

## Solid Growth That Rewards The Shareholders

ADD | Fair Value: €7.93 | Current Price: €4.28 | Upside: +85.2%

## Research Update

April 11, 2023 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Revenues	44.1	45.6	54.6	57.5	62.3	66.9	71.2
EBITDA	8.3	8.7	11.3	12.1	13.2	14.4	15.5
margin	18.8%	19.1%	20.7%	21.0%	21.3%	21.5%	21.8%
Net Profit	3.9	3.9	5.9	6.3	7.1	7.9	8.7
margin	8.9%	8.6%	10.9%	10.9%	11.4%	11.8%	12.2%
EPS	0.34	0.34	0.52	0.55	0.62	0.69	0.76
NFP	0.0	(6.8)	(5.6)	(8.4)	(16.4)	(25.2)	(35.0)

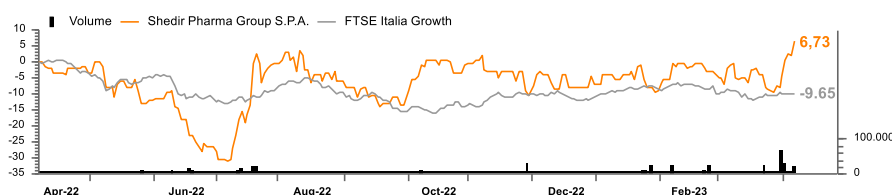
Source: Company data (2020–22A), KT&amp;Partners' elaboration (2023–26E)

**FY22A Financial Results.** Shedir Pharma reported its FY22A financial results, announcing total revenues of €54.6mn (+19.7% YoY), slightly above our estimate of €52.9mn. In detail, both the Shedir and Dymalife business units registered positive performances, reaching €48.3mn (+18% YoY) and €6.2mn (+34% YoY) respectively, mainly driven by the rising interest in nutraceutical and pharmaceutical products. FY22A EBITDA stood at €11.3mn (+29.5% YoY) vs our estimate of €10.6mn, with an EBITDA margin increasing from 19.1% in FY21A to 20.7% in FY22A (vs our estimate of 20.1%). The improvement in profitability arises from better sales network management and rationalization of marketing expenses, as well as more efficient procurement management (especially in the Dymalife BU). FY22A EBIT reached €8.3mn (+40.4% YoY) vs our estimate of €7.8mn, while EBIT margin improved from 13% to 15.2% (vs our estimate of 14.7%), also thanks to a lower incidence of D&As. At a bottom-line level, FY22A net income reached €5.9mn (+50.6% YoY) vs our estimate of €5.3mn, with a net margin increase from 8.7% to 10.9%, also thanks to a lower tax incidence (30.8% in FY21 vs 27.9% in FY22A). Finally, the FY22A NFP stood at -€5.6mn (cash positive), moving from -€6.8mn in FY21A and below our estimate of -€13.3mn, mostly due to a higher TWC uptake and the resulting higher level of inventory and receivables, only partially compensated for by the payables decrease. Finally, the BoD announced the aim of distributing in May 2023 a dividend per share of €0.17ps vs €0.13ps distributed in FY22A (with a dividend payout ratio of 37.9% in FY22A vs 32.8% in FY21A), for a total cash-out of €1.9mn in FY22A vs €1.5mn in FY21A.

**Change in Estimates.** On the back of Shedir Pharma's FY22A financial results, we revised our 2023E–25E projections and included estimates for FY26E. Given that Shedir Pharma's FY22A sales were in line with our estimate (€53.5mn vs €52mn), we left unchanged our top-line projections. We anticipate FY23E sales revenues at €56.5mn, growing at a CAGR22A–26E of +7%, achieving €70.1mn by the end of FY26E. Therefore, we still expect FY23E total revenues to reach €57.5mn, increasing at a CAGR22A–26E of 6.9% up to €71.2mn in FY26E. At the EBITDA level, we slightly increased our FY23 EBITDA estimate from €11.9mn to €12.1mn, with an EBITDA margin improvement of 0.4pp – from 20.6% to 21% – also thanks to a higher Dymalife profitability, which is expected to reach operating breakeven for the first time in FY23E. During the following years, EBITDA is anticipated to grow at a CAGR22A–26E of 8.3%, reaching €15.5mn and a marginality of 21.8% in FY26E. We anticipate FY23E net income to be €6.3mn (vs our prior estimate of €6.1mn), reaching €8.7mn by the end of 2026E. Finally, we adjusted FY23 NFP downwards from -€20.7mn to -€8.4mn, considering the higher-than-expected FY22A TWC uptake caused by the significant increase in the company's inventory and receivables. However, we still foresee a progressive NFP improvement upward to reach -€35mn in FY26E, confirming the company's strong financial soundness.

**Evaluation.** Our valuation – based on DCF and market multiple methods (EV/EBITDA and P/E) – returns an equity value of €90.6mn or a fair value of €7.93ps, showing a potential upside of +85.2% on the current stock price.

## Performance Chart – 1 Year



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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.	4.3x	3.3x	3.1x
Comps Median	8.9x	7.6x	6.8x
Shedir Pharma Group S.P.A. vs .	-52%	-57%	-55%
P/E			
Shedir Pharma Group S.P.A.	12.5x	8.3x	7.8x
Comps Median	15.0x	12.8x	11.0x
Shedir Pharma Group S.P.A. vs .	-17%	-36%	-29%

## Stock Data

52 Wk High (€)	4.40
52 Wk Low (€)	2.70
Avg. Daily Trading 90d	5,204
Price Change 1w (%)	15.05
Price Change 1m (%)	8.91
Price Change YTD (%)	14.75

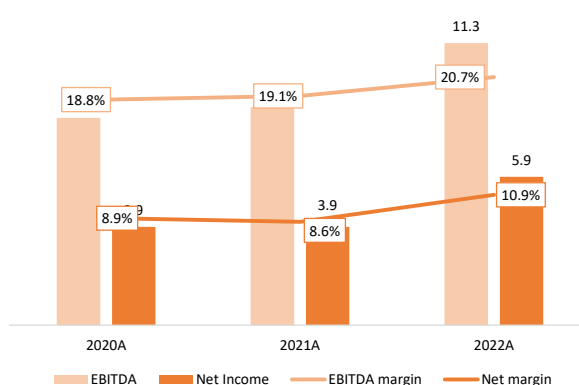
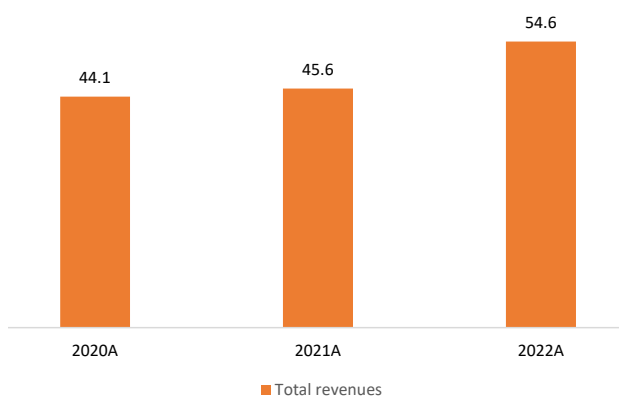
## Key Figures – Shedir Pharma

	Current price (€)	Fair Value (€)	Sector						Free Float (%)	
	4.28	7.93	Healthcare						12.5%	
<b>Per Share Data</b>			<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025A</b>	<b>2026A</b>
Total shares outstanding (mn)			11.43	11.43	11.43	11.43	11.43	11.43	11.43	11.43
EPS			0.25	0.35	0.35	0.52	0.55	0.62	0.69	0.76
Dividend per share (ord)			n.a.	n.a.	13%	17%	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)			n.a.	n.a.	38%	33%	n.a.	n.a.	n.a.	n.a.
<b>Profit and Loss (EUR million)</b>			<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Total Revenues			50.7	44.1	45.6	54.6	57.5	62.3	66.9	71.2
EBITDA			7.3	8.3	8.7	11.3	12.1	13.2	14.4	15.5
EBIT			5.3	6.0	5.9	8.3	9.1	10.2	11.3	12.5
EBT			4.9	5.3	5.7	8.2	8.9	10.0	11.1	12.3
Taxes			(2.0)	(1.4)	(1.8)	(2.3)	(2.6)	(2.9)	(3.2)	(3.6)
Tax rate			42%	25%	31%	28%	29%	29%	29%	29%
Net Income			2.9	4.0	3.9	5.9	6.3	7.1	7.9	8.7
Net Income attributable to the Group			2.8	3.9	3.9	5.9	6.3	7.1	7.9	8.7
<b>Balance Sheet (EUR million)</b>			<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Total fixed assets			12.9	12.0	11.9	12.2	10.1	8.1	6.2	4.2
Net Working Capital (NWC)			19.4	16.0	10.7	15.9	20.0	21.6	23.0	24.4
Provisions			(0.8)	(1.1)	(1.2)	(0.8)	(1.3)	(1.7)	(2.2)	(2.7)
Total Net capital employed			31.6	26.9	21.4	27.2	28.8	28.0	27.0	25.9
Net financial position/(Cash)			8.9	0.0	(6.8)	(5.6)	(8.4)	(16.4)	(25.2)	(35.0)
Group Shareholder's Equity			22.6	26.7	28.1	32.8	37.1	44.2	52.1	60.7
Minorities			0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Total Shareholder's Equity			22.7	26.8	28.2	32.9	37.2	44.3	52.2	60.9
<b>Cash Flow (EUR million)</b>			<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Net operating cash flow			5.3	6.9	7.0	9.0	9.4	10.3	11.1	11.9
Change in NWC			(5.7)	3.5	5.3	(5.2)	(4.2)	(1.5)	(1.5)	(1.3)
Capital expenditure			(9.1)	(1.2)	(2.3)	(3.6)	(1.0)	(1.0)	(1.0)	(1.0)
Other cash items/Uses of funds			0.2	0.2	(0.4)	(0.0)	0.6	0.3	0.4	0.4
Free cash flow			(9.3)	9.4	9.6	0.2	4.9	8.1	9.0	9.9
<b>Enterprise Value (EUR million)</b>			<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Market Cap			n.m.	80.0	43.5	42.6	48.9	48.9	48.9	48.9
			0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Net financial position/(Cash)			8.9	0.0	(6.8)	(5.6)	(8.4)	(16.4)	(25.2)	(35.0)
Enterprise value			n.m.	80.2	36.8	37.1	40.6	32.7	23.9	14.1
<b>Ratios (%)</b>			<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EBITDA margin			14.5%	18.8%	19.1%	20.7%	21.0%	21.3%	21.5%	21.8%
EBIT margin			10.4%	13.5%	13.0%	15.2%	15.8%	16.4%	16.9%	17.5%
Gearing - Debt/equity			39.5%	0.1%	-24.2%	-17.2%	-22.7%	-37.0%	-48.4%	-57.6%
Interest cover on EBIT			6.9%	11.2%	3.6%	2.8%	2.2%	2.0%	1.8%	1.6%
NFP/EBITDA			1.22x	0.00x	-0.78x	-0.50x	-0.70x	-1.24x	-1.75x	-2.25x
ROCE			16.7%	22.2%	27.6%	30.5%	31.5%	36.4%	42.0%	48.1%
ROE			12.6%	14.7%	13.9%	18.1%	16.9%	16.0%	15.1%	14.3%
EV/Sales			0.73x	0.84x	0.81x	0.68x	0.65x	0.60x	0.55x	0.52x
EV/EBITDA			5.06x	4.48x	4.26x	3.29x	3.08x	2.80x	2.58x	2.39x
P/E			17.24x	12.46x	12.46x	8.26x	7.80x	6.92x	6.21x	5.64x
Free cash flow yield			-25.1%	25.2%	25.8%	0.5%	13.1%	21.8%	24.3%	26.8%
<b>Growth Rates (%)</b>			<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Sales			7.1%	-13.0%	3.5%	19.7%	5.3%	8.3%	7.5%	6.4%
EBITDA			-32.6%	13.0%	5.2%	29.5%	7.0%	9.7%	8.9%	7.8%
EBIT			-43.6%	13.3%	-1.0%	40.4%	9.2%	12.4%	11.3%	9.9%
Net Income			-46.1%	38.0%	-0.2%	50.6%	5.9%	12.6%	11.5%	10.1%

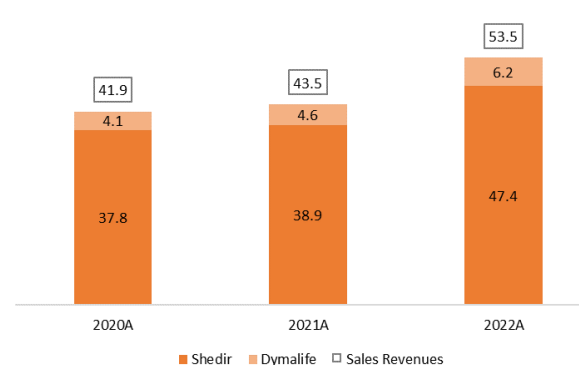
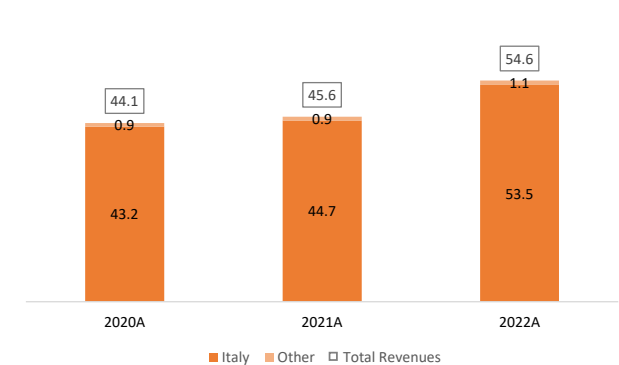
Source: Company data (2019–22A), KT&Partners' forecasts (2023–26E)

## Key Charts

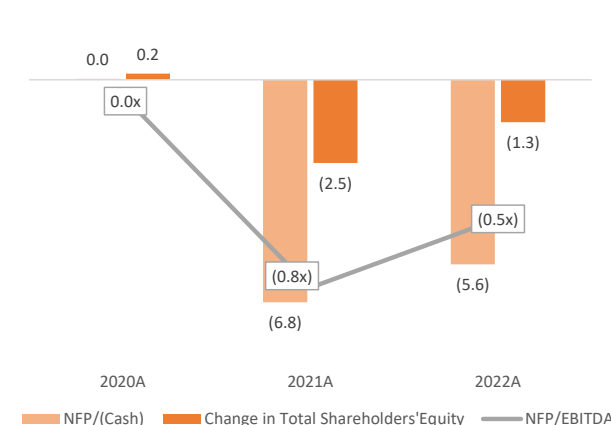
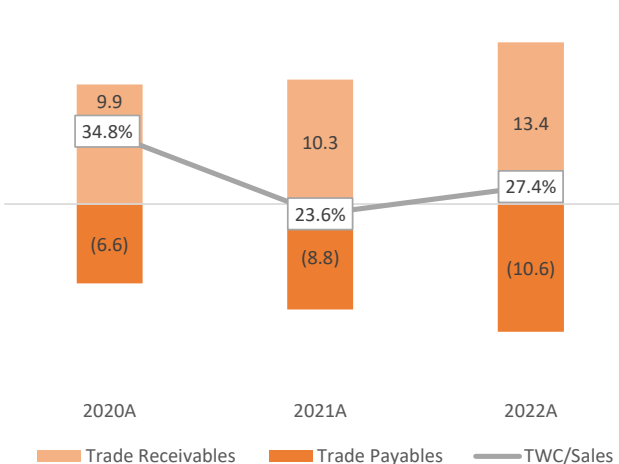
**Total Revenues (€mn)** **Gross Profit, EBITDA and Net Income (€mn, %)<sup>1</sup>**



**Total Revenues Breakdown by Geography (€mn)** **Sales Revenues Breakdown by Business Unit (€mn)**



**Trade Working Capital (€mn, %)** **NFP, Change in Shareholders' Equity and NFP/EBITDA (€mn)**



<sup>1</sup> 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 boasts 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. Five product lines (Shedirflu, Deimos, Phobos, Menkar, Shedir Pet) are marketed within the Shedir Division, which in 2021 accounted for 90% of total revenues, while in the Dymalife Division group A, group C, and OTC medicines are developed and sold through two specific product lines: Dyma and Horizon.

The group is characterized by 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 of 10 professionals 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 feedback 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 allow the company to periodically reach out to doctors and pharmacists to promote Shedir Pharma's products. Finally, 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 sectors.
- **Fruitful R&D Activity Puts 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 boasts 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 is 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.
- **Successful and Long-Lasting Cash Generation Ability.** Distinctive traits of Shedir Pharma's growth story are its profitability and cash conversion ability. Indeed, notwithstanding the challenging macroeconomic scenario due to the COVID-19 pandemic outbreak and the Russia-Ukraine conflict, the company has shown over the 2020-22 period an avg. EBITDA margin of ca. 19.5% and an avg. operating cash flow/EBITDA of 99%.
- **Shedir Pharma's M&A Abilities in a Land of M&A Opportunities.** The pharmaceutical industry has always been one of the most lucrative industries and therefore it has also always been one of the investors' favorite asset classes in their

portfolio capital allocation decisions. The massive funds 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 decisions about strategic repositioning in other therapeutic areas. Over the years, Shedir Pharma has seized some of these opportunities, executing different M&A deals that have fostered business growth and shaped the company as we know it. In 2017, the group acquired – from a primary pharmaceutical company – 20 drug brands that launched the group in the pharmaceutical industry. The new division has then been further strengthened by the acquisition of the Eminocs, a patented pharmaceutical 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 the group's areas of expertise in the nutraceutical industry.

- ***Growing Interest in a Healthier Lifestyle Is Driving the Nutraceutical Market.*** According to 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 CAGR<sub>21–27E</sub> of 6.9%. Two of the main factors driving this market are: i) 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***

- ***Concession of the NAXX Patents in the USA.*** In 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 Shedir's R&D Department, marking important steps forward in the treatment of respiratory diseases.
- ***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 (30 of 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 that are 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 also bring the company an edge in the domestic market through the integration process with Shedir's structure in therapeutic areas not already covered.

## FY22 Financial Results

On March 29<sup>th</sup>, 2023, Shedir Pharma reported its FY22A financial results, announcing sales revenues of €53.5mn, growing by +19.5% YoY. The group's FY22A total revenues reached €54.6mn (+19.7% YoY), above our estimate of €52.9mn.

In detail, both the Shedir and Dymalife business units registered positive performances, reaching €48.3mn (+18% YoY) and €6.2mn (+34% YoY), respectively. It should be noted that FY22A Shedir division sales also include the contribution of Again Life Italia srl, consolidated from June 8<sup>th</sup>, 2022 to December 31<sup>st</sup>, 2022 and accounting for €0.3mn. This strong growth in both of the group's business units was mainly driven by an increasing interest in the nutraceutical and pharmaceutical sectors, especially post-pandemic.

FY22A EBITDA stood at €11.3mn (+29.5% YoY) vs our estimate of €10.6mn, with an EBITDA margin improvement from 19.1% in FY21A to 20.7% in FY22A (vs our estimate of 20.1%). The profitability improvement arises from better sales network management and rationalization of the marketing expenses, as well as more efficient procurement management (especially in the Dymalife BU).

FY22A EBIT reached €8.3mn (+40.4% YoY) vs our estimate of €7.8mn, while EBIT margin improved from 13% to 15.2% (vs our estimate of 14.7%), also thanks to a lower incidence of D&As that decreased from 6.2% in FY21A to 5.6% in FY22A.

At a bottom-line level, FY22A net income reached €5.9mn (+50.6% YoY) vs our estimate of €5.3mn, with a net margin increase from 8.7% to 10.9% also thanks to a lower tax incidence (30.8% in FY21 vs 27.9% in FY22A).

Finally, the FY22A NFP stood at -€5.6mn (cash positive), moving from -€6.8mn in FY21A, below our estimate of -€13.3mn, mostly due to a higher TWC uptake resulting in a higher level of inventory and receivables, only partially compensated for by the payables decrease. Finally, the BoD announced the aim of distributing in May 2023 a dividend per share of €0.17ps vs 0.13ps distributed in FY22A (with a dividend payout ratio of 37.9% in FY22A vs 32.8% in FY21A), for a total cash-out of €1.9mn in FY22A vs €1.5mn in FY21A.

FY22A Consolidated Income Statement						
€ million	FY20	FY21	FY22	YoY %	FY22E	A vs E %
Sales Revenues	43.0	44.7	53.5	19.5%	52.0	16.1%
Other Revenues	1.0	0.9	1.1		0.9	3.5%
<b>Total Revenues</b>	<b>44.1</b>	<b>45.6</b>	<b>54.6</b>	<b>19.7%</b>	<b>52.9</b>	<b>15.9%</b>
Products and Raw materials	(11.1)	(12.4)	(14.0)		(11.4)	
<b>Gross Profit</b>	<b>32.9</b>	<b>33.2</b>	<b>40.6</b>	<b>22.3%</b>	<b>41.4</b>	<b>24.9%</b>
Gross Margin	74.7%	72.7%	74.4%		78.4%	
Cost of Services	(20.1)	(19.7)	(24.6)		(22.7)	
Personnel Expenses	(3.5)	(3.4)	(3.8)		(4.0)	
Other Operating Expenses	(1.0)	(1.4)	(0.9)		(4.2)	
<b>EBITDA</b>	<b>8.3</b>	<b>8.7</b>	<b>11.3</b>	<b>29.5%</b>	<b>10.6</b>	<b>21.8%</b>
EBITDA margin	18.8%	19.1%	20.7%		20.1%	
D&A and Provisions	(2.3)	(2.8)	(3.0)		(2.8)	
<b>EBIT</b>	<b>6.0</b>	<b>5.9</b>	<b>8.3</b>	<b>40.4%</b>	<b>7.8</b>	<b>31.2%</b>
EBIT margin	13.5%	13.0%	15.2%		14.7%	
Financial Income and Expenses	(0.7)	(0.2)	(0.2)		(0.3)	
Extraordinary items	-	-	0.2		-	
<b>EBT</b>	<b>5.3</b>	<b>5.7</b>	<b>8.2</b>	<b>44.6%</b>	<b>7.5</b>	<b>31.4%</b>
Taxes	(1.4)	(1.8)	(2.3)		(2.2)	
Tax Rate	25.4%	30.8%	27.9%		29.0%	
<b>Net Income</b>	<b>4.0</b>	<b>3.9</b>	<b>5.9</b>	<b>50.6%</b>	<b>5.3</b>	<b>34.8%</b>
Net margin	9.0%	8.7%	10.9%		10.1%	
Minorities	0.0	0.0	0.0		0.0	
<b>Net Income attributable to the Group</b>	<b>3.9</b>	<b>3.9</b>	<b>5.9</b>	<b>51.0%</b>	<b>5.3</b>	<b>35.6%</b>
Net margin	8.9%	8.6%	10.9%		10.1%	

Source: Company data

## Change in Estimates

On the back of Shedir Pharma's FY22A financial results, we revised our 2023E–25E projections and included estimates for FY26E.

Given that Shedir Pharma's FY22A sales were in line with our estimate (€53.5mn vs €52mn), we left unchanged our top-line projections. We anticipate FY23E sales revenues to be €56.5mn, growing at a CAGR22A–26E of +7%, achieving €70.1mn by the end of FY26E. Therefore, we still expect FY23E total revenues to be €57.5mn, increasing at a CAGR22A–26E of 6.9% up to €71.2mn in FY26E.

At the EBITDA level, we slightly increased our FY23 EBITDA estimate from €11.9mn to €12.1mn, with an EBITDA margin improvement of 0.4pp – from 20.6% to 21% – also thanks to a higher Dymalife profitability, which is expected to reach operating breakeven for the first time in FY23E. For the following years, EBITDA is anticipated to grow at a CAGR22A–26E of 8.3%, achieving €15.5mn and a marginality of 21.8% in FY26E. We anticipate FY23E net income to be €6.3mn (vs our prior estimate of €6.1mn), reaching €8.7mn by the end of 2026E.

Finally, we worsen FY23 NFP from -€20.7mn to -€8.4mn, considering the higher-than-expected FY22A TWC uptake, caused by the significant increase in the company's inventory and receivables. However, we still foresee a progressive NFP improvement upward to reach -€35mn in FY26E, confirming the company's strong financial soundness.

### Change in Estimates

€ Millions	2020A	2021A	2022A	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	2026E	CAGR
	Actual	Actual	Actual	Old	New		Old	New		Old	New		New	2022A-26E
Revenues	44.1	45.6	54.6	57.5	57.5	0.0%	62.3	62.3	0.0%	66.9	66.9	0.0%	71.2	6.9%
YoY Change (%)	-13.0%	3.5%	19.7%	5.3%	5.3%		8.3%	8.3%		7.4%	7.5%		6.4%	
EBITDA	8.3	8.7	11.3	11.9	12.1	1.7%	13.1	13.2	1.3%	14.2	14.4	1.6%	15.5	8.3%
YoY Change (%)	13.0%	5.2%	29.5%	5.2%	7.0%		10.1%	9.7%		8.6%	8.9%		7.8%	
EBITDA Margin	18.8%	19.1%	20.7%	20.6%	21.0%		21.0%	21.3%		21.2%	21.5%		21.8%	
EBIT	6.0	5.9	8.3	8.9	9.1	1.7%	10.1	10.2	1.2%	11.2	11.3	1.3%	12.5	10.7%
YoY Change (%)	13.3%	-1.0%	40.4%	7.4%	9.2%		12.9%	12.4%		11.1%	11.3%		9.9%	
EBIT Margin	13.5%	13.0%	15.2%	15.5%	15.8%		16.2%	16.4%		16.7%	16.9%		17.5%	
Net Income	4.0	3.9	5.9	6.1	6.3	2.5%	7.0	7.1	1.9%	7.8	7.9	1.9%	8.7	10.0%
YoY Change (%)	38.0%	-0.2%	50.6%	3.3%	5.9%		13.3%	12.6%		11.4%	11.5%		10.1%	
Net Margin	9.0%	8.7%	10.9%	10.7%	10.9%		11.2%	11.4%		11.6%	11.8%		12.2%	
NFP	0.0	(6.8)	(5.6)	(20.7)	(8.4)	12.2	(28.9)	(16.4)	12.5	(37.9)	(25.2)	12.7	(35.0)	
YoY Change (%)	-99.6%	-21359.4%	-17.0%	266.1%	49.3%		39.7%	-233.7%		31.2%	54.1%		38.8%	

Source: KT&Partners' elaboration on company data

## 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 €106.4mn or €9.31ps;
2. P/E multiples which returns an equity value of €68.1mn or €5.96ps;
3. DCF analysis based on WACC of 11.4% and 1% perpetual growth, which returns an equity value of €94mn or €8.22ps.

Therefore, we obtain an average equity value of €90.6mn or €7.93ps.

### Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	106.4	9.31
P/E	68.1	5.96
<b>Average - multiples</b>	<b>87.2</b>	<b>7.63</b>
DCF	94.0	8.22
<b>Average</b>	<b>90.6</b>	<b>7.93</b>

Source: FactSet, KT&Partners' elaboration

## Market Multiples Valuation

We evaluate the company by using the 2023E–25E 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 2023, 2024, and 2025. We also considered FY22 NFP at -€5.6mn. Following our comps analysis, we end up with our Shedir Pharma's average multiples equity value of €87.2mn or €7.63ps.

### Peer Comparison – Market Multiples 2022A–25E

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	EV/EBIT 2025	P/E 2021	P/E 2022	P/E 2023	P/E 2024	P/E 2025
LABORATORIO REGI JOFRE, S.A.	Spain	195	1.1x	0.9x	0.8x	0.8x	0.8x	9.1x	8.2x	7.3x	6.1x	5.2x	26.8x	26.5x	15.9x	11.3x	8.9x	37.6x	23.9x	10.8x	8.3x	6.7x
USANA Health Sciences, Inc.	NYSE	1,123	0.9x	0.9x	1.0x	1.0x	0.8x	5.3x	7.1x	8.4x	7.7x	n.a.	6.0x	8.5x	11.2x	10.1x	n.a.	12.0x	17.0x	22.3x	19.4x	11.1x
Laboratorios Farmaceuticos Row, S.A.	Spain	2,181	3.2x	2.6x	2.9x	2.7x	2.4x	10.4x	7.8x	12.0x	10.0x	8.3x	11.6x	9.3x	13.8x	11.3x	9.3x	14.8x	10.8x	17.7x	14.5x	11.4x
PharmaNutra S.p.A.	Milan	533	7.7x	6.3x	5.4x	4.7x	4.1x	26.9x	21.4x	22.4x	18.5x	15.6x	28.3x	22.7x	25.0x	20.8x	17.5x	38.7x	35.3x	30.0x	24.9x	24.9x
Balchem Corp	NASDAQ	3,702	6.0x	6.6x	4.5x	4.2x	n.a.	17.7x	11.5x	18.9x	18.3x	n.a.	37.6x	28.9x	26.8x	23.6x	n.a.	46.2x	37.3x	34.0x	29.6x	n.a.
Kollipharma S.p.A.	Milan	14	1.2x	0.9x	0.8x	0.7x	n.a.	6.5x	6.0x	4.1x	3.4x	n.a.	11.5x	13.9x	6.6x	5.1x	n.a.	22.1x	41.2x	12.3x	9.1x	n.a.
Laboratorio Farmaceutico Erfo SpA	Milan	11	1.7x	1.4x	1.0x	0.7x	0.5x	5.1x	3.7x	2.5x	1.8x	1.4x	7.1x	4.8x	3.2x	2.2x	1.6x	9.1x	9.8x	5.6x	3.8x	2.7x
Fine Foods & Pharmaceutical's N.T.M. SpA	Spain	213	1.3x	1.2x	1.0x	0.9x	0.9x	12.6x	22.3x	9.6x	7.5x	6.2x	39.7x	n.m.	22.6x	13.8x	10.8x	n.m.	n.m.	25.8x	16.1x	12.5x
Faes Farma, S.A.	Spain	1,001	2.3x	2.1x	1.9x	1.8x	10.9x	7.6x	7.5x	7.1x	6.8x	13.4x	9.0x	9.2x	8.7x	8.3x	11.3x	11.2x	11.5x	11.2x	10.5x	10.9x
Alliance Pharma plc	London	392	2.7x	2.7x	2.4x	2.2x	2.0x	9.1x	11.0x	9.3x	8.4x	7.6x	11.5x	15.2x	10.3x	9.1x	8.4x	45.7x	n.m.	12.0x	10.4x	8.9x
Average peer group		237	2.8x	2.4x	2.2x	2.0x	1.7x	12.3x	11.8x	10.3x	8.9x	7.3x	19.3x	15.3x	14.5x	11.6x	9.2x	26.4x	23.3x	18.8x	15.2x	11.1x
Median peer group		463	2.0x	1.7x	1.5x	1.4x	1.3x	9.7x	7.9x	8.9x	7.6x	6.8x	12.5x	13.9x	12.5x	10.7x	8.9x	22.1x	20.4x	15.0x	12.8x	11.0x
Shedir Pharma Group S.P.A.	Milan	49	1.0x	0.8x	0.8x	0.7x	0.7x	5.0x	3.8x	3.6x	3.3x	3.0x	7.3x	5.2x	4.8x	4.2x	3.8x	12.5x	8.3x	7.8x	6.9x	6.2x

Source: FactSet, KT&Partners' elaboration

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
EV/EBITDA Comps	8.9x	7.6x	6.8x
Shedir Pharma Group S.P.A. EBITDA	12.1	13.2	14.4
<b>Enterprise value</b>	<b>106.9</b>	<b>100.8</b>	<b>98.4</b>
Average Enterprise Value		<b>102.0</b>	
Liquidity/Size Discount		<b>25%</b>	
<b>Enterprise Value Post-Discout</b>		<b>76.5</b>	
Shedir Pharma Group S.P.A. FY22 Net Debt		(5.6)	
Shedir Pharma Group S.P.A. FY21 Minorities		0.1	
<b>Equity Value</b>		<b>106.4</b>	
Number of shares (mn)		11.4	
<b>Value per Share €</b>		<b>9.31</b>	

Source: FactSet, KT&Partners' elaboration

### P/E Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
P/E Comps	15.0x	12.8x	11.0x
Shedir Pharma Group S.P.A. Net Income	6.3	7.1	7.9
<b>Equity Value</b>	<b>94.3</b>	<b>91.1</b>	<b>87.0</b>
Average Equity Value		<b>90.8</b>	
Liquidity/Size Discount		<b>25%</b>	
<b>Equity Value Post-Discout</b>		<b>68.1</b>	
Number of shares (mn)		11.4	
<b>Value per Share €</b>		<b>5.96</b>	



## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 12.7% 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 4.2% (Italian 10y BTP, last 3 months average), 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 a WACC of 11.4%.

We discounted 2023E–26E annual cash flow and considered a terminal growth rate of 1%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ Millions	2023E	2024E	2025E	2026E
<b>EBIT</b>	9.1	10.2	11.3	12.5
Taxes	(2.6)	(3.0)	(3.3)	(3.6)
D&A	2.9	2.9	3.0	3.0
Change in Net Working Capital	(4.2)	(1.5)	(1.5)	(1.3)
Change in Funds	0.4	0.4	0.5	0.5
<b>Net Operating Cash Flow</b>	<b>5.6</b>	<b>9.1</b>	<b>10.0</b>	<b>10.9</b>
Capex	(1.0)	(1.0)	(1.0)	(1.0)
<b>FCFO</b>	<b>4.6</b>	<b>8.1</b>	<b>9.0</b>	<b>9.9</b>
g	1.0%			
Wacc	11.4%			
FCFO (discounted)	4.2	6.7	6.7	6.6
Discounted Cumulated FCFO	24.2			
TV	96.1			
TV (discounted)	64.1			
<b>Enterprise Value</b>	<b>88.3</b>			
NFP FY2022A	(5.6)			
Minorities FY2022A	0.1			
<b>Equity Value</b>	<b>94.0</b>			
Current number of shares (mn)	11.4			
<b>Value per share (€)</b>	<b>8.22</b>			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis						
€ Millions	Terminal growth Rate	WACC				
		11.9%	11.7%	11.4%	11.2%	10.9%
	0.5%	86.9	88.8	90.7	92.8	95.0
	0.8%	88.3	90.3	92.3	94.5	96.8
	1.0%	89.8	91.8	94.0	96.2	98.6
	1.3%	91.3	93.5	95.7	98.1	100.5
	1.5%	93.0	95.2	97.5	100.0	102.6

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 the Spanish Stock Exchange with a market capitalization of €195mn, 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 €271.2mn of sales revenues.
- **USANA Health Science:** listed on the 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 FY22, the company achieved €950.2bn of sales revenues.
- **Rovi:** listed on Spain Stock Exchange with a market capitalization of €2.2bn, Rovi engages in the research, development, manufacture, and marketing of small molecule and specialty biologic drugs. In FY22, the Company achieved €817.7mn of sales revenues.
- **Pharmanutra:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €533mn, Pharmanutra develops nutraceutical products and medical devices. Its Sroscaloïdal Iron aims to restore articular and movement ability in osteoarticular conditions and consists of the cetilar line. In FY22, the company achieved €82.7mn of sales revenues.
- **Balchem:** listed on NASDAQ with a market capitalization of €3.7bn, 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 FY22, the company achieved €896.7mn of sales revenues.
- **Kolinpharma:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €14mn, Kolinpharma engages in the research, development, and marketing of food supplements based on raw materials with natural origins. 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 €14.1mn of sales revenues.
- **Laboratorio Farmaceutico Erfo:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €11mn, Laboratorio Farmaceutico Erfo produces innovative food supplements. It carries out studies and produces multiple pharmaceutical forms: liquids, powders, granules, and tablets. Its brands include Diètnatural-Clinica del Slimming and Gianopharma. In FY22, the company achieved €4.6mn of sales revenues.
- **Fine Foods & Pharmaceuticals:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €213mn, 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 FY22, the company achieved €206.9mn of sales revenues.

- **Faes Farma:** listed on the Spanish Stock Exchange with a market capitalization of €1bn, Faes Farma engages in the manufacturing and sale of chemical and pharmaceutical products. In FY22, the company achieved €438.8mn of sales revenues.
- **Alliance Pharma:** listed on the London Stock Exchange with a market capitalization of €392mn, 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 FY22, the company achieved €196.2mn of sales revenues.

#### Peers Comparison – Sales and EBITDA Growth 2019A–2025E (€mn)

Company Name	2019	2020	2021	2022	YoY 21-22	Sales			CAGR 2022-'25
						2023	2024	2025	
LABORATORIO REIG JOFRE, S.A.	200.2	230.1	236.2	271.2	14.8%	292.3	307.3	323.0	6.0%
USANA Health Sciences, Inc.	947.9	995.3	1,003.8	950.2	-5.3%	856.3	881.9	1,086.2	4.6%
Laboratorios Farmaceuticos Rovi, S.A.	381.3	420.0	648.7	817.7	26.1%	720.2	788.1	863.9	1.8%
PharmaNutra S.p.A.	53.6	56.4	68.1	82.7	21.4%	96.5	111.6	126.8	15.3%
Balchem Corp	575.1	617.2	676.0	896.7	32.6%	909.1	963.5	n.a.	n.a.
Kolinpharma S.p.A.	8.9	8.2	11.2	14.1	25.9%	16.6	19.6	n.a.	n.a.
Laboratorio Farmaceutico Erfo SpA	4.3	3.9	4.8	4.6	-4.2%	8.5	11.7	15.5	49.9%
Fine Foods & Pharmaceuticals N.T.M. SpA	159.7	172.0	194.8	206.9	6.2%	239.0	262.0	288.0	11.7%
Faes Farma, S.A.	357.4	380.2	398.6	438.8	10.1%	472.4	498.5	512.8	5.3%
Alliance Pharma plc	154.6	146.0	189.9	196.2	3.3%	215.8	234.1	251.2	8.6%
<b>Peers Average</b>	<b>284.3</b>	<b>302.9</b>	<b>343.2</b>	<b>387.9</b>	<b>13.0%</b>	<b>382.7</b>	<b>407.8</b>	<b>433.4</b>	<b>12.9%</b>
<b>Shedir Pharma Group S.P.A.</b>	<b>50.2</b>	<b>43.0</b>	<b>44.7</b>	<b>53.5</b>	<b>19.5%</b>	<b>56.5</b>	<b>61.2</b>	<b>65.8</b>	<b>7.2%</b>

Company Name	2019	2020	2021	2022	YoY 21-22	EBITDA			CAGR 2022-'25
						2023	2024	2025	
LABORATORIO REIG JOFRE, S.A.	36.2	26.5	27.3	30.4	11.4%	34.0	41.0	48.0	16.4%
USANA Health Sciences, Inc.	151.0	174.6	162.8	122.8	-24.6%	103.2	112.3	n.a.	n.a.
Laboratorios Farmaceuticos Rovi, S.A.	60.2	97.2	203.1	276.6	36.2%	176.0	210.9	252.6	-3.0%
PharmaNutra S.p.A.	12.7	13.9	19.4	24.4	25.3%	23.3	28.3	33.5	11.2%
Balchem Corp	134.4	144.2	147.0	189.6	29.0%	204.5	222.5	n.a.	n.a.
Kolinpharma S.p.A.	2.0	1.9	2.1	2.2	5.3%	3.2	3.9	n.a.	n.a.
Laboratorio Farmaceutico Erfo SpA	1.7	1.5	2.0	1.8	-10.0%	3.2	4.5	6.0	49.4%
Fine Foods & Pharmaceuticals N.T.M. SpA	16.1	16.6	19.7	11.1	-43.4%	26.0	33.0	40.0	53.2%
Faes Farma, S.A.	66.0	76.2	84.7	121.2	43.1%	122.5	130.0	134.5	3.5%
Alliance Pharma plc	44.9	43.7	56.0	45.9	-18.0%	54.4	60.7	66.5	13.1%
<b>Peers Average</b>	<b>52.5</b>	<b>59.6</b>	<b>72.4</b>	<b>82.6</b>	<b>14.1%</b>	<b>75.0</b>	<b>84.7</b>	<b>83.0</b>	<b>20.6%</b>
<b>Shedir Pharma Group S.P.A.</b>	<b>7.3</b>	<b>8.3</b>	<b>8.7</b>	<b>11.3</b>	<b>29.5%</b>	<b>11.3</b>	<b>12.1</b>	<b>13.2</b>	<b>5.5%</b>

Source: FactSet, KT&Partners' elaboration

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