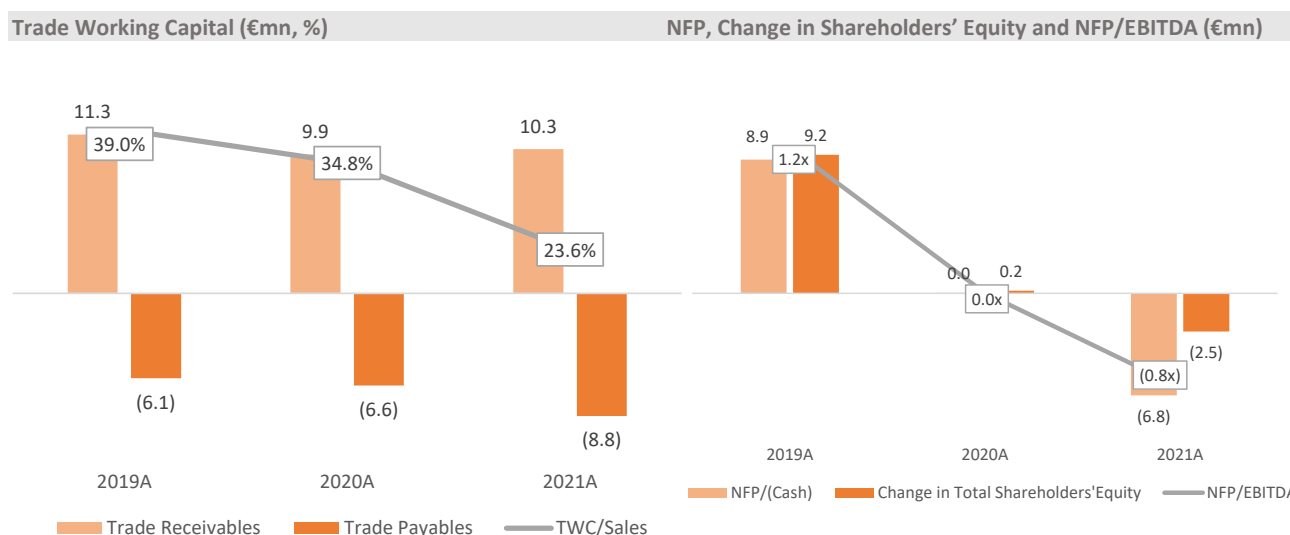
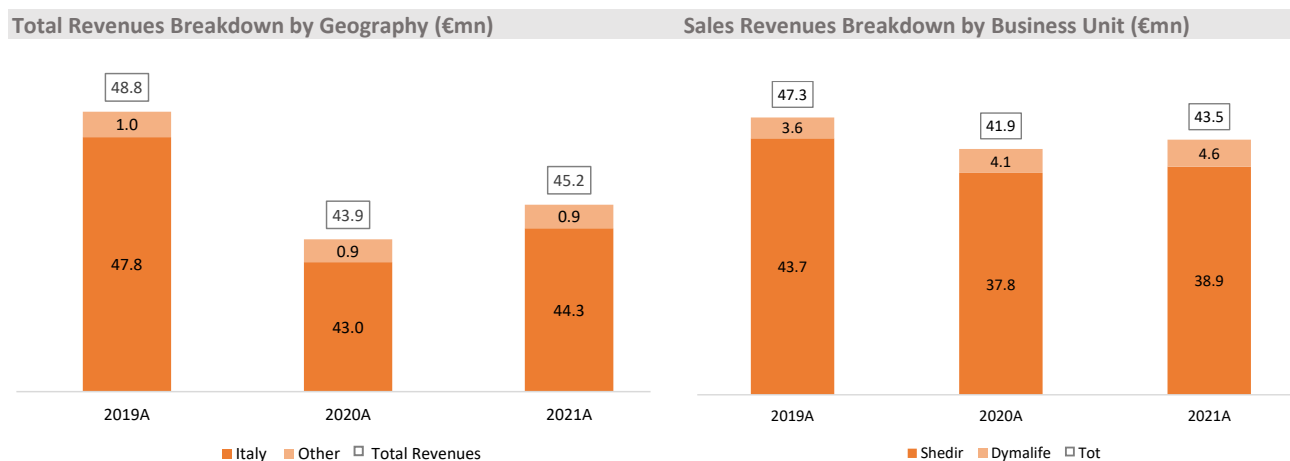
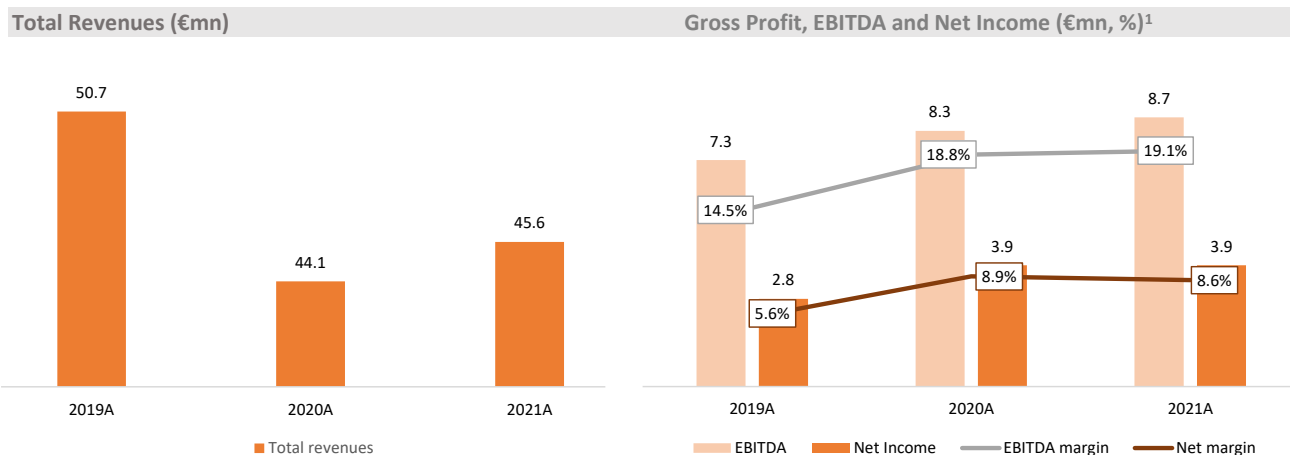
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|------------------------|--------|
| 52 Wk High (€) | 4.79 |
| 52 Wk Low (€) | 2.70 |
| Avg. Daily Trading 90d | 1,178 |
| Price Change 1w (%) | -3.96 |
| Price Change 1m (%) | 8.38 |
| Price Change YTD (%) | -17.45 |

Key Figures – Shedir Pharma

| | Current price (€) | Fair Value (€) | Sector | | | | | | | Free Float (%) |
|--------------------------------------|-------------------|----------------|------------|--------|--------|--------|--------|--------|--------|----------------|
| | 3.88 | 7.62 | Healthcare | | | | | | | 12.5% |
| Per Share Data | 2017A | 2018A | 2019A | 2020A | 2021A | 2022A | 2023A | 2024A | 2025A | |
| Total shares outstanding (mn) | n.m. | n.m. | 11.43 | 11.43 | 11.43 | 11.43 | 11.43 | 11.43 | 11.43 | |
| EPS | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. | |
| Dividend per share (ord) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Dividend payout ratio (%) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Profit and Loss (EUR million) | 2017A | 2018A | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E | 2025E | |
| Total Revenues | 40.2 | 46.9 | 48.8 | 43.9 | 45.2 | 52.9 | 57.5 | 62.3 | 66.9 | |
| EBITDA | 7.0 | 11.0 | 5.4 | 8.1 | 8.3 | 10.6 | 11.9 | 13.1 | 14.2 | |
| EBIT | 5.3 | 9.1 | 3.4 | 5.8 | 5.5 | 7.8 | 8.9 | 10.1 | 11.2 | |
| EBT | 5.2 | 8.9 | 3.0 | 5.1 | 5.3 | 7.5 | 8.7 | 9.8 | 10.9 | |
| Taxes | (1.7) | (2.5) | (2.0) | (1.4) | (1.8) | (2.2) | (2.5) | (2.8) | (3.2) | |
| Tax rate | 33% | 28% | 68% | 27% | 33% | 29% | 29% | 29% | 29% | |
| Net Income | 3.5 | 6.4 | 1.0 | 3.7 | 3.5 | 5.3 | 6.1 | 7.0 | 7.8 | |
| Net Income attributable to the Group | 3.5 | 6.3 | 0.9 | 3.7 | 3.5 | 5.3 | 6.1 | 7.0 | 7.8 | |
| Balance Sheet (EUR million) | 2017A | 2018A | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E | 2025E | |
| Total fixed assets | 15.0 | 12.4 | 12.9 | 12.0 | 11.9 | 10.1 | 8.4 | 6.6 | 4.9 | |
| Net Working Capital (NWC) | 7.3 | 13.8 | 19.4 | 16.0 | 10.7 | 11.9 | 13.0 | 14.1 | 15.2 | |
| Provisions | (0.3) | (0.5) | (0.8) | (1.1) | (1.2) | (1.7) | (2.3) | (2.9) | (3.5) | |
| Total Net capital employed | 22.0 | 25.7 | 31.6 | 26.9 | 21.4 | 20.2 | 19.0 | 17.8 | 16.5 | |
| Net financial position/(Cash) | 14.4 | 15.1 | 8.9 | 0.0 | (6.8) | (13.3) | (20.7) | (28.9) | (37.9) | |
| Group Shareholder's Equity | 7.5 | 10.6 | 20.6 | 26.4 | 27.7 | 33.5 | 39.6 | 46.6 | 54.3 | |
| Minorities | - | 0.0 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | |
| Total Shareholder's Equity | 7.5 | 10.6 | 20.8 | 26.6 | 27.8 | 33.6 | 39.7 | 46.7 | 54.4 | |
| Cash Flow (EUR million) | 2017A | 2018A | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E | 2025E | |
| Net operating cash flow | - | 8.5 | 5.3 | 6.9 | 7.0 | 8.4 | 9.3 | 10.1 | 10.9 | |
| Change in NWC | - | (6.5) | (5.7) | 3.5 | 5.3 | (1.2) | (1.1) | (1.1) | (1.1) | |
| Capital expenditure | - | 0.5 | (9.1) | (1.2) | (2.3) | (1.0) | (1.0) | (1.0) | (1.0) | |
| Other cash items/Uses of funds | - | 1.4 | 0.2 | 0.2 | (0.4) | 0.6 | 0.3 | 0.3 | 0.4 | |
| Free cash flow | - | 4.0 | (9.3) | 9.4 | 9.6 | 6.7 | 7.5 | 8.4 | 9.2 | |
| Enterprise Value (EUR million) | 2017A | 2018A | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E | 2025E | |
| Market Cap | n.m. | n.m. | n.m. | 80.0 | 43.5 | 44.3 | 44.3 | 44.3 | 44.3 | |
| Net financial position/(Cash) | 14.4 | 15.1 | 8.9 | 0.0 | (6.8) | (13.3) | (20.7) | (28.9) | (37.9) | |
| Enterprise value | n.m. | n.m. | n.m. | 80.2 | 36.8 | 31.1 | 23.8 | 15.6 | 6.6 | |
| Ratios (%) | 2017A | 2018A | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E | 2025E | |
| EBITDA margin | 17.5% | 23.6% | 11.1% | 18.4% | 18.3% | 20.1% | 20.6% | 21.0% | 21.2% | |
| EBIT margin | 13.2% | 19.4% | 6.9% | 13.1% | 12.1% | 14.7% | 15.5% | 16.2% | 16.7% | |
| Gearing - Debt/equity | 192.3% | 143.3% | 43.2% | 0.1% | -24.5% | -39.9% | -52.2% | -62.0% | -69.7% | |
| Interest cover on EBIT | 2.7% | 2.2% | 10.8% | 11.6% | 3.8% | 3.4% | 3.0% | 2.6% | 2.4% | |
| NFP/EBITDA | 2.05x | 1.37x | 1.65x | 0.00x | -0.82x | -1.26x | -1.74x | -2.21x | -2.67x | |
| ROCE | 24.1% | 35.3% | 10.6% | 21.4% | 25.6% | 38.4% | 46.8% | 56.6% | 67.7% | |
| ROE | 46.5% | 60.1% | 4.5% | 14.0% | 12.6% | 15.9% | 15.5% | 14.9% | 14.3% | |
| EV/Sales | 0.94x | 0.80x | 0.77x | 0.86x | 0.83x | 0.71x | 0.65x | 0.60x | 0.56x | |
| EV/EBITDA | 5.36x | 3.41x | 6.95x | 4.67x | 4.54x | 3.55x | 3.17x | 2.88x | 2.65x | |
| P/E | 12.73x | 6.99x | 48.04x | 11.97x | 12.67x | 8.33x | 7.22x | 6.37x | 5.72x | |
| Free cash flow yield | n.a. | 10.6% | -24.8% | 24.9% | 25.5% | 17.9% | 19.9% | 22.3% | 24.5% | |
| Growth Rates (%) | 2017A | 2018A | 2019A | 2020A | 2021A | 2022E | 2023E | 2024E | 2025E | |
| Sales | n.a. | n.m. | 4.1% | -10.1% | 3.0% | 17.0% | 8.8% | 8.3% | 7.4% | |
| EBITDA | n.a. | n.m. | -51.0% | 48.8% | 2.9% | 28.0% | 11.9% | 10.1% | 8.6% | |
| EBIT | n.a. | n.m. | -63.0% | 71.3% | -4.6% | 41.4% | 14.9% | 12.9% | 11.1% | |
| Net Income | n.a. | n.m. | -66.2% | 291.9% | -5.7% | 51.0% | 15.5% | 13.3% | 11.4% | |

Source: Company Data (2019-2021), KT&Partners' forecasts (2022-2025)

Key Charts



¹ Margins are calculated on Total Revenues

Overview

Company description

Shedir Pharma – founded in 2008 in Piano di Sorrento (Naples) – is one of the leading companies in the Italian nutraceutical industry, specialized in the development and distribution of supplements, dermocosmetics, and medical devices. Since 2017, through its Dymalife Division, the Company has entered into the pharmaceutical industry with the acquisition of +30 drug brands, integrating its offering with drugs and dietary supplements.

Shedir Pharma could boast an ample and diversified product portfolio composed of more than 150 brands, belonging to 15 different therapeutic areas, among which the most important are in the cardiovascular, respiratory, urologic and gynecologic, osteo-articular, and neurologic areas. Within the Shedir Division, which in 2021 accounted for 90% of total revenues, are marketed 5 product lines (Shedirflu, Deimos, Phobos, Menkar, Shedir Pet), while in the Dymalife Division developed and sold are group A, group C, and OTC medicines through two specific product lines: Dyma and Horizon.

The Group is characterized to have a light-asset business model that entails the externalization of production in order to focus on the most value-added steps of the value chain, presiding over R&D, Marketing and Sales, and Distribution. The R&D activity, carried out by a team composed of 10 professionals and in collaboration with several universities and leading pharmaceutical players, is focused on the origination of new innovative and patented formulations based on in-house research or the most accredited pharmaceutical studies, enriched also by insightful feedbacks from doctors, pharmacists, and sectors conventions. Shedir Pharma's commercial structure is organized through a widespread sales network of exclusive agents who cover the entire national territory and allows the Company to periodically reach out to doctors and pharmacists to promote Shedir Pharma's products. Finally, the distribution is carried out directly to pharmacies or indirectly to wholesalers that market Shedir Pharma's products in Italy and abroad.

Investment Case

- **A Wide and Diversified Product Portfolio that Guarantees a Growing Turnover.** The wide and diversified product portfolio, composed of +150 brands and +250 references (specific format of a brand), covers multiple therapeutic areas, enabling the Group to address eventual market/regulatory changes in the pharmaceutical and nutraceutical sector.
- **A Fruitful R&D Activity Is Leading Shedir Pharma at the Forefront of Niche Markets.** R&D activity represents one of the main pillars of Shedir's business model. Indeed, the Company invests each year an average of 2% of its revenues (entirely expensed in P&L). Thanks to the efforts realized in this area, the Group could boast 55 registered patents in FY21 and the development of ca. 50 new nutraceuticals references per year. Each reference is developed after a thorough analysis of its potential market and always backed by strong scientific dissemination. Thanks to the continuous product portfolio development, the Group has gained increasing shares in different market niches, such as oncology and respiratory with a portfolio of +50 patents.
- **A Successful and Long-Lasting Story.** Since its foundation in 2008, Shedir Pharma has always demonstrated a persistent sales growth experiencing a CAGR2009-21A of +26.6% and reaching €45.6mn in 2021 (+3.5% YoY). Moreover, one of the distinctive traits of Shedir Pharma's growth story is its profitability and cash conversion abilities. Indeed, notwithstanding the challenging macroeconomic scenario due to the COVID-19 pandemic outbreak, the Company has shown over the 2020-2021 period an avg. EBITDA margin of ca. 19% and an avg. operating Cash Flow/EBITDA of 133%.

- Shedir Pharma's M&A Abilities in a Land of M&A Opportunities.** The pharmaceutical has always been one of the most lucrative industries and therefore it has always been also one of the favorite investors' asset classes in their portfolio capital allocation decisions. The massive funds that had been fueled in the pharmaceutical industry have created a breeding ground for M&A opportunities, which, according to the 2019 EY Global Corporate Divestment Study and a 2020 McKinsey's M&A report, are also driven by product portfolio realignment following drug brands' divestments due to patent cliffs and strategic repositioning's decisions in other therapeutic areas. Over the years, Shedir Pharma has seized some of these opportunities executing different M&A deals that have fostered the business growth and shape the Company as we know it. In 2017, the Group has acquired – from a primary pharmaceutical company – 20 drug brands and launched the Group in the pharmaceutical industry. The new division has been then further strengthened by the acquisition of the Eminocs, a patented pharm product acquired from a Swiss Pharmaceutical company in 2020. Finally, Shedir Pharma completed the acquisition of Again Life in June 2022, expanding its international presence and areas of expertise of the Group in the nutraceutical industry.
- A Growing Interest in a Healthier Lifestyle Is Driving the Nutraceutical Market.** According to the Mediobanca's Nutraceutical and Novel Food report, the global nutraceutical industry in 2021 was worth ca. \$500bn and is expected to grow in the next years at a CAGR21-27E of 6.9%. Two of the main factors that are driving this market are i) the increasing interest in a healthier lifestyle following the COVID-19 pandemic, which has boosted the demand for foods and supplements that support the immune system; and ii) the increase of life expectancy and the consequent aging population phenomenon (between 2015 and 2050, the proportion of the world's population over 60 years of age will nearly double from 12% to 22% - WHO), which has led to a rise in chronic diseases and thus a growing attention to prevention and healthy nutrition.

Recent Developments

- Acquisition of Again Life Srl.** In June 2022, Shedir Pharma Group acquired, for €1.2mn of equity value, Again Life, a company specialized in the research, development, and distribution of food supplements and medical devices in oncology, ophthalmology, gynecology, and diabetology. In recent years, Again Life has developed and obtained numerous patents registered in more than 120 countries, in 2021 reaching approximately 50 brands (among which 30 are already commercialized abroad) and generated ca. €1mn of sales revenues. The acquisition is aimed at expanding Shedir Pharma's presence in foreign markets difficult to penetrate and strategic for Shedir Pharma's business growth, such as Germany, France, Austria, Switzerland, Scandinavian Countries, and Canada. Moreover, the acquisition will bring edges also in the domestic market, through the integration process with Shedir's structure in therapeutic areas not already covered.
- Concession of the NAXX Patents in the USA.** On July 2022, Shedir Pharma Group announced that had obtained from the Food and Drug Administration (FDA) the concession of the US NAXX patent for the prevention and/or treatment of respiratory disorders. The US patent will be valid until 2038, and it joins the Italian patent already granted and commercialized through the product Shedirflu 600 NAXX, which in the 1Q22 registered a sales volume growth of +75% YoY. The NAXX patent represents one of the most important inventions of the Shedir's R&D Department, marking important steps forward in the treatment of respiratory diseases.
- Acquisition of the Eminocs drugs.** In August 2020, Shedir Pharma finalized through its controlled companies Dymalife Pharmaceutical Srl the acquisition for €0.8mn of the pharmaceutical group A and patented brand Eminocs from the Swiss

pharmaceutical companies Applied Pharma Research SA (APR). Eminocs completes the Shedir Pharma's offering in one of the most growing pharmaceutical market segments, that of short-term treatment of pain caused by inflammation after trauma, sprains, and swelling. From March 2022, the agreement also includes the perpetual license of the pharmaceutical dossier as well as the commercialization rights in all the countries of the world other than USA and Canada.

1H22 Financial Results

Shedir Pharma concludes the first half of 2022 registering an excellent performance, reporting significant improvements in all its key financials.

The Group has consolidated its leadership in the Italian nutraceutical industry fully recovering from the slight slowdown experienced during the pandemic, and it has also achieved important steps forward toward its development plan of expanding its international presence, thanks to the acquisition of Again Life pharmaceutical group active in numerous strategic nutraceutical and pharmaceutical markets².

In 1H22, Shedir Pharma's sales revenues stood at €23.3mn vs €18.5mn in 1H21 (+25.6% YoY). This growth was mainly driven by the positive performance of the group's division responsible of the commercialization of food supplements, dermocosmetics, and medical devices, which reported a sales growth of +27% YoY thanks to the strong comeback of respiratory products (Shedirflu +277% YoY, RinoAir +107% YoY, Flubexin +386% YoY, and Goladek +277% YoY) that were highly impacted by lockdown orders that reduced social interactions and by consequence the number of influenza diseases. Also, the Pharmaceutical Division grew in 1H22, attaining a sales growth of +30% YoY and reaching €2.9mn vs 2.0mn in 1H21, remaining stable at around the 12% of Shedir Pharma's sales revenues. Within this division, it is worth mentioning the positive results achieved by some pharmaceutical brands, such as Mesaflor (+21% YoY), Geniad (+47% YoY), and Dymavig (+240% YoY).

At the EBITDA level, the Group witnessed a significant improvement, reaching €2.7mn vs 2.3mn in 1H21 (+20% YoY), with the EBITDA margin that remained relatively stable at around 12% compared to 1H21. This positive result was possible mostly thanks to the reabsorption of the effect related to obsolescence of Shedir Pharma's inventory that heavily impacted the Group's costs in preceding years and will be completely removed by the end of 2022. Indeed, over the 2020-2021 period, due to binding productive stocks (especially for antibiotics products), inventory incidence reached 50/60% of COGS, while in 2022 is expected that it will be return at its steady state nearby 3/4% of sales revenues.

Finally, 1H22 Shedir Pharma's Net Income reached €1mn vs €0.7mn in 1H21 (+45.2% YoY), reporting a Net Income margin improvement from 3.6% in 1H21 to 4.2% in 1H22. The NFP stood at -€8.9mn (cash positive) improving by €2.1mn from FY21, confirming Shedir Pharma's strong cash generation ability.

² It should be noted that Again Life's sales have not been yet consolidated in the 1H22 Shedir's income statement

Half-Year Consolidated Income Statement

| € Millions | 1H19A | 1H20A | 1H21A | 1H22A | YoY % |
|---|--------------|--------------|--------------|--------------|------------|
| Revenues from sale of goods and services | 24.4 | 18.5 | 18.5 | 23.3 | 26% |
| Sales Revenues | 24.4 | 18.5 | 18.5 | 23.3 | 26% |
| <i>Growth %</i> | | | | | |
| Other Revenues | 0.1 | 0.7 | 0.5 | 0.5 | |
| Total Revenues | 24.5 | 19.2 | 19.0 | 23.8 | 25% |
| <i>Growth %</i> | | | | | |
| Products and Raw materials | (5.1) | (4.6) | (4.8) | (7.8) | |
| Gross Profit | 19.4 | 14.7 | 14.2 | 16.0 | 12% |
| <i>Gross Margin</i> | <i>79.0%</i> | <i>76.2%</i> | <i>74.7%</i> | <i>67.1%</i> | |
| Cost of Sales Network | | | | | |
| Cost of Services | (12.7) | (9.6) | (9.6) | (10.6) | |
| Personnel Expenses | (1.9) | (1.7) | (1.7) | (2.2) | |
| Other Operating Expenses | (0.9) | (0.5) | (0.6) | (0.4) | |
| EBITDA | 3.9 | 2.8 | 2.3 | 2.7 | 20% |
| <i>EBITDA margin</i> | <i>16.0%</i> | <i>14.6%</i> | <i>12.0%</i> | <i>11.6%</i> | |
| <i>Growth %</i> | | | | | |
| D&A and Provisions | (1.1) | (1.0) | (1.2) | (1.2) | |
| EBIT | 2.8 | 1.8 | 1.1 | 1.6 | 51% |
| <i>EBIT margin</i> | <i>11.6%</i> | <i>9.5%</i> | <i>5.5%</i> | <i>6.7%</i> | |
| <i>Growth %</i> | | | | | |
| Financial Income and Expenses | (0.2) | (0.1) | (0.1) | (0.1) | |
| Extraordinary items | | | | | |
| EBT | 2.7 | 1.7 | 0.9 | 1.5 | 63% |
| Taxes | (1.5) | (0.6) | (0.2) | (0.5) | |
| <i>Tax Rate</i> | <i>56.5%</i> | <i>32.5%</i> | <i>25.6%</i> | <i>33.7%</i> | |
| Net Income | 1.2 | 1.2 | 0.7 | 1.0 | 45% |
| <i>Net margin</i> | <i>4.7%</i> | <i>6.1%</i> | <i>3.6%</i> | <i>4.2%</i> | |
| <i>Growth %</i> | | | | | |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | |
| Net Income attributable to the Group | 1.2 | 1.2 | 0.7 | 1.0 | 45% |
| <i>Net margin</i> | <i>4.7%</i> | <i>6.1%</i> | <i>3.6%</i> | <i>4.2%</i> | |

Source: Company Data

Estimates

Our financial projections over the 2022E-25E period are based on Shedir Pharma's business model and strategy. In conducting our estimates, we have factored in the economic and financial effects of the Again Life's M&A deal completed in June 2022. However, no impact from other future M&As has been taken into account.³

Starting from the top line, we expect in FY22E a growth in sales revenues of +16.1% YoY, mainly driven by the return of the nutraceutical and pharmaceutical markets to their "full regime" after the turmoil caused by the pandemic. In detail, on the footsteps of 1H22, we expect a significative further growth of the Shedir's business unit up to €44.2mn in FY22E (+15.3% YoY), mainly thanks to the i) increase in sales volume of the respiratory brands, which should return at their pre-pandemic levels; and ii) the sales' revenues contribution of the newly acquired Again Life (ca. 50 brands). As regards the Dymalife Division, we expect a significative growth to €5.8mn in FY22E from €4.6mn in FY21A (+25.9% YoY), mostly thanks to the recovery of many pharmaceutical brands that underperformed during the COVID-19 pandemic.

For the next years, we expect a growth at a CAGR21A-25E of +10.1%, reaching €65.8mn by the end of the 2025. We anticipate Shedir division's sales revenues growing at a CAGR21A-25E of +8.7%, reaching €53.5mn in FY25E as we considered:

- Sales revenues' growth of the top 10 Shedir division's brands, which in the 2019-2021 period had an average incidence of 50.3% on Shedir division's sales that we expect to decrease at 44.8%, thanks to a higher product diversification. In particular, we foresee a further strengthening of these brands in their respective markets and a consolidation of the market shares of Shedir's key therapeutical areas.
- Sales revenues' growth of the other Shedir's division brands, are expected to generate €30.5mn in FY25E (ca. 57% on Shedir division's sales), given the product diversification management's strategy aimed at obtaining a well-balanced product portfolio. Moreover, we anticipate higher foreign sales thanks to the integration of Again Life, which has already commercialized ca. 30 brands in strategic European markets, such as Germany, France, Switzerland, Austria, Sweden, Denmark, Finland, and outside Europe in large markets like USA and Canada.

Regarding the Dymalife Division, we expect sales revenues of €8mn in FY25E, growing at a CAGR21A-25E of +14.8%, mainly driven by i) an increasing level of brand maturity given their presence on the pharmaceutical market since 2017 and ii) by the launch of new brands supposed at 5 per year.

At the EBITDA level, we expect: i) cost of services' impact on revenues to slightly decrease over the period FY22E-25E, compared to FY21A, as we estimate that the Company will exploit economies of scales thanks to its lean and asset-light business model; ii) an increase in personnel expenses from €3.1mn in FY21A to €4.8mn in FY25E as we project a strengthening of Group's structure to support business' growth.

We therefore estimate that Shedir Pharma will achieve an EBITDA of €14.2mn in FY25E with EBITDA margin improving from 19.1% in FY21A to 21.2% at the end of FY25E.

Finally, we project Shedir Pharma's net income growing from €3.9mn in FY21 to €7.8mn in FY25E, reporting a net margin increase of 3pp (from 8.6% in FY21 to 11.6% in FY25E).

³ Financial projections have been prepared by KT&Partners independently of Askoll EVA. Projections and forecasts involve risks and uncertainties and are subject to change. Therefore, actual results may differ materially from those contained in the projections and forecasts.

2020A-2025E Consolidated Income Statement

| € Millions | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | CAGR 21A-25E | YoY 20-21 |
|---|--------------|-------------|-------------|-------------|-------------|-------------|--------------|------------|
| Shedir | 37.8 | 38.3 | 44.2 | 47.4 | 50.4 | 53.5 | 9% | 1% |
| Dymalife | 4.1 | 4.6 | 5.8 | 6.5 | 7.2 | 8.0 | 15% | 13% |
| Foreign Sales | 0.9 | 1.4 | 2.0 | 2.6 | 3.7 | 4.4 | 33% | 50% |
| Sales Revenues | 42.8 | 44.3 | 52.0 | 56.5 | 61.3 | 65.8 | 10% | 3% |
| Growth % | -11.3% | 3.5% | 17.2% | 8.8% | 8.3% | 7.5% | | |
| Other Revenues | 1.0 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 6% | -16% |
| Total Revenues | 43.9 | 45.2 | 52.9 | 57.5 | 62.3 | 66.9 | 10% | 3% |
| Growth % | -10.1% | 3.0% | 17.0% | 8.8% | 8.3% | 7.4% | | |
| Products and Raw materials | (7.7) | (10.9) | (11.4) | (12.4) | (13.5) | (14.5) | | |
| Gross Profit | 36.2 | 34.3 | 41.4 | 45.1 | 48.8 | 52.4 | 11% | -5% |
| Gross Margin | 82.5% | 75.8% | 78.4% | 78.4% | 78.4% | 78.4% | | -7% |
| Cost of Sales Network | (14.2) | (14.0) | (16.2) | (17.5) | (18.8) | (20.3) | | |
| Cost of Services | (7.8) | (5.3) | (6.5) | (7.0) | (7.6) | (8.1) | | |
| Personnel Expenses | (2.6) | (3.1) | (4.0) | (4.2) | (4.5) | (4.8) | | |
| Other Operating Expenses | (3.5) | (3.7) | (4.2) | (4.5) | (4.8) | (5.1) | | |
| EBITDA | 8.054 | 8.3 | 10.6 | 11.9 | 13.1 | 14.2 | 14% | 3% |
| EBITDA margin | 18.4% | 18.3% | 20.1% | 20.6% | 21.0% | 21.2% | | 0% |
| Growth % | 48.8% | 2.9% | 28.0% | 11.9% | 10.1% | 8.6% | | |
| D&A and Provisions | (2.3) | (2.8) | (2.8) | (2.9) | (3.0) | (3.0) | | 21% |
| EBIT | 5.8 | 5.5 | 7.8 | 8.9 | 10.1 | 11.2 | 19% | -5% |
| EBIT margin | 13.1% | 12.1% | 14.7% | 15.5% | 16.2% | 16.7% | | -1% |
| Growth % | 71.3% | -4.6% | 41.4% | 14.9% | 12.9% | 11.1% | | |
| Financial Income and Expenses | (0.7) | (0.2) | (0.3) | (0.3) | (0.3) | (0.3) | | |
| Extraordinary items | - | - | - | - | - | - | | |
| EBT | 5.1 | 5.3 | 7.5 | 8.7 | 9.8 | 10.9 | 20% | 4% |
| Taxes | (1.4) | (1.8) | (2.2) | (2.5) | (2.8) | (3.2) | | |
| Tax Rate | 26.5% | 33.3% | 29.0% | 29.0% | 29.0% | 29.0% | | |
| Net Income | 3.7 | 3.5 | 5.3 | 6.1 | 7.0 | 7.8 | 22% | -6% |
| Net margin | 8.5% | 7.8% | 10.1% | 10.7% | 11.2% | 11.6% | | -1% |
| Growth % | 291.9% | -5.7% | 51.0% | 15.5% | 13.3% | 11.4% | | |
| Minorities | 0.0 | 0.0 | - | - | - | - | | |
| Net Income attributable to the Group | 3.7 | 3.5 | 5.3 | 6.1 | 7.0 | 7.8 | 22% | -6% |
| Net margin | 8.4% | 7.7% | 10.1% | 10.7% | 11.2% | 11.6% | | -1% |
| Growth % | 301.3% | -5.5% | 52.0% | 15.5% | 13.3% | 11.4% | | |
| EPS | 0.3 | 0.3 | 0.5 | 0.5 | 0.6 | 0.7 | | |

Source: Company Data, KT&Partners' elaboration

As for the Group's balance sheet, we expect Trade Working Capital to grow from €10.8mn in FY21A to €15.3mn in FY25E, mainly following Shedir Pharma's business growth. However, the average TWC/Sales is expected to decrease to 23.2% in the FY25E, from an average of 29.8% over the 2020-21 period. This decrease will be mainly driven by a lower incidence in terms of inventory on sales, given the peculiar stockpiling dynamic occurred in the last two years (2020-2021) and that it is expected to come back at normal levels at the end of FY22E.

Over the 2022E-2025E period, we estimate €4mn of CAPEX, of which the most part related to intangible investments to support R&D activity given its key role in the Company's business development. In addition, given Shedir's asset-light structure, we suppose fixed assets decreasing from €11.9mn in FY21 to €4.9mn in FY25E.

Looking at Shedir's financial soundness, we expect NFP to progressively improve from €8.9mn (cash positive) in 1H22 to €-37.9mn in FY25E, mainly driven by the strong Shedir Pharma's cash generation ability demonstrated over the years.

2020A–25E Consolidated Balance Sheet

| € Millions | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Intangible | 10.2 | 9.2 | 8.1 | 6.9 | 5.6 | 4.3 |
| Tangible | 0.8 | 1.6 | 1.1 | 0.7 | 0.3 | (0.2) |
| Other LT Assets | 0.9 | 1.1 | 0.8 | 0.8 | 0.8 | 0.8 |
| Fixed Assets | 12.0 | 11.9 | 10.1 | 8.4 | 6.6 | 4.9 |
| Trade receivables | 9.9 | 10.3 | 11.8 | 12.8 | 13.9 | 14.9 |
| Inventory | 12.0 | 9.2 | 8.9 | 9.7 | 10.5 | 11.3 |
| Trade Payables | (6.6) | (8.8) | (8.7) | (9.4) | (10.2) | (10.9) |
| Trade Working Capital | 15.3 | 10.8 | 12.0 | 13.1 | 14.2 | 15.3 |
| Other assets and liabilities | 0.6 | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| Net Working Capital | 16.0 | 10.7 | 11.9 | 13.0 | 14.1 | 15.2 |
| Other Provisions | (1.1) | (1.2) | (1.7) | (2.3) | (2.9) | (3.5) |
| Net Capital Employed | 26.9 | 21.4 | 20.2 | 19.0 | 17.8 | 16.5 |
| Group shareholders' equity | 26.4 | 27.7 | 33.5 | 39.6 | 46.6 | 54.3 |
| Minority shareholders' equity | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Total shareholders' equity | 26.6 | 27.8 | 33.6 | 39.7 | 46.7 | 54.4 |
| Short-term debt / Cash (-) | (12.2) | (15.6) | (22.2) | (29.5) | (37.7) | (46.7) |
| Long-term liabilities | 12.2 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 |
| Net Financial Position | 0.0 | (6.8) | (13.3) | (20.7) | (28.9) | (37.9) |
| Sources | 26.6 | 21.0 | 20.2 | 19.0 | 17.8 | 16.5 |

Source: Company Data (2020-2021), KT&Partners' estimates (2022-2025)

Valuation

Following Shedir Pharma's future financials projections, we have carried out our valuation using the DCF and multiple methods. Our fair value is the result of:

1. EV/EBITDA which returns an equity value of €78.1mn or €6.83ps;
2. P/E multiples which returns an equity value of €60.8mn or €5.32ps;
3. DCF analysis based on WACC of 10.9% and 1.5% perpetual growth, which returns an equity value of €104.8mn or €9.17ps.

Valuation Recap

| | Equity Value €mn | Value per share € |
|----------------------------|------------------|-------------------|
| EV/EBITDA | 78.1 | 6.83 |
| P/E | 60.8 | 5.32 |
| Average - multiples | 69.4 | 6.08 |
| DCF | 104.8 | 9.17 |
| Average | 87.1 | 7.62 |

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

Following our comps analysis, we evaluate the company by using the 2022–24 EV/EBITDA and P/E market multiples of the peer sample. Our valuation also includes a 25% liquidity/size discount and takes into account our estimates of Shedir Pharma's EBITDA and Net Income for 2022, 2023 and 2024. We also considered 1H22 NFP at -€8.9mn

Peer Comparison – Market Multiples 2021–24

| Company Name | Exchange | Market Cap | EV/SALES 2021 | EV/SALES 2022 | EV/SALES 2023 | EV/SALES 2024 | EV/EBITDA 2021 | EV/EBITDA 2022 | EV/EBITDA 2023 | EV/EBITDA 2024 | EV/EBIT 2021 | EV/EBIT 2022 | EV/EBIT 2023 | EV/EBIT 2024 | P/E 2021 | P/E 2022 | P/E 2023 | P/E 2024 |
|---|----------|------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|--------------|--------------|--------------|--------------|----------|----------|----------|----------|
| Laboratorio Reig Jofre, S.A. | Spain | 171 | 1.0x | 0.9x | 0.8x | 0.8x | 8.5x | 8.9x | 7.2x | 6.1x | 25.0x | 21.1x | 14.5x | 11.0x | 33.5x | 15.8x | 10.5x | 8.5x |
| USANA Health Sciences, Inc. | NYSE | 1,086 | 0.8x | 0.9x | 0.9x | 0.8x | 5.1x | 6.8x | 6.7x | 6.3x | 5.8x | 8.8x | 8.6x | 8.0x | 11.3x | 16.8x | 16.4x | 14.6x |
| Laboratorios Farmaceuticos Rovi, S.A. | Spain | 2,434 | 3.4x | 2.9x | 2.8x | 2.7x | 11.0x | 9.2x | 9.4x | 8.0x | 12.3x | 10.2x | 10.5x | 8.8x | 16.4x | 14.1x | 14.3x | 12.0x |
| PharmaNutra S.p.A. | Milan | 641 | 9.1x | 7.6x | 6.6x | 5.8x | 31.9x | 28.2x | 23.6x | 20.9x | 33.6x | 30.3x | 25.7x | 22.9x | 46.0x | 43.7x | 37.2x | 33.1x |
| Balchem Corporation | NASDAQ | 4,336 | 6.9x | 5.0x | 4.6x | n.a. | 31.9x | 22.4x | 20.1x | n.a. | n.m | 29.1x | 25.3x | n.a. | n.m | 35.3x | 32.1x | n.a. |
| Kolinfarma S.p.A. | Milan | 14 | 1.4x | 1.1x | 0.9x | 0.8x | 7.4x | 5.9x | 4.5x | 3.9x | 13.4x | 10.3x | 7.3x | 6.3x | 20.7x | 9.7x | 8.9x | 7.5x |
| Laboratorio Farmaceutico Erfo SpA | Milan | 14 | 2.4x | 1.9x | 1.3x | 0.9x | 7.0x | 5.0x | 3.4x | 2.5x | 9.7x | 6.5x | 4.4x | 3.0x | 11.6x | 12.4x | 7.1x | 4.8x |
| Fine Foods & Pharmaceuticals N.T.M. SpA | Milan | 199 | 1.2x | 1.1x | 1.0x | 0.9x | 13.2x | 13.9x | 8.8x | 7.0x | n.m | n.m | 21.1x | 13.5x | n.m | n.m | 22.6x | 14.8x |
| Faes Farma, S.A. | Spain | 1,172 | 2.7x | 2.5x | 2.4x | 2.3x | 12.8x | 8.8x | 8.6x | 8.0x | 15.9x | 10.6x | 10.3x | 9.7x | 13.4x | 12.9x | 13.3x | 12.9x |
| Alliance Pharma plc | London | 398 | 2.7x | 2.4x | 2.2x | 2.0x | 9.3x | 9.1x | 8.2x | 7.4x | 11.8x | 10.0x | 9.0x | 8.1x | 45.1x | 9.9x | 9.1x | 8.1x |
| Average peer group | | 265 | 3.2x | 2.6x | 2.4x | 1.9x | 13.8x | 11.8x | 10.1x | 7.8x | 15.9x | 15.2x | 13.7x | 10.1x | 24.8x | 19.0x | 17.1x | 12.9x |
| Median peer group | | 519 | 2.5x | 2.2x | 1.8x | 0.9x | 10.1x | 9.0x | 8.4x | 7.0x | 12.8x | 10.3x | 10.4x | 8.8x | 18.6x | 14.1x | 13.8x | 12.0x |
| Shedir Pharma Group S.P.A. | Milan | 44 | 0.8x | 0.7x | 0.7x | 0.6x | 4.5x | 3.5x | 3.2x | 2.9x | 6.8x | 4.8x | 4.2x | 3.7x | 11.3x | 8.3x | 7.2x | 6.4x |

Source: FactSet, KT&Partners' elaboration

EV/EBITDA Multiple Valuation

| Multiple Valuation (€mn) | 2022E | 2023E | 2024E |
|--|--------------|--------------|-------------|
| EV/EBITDA Comps | 9.0x | 8.4x | 7.0x |
| Shedir Pharma Group S.P.A. EBITDA | 10.6 | 11.9 | 13.1 |
| Enterprise value | 95.5 | 99.3 | 91.0 |
| Shedir Pharma Group S.P.A. FY21 Net Debt | (8.9) | (8.9) | (8.9) |
| Shedir Pharma Group S.P.A. FY21 Minorities | 0.1 | 0.1 | 0.1 |
| Equity Value | 104.3 | 108.1 | 99.8 |
| Average Equity Value | | 104.1 | |
| Liquidity/Size Discount | | 25% | |
| Equity Value Post-Discout | | 78.1 | |
| Number of shares (mn) | | 11.4 | |
| Value per Share € | | 6.83 | |

Source: FactSet, KT&Partners' elaboration

P/E Multiple Valuation

| Multiple Valuation (€mn) | 2022E | 2023E | 2024E |
|---------------------------------------|-------------|-------------|-------------|
| P/E Comps | 14.1x | 13.8x | 12.0x |
| Shedir Pharma Group S.P.A. Net Income | 5.3 | 6.1 | 7.0 |
| Equity Value | 75.0 | 84.7 | 83.5 |
| Average Equity Value | | 81.1 | |
| Liquidity/Size Discount | | 25% | |
| Equity Value Post-Discout | | 60.8 | |
| Number of shares (mn) | | 11.4 | |
| Value per Share € | | 5.32 | |

We based our evaluation upon our 2022-2024 estimates for Shedir Pharma's EBITDA and Net Income, and also take into account a 25% liquidity/size discount. We end up with our Shedir Pharma's average multiples equity value of €69.4mn or €6.08ps.

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 12.1% cost of equity, 4% cost of debt, and a D/E ratio of 15% (based on company data). The cost of equity is a function of the risk-free rate of 3.56% (Italian 10y BTP), 5.1% equity risk premium (Damodaran for a mature market) and a premium for size and liquidity of 3.1% (source: Duff&Phelps). We, therefore, obtained 10.9% WACC.

We discounted 2022E-25E annual cash flow and considered a terminal growth rate of 1.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

| DCF Valuation | | | | |
|--------------------------------|--------------|------------|------------|-------------|
| € Millions | 2022E | 2023E | 2024E | 2025E |
| EBIT | 7.8 | 8.9 | 10.1 | 11.2 |
| Taxes | (2.3) | (2.6) | (2.9) | (3.2) |
| D&A | 2.6 | 2.7 | 2.7 | 2.7 |
| Change in Net Working Capital | (1.2) | (1.1) | (1.1) | (1.1) |
| Change in Funds | 0.6 | 0.6 | 0.6 | 0.6 |
| Net Operating Cash Flow | 7.4 | 8.5 | 9.4 | 10.2 |
| Capex | (1.0) | (1.0) | (1.0) | (1.0) |
| FCFO | 6.4 | 7.5 | 8.4 | 9.2 |
| g | 1.5% | | | |
| Wacc | 10.9% | | | |
| FCFO (discounted) | 6.3 | 6.6 | 6.7 | 6.6 |
| Discounted Cumulated FCFO | 26.3 | | | |
| TV | 99.6 | | | |
| TV (discounted) | 71.7 | | | |
| Enterprise Value | 98.0 | | | |
| NFP FY2021A | (6.8) | | | |
| Minorities FY2021A | 0.1 | | | |
| Equity Value | 104.8 | | | |
| Current number of shares (mn) | 11.4 | | | |
| Value per share (€) | 9.17 | | | |

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

| € Millions | Terminal growth Rate | WACC | | | | |
|------------|----------------------|-------|-------|-------|-------|-------|
| | | 11.4% | 11.1% | 10.9% | 10.6% | 10.4% |
| | 1.0% | 96.4 | 98.6 | 100.8 | 103.2 | 105.7 |
| | 1.3% | 98.2 | 100.4 | 102.7 | 105.2 | 107.8 |
| | 1.5% | 100.0 | 102.3 | 104.8 | 107.4 | 110.1 |
| | 1.8% | 101.9 | 104.3 | 106.9 | 109.6 | 112.5 |
| | 2.0% | 103.9 | 106.5 | 109.2 | 112.0 | 115.1 |

Source: Company data, KT&Partners' elaboration

Appendix

Peer Comparison

In order to define Shedir's peer sample, we carried out an in-depth analysis of both international and domestic listed companies active in the nutraceutical and pharmaceutical industry. In selecting potential peers, we considered Shedir Pharma's offering and revenue mix, business model, growth, and profitability profile.

Regarding the peer analysis, we built a sample of 10 companies, which includes:

- **Laboratorio Reig Jofre:** listed on Spain Stock Exchange with a market capitalization of €165mn, Laboratorio Reig Jofre engages in the research, development, manufacture, and trade of pharmaceutical drugs and food supplements. It operates through the sale of pharmaceutical products and nutritional supplements segments. In FY21, the Company achieved €236.2mn of sales revenues.
- **USANA Health Science:** listed on NYSE with a market capitalization of €1.1bn, USANA develops and manufactures nutritional, personal care and weight-management products. It operates under the following segments: USANA Nutritionals, USANA Foods, Personal Care and Skincare, and other. In FY21, the Company achieved €1.0bn of sales revenues.
- **Pharmanutra:** listed on Borsa Italiana Stock Exchange with a market capitalization of €630mn, Pharmanutra develops nutraceutical products and medical devices. Its Sroscaloïdal Iron intends to restore articular and movement ability in osteoarticular affections, consisting of cetilar line. In FY21, the Company achieved €68.1mn of sales revenues.
- **Balchem:** listed on NASDAQ with a market capitalization of €4.1bn, Balchem provides marketing of specialty performance ingredients and products through its segments: Human Nutrition and Health, Animal Nutrition and Health, Specialty Products and Industrial Products. In FY21, the Company achieved €676mn of sales revenues.
- **Kolinpharma:** listed on Borsa Italiana Stock Exchange with a market capitalization of €13mn, Kolinpharma engages in the research, development, and marketing of food supplements based on raw materials having natural origin. It specializes in the production of nutraceuticals for health, wellness and treatment for the urology, gynecology, orthopedic, psychiatric, and neurology sectors. In FY21, the Company achieved €11.2mn of sales revenues.
- **Laboratorio Farmaceutico Erfo:** listed on Borsa Italiana Stock Exchange with a market capitalization of €13mn, Laboratorio Farmaceutico Erfo produces innovative food supplements. It offers study and production of multiple pharmaceutical forms: liquids, powders, granules, and tablets. Its brands include Diètnatural-Clinica del Slimming and Gianopharma. In FY21, the Company achieved €4.7mn of sales revenues.
- **Fine Foods & Pharmaceuticals:** listed on Borsa Italiana Stock Exchange with a market capitalization of €192mn, Fine Foods & Pharmaceuticals operates as a contract development and manufacturing organization for the pharmaceutical industry. The firm specializes in the distribution of oral solid forms for the pharmaceutical and nutraceutical industries. It also offers medical devices and technologies for granulation and packaging. In FY21, the Company achieved €192.6mn of sales revenues.
- **Faes Farma:** listed on Spain Stock Exchange with a market capitalization of €1.2bn, Faes Farma engages in manufacturing and sale of chemical and pharmaceutical products. In FY21, the Company achieved €398.6mn of sales revenues.

- **Alliance Pharma:** listed on London Stock Exchange with a market capitalization of €373mn, Alliance Pharma engages in the acquisition, marketing, and distribution of healthcare and pharmaceutical products. It holds marketing rights to a range of healthcare brands and prescription medicines. In FY21, the Company achieved €189.9mn of sales revenues.
- **Rovi:** listed on Spain Stock Exchange with a market capitalization of €2.4bn, Rovi engages in the research, development, manufacture, and marketing of small molecule and specialty biologic drugs. In FY21, the Company achieved €648.7mn of sales revenues.

We analyzed the peer companies by considering their average revenue and EBITDA growth, compared to Shedir's historical and expected financials. By looking at 2020-21 revenue growth, peer companies grew on average by 13.2% YoY while Shedir's revenues grew by 3.5% YoY, mainly because some excellent performances achieved by multinational pharmaceutical companies such as Rovi (+54.5% YoY) and Alliance Pharma (+30.1% YoY). Over the 2021A-2024E period, Shedir's sales are expected to grow at a CAGR21A-24E of +11.4%, whereas the peers are estimated to achieve a CAGR21A-24E of 12.5%. Looking at FY21 EBITDA, Shedir registered a +2.9% YoY vs an average growth for peers' sample of +21.0% YoY. According to our financial projections Shedir's EBITDA shows an expected +16.4% CAGR21A-24E vs +16.2% of its peers' sample.

Peers Comparison – Sales and EBITDA Growth 2019-24 (€mn)

| Company Name | | | | YoY 20- 21 | Sales | | | CAGR 2021-'24 |
|--------------------------------------|------------|------------|------------|--------------|------------|------------|------------|---------------|
| | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | |
| Laboratorio Reig Jofre, S.A. | 200 | 230 | 236 | 2.7% | 267 | 282 | 293 | 7.4% |
| USANA Health Sciences, Inc. | 948 | 995 | 1,004 | 0.9% | 970 | 955 | 984 | -0.7% |
| Laboratorios Farmaceuticos Rovi, S.A | 381 | 420 | 649 | 54.5% | 780 | 784 | 837 | 8.9% |
| PharmaNutra S.p.A. | 54 | 56 | 68 | 20.7% | 81 | 95 | 106 | 15.9% |
| Balchem Corporation | 575 | 617 | 676 | 9.5% | 945 | 1,014 | n.a. | n.a. |
| Kolinpharma S.p.A. | 9 | 8 | 11 | 36.2% | 14 | 16 | 19 | 18.5% |
| Laboratorio Farmaceutico Erfo SpA | 4 | 4 | 5 | 19.6% | 6 | 9 | 12 | 35.8% |
| Fine Foods & Pharmaceuticals N.T.M | 160 | 172 | 193 | 12.0% | 208 | 234 | 258 | 10.2% |
| Faes Farma, S.A. | 357 | 380 | 399 | 4.8% | 442 | 451 | 472 | 5.8% |
| Alliance Pharma plc | 155 | 146 | 190 | 30.1% | 214 | 236 | 258 | 10.7% |
| Peers Average | 284 | 303 | 343 | 13.2% | 393 | 408 | 360 | 12.5% |
| Shedir Pharma Group S.P.A. | 48 | 43 | 44 | 3.5% | 52 | 57 | 61 | 11.4% |

| Company Name | | | | YoY 20- 21 | EBITDA | | | CAGR 2021-'24 |
|--------------------------------------|-----------|-----------|-----------|--------------|-----------|-----------|-----------|---------------|
| | 2019 | 2020 | 2021 | | 2022 | 2023 | 2024 | |
| Laboratorio Reig Jofre, S.A. | 36 | 27 | 27 | 2.9% | 26 | 32 | 38 | 11.6% |
| USANA Health Sciences, Inc. | 151 | 175 | 163 | -6.8% | 123 | 124 | 133 | -6.5% |
| Laboratorios Farmaceuticos Rovi, S.A | 60 | 97 | 203 | n.m. | 241 | 237 | 278 | 11.0% |
| PharmaNutra S.p.A. | 13 | 14 | 19 | 39.8% | 22 | 26 | 30 | 15.1% |
| Balchem Corporation | 134 | 144 | 147 | 1.9% | 210 | 234 | n.a. | n.a. |
| Kolinpharma S.p.A. | 2 | 2 | 2 | 9.6% | 3 | 3 | 4 | 23.8% |
| Laboratorio Farmaceutico Erfo SpA | 2 | 1 | 2 | 6.1% | 2 | 3 | 5 | 41.9% |
| Fine Foods & Pharmaceuticals N.T.M | 16 | 17 | 17 | 5.0% | 17 | 26 | 33 | 23.7% |
| Faes Farma, S.A. | 66 | 76 | 85 | 11.2% | 123 | 127 | 136 | 17.0% |
| Alliance Pharma plc | 45 | 44 | 56 | 28.1% | 57 | 64 | 70 | 7.7% |
| Peers Average | 53 | 60 | 72 | 21.0% | 82 | 88 | 81 | 16.2% |
| Shedir Pharma Group S.P.A. | 5 | 8 | 8 | 2.9% | 11 | 12 | 13 | 16.4% |

Source: FactSet, KT&P's elaboration

We then compared peers' profitabilities with Shedir Pharma's historical and expected margins. Shedir Pharma's showed a FY21 EBITDA margin at 18.7%, in line with peers' EBITDA margin at 22.2%. Looking at profitability, Over the 2021A-2024E period Shedir is expected to have an average EBITDA margin of 20.4% vs an average EBITDA margin of its peers equal to 22.8%.

Peers Comparison – EBITDA margin, EBIT margin and Net margin

| Company Name | EBITDA Margin | | | | | EBIT Margin | | | | | Net Margin | | | | | | | |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Laboratorio Rieg Jofre, S.A. | 18.1% | 11.5% | 11.6% | 9.7% | 11.3% | 13.0% | 11.5% | 4.2% | 3.9% | 4.1% | 5.7% | 7.2% | 2.5% | 2.5% | 2.2% | 3.0% | 4.3% | 5.8% |
| USANA Health Sciences, Inc. | 15.9% | 17.5% | 16.2% | 12.6% | 13.0% | 13.5% | 13.8% | 15.6% | 14.3% | 9.8% | 10.1% | 10.6% | 9.5% | 11.0% | 9.8% | 6.5% | 6.7% | 7.0% |
| Laboratorios Farmaceuticos Rovil, S.A. | 15.8% | 23.1% | 31.3% | 30.9% | 30.3% | 33.2% | 11.0% | 18.5% | 28.0% | 27.9% | 27.2% | 30.2% | 10.3% | 14.5% | 23.6% | 22.2% | 11.8% | 24.1% |
| PharmaNutra S.p.A. | 23.6% | 24.6% | 28.5% | 27.1% | 27.8% | 28.0% | 22.1% | 23.0% | 27.1% | 25.2% | 25.6% | 25.5% | 15.8% | 24.9% | 20.2% | 18.2% | 17.8% | 17.7% |
| Baichem Corporation | 23.4% | 23.4% | 21.7% | 22.2% | 23.0% | n.m. | 16.3% | 16.4% | 16.0% | 17.1% | 18.3% | n.m. | 12.4% | 12.0% | 12.0% | 12.1% | 12.5% | n.m. |
| Kolingshams S.p.A. | 22.3% | 23.2% | 18.6% | 18.3% | 20.6% | 21.2% | 11.5% | 12.1% | 10.3% | 10.6% | 12.8% | 13.2% | 6.6% | 7.8% | 5.7% | 6.3% | 8.0% | 8.3% |
| Laboratorio Farmaceutico Erfo SpA | 39.0% | 38.0% | 33.7% | 37.9% | 37.6% | 38.5% | 33.9% | 30.5% | 24.3% | 29.3% | 29.4% | 31.6% | 30.1% | 29.2% | 24.8% | 19.0% | 22.4% | 23.9% |
| Fine Foods & Pharmaceuticals N.T.M. SpA | 10.1% | 9.7% | 9.1% | 8.0% | 11.2% | 12.8% | 4.2% | 2.9% | 2.1% | 1.3% | 4.7% | 6.6% | neg | 7.8% | neg | neg | 3.7% | 5.0% |
| Faes Farma, S.A. | 18.5% | 20.0% | 21.2% | 27.8% | 28.2% | 28.7% | 14.9% | 16.1% | 17.2% | 23.2% | 23.4% | 23.9% | 17.9% | 19.1% | 20.9% | 20.5% | 20.0% | 20.3% |
| Alliance Pharma plc | 29.1% | 30.0% | 29.5% | 26.8% | 27.0% | 27.2% | 27.8% | 23.1% | 23.3% | 24.3% | 24.7% | 25.0% | 18.4% | 6.2% | 4.5% | 18.0% | 17.8% | 18.5% |
| Peers Average | 21.6% | 22.1% | 22.2% | 22.1% | 23.0% | 24.0% | 16.7% | 16.2% | 16.7% | 17.3% | 18.2% | 19.3% | 13.7% | 13.5% | 13.7% | 14.0% | 13.5% | 14.5% |
| Shedir Pharma Group S.P.A. | 11.2% | 18.8% | 18.7% | 20.4% | 21.0% | 21.3% | 7.0% | 13.4% | 12.4% | 14.9% | 15.8% | 16.4% | 1.9% | 8.6% | 7.9% | 10.2% | 10.9% | 11.4% |

Source: FactSet, KT&P's elaboration

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Shedir Pharma

Price: €3.88 | Fair Value: €7.62

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