

Growing Faster than Industry

ADD | Fair Value: €8.08 | Current Price: €4.48 | Upside: +80.4%

Research Update

October 24, 2023 – 7.00 h

Equity Research Team

connect@ktepartners.com

Maria Teresa DI GRADO

mdigrado@ktepartners.com

+39 331 631 0793

€ Million	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Revenues	44.1	45.6	54.6	58.3	63.0	67.7	71.4
EBITDA	8.3	8.7	11.3	11.7	12.8	13.9	14.9
margin	18.8%	19.1%	20.7%	20.0%	20.3%	20.6%	20.8%
Net Profit	3.9	3.9	5.9	6.0	6.7	7.5	8.2
margin	8.9%	8.6%	10.9%	10.3%	10.7%	11.1%	11.5%
EPS	0.34	0.34	0.52	0.52	0.59	0.66	0.72
NFP	0.0	(6.8)	(5.6)	(6.3)	(14.3)	(23.1)	(33.1)

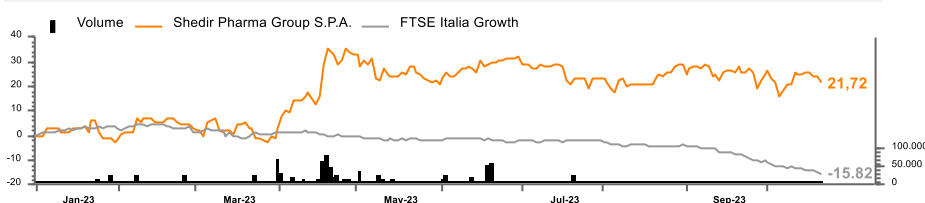
Source: Company data (2020–22A), KT&Partners' elaboration (2023–26E)

1H23 Financial Results. On September 29, 2023, Shedir Pharma released its 1H23 financial results announcing sales revenues of €28.2mn (+21.2% YoY) above our estimate of €24.1mn (+17.2%) and total revenues at €28.5mn (+19.7% YoY), beating our estimate of €24.6mn (+15.6%). Both Shedir Pharma's business units displayed growing revenue figures: i) the Shedir BU reached €24.1mn of revenues vs. €20.9mn in 1H22 (+15.3% YoY), whereas the ii) Dymalife BU revenues grew to €4.4mn in 1H23 vs. €2.9mn in 1H22 (+51.7% YoY). The higher revenue growth path compared to the market (+0.3% the growth in the 2Q2023) allowed the company to gain new market share. 1H23 Gross Profit stood at €21.0mn (+31.4%), higher than estimated (€18.2mn) with a Gross margin, in line with our estimate, that improved to 73.7% vs. 67.1% in 1H22, thanks to a reduced Products and Raw materials costs incidence (26.5% in 1H23 vs. 33.5% in 1H22). At the EBITDA level, the Group achieved €4.1mn in 1H23 vs. €2.7mn in 1H22 (+47.8% YoY), beating our estimate of €3.7mn, with a 2.7pp EBITDA margin improvement from 11.6% in 1H22 to 14.3% in 1H23, narrowly missing our estimate of 14.9%. Although the profitability rose YoY, some cost items showed a higher incidence on sales: cost of service incidence rose to 50.0% in 1H23 from 45.5%, while other operating expenses increased from 1.7% in 1H22 to 2.8% in 1H23, compensated by a reduced Personnel expenses incidence (from 9.5% in 1H22 to 7.0% in 1H23). 1H23 EBIT reached €2.1mn vs. our estimate of €2.4mn, while 1H23 EBIT margin improved to 7.5% from 6.7% in 1H22 (below our estimate of 9.8%), despite a higher incidence of D&As. Looking at the bottom-line, the Group achieved 1H23 Net income of €1.2mn (+19.2% YoY) vs our estimate of €1.5mn, keeping the net margin unchanged at 4.2%. Finally, 1H23 NFP attained to -€3.2mn, moving from -€5.6mn in FY22 due to the €1.9mn dividend payment made in May 2023 and a higher TWC uptake, which stems from a higher level of inventories, following the increased expectation of higher sales turnover for the next months.

Change in Estimates. Following 1H23 Shedir Pharma financial results, we revised our 2023E-26E estimates. In detail, we revised slightly upwards our top-line projections, now anticipating FY23E total revenues to be €58.3 vs prior €57.5mn, increasing at a CAGR22A–26E of 6.9% up to €71.4mn in FY26E (€71.2mn before seen). We slightly reduced our FY23 EBITDA estimate to €11.7mn (vs prior €12.1mn), expecting a FY23 EBITDA margin of 20.0% (vs prior 21%), to account for higher-than-expected cost of services and other operating costs incurred by the Group in 1H23. For the following years, we forecast EBITDA to grow at a CAGR22A–26E of 7.2%, achieving €14.9mn and a marginality of 20.8% in FY26E (vs €15.5mn and 21.8% the old estimate). We expect FY23E net income to be €6.0mn, growing at a CAGR22-26E of 8.5% to reach €8.2mn in FY26E. Finally, we worsen our FY23 NFP outlook from -€8.4mn to -€6.3mn, given the higher-than-expected TWC uptake, mainly due to the significant increase in the Group's inventory. Nonetheless, we forecast the Group to improve its NFP until reaching €33.1mn in FY26E.

Valuation. Our valuation – based on DCF and market multiple methods (EV/EBITDA and P/E) – returns an equity value of €92.4mn or a fair value of €8.08ps, showing a potential upside of +80.4% on the current stock price.

Performance Chart – YTD



Market Data			
Main Shareholders			
Umberto Di Maio			87.49%
Dimainvest Srl			1.9%
Mercato			12.5%
Mkt Cap (€ mn)			51.9
EV (€ mn)			46.4
Shares out.			11.4
Free Float			12.5%
Market multiples			
	2023	2024	2025
EV/EBITDA			
Shedir Pharma Group S.P.A.	3.2x	2.9x	2.7x
Comps Median	7.4x	7.0x	6.5x
Shedir Pharma Group S.P.A. vs	-57%	-58%	-59%
P/E			
Shedir Pharma Group S.P.A.	8.5x	7.6x	6.8x
Comps Median	17.7x	15.1x	9.9x
Shedir Pharma Group S.P.A. vs	-52%	-50%	-32%
Stock Data			
52 Wk High (€)			5.10
52 Wk Low (€)			3.49
Avg. Daily Trading 90d			2,189
Price Change 1w (%)			-3.86
Price Change 1m (%)			-6.28
Price Change YTD (%)			20.11

KT&PARTNERS PREPARED THIS DOCUMENT PURSUANT TO AN ENGAGEMENT LETTER ENTERED INTO WITH MIT SIM S.P.A. ACTING AS SPECIALIST IN ACCORDANCE WITH ART. 35 OF EURONEXT GROWTH MILAN MARKET RULES FOR COMPANIES

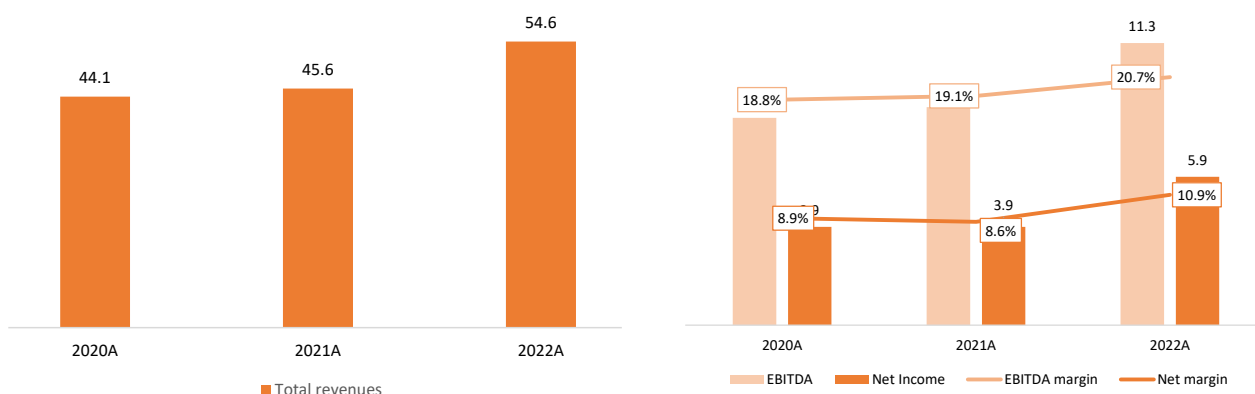
Key Figures – Shedir Pharma

	Current price (€)	Fair Value (€)	Sector						Free Float (%)	
	4.48	8.08	Healthcare						12.5%	
Per Share Data			2019A	2020A	2021A	2022A	2023A	2024A	2025A	2026A
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	0.53	0.59	0.66	0.72
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.
Profit and Loss (EUR million)			2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Total Revenues			50.7	44.1	45.6	54.6	58.3	63.0	67.7	71.4
EBITDA			7.3	8.3	8.7	11.3	11.7	12.8	13.9	14.9
EBIT			5.3	6.0	5.9	8.3	8.7	9.7	10.8	11.8
EBT			4.9	5.3	5.7	8.2	8.5	9.5	10.6	11.6
Taxes			(2.0)	(1.4)	(1.8)	(2.3)	(2.5)	(2.8)	(3.1)	(3.4)
Tax rate			42%	25%	31%	28%	29%	29%	29%	29%
Net Income			2.9	4.0	3.9	5.9	6.0	6.8	7.6	8.2
Net Income attributable to the Group			2.8	3.9	3.9	5.9	6.0	6.7	7.5	8.2
Balance Sheet (EUR million)			2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
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	21.9	23.1	24.2	24.9
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	30.7	29.5	28.1	26.4
Net financial position/(Cash)			8.9	0.0	(6.8)	(5.6)	(6.3)	(14.3)	(23.1)	(33.1)
Group Shareholder's Equity			22.6	26.7	28.1	32.8	36.8	43.6	51.1	59.3
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	37.0	43.7	51.3	59.5
Cash Flow (EUR million)			2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Net operating cash flow			5.3	6.9	7.0	9.0	9.2	10.0	10.8	11.4
Change in NWC			(5.7)	3.5	5.3	(5.2)	(6.1)	(1.1)	(1.1)	(0.7)
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	2.7	8.1	9.0	10.1
Enterprise Value (EUR million)			2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Market Cap			n.m.	80.0	43.5	42.6	51.2	51.2	51.2	51.2
Minorities			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)	(6.3)	(14.3)	(23.1)	(33.1)
Enterprise value			n.m.	80.2	36.8	37.1	45.1	37.1	28.3	18.3
Ratios (%)			2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
EBITDA margin			14.5%	18.8%	19.1%	20.7%	20.0%	20.3%	20.6%	20.8%
EBIT margin			10.4%	13.5%	13.0%	15.2%	14.9%	15.4%	16.0%	16.5%
Gearing - Debt/equity			39.5%	0.1%	-24.2%	-17.2%	-17.0%	-32.7%	-45.3%	-55.8%
Interest cover on EBIT			6.9%	11.2%	3.6%	2.8%	2.3%	2.1%	1.9%	1.7%
NFP/EBITDA			1.22x	0.00x	-0.78x	-0.50x	-0.54x	-1.12x	-1.66x	-2.23x
ROCE			16.7%	22.2%	27.6%	30.5%	28.3%	33.0%	38.5%	44.7%
ROE			12.6%	14.7%	13.9%	18.1%	16.3%	15.5%	14.7%	13.8%
EV/Sales			0.73x	0.84x	0.81x	0.68x	0.64x	0.59x	0.55x	0.52x
EV/EBITDA			5.06x	4.48x	4.26x	3.29x	3.18x	2.91x	2.67x	2.50x
P/E			18.04x	13.04x	13.05x	8.64x	8.54x	7.60x	6.80x	6.24x
Free cash flow yield			-25.1%	25.2%	25.8%	0.5%	7.3%	21.9%	24.3%	27.3%
Growth Rates (%)			2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Sales			7.1%	-13.0%	3.5%	19.7%	6.9%	7.9%	7.5%	5.5%
EBITDA			-32.6%	13.0%	5.2%	29.5%	3.5%	9.4%	8.9%	6.9%
EBIT			-43.6%	13.3%	-1.0%	40.4%	4.5%	12.1%	11.5%	8.8%
Net Income			-46.1%	38.0%	-0.2%	50.6%	1.2%	12.4%	11.7%	9.0%

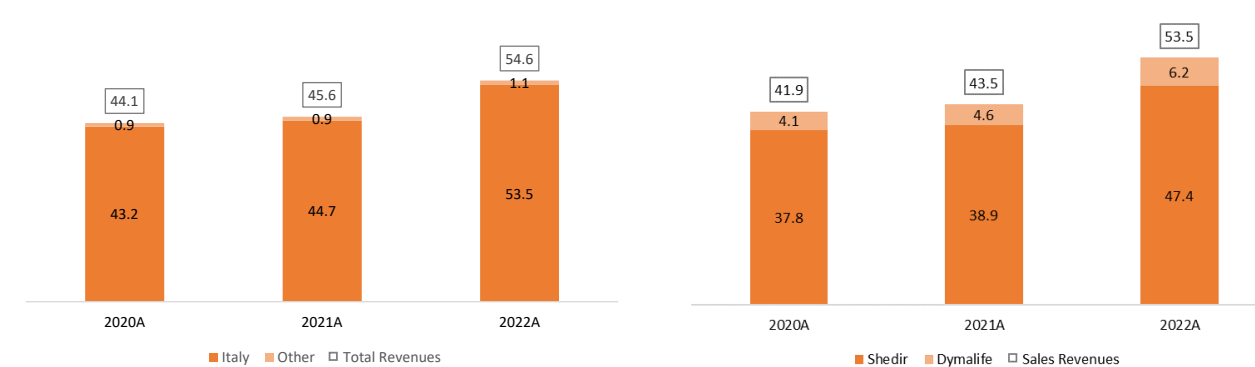
Source: Company data (2019–22A), KT&Partners' forecasts (2023–26E)

Key Charts

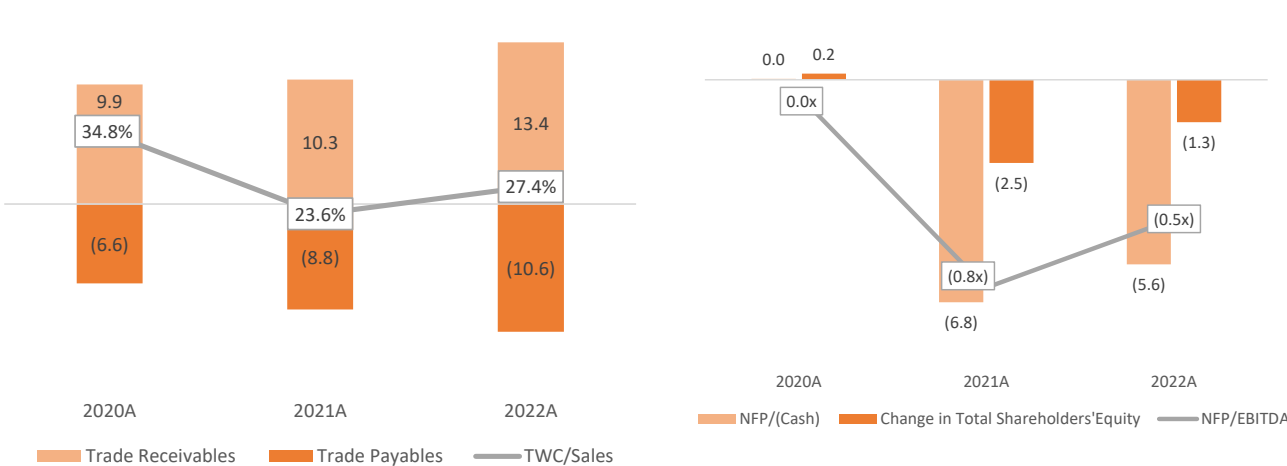
Total Revenues (€mn) **Gross Profit, EBITDA and Net Income (€mn, %)¹**



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)**



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 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.

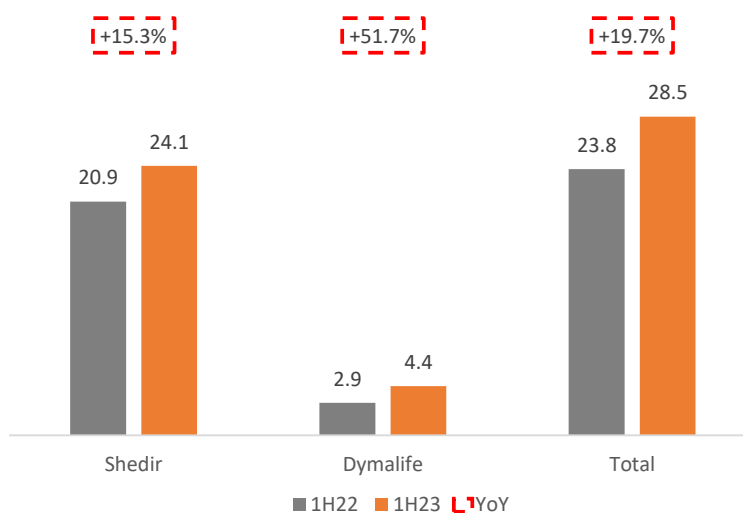
- ***Growing Interest in a Healthier Lifestyle Is Driving the Nutraceutical Market.*** According to Mediobanca's Nutraceutical and Novel Food report, the global nutraceutical industry in 2021 was worth ca. \$500bn and is expected to grow in the next years at a CAGR_{21–27E} of 6.9%. Two of the main factors 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.

1H23 Financial Results

On September 29, 2023, Shedir Pharma released its 1H23 consolidated financial results, announcing sales revenues of €28.2mn (+21.2% YoY), above our estimate of €24.1mn (+17.2%) and total revenues at €28.5mn (+19.7% YoY), beating our estimate of €24.6mn by 15.6%.

Looking at the revenues' breakdown by business units, both Shedir Pharma's business units displayed growing revenue figures: i) the Shedir Business Unit reached €24.1mn of revenues, growing by +15.3% YoY from €20.9mn in 1H22, whereas ii) the Dymalife BU revenues grew to €4.4mn in 1H23, up from €2.9mn in 1H22 (+51.7% YoY). It has to be considered that 1H23 Shedir division sales also includes the revenue contribution of Again Life Italia Srl, acquired in June 2022, which accounts for €0.1mn. The higher revenue growth path compared to the market (+0.3% the growth in the 2Q2023) allowed the company to gain new market share. Therefore, sales figures have been pushed higher by a great performance of all business lines, in particular by the rebound of respiratory products in 1H23, such as ShedirFLU® (+125% YoY), Flubexin® (+85% YoY), RinoAIR® (+37% YoY), as well as products for chronic issues such as Forprost® (+51% YoY), Refluward® (+106% YoY), Miraferum Forte® (+48% YoY). All pharmaceutical product lines of the Dymalife BU had a positive performance in 1H23: it is worth mentioning the solid performance of the EMINOCS® brand which registered €344k in revenues in 1H23 (+14.8% YoY), along with those of the Dymavig® (+118% YoY), Geniad® (+18% YoY) and Mesaflor® (+13% YoY) brands.

1H22-23 Total Revenues Breakdown by Business Unit (€mn)

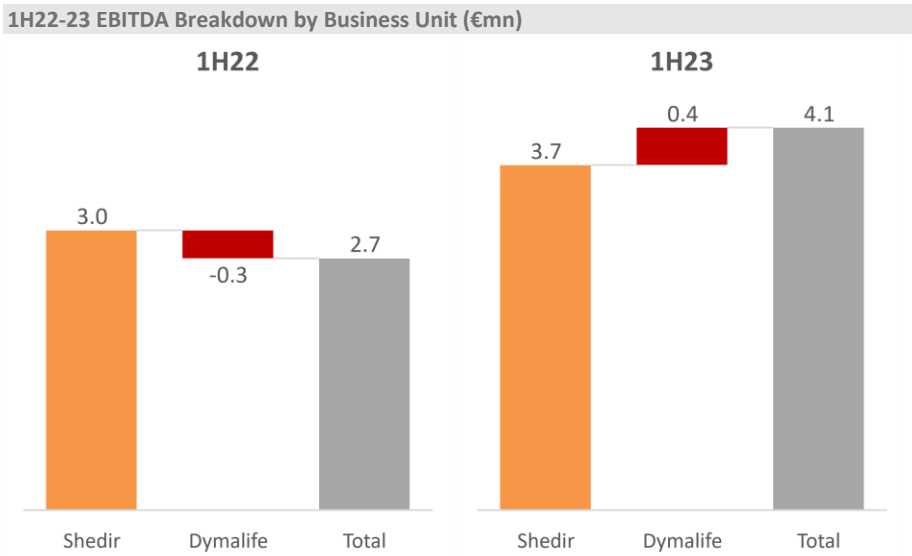


Source: KT&Partners' Elaboration on Company data

The Group realized a Gross Profit of €21.0mn in 1H23 (+31.4%), with a Gross margin, in line with our estimate, improved to 73.7% vs. 67.1% in 1H22, thanks to the reduced Products and Raw materials costs incidence which went from 33.5% in 1H22 to 26.5% in 1H23.

1H23 EBITDA stood at €4.1mn vs. €2.7mn in 1H22 (+47.8% YoY), beating our estimate of €3.7mn, with a 2.7pp EBITDA margin improvement from 11.6% in 1H22 to 14.3% in 1H23, narrowly missing our estimate of 14.9%. Although the profitability rose YoY, some cost items showed a higher incidence on sales: cost of service incidence rose to 50.0% in 1H23 from 45.5%, pushed by higher sales agents' commissions, consulting fees, and conventions and trade shows costs, all of which contributed to bring service costs up to €14mn in 1H23 vs. €10.6mn in 1H22, while other operating expenses increased from 1.7% in 1H22 to 2.8% in 1H23, compensated by a reduced Personnel expenses incidence, which decreased from 9.5% in 1H22 to 7.0% in 1H23, following the reduction of Administrators payroll.

Furthermore, when looking at the EBITDA breakdown by Business Unit, it is worth mentioning that the Dymalife unit turned profitable in 1H23, generating EBITDA of €0.4mn vs. -€0.3mn in 1H22; meanwhile, Shedir unit 1H23 EBITDA reached €3.7mn vs. €3.0mn in 1H22.



Source: KT&Partners' Elaboration on Company data

1H23 EBIT reached €2.1mn (+34.2% YoY) vs our estimate of €2.4mn, while 1H23 EBIT margin improved to 7.5% from 6.7% in 1H22 (below our estimate of 9.8%), despite a higher incidence of D&As (6.8% in 1H23 vs. 4.9% in 1H22).

Looking at the bottom-line, the Group achieved 1H23 Net income of €1.2mn (+19.2% YoY) vs our estimate of €1.5mn, keeping the net margin unchanged at 4.2%.

Finally, focusing on the debt position, the Group was cash positive with a NFP of -€3.2mn in 1H23 (below our estimate of -€13.3mn), moving from -€5.6mn in FY22. The reduction of net cash position resulted from the €1.9mn dividend payment made in May 2023 and a higher TWC uptake, mainly resulting from a higher level of inventories following the increased expectation of higher sales turnover for the next months.

1H21A-23A Consolidated Income Statement vs 1H23 Estimates

€ Millions	1H21A	1H22A	1H23A	YoY %	1H23E	A vs E %
Sales Revenues	18.5	23.3	28.2	21.2%	24.1	17%
Other Revenues	0.5	0.5	0.2		0.5	
Total Revenues	19.0	23.8	28.5	19.8%	24.6	16%
Products and Raw materials	(4.8)	(7.8)	(7.5)		(6.4)	
Gross Profit	14.2	16.0	21.0	31.4%	18.2	15%
<i>Gross Margin</i>	74.7%	67.1%	73.7%		73.9%	
Cost of Services	(9.6)	(10.6)	(14.1)		(12.0)	
Personnel Expenses	(1.7)	(2.2)	(2.0)		(2.1)	
Other Operating Expenses	(0.6)	(0.4)	(0.8)		(0.4)	
EBITDA	2.3	2.7	4.1	47.8%	3.7	11%
<i>EBITDA margin</i>	12.0%	11.6%	14.3%		14.9%	
D&A and Provisions	(1.2)	(1.2)	(1.9)		(1.3)	
EBIT	1.1	1.6	2.1	34.2%	2.4	-11%
<i>EBIT margin</i>	5.5%	6.7%	7.5%		9.8%	
Financial Income and Expenses	(0.1)	(0.1)	(0.2)		(0.1)	
Extraordinary items					-	
EBT	0.9	1.5	2.0	30.9%	2.3	-15%
Taxes	(0.2)	(0.5)	(0.8)		(0.8)	
<i>Tax Rate</i>	25.6%	33.7%	39.7%		33.4%	
Net Income	0.7	1.0	1.2	19.2%	1.5	-23%
<i>Net margin</i>	3.6%	4.2%	4.2%		6.3%	
Minorities	0.0	0.0	0.0		0.0	
Net Income attributable to the Group	0.7	1.0	1.2	19.8%	1.5	-23%
<i>Net margin</i>	3.6%	4.2%	4.2%		6.2%	

Source: KT&Partners' Elaboration on Company Data

Change in Estimates

Following 1H23 Shedir Pharma financial results, we revised our 2023E–26E estimates.

In detail, given Shedir Pharma's 1H23 sales performance exceeded our estimate (€28.2mn vs. our estimate of €24.1mn), we revised slightly upwards our top-line projections. We now anticipate FY23E sales revenues to be €57.4mn vs. our previous estimate of €56.5mn, growing at a CAGR22A–26E of +7% to reach €70.2mn by the end of FY26E. Therefore, we project FY23E total revenues to be €58.3 vs. prior €57.5mn, increasing at a CAGR22A–26E of 6.9% up to €71.4mn in FY26E (€71.2 before seen).

We slightly reduced our FY23 EBITDA estimate to €11.7mn, down from €12.1mn in our previous estimate, and we revised downwards our FY23 EBITDA margin expectation from 21.0% to 20.0%, mainly accounting for the higher-than-expected services costs and other operating costs incurred by the Group in 1H23, as well as for higher products and raw materials costs expectations. For the following years, we forecast EBITDA to grow at a CAGR22A–26E of 7.2% instead of 8.3% as previously estimated, achieving €14.9mn and a marginality of 20.8% in FY26E (vs. our previous expectation €15.5mn and a 21.8% margin). We now expect FY23E net income to be €6.0mn (vs our prior estimate of €6.3mn), and to improve in the following years at a CAGR22–26E of 8.5% to reach €8.2mn by the end of 2026E.

Finally, we worsen our FY23 NFP outlook from -€8.4mn to -€6.3mn, given the higher-than-expected Trade Working Capital cash uptake, mainly due to the significant increase in the Group's inventory. Nonetheless, we forecast the Group to improve its NFP until reaching -€33.1mn in FY26E, leveraging on its cash generation capabilities.

Change in Estimates

€ Millions	2020A Actual	2021A Actual	2022A Actual	2023E Old	2023E New	Change	2024E Old	2024E New	Change	2025E Old	2025E New	Change	2026E Old	2026E New	Change	CAGR OLD 2022-25	CAGR NEW 2022-26
Revenues	44.1	45.6	54.6	57.5	58.3	1.5%	62.3	63.0	1.1%	65.8	67.7	2.8%	71.2	71.4	0.2%	6.9%	6.9%
YoY Change (%)	-13.0%	3.5%	19.7%	5.3%	6.9%		8.3%	7.9%		5.7%	7.5%		8.2%	5.5%			
EBITDA	8.3	8.7	11.3	12.1	11.7	-3.2%	13.2	12.8	-3.5%	14.4	13.9	-3.4%	15.5	14.9	-4.3%	8.3%	7.2%
YoY Change (%)	13.0%	5.2%	29.5%	7.0%	3.5%		9.7%	9.4%		8.9%	8.9%		7.8%	6.9%			
EBITDA Margin	18.8%	19.1%	20.7%	21.0%	20.0%		21.3%	20.3%		21.9%	20.6%		21.8%	20.8%			
EBIT	6.0	5.9	8.3	9.1	8.7	-4.3%	10.2	9.7	-4.6%	11.3	10.8	-4.4%	12.5	11.8	-5.3%	10.7%	9.2%
YoY Change (%)	13.3%	-1.0%	40.4%	9.2%	4.5%		12.4%	12.1%		11.3%	11.5%		9.9%	8.8%			
EBIT Margin	13.5%	13.0%	15.2%	15.8%	14.9%		16.4%	15.4%		17.2%	16.0%		17.5%	16.5%			
Net Income	4.0	3.9	5.9	6.3	6.0	-4.4%	7.1	6.8	-4.6%	7.9	7.6	-4.5%	8.7	8.2	-5.4%	10.0%	8.5%
YoY Change (%)	38.0%	-0.2%	50.6%	5.9%	1.2%		12.6%	12.4%		11.5%	11.7%		10.1%	9.0%			
Net Margin	9.0%	8.7%	10.9%	10.9%	10.3%		11.4%	10.7%		12.0%	11.2%		12.2%	11.5%			
NFP	0.0	(6.8)	(5.6)	(8.4)	(6.3)	2.2	(16.4)	(14.3)	2.1	(25.2)	(23.1)	2.1	(35.0)	(33.1)	1.9		
YoY Change (%)	-99.6%	-21359.4%	-17.0%	49.3%	10.9%		94.2%	127.7%		54.1%	62.3%		38.8%	43.1%			

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 €94.7mn or €8.29ps;
2. P/E multiples which returns an equity value of €71mn or €6.21ps;
3. DCF analysis based on WACC of 11.1% and 1% perpetual growth, which returns an equity value of €92.4mn or €8.91ps.

Therefore, we obtain an average equity value of €92.4mn or €8.08ps.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	94.7	8.29
P/E	71.0	6.21
Average - multiples	82.9	7.25
DCF	101.9	8.91
Average	92.4	8.08

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 REIG JOFRE S.A.	Spain	178	1.0x	0.9x	0.7x	0.7x	0.6x	8.5x	7.6x	6.8x	5.4x	4.5x	25.0x	24.7x	12.2x	8.3x	6.4x	34.3x	21.7x	14.2x	8.7x	6.5x
USANA Health Sciences, Inc.	NYSE	1,019	0.7x	0.8x	0.8x	0.8x	0.7x	4.6x	6.1x	6.4x	5.8x	n.a.	5.2x	7.3x	9.0x	7.6x	n.a.	10.8x	15.3x	17.7x	15.1x	9.7x
Laboratorios Farmaceuticos Rovit, S.A.	Spain	2,672	3.9x	3.1x	3.3x	3.2x	2.9x	12.6x	9.2x	12.8x	11.4x	9.7x	14.1x	10.1x	14.6x	12.9x	10.9x	18.0x	13.3x	19.0x	16.7x	14.0x
PharmaNutra S.p.A.	Milan	477	7.1x	5.8x	4.9x	4.3x	3.8x	24.9x	20.3x	20.1x	16.8x	14.2x	26.2x	21.3x	22.6x	19.0x	15.9x	34.2x	31.3x	31.0x	26.3x	21.8x
Balchem Corp	NASDAQ	3,729	6.0x	4.5x	4.6x	4.2x	4.1x	27.6x	21.4x	19.2x	18.3x	17.8x	37.5x	28.8x	26.1x	23.7x	23.5x	46.3x	37.2x	32.1x	29.8x	29.7x
Laboratorio Farmaceutico Erfo SpA	Milan	9	1.7x	1.7x	1.2x	1.0x	0.8x	4.6x	6.7x	4.2x	3.3x	2.7x	6.2x	13.8x	6.7x	5.0x	3.6x	8.0x	13.0x	10.4x	7.4x	5.8x
Fine Foods & Pharmaceuticals N.T.M. SpA	Milan	208	53.7x	56.0x	1.0x	0.9x	0.8x	n.m.	n.m.	9.5x	7.6x	6.3x	n.m.	n.m.	n.m.	18.5x	11.2x	n.m.	n.m.	26.4x	18.3x	12.0x
Faes Farma, S.A.	Spain	952	2.2x	2.0x	1.9x	1.8x	1.7x	10.6x	9.1x	7.4x	7.0x	6.7x	13.3x	11.3x	8.9x	8.5x	8.2x	10.4x	10.0x	10.9x	10.3x	9.9x
Alliance Pharma plc	London	236	1.8x	1.8x	1.7x	1.5x	1.4x	6.2x	7.6x	6.8x	6.1x	5.6x	7.9x	10.4x	7.6x	6.8x	6.2x	26.9x	n.m.	8.2x	6.9x	5.8x
Average peer group		266	8.7x	8.5x	2.2x	2.1x	1.9x	12.4x	11.0x	10.3x	9.1x	8.4x	16.9x	16.0x	13.4x	12.3x	10.7x	23.6x	20.3x	18.9x	15.5x	12.8x
Median peer group		477	2.2x	2.0x	1.7x	1.5x	1.4x	9.5x	8.3x	7.4x	7.0x	6.5x	13.7x	12.5x	10.6x	8.5x	9.5x	22.5x	15.3x	17.7x	15.1x	9.9x
Shedir Pharma Group S.P.A.	Milan	51	1.0x	0.9x	0.8x	0.7x	0.7x	5.2x	4.0x	3.9x	3.6x	3.3x	7.7x	5.5x	5.3x	4.7x	4.2x	13.0x	8.6x	8.5x	7.6x	6.8x

Source: FactSet, KT&Partners' elaboration

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
EV/EBITDA Comps	7.4x	7.0x	6.5x
Shedir Pharma Group S.P.A. EBITDA	11.7	12.8	13.9
Enterprise value	86.3	89.2	90.7
Average Enterprise Value		88.7	
Liquidity/Size Discount		25%	
Enterprise Value Post-Discount		66.5	
Shedir Pharma Group S.P.A. FY22 Net Debt		(5.6)	
Shedir Pharma Group S.P.A. FY21 Minorities		0.1	
Equity Value		94.7	
Number of shares (mn)		11.4	
Value per Share €		8.29	

P/E Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
P/E Comps	17.7x	15.1x	9.9x
Shedir Pharma Group S.P.A. Net Income	6.0	6.8	7.6
Equity Value	106.5	102.4	75.1
Average Equity Value		94.7	
Liquidity/Size Discount		25%	
Equity Value Post-Discount		71.0	
Number of shares (mn)		11.4	
Value per Share €		6.21	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 12.3% 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 4.29% (Italian 10y BTP, last 3 months average), 4.7% 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 11.1%.

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
EBIT	8.7	9.7	10.8	11.8
Taxes	(2.5)	(2.8)	(3.1)	(3.4)
D&A	2.9	2.9	3.0	3.0
Change in Net Working Capital	(6.1)	(1.1)	(1.1)	(0.7)
Net Operating Cash Flow	3.4	9.1	10.0	11.1
Capex	(1.0)	(1.0)	(1.0)	(1.0)
FCFO	2.4	8.1	9.0	10.1
g	1.0%			
Wacc	11.1%			
FCFO (discounted)	2.4	7.2	7.2	7.2
Discounted Cumulated FCFO	23.9			
TV	101.1			
TV (discounted)	72.3			
Enterprise Value	96.2			
NFP FY2022A	(5.6)			
Minorities FY2022A	0.1			
Equity Value	101.9			
Current number of shares (mn)	11.4			
Value per share (€)	8.91			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ Millions		WACC				
		11.6%	11.4%	11.1%	10.9%	10.6%
Terminal growth Rate	0.5%	93.9	95.9	98.1	100.4	102.8
	0.8%	95.5	97.7	99.9	102.3	104.8
	1.0%	97.3	99.5	101.9	104.3	106.9
	1.3%	99.1	101.4	103.9	106.5	109.2
	1.5%	101.0	103.4	106.0	108.7	111.6

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 €178mn, 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 FY22, the company achieved €271.2mn of sales revenues.
- **USANA Health Sciences:** listed on the NYSE with a market capitalization of €1.0bn, 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 €2.7bn, 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 €477mn, 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 €3.8bn, 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.
- **Laboratorio Farmaceutico Erfo:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €9mn, 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 €208mn, 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 €952mn, 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 €236mn, 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.

DISCLAIMER

THIS DOCUMENT WAS PREPARED BY MARIA TERESA DI GRADO – ASSOCIATE – ON BEHALF OF KT&PARTNERS S.R.L., WITH REGISTERED OFFICE AT VIA DELLA POSTA 10, MILAN, ITALY, MILAN COMPANY REGISTER NO. 1926922, SPECIALIZING IN FINANCIAL RESEARCH AND ANALYSIS (HEREINAFTER, “KT&PARTNERS”).

NO OTHER PEOPLE OR COMPANY CONTRIBUTED TO THE RESEARCH. NEITHER THE MEMBERS OF THE RESEARCH TEAM, NOR ANY PERSON CLOSELY ASSOCIATED WITH THEM HAVE ANY RELATIONSHIPS OR ARE INVOLVED IN CIRCUMSTANCES THAT MAY REASONABLY BE EXPECTED TO IMPAIR THE OBJECTIVITY OF THE RESEARCH, INCLUDING INTERESTS OR CONFLICTS OF INTEREST, ON THEIR PART OR ON THE PART OF ANY NATURAL OR LEGAL PERSON WORKING FOR THEM, WHO WAS INVOLVED IN PRODUCING THE RESEARCH.

FOR THIS PURPOSE, THE MEMBERS OF THE RESEACH TEAM CERTIFY THAT: (I) THEY HAVE NOT RECEIVED AND WILL NOT RECEIVE ANY DIRECT OR INDIRECT COMPENSATION IN EXCHANGE FOR ANY VIEWS EXPRESSED IN THE RESEARCH; (II) THEY DO NOT OWN ANY SECURITIES AND/OR ANY OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY OR ANY FINANCIAL INSTRUMENT WHICH THE PRICE DEPENDS ON, OR IS LINKED TO ANY SECURITIES AND/OR ANY FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY; (III) NEITHER THE ANALYSTS NOR ANY MEMBER OF THE ANALYST’S HOUSEHOLD SERVE AS AN OFFICER, DIRECTOR OR ADVISORY BOARD MEMBER OF THE COMPANY.

KT&PARTNERS HAS IN PLACE AN EQUITY RESEARCH POLICY, IN ORDER TO RULE RESEARCH SERVICES IN COMPLIANCE WITH PARLIAMENT REGULATION (EU) NO.596/2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 958/2016 ON MARKET ABUSE. IN THIS POLICY, THERE ARE ALSO DESCRIBED THE ORGANIZATIONAL MECHANISMS ADOPTED BY KT&PARTNERS TO PREVENT AND PROFESSIONALLY MANAGE CONFLICTS OF INTEREST THAT MAY ARISE DURING THE PERFORMANCE OF THE RESEARCH. IN ANY CASE, CHINESE WALLS AND OTHER INFORMATION BARRIERS ARE IN PLACE TO AVOID THE EXCHANGE OF CONFIDENTIAL INFORMATION BETWEEN THE EQUITY RESEARCH DEPARTMENT AND OTHER SERVICES AREAS.

KT&PARTNERS PREPARED THIS DOCUMENT ON BEHALF OF SHEDIR PHARMA S.P.A. ACCORDING TO AN AGREEMENT ENTERED WITH THE SAME AND ON THE BASIS OF THE DATA AND PUBLIC INFORMATION PROVIDED BY THE SAME OR DERIVED FROM SOURCES DEEMED SERIOUS AND RELIABLE ON THE FINANCIAL MARKET BUT WHOSE ABSOLUTE TRUSTWORTHINESS, COMPLETENESS, AND ACCURACY CANNOT BE GUARANTEED. THE FEES AGREED FOR THIS RESEARCH DO NOT DEPEND ON THE RESULTS OF THE RESEARCH.

KT&PARTNERS PREPARED THIS DOCUMENT PURSUANT TO AN ENGAGEMENT LETTER ENTERED INTO WITH MIT SIM SPA ACTING AS SPECIALIST IN ACCORDANCE TO ART. 35 OF EURONEXT GROWTH MILAN MARKET RULES FOR COMPANIES.

KT&PARTNERS RELEASE THIS DOCUMENT AS RESEARCH UPDATE ON SHEDIR PHARMA S.P.A. LATEST KT&PARTNERS’ RESEARCH UPDATE ON SHEDIR PHARMA S.P.A. WAS ON APRIL 11, 2023 WITH A FAIR VALUE OF €7.93 PER SHARE.

THIS DOCUMENT IS A SOURCE OF INFORMATION ONLY, AND IS NOT PART OF, AND IN NO WAY MUST BE CONSIDERED AN OFFER TO SELL, SUBSCRIBE OR TRADE, OR A SOLICITATION TO PURCHASE, SUBSCRIBE OR TRADE, FINANCIAL INSTRUMENTS/PRODUCTS, OR IN GENERAL TO INVEST, NOR MUST IT BE CONSIDERED ANY FORM OF CONSULTING FOR AN INVESTMENT IN FINANCIAL INSTRUMENTS.

THE INFORMATION PROVIDED IN THIS DOCUMENT MUST NOT BE UNDERSTOOD AS A REQUEST OR SUGGESTION TO CONDUCT OR CARRY OUT A SPECIFIC TRANSACTION.

EACH INVESTOR MUST FORM HIS/HER OWN OPINION BASED EXCLUSIVELY ON HIS/HER ASSESSMENT OF THE ADVISABILITY OF INVESTING. ANY INVESTMENT DECISION MADE ON THE BASIS OF THE INFORMATION AND ANALYSES IN THIS DOCUMENT IS THE EXCLUSIVE RESPONSIBILITY OF THE RECIPIENTS OF THIS DOCUMENT, WHO MUST CONSIDER THIS DOCUMENT MERELY AS A SOURCE OF INFORMATION AND ANALYSIS TO SUPPORT SUCH DECISION.

ANY OPINIONS, FORECAST OR ESTIMATES CONTAINED HEREIN CONSTITUTE A JUDGEMENT AS AT THE DATE OF THIS DOCUMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUTURE RESULTS OF THE COMPANY AND/OR ANY FUTURE EVENTS WILL BE CONSISTENT WITH ANY OF SUCH OPINIONS, FORECAST OR ESTIMATES.

KT&PARTNERS MAKES NO EXPLICIT OR IMPLICIT GUARANTEE WITH RESPECT TO PERFORMANCE OR THE OUTCOME OF ANY INVESTMENT OR PROJECTIONS MADE.

THEREFORE, KT&PARTNERS, ITS REPRESENTATIVES AND/OR EMPLOYEES WILL NOT BE LIABLE FOR ANY EFFECT DERIVING FROM THE USE OF THIS DOCUMENT, AND HEREBY DECLINE ALL LIABILITY FOR ANY DIRECT OR INDIRECT DAMAGES, FINANCIAL OR OTHERWISE, DERIVING FROM ANY USE OF THE INFORMATION IT CONTAINS.

KT&PARTNERS AIMS TO PROVIDE CONTINUOUS COVERAGE OF THE COMPANY IN CONJUNCTION WITH ANY EXCEPTIONAL EVENT THAT OCCURS AFFECTING THE ISSUER'S SPHERE OF OPERATIONS AND IN ANY CASE AT LEAST TWICE PER YEAR.

IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

- ADD - FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD - FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE - FOR A FAIR VALUE < -15% ON CURRENT PRICE



Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com