

Shedir Pharma FY23 results Confirms Nutraceutical Market Buzz

ADD | Fair Value: €8.11 (€8.08) | Current Price: €3.60 | Upside: +125.3%

Research Update

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€ Million	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	45.6	54.6	60.2	63.8	68.0	71.9	76.4
EBITDA	8.7	11.3	12.4	13.2	14.1	15.0	15.9
margin	19.1%	20.7%	20.5%	20.6%	20.7%	20.8%	20.9%
Net Profit	3.9	5.9	5.7	6.3	6.9	7.4	8.0
margin	8.6%	10.9%	9.5%	9.9%	10.1%	10.3%	10.4%
EPS	0.34	0.52	0.50	0.55	0.60	0.65	0.70
NFP	(6.8)	(5.6)	2.3	(6.5)	(15.5)	(25.3)	(35.8)

Source: Company data (2021A–23A), KT&Partners' elaboration (2024–27E)

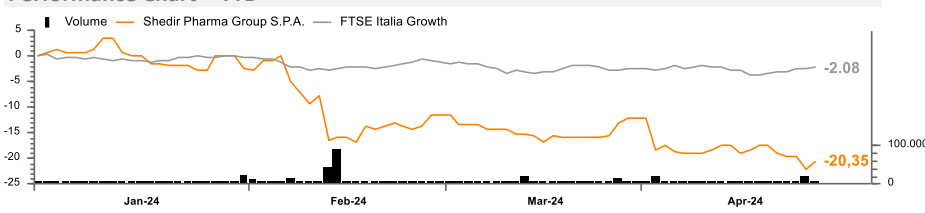
FY23 Financial Results. On March 29, 2023, Shedir Pharma reported consolidated revenues of €60.2mn, reflecting a growth of approximately 10.3% YoY compared to €54.6mn of the FY22 and standing above our estimate of €58.3mn (+3.2% YoY). Looking at the revenues' breakdown by business units, both division within Shedir Pharma demonstrated strong growth: i) Shedir Business Unit, specializing in supplements, medical devices, and dermocosmetics, experienced a revenue uptick of 7.5% YoY, reaching €51.9mn (compared to €48.3mn in 2022); ii) the Dymalife Business Unit, focused on pharmaceuticals, witnessed impressive revenue growth of 33.9%, hitting €8.3mn, which constituted approximately 14% of the Group's total revenue (compared to 11% in 2022). Looking at the FY23A Group EBITDA, Shedir Pharma reported €12.4mn marking an increase of +9.6% YoY and beating our estimate of €11.7mn (+5.9 pp). The EBITDA margin remained nearly stable despite higher advertising costs, which were partly offset by reduced personnel and raw material expenses. Finally, the NFP, amounting to €2.3mn at the end of FY23A reported a decrease if compared to the net cash of -€5.6mn in FY22, missing our estimate of -€6.3mn. The variation primarily stems from: i) the increase in inventory levels, primarily attributed to heightened purchases made to accommodate the rise in business volume; ii) €4.1mn of new investments to the development of the research hub; iii) €2mn of FY22 distribution of dividends.

Consumer Interest in Dietary Supplements is Growing. According to Grand View Research the global dietary supplements market in 2023 the industry reported \$177.5bn of sales it is expected to growth at a CAGR2024E-2030E of 9.1% from \$192.7bn in 2024 to \$327.4bn at the end of 2030. This surge in consumer interest, as reported by the study, is driven by an increasing awareness of the importance of a preventive healthcare approach, particularly among adults and seniors.

Change in Estimates. Following FY23 Shedir Pharma financial results and the industry potential growth, we revised our 2024E–26E estimates and add 2027 projections. We now anticipate FY24E total revenues to be €63.8mn (€62.3mn old estimate), growing at a CAGR23A–27E of +6.1% to reach €76.4mn by the end of FY27E. On profitability side, our forecasts remain largely unchanged in both absolute terms and margins with FY24E EBITDA projected to reach €13.2mn with a margin of 20.6%. For the 2027E we foresee an EBITDA at €15.9mn with a margin of 20.9%. However, despite the slight improvement, we have revised our EBIT estimates downward to account for increased depreciation and amortization following higher-than-expected CAPEX in FY23A. Therefore, we now see FY24E EBIT at €9.1mn with a margin of 14.3% (vs prior €10.2mn and a margin on sales of 16.4%) to reach €11.4mn at the end of the forecast period with a margin of 14.9%. Finally, we worsen our FY24E NFP outlook from -€16.4mn to -€6.5mn, to factor in the higher-than-expected fixed asset and Net Working Capital reported in FY23A, mainly due to the significant increase in the Group's inventory. Nonetheless, we forecast the Group to improve its NFP until reaching €35.8mn in FY27E, leveraging on its cash generation capabilities.

Valuation. Our valuation – based on DCF and market multiple methods (EV/EBITDA and P/E) – returns an equity value of €92.7mn or a fair value of €8.11ps, showing a potential upside of +125.3% on the current stock price.

Performance Chart – YTD



Market Data

Main Shareholders	
Umberto Di Maio	87.49%
Mkt Cap (€ mn)	41.1
EV (€ mn)	35.6
Shares out.	11.4
Free Float	12.5%

Market multiples	2024	2025	2026
EV/EBITDA			
Shedir Pharma Group S.P.A.	3.3x	3.1x	2.9x
Comps Median	7.4x	6.3x	5.6x
Shedir Pharma Group S.P.A. vs	-55%	-51%	-48%
P/E			
Shedir Pharma Group S.P.A.	6.5x	6.0x	5.6x
Comps Median	18.9x	15.3x	11.1x
Shedir Pharma Group S.P.A. vs	-66%	-61%	-50%

Stock Data

52 Wk High (€)	5.00
52 Wk Low (€)	3.34
Avg. Daily Trading 90d	5.617
Price Change 1w (%)	-1.64
Price Change 1m (%)	-9.55
Price Change YTD (%)	-20.35

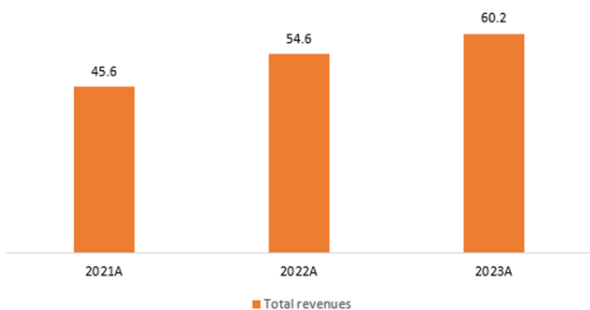
Key Figures – Shedir Pharma

Current price (€)	Fair Value (€)		Sector					Free Float (%)
3.60	8.11		Healthcare					12.5%
Per Share Data	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total shares outstanding (mn)	11.43	11.43	11.43	11.43	11.43	11.43	11.43	11.43
EPS	0.35	0.35	0.52	0.50	0.56	0.60	0.65	0.70
Dividend per share (ord)	n.a.	0.13	0.18	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	38%	34%	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total Revenues	44.1	45.6	54.6	60.2	63.8	68.0	71.9	76.4
EBITDA	8.3	8.7	11.3	12.4	13.2	14.1	15.0	15.9
EBIT	6.0	5.9	8.3	8.4	9.1	9.8	10.6	11.4
EBT	5.3	5.7	8.2	8.1	9.0	9.7	10.4	11.3
Taxes	(1.4)	(1.8)	(2.3)	(2.4)	(2.6)	(2.8)	(3.0)	(3.3)
Tax rate	25%	31%	28%	29%	29%	29%	29%	29%
Net Income	4.0	3.9	5.9	5.7	6.4	6.9	7.4	8.0
Net Income attributable to the Group	3.9	3.9	5.9	5.7	6.3	6.9	7.4	8.0
Balance Sheet (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total fixed assets	12.0	11.9	12.6	14.2	11.3	8.6	5.7	2.7
Net Working Capital (NWC)	16.0	10.7	15.5	25.1	26.0	27.1	28.0	29.0
Provisions	(1.1)	(1.2)	(0.8)	(0.9)	(1.4)	(1.8)	(2.3)	(2.8)
Total Net capital employed	26.9	21.4	27.2	38.4	35.9	33.8	31.4	29.0
Net financial position/(Cash)	0.0	(6.8)	(5.6)	2.3	(6.5)	(15.5)	(25.3)	(35.8)
Group Shareholder's Equity	26.7	28.1	32.8	36.0	42.3	49.2	56.6	64.5
Minorities	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Total Shareholder's Equity	26.8	28.2	32.9	36.1	42.5	49.3	56.8	64.7
Cash Flow (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Net operating cash flow	6.9	7.0	9.0	9.9	10.5	11.2	11.9	12.6
Change in NWC	3.5	5.3	(4.8)	(9.7)	(0.9)	(1.1)	(0.9)	(1.1)
Capital expenditure	(1.2)	(2.3)	(3.6)	(5.7)	(1.4)	(1.4)	(1.4)	(1.4)
Other cash items/Uses of funds	0.2	(0.4)	(0.4)	0.3	0.6	0.3	0.3	0.4
Free cash flow	9.4	9.6	0.2	(5.2)	8.9	9.1	9.9	10.5
Enterprise Value (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Market Cap	80.0	43.5	42.6	51.7	41.1	41.1	41.1	41.1
Minorities	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Net financial position/(Cash)	0.0	(6.8)	(5.6)	2.3	(6.5)	(15.5)	(25.3)	(35.8)
Enterprise value	80.2	36.8	37.1	54.1	34.8	25.8	16.0	5.6
Ratios (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
EBITDA margin	18.8%	19.1%	20.7%	20.5%	20.6%	20.7%	20.8%	20.9%
EBIT margin	13.5%	13.0%	15.2%	13.9%	14.3%	14.5%	14.7%	14.9%
Gearing - Debt/equity	0.1%	-24.2%	-17.2%	6.3%	-15.4%	-31.5%	-44.8%	-55.4%
Interest cover on EBIT	11.2%	3.6%	2.8%	3.7%	1.5%	1.4%	1.3%	1.2%
NFP/EBITDA	0.00x	-0.78x	-0.50x	0.18x	-0.50x	-1.10x	-1.69x	-2.24x
ROCE	22.2%	27.6%	30.5%	21.9%	25.3%	29.1%	33.6%	39.3%
ROE	14.7%	13.9%	18.1%	15.9%	15.0%	14.0%	13.1%	12.4%
EV/Sales	1.23x	1.18x	0.99x	0.90x	0.85x	0.79x	0.75x	0.71x
EV/EBITDA	6.53x	6.21x	4.80x	4.37x	4.10x	3.84x	3.62x	3.39x
P/E	13.16x	13.16x	8.72x	9.06x	8.14x	7.52x	7.00x	6.48x
Free cash flow yield	17.3%	17.7%	0.3%	-9.6%	16.4%	16.8%	18.3%	19.5%
Growth Rates (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Sales	-13.0%	3.5%	19.7%	10.3%	6.0%	6.6%	5.7%	6.2%
EBITDA	13.0%	5.2%	29.5%	9.6%	6.6%	7.0%	6.1%	6.5%
EBIT	13.3%	-1.0%	40.4%	1.1%	8.5%	8.1%	7.3%	7.9%
Net Income	38.0%	-0.2%	50.6%	-3.8%	11.2%	8.3%	7.4%	8.0%

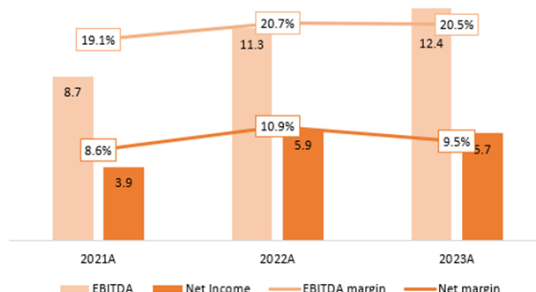
Source: Company data (2020A–23A), KT&Partners' forecasts (2024E–27E)

Key Charts

Total Revenues (€mn)



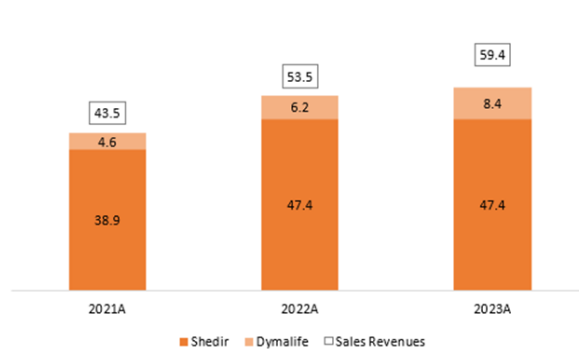
Gross Profit, EBITDA and Net Income (€mn, %)¹



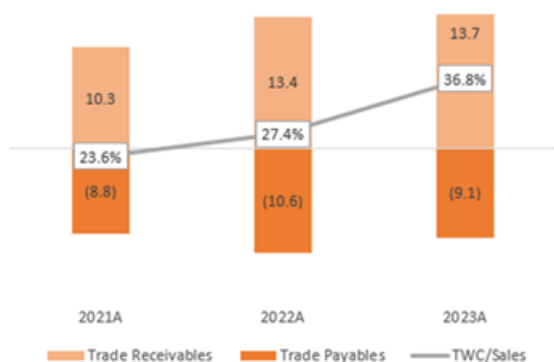
Total Revenues Breakdown by Geography (€mn)



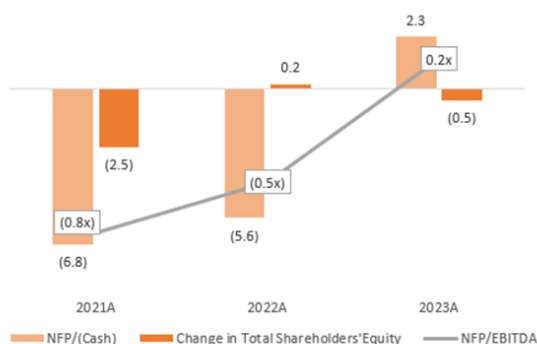
Sales Revenues Breakdown by Business Unit (€mn)



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.

FY23 Financial Results

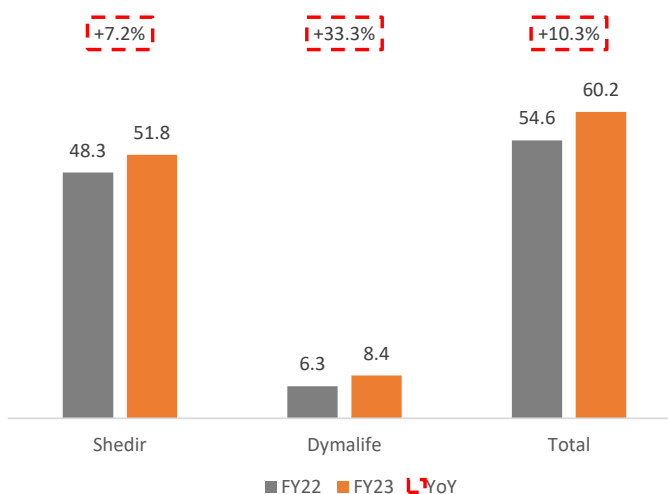
On March 29, 2023, Shedir Pharma reported consolidated revenues of €60.2mn, reflecting a year-over-year growth of approximately 10.3% compared to €54.6mn of the FY22 and standing above our estimate of €58.3mn (+3.2% YoY).

Looking at the revenues' breakdown by business units, both division within Shedir Pharma demonstrated strong growth:

- The Shedir Business Unit, specializing in supplements, medical devices, and dermocosmetics, experienced a revenue uptick of 7.5% YoY, reaching €51.9mn (compared to €48.3mn in 2022). These results also encompassed the financial impact of consolidating the subsidiary Shedir Farmaceutica España SL, contributing €818k in revenues for 2023.
- The Dymalife Business Unit, focused on pharmaceuticals, witnessed impressive revenue growth of 33.9%, hitting €8.3mn, which constituted approximately 14% of the Group's total revenue (compared to 11% in 2022). This division played a pivotal role in driving the Group's organic growth in 2023, solidifying market share across all therapeutic areas.

Revenue-wise, the respiratory segment products, branded under Shedirflu®, staged a remarkable comeback in 2023, soaring by 39% YoY. Similarly, prostate products marketed as Forprost® demonstrated stellar performance with a notable increase of 33% YoY. However, revenue from cholesterol regulatory products, represented by the Cardiolipid® brand, experienced a downturn, declining by 7% YoY.

FY22-23 Total Revenues Breakdown by Business Unit (€mn)



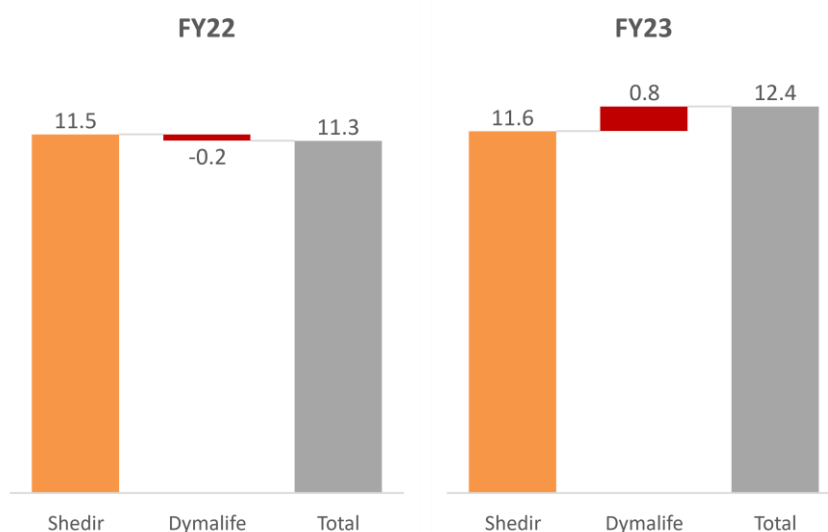
Source: KT&Partners' Elaboration on Company data

The Group realized a Gross Profit of €45.6mn in FY23 (+12.4% YoY), with a Gross margin, slight above our estimate (+1.4pp), improved to 75.8% vs. 74.4% in FY22, thanks to the reduced Products and raw materials costs incidence which went from 24.5% in FY22 to 26.2% in FY23.

Looking at the FY23A Group EBITDA, Shedir Pharma reported €12.4mn marking an increase of +9.6% YoY and beating our estimate of €11.7mn (+5.9 pp). In terms of marginality, the EBITDA remain almost stable nonetheless the increase in advertising costs that has been partially offset by the incidence decrease of personnel and raw materials expenses.

Furthermore, when looking at the EBITDA breakdown per Business Unit, it is worth mentioning that the Dymalife unit turned profitable in FY23, generating EBITDA of €0.8mn vs. -€0.2mn in FY22; meanwhile, Shedir unit FY23 EBITDA reached €11.6mn vs. €11.5mn in 1H22.

FY22-23 EBITDA Breakdown by Business Unit (€mn)



Source: KT&Partners' Elaboration on Company data

Despite the increased EBITDA, Shedir Pharma reported FY23A EBIT almost in line with FY22A results (€8.4mn in FY23A vs €8.3mn in FY22A), but below our estimate of €8.7mn mainly due to the increase in D&A from €3mn in FY22 to €4mn in FY24, followed by the higher investments related to new Research and Development laboratory.

Looking at the bottom-line, the Group achieved FY23 Net income slight below the precedent year (€5.9mn) and our estimate of €6mn.

Finally, the NFP, amounting to €2.3mn at the end of FY23A reported a decrease if compared to the net cash of -€5.6mn in FY22, missing our estimate of -€6.3mn.

However, the variation primarily stems from:

- i. the increase in inventory levels, primarily attributed to heightened purchases made to accommodate the rise in business volume;
- ii. investments made during the fiscal year amounting to approximately €4.1mn, mainly allocated to the development of the research hub at the operational headquarters in the province of Salerno, equipped with laboratory facilities and installations for scaling up the production of patented products and technologies;
- iii. the distribution of dividends approved by the Shareholders' Meeting during the approval of the fiscal year-end financial statements as of December 31, 2022, totaling €2mn.

FY20A-FY23A Consolidated Income Statement vs FY23 Estimates

€ million	FY20	FY21	FY22	FY23	YoY %	FY23E	A vs E %
Sales Revenues	43.0	44.7	53.5	59.4	11.1%	57.4	3.6%
Other Revenues	1.0	0.9	1.1	0.8		1.0	
Total Revenues	44.1	45.6	54.6	60.2	10.3%	58.3	3.2%
Products and Raw materials	(11.1)	(12.4)	(14.0)	(14.6)		(15.0)	
Gross Profit	32.9	33.2	40.6	45.6	12.4%	43.4	5.2%
<i>Gross Margin</i>	74.7%	72.7%	74.4%	75.8%	1.4%	74.4%	1.4%
Cost of Services	(20.1)	(19.7)	(24.6)	(28.3)		(26.3)	
Personnel Expenses	(3.5)	(3.4)	(3.8)	(3.9)		(4.1)	
Other Operating Expenses	(1.0)	(1.4)	(0.9)	(1.1)		(1.3)	
EBITDA	8.3	8.7	11.3	12.4	9.6%	11.7	5.9%
<i>EBITDA margin</i>	18.8%	19.1%	20.7%	20.5%		20.0%	0.5%
D&A and Provisions	(2.3)	(2.8)	(3.0)	(4.0)		(3.0)	
EBIT	6.0	5.9	8.3	8.4	1.1%	8.7	-3.3%
<i>EBIT margin</i>	13.5%	13.0%	15.2%	13.9%		14.9%	-0.9%
Financial Income and Expenses	(0.7)	(0.2)	(0.2)	(0.3)		(0.2)	
Extraordinary items	-	-	0.2	-		-	
EBT	5.3	5.7	8.2	8.1	-2.0%	8.5	-4.7%
Taxes	(1.4)	(1.8)	(2.3)	(2.4)		(2.5)	
<i>Tax Rate</i>	25.4%	30.8%	27.9%	29.2%		29.0%	
Net Income	4.0	3.9	5.9	5.7	-3.8%	6.0	-4.9%
<i>Net margin</i>	9.0%	8.7%	10.9%	9.5%		10.3%	-0.8%
Minorities	0.0	0.0	0.0	0.0		0.0	
Net Income attributable to the Group	3.9	3.9	5.9	5.7	-3.8%	6.0	-4.9%
<i>Net margin</i>	8.9%	8.6%	10.9%	9.5%		10.3%	-0.8%

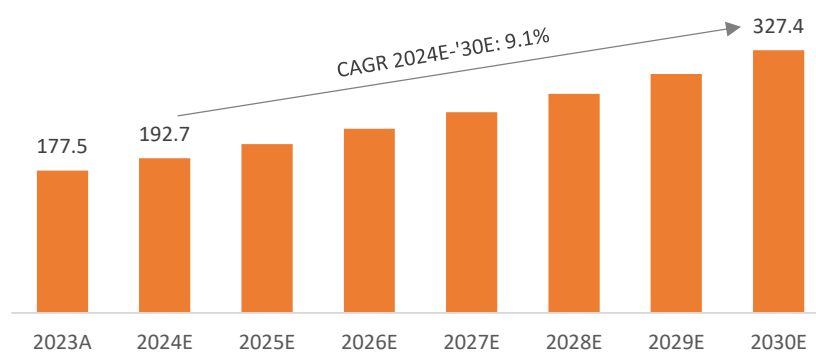
Source: KT&Partners' Elaboration on Company Data

Dietary Supplements Market Update

Consumer interest in dietary supplements is on the rise

According to Grand View Research In recent years, the global dietary supplements market has witnessed steady growth in both revenue and consumer demand. In 2023 the industry reported \$177.5bn of sales it is expected to grow at a CAGR_{2024E-2030E} of 9.1% from \$192.7bn in 2024 to \$327.4bn at the end of 2030.

2023-2030 Global Dietary Supplements Market (\$mn)



Source: KT&Partners' Elaboration on Company data

This surge in consumer interest, as reported by the study, is driven by an increasing awareness of the importance of a preventive healthcare approach, particularly among adults and seniors. Notably, individuals aged 25 to 65 accounted for the highest sales figures, while those over 65 constituted 30% of global dietary supplement sales. These numbers are anticipated to increase, given the World Health Organization's projection of a doubling of the elderly population over the next 20 years. Regarding geographical distribution, the United States accounted for over a quarter of the products sold in 2023, followed by China, Japan, and all other G20 states. Residents of these regions have shown a strong inclination toward a healthy lifestyle characterized by preventive measures and dietary.

The Italian Market

This trend is echoed in Italy, where nearly thirty million citizens are utilizing dietary supplements. A study conducted by the international research institute Future Concept Lab found that 73% of Italians had taken them at least once in 2023, primarily to bolster immune defenses (30%) and enhance energy levels (26%). Consequently, the nutraceutical market faces the challenge of providing an increasingly diverse range of solutions to enhance overall health. Many companies are investing in research and development to discover new opportunities for consumers and address the continuously growing and evolving market demands.

The Nutraceutical Trends in 2024

As for the trends that will characterize the nutraceutical sector in 2024:

- **Athlete Well-being:** There is a growing focus on dietary supplements designed to maintain athletes in a balanced and healthy state, emphasizing physical activity as a crucial aspect of overall well-being.
- **Energy and Cognitive Function:** The development of supplements that enhance energy levels, concentration, and focus is expected to continue.
- **Women's Health:** There will be a particular emphasis on dietary supplements aimed at supporting the female body, especially for the proper functioning of the gastrointestinal tract.
- **Elderly Health Support:** Products tailored to the elderly population will aim to support their overall health and well-being.

- Sustainability and Eco-Consciousness: Consumer interest in the sustainability of production processes and the environmental impact of products is expected to persist.
- Artificial Intelligence: AI will increasingly assist companies in areas like ingredient research, data analysis, and customer support, streamlining operations and enhancing product development.

Dietary supplements to address potential nutritional deficiencies

It has been observed that there is a growing awareness among people regarding the importance of proper nutrient intake, which is often lacking in everyday diets. There is a recognition of the significance of elements essential for the smooth functioning of key physiological processes, such as the gastrointestinal system, as well as those that support daily activities like work and sports. Through research in physiological nutraceuticals, a line of dietary supplements has been developed to address potential nutritional deficiencies. These products are designed to provide a balanced blend of nutritional substances and plant extracts, ensuring the body receives the necessary support for optimal health.

Change in Estimates

Following FY23 Shedir Pharma financial results and the industry potential growth, we revised our 2024E–26E estimates and add 2027 projections.

In detail, given Shedir Pharma's FY23 total revenues performance slight above our estimate (€60.2mn vs. our estimate of €58.3mn), we revised slightly upwards our top-line projections. We now anticipate FY24E total revenues to be €63.8mn vs. our previous estimate of €62.3mn, growing at a CAGR23A–27E of +6.1% to reach €76.4mn by the end of FY27E.

Looking at the single business unit, we expect that Dymalife will exhibit the highest growth with a CAGR2023A-2027E of 14.7% (based also on the recent BU's performance), whereas the Shedir division is projected to increase at a CAGR2023A-2027E of 5.1%.

On profitability side, we almost left unchanged our forecasts both in absolute and margin terms with FY24E EBITDA projected to reach €13.2mn (perfectly in line with our prior estimate) with a margin of 20.6% almost unchanged compared with the 21.3% prior seen. For the 2027E we foresee an EBITDA at €15.9mn with a margin of 20.9%.

Nonetheless the slight improvement aforementioned, we downwards revised our EBIT estimates, to factor in an increased D&A following the higher-than-expected CAPEX in 2023A. Therefore, we now see FY24E EBIT at €9.1mn with a margin of 14.3% (vs prior €10.2mn and a margin on sales of 16.4%) to reach €11.4mn at the end of the forecast period with a margin of 14.9%.

Finally, we worsen our FY24E NFP outlook from -€16.4mn to -€6.5mn, to factor in the higher-than-expected fixed asset and Net Working Capital reported in FY23A, mainly due to the significant increase in the Group's inventory. Nonetheless, we forecast the Group to improve its NFP until reaching -€35.8mn in FY27E, leveraging on its cash generation capabilities.

Change in Estimates

€ Millions	2020A Actual	2021A Actual	2022A Actual	2023E Old	2023E Actual	Change	2024E Old	2024E New	Change	2025E Old	2025E New	Change	2026E Old	2026E New	Change	2027E New	CAGR NEW 2023-27
Revenues	44.1	45.6	54.6	58.3	60.2	3.2%	62.3	63.8	2.5%	67.7	68.0	0.5%	71.4	71.9	0.8%	76.4	6.1%
YoY Change (%)	-13.0%	3.5%	19.7%	6.9%	10.3%		6.7%	-70.7%		7.5%	6.6%		5.5%	5.7%		6.2%	
EBITDA	8.3	8.7	11.3	11.7	12.4	5.9%	13.2	13.2	-0.4%	13.9	14.1	1.3%	14.9	15.0	0.6%	15.9	6.6%
YoY Change (%)	13.0%	5.2%	29.5%	3.5%	9.6%		13.4%	-6.2%		8.9%	7.0%		6.9%	6.1%		6.5%	
EBITDA Margin	18.8%	19.1%	20.7%	20.0%	20.5%		21.3%	20.6%		20.6%	20.7%		20.8%	20.8%		20.9%	
EBIT	6.0	5.9	8.3	8.7	8.4	-3.3%	10.2	9.1	-10.7%	10.8	9.8	-9.2%	11.8	10.6	-10.5%	11.4	8.0%
YoY Change (%)	13.3%	-1.0%	40.4%	4.5%	1.1%		17.4%	-7.8%		11.5%	8.1%		8.8%	7.3%		7.9%	
EBIT Margin	13.5%	13.0%	15.2%	14.9%	13.9%		16.4%	14.3%		16.0%	14.5%		16.5%	14.7%		14.9%	
Net Income	4.0	3.9	5.9	6.0	5.7	-4.9%	7.1	6.4	-10.3%	7.6	6.9	-8.8%	8.2	7.4	-10.1%	8.0	8.7%
YoY Change (%)	38.0%	-0.2%	50.6%	1.2%	-3.8%		17.8%	-10.1%		11.7%	8.3%		9.0%	7.4%		8.0%	
Net Margin	9.0%	8.7%	10.9%	10.3%	9.5%		11.4%	10.0%		11.2%	10.1%		11.5%	10.3%		10.5%	
NFP	0.0	(6.8)	(5.6)	(6.3)	2.3	8.5	(16.4)	(6.5)	9.8	(23.1)	(15.5)	7.6	(33.1)	(25.3)	7.8	(35.8)	

Source: KT&Partners' elaboration on company data

Valuation

Following our revision of Shedir Pharma's 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 €69.8mn or €6.10ps;
2. P/E multiples which returns an equity value of €82.1mn or €7.19ps;
3. DCF analysis based on WACC of 10.2% and 1% perpetual growth, which returns an equity value of €109.4mn or €9.57ps.

Therefore, we obtain an average equity value of €92.7mn or €8.11ps.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	69.8	6.10
P/E	82.1	7.19
Average - multiples	76.0	6.64
DCF	109.4	9.57
Average	92.7	8.11

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

We evaluate the company by using the 2024E–26E EV/EBITDA and P/E market multiples of the peer sample. Our valuation also includes a 20% liquidity/size discount and takes into account our estimates of Shedir Pharma's EBITDA and net income for 2024, 2025, and 2026. We also considered FY23 NFP at €2.3mn. Following our comps analysis, we end up with our Shedir Pharma's average multiples equity value of €76.0mn or €6.64ps.

Peer Comparison – Market Multiples 2023A–26E

Company Name	Exchange	Market Cap	EV/SALES		EV/SALES		EV/EBITDA		EV/EBITDA		EV/EBITDA		EV/EBIT		EV/EBIT		P/E		P/E			
			2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
LABORATORIO REIG JOFRE, S.A.	Spain	201	0.8x	0.7x	0.7x	0.6x	7.3x	6.7x	5.9x	5.3x	21.2x	18.2x	14.2x	12.1x	21.1x	13.3x	11.5x	10.1x				
USANA Health Sciences, Inc.	NYSE	796	0.6x	0.6x	0.6x	0.5x	4.8x	4.8x	4.5x	n.a.	5.9x	6.9x	5.9x	n.a.	13.6x	16.2x	14.1x	8.0x				
Laboratorios Farmaceuticos Rovi, S.A.	Spain	4,289	5.0x	5.1x	4.7x	4.1x	17.1x	17.6x	14.8x	11.8x	18.9x	19.8x	16.2x	12.3x	24.4x	25.4x	21.0x	16.3x				
PharmaNutra S.p.A.	Milan	501	5.0x	4.4x	3.9x	3.7x	20.2x	17.3x	14.8x	13.6x	22.3x	19.4x	16.3x	15.0x	39.9x	38.2x	23.8x	21.8x				
Balchem Corp	NASDAQ	4,339	5.4x	5.1x	4.8x	n.a.	21.3x	19.4x	17.8x	n.a.	27.8x	26.6x	24.5x	n.a.	43.5x	33.6x	29.9x	n.a.				
Laboratorio Farmaceutico Erfo SpA	Milan	10	1.5x	1.4x	1.2x	1.0x	5.3x	5.3x	4.7x	4.0x	0.0x	0.0x	0.0x	0.0x	16.8x	n.a.	n.a.	n.a.				
Fine Foods & Pharmaceuticals N.T.M. SpA	Milan	213	1.0x	0.9x	0.8x	0.7x	11.1x	7.4x	6.3x	5.1x	n.m	15.5x	11.6x	8.8x	n.m	21.6x	16.5x	11.8x				
Faes Farma, S.A.	Spain	1,007	2.1x	2.0x	1.9x	1.9x	9.5x	7.5x	7.3x	7.5x	11.7x	9.0x	8.8x	9.2x	10.7x	10.9x	10.7x	11.1x				
Alliance Pharma plc	London	232	n.a.	1.5x	1.4x	1.3x	6.7x	6.7x	6.2x	5.6x	7.6x	7.7x	6.9x	6.4x	8.1x	8.0x	6.9x	5.8x				
Average peer group			2.7x	2.4x	2.2x	1.7x	11.5x	10.3x	9.2x	7.6x	14.4x	13.7x	11.6x	9.1x	22.2x	19.6x	16.8x	12.1x				
Median peer group			501	1.8x	1.5x	1.4x	1.2x	9.5x	7.4x	6.3x	5.6x	15.3x	15.5x	11.6x	9.2x	18.9x	18.9x	15.3x	11.1x			
Shedir Pharma Group S.P.A.	Milan	41	0.7x	0.7x	0.7x	0.6x	3.5x	3.3x	3.1x	2.9x	5.2x	4.8x	4.4x	4.1x	7.3x	6.5x	6.0x	5.6x				

Source: FactSet, KT&Partners' elaboration

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
EV/EBITDA Comps	7.4x	6.3x	5.6x
Shedir Pharma Group S.P.A. EBITDA	13.2	14.1	15.0
Enterprise value	97.5	89.0	84.1
Average Enterprise Value		90.2	
Liquidity/Size Discount		20%	
Enterprise Value Post-Discount		72.2	
Shedir Pharma Group S.P.A. FY23 Net Debt		2.3	
Shedir Pharma Group S.P.A. FY23 Minorities		0.1	
Equity Value		69.8	
Number of shares (mn)		11.4	
Value per Share €		6.10	

P/E Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
P/E Comps	18.9x	15.3x	11.1x
Shedir Pharma Group S.P.A. Net Income	6.4	6.9	7.4
Equity Value	120.1	105.6	82.3
Average Equity Value		102.7	
Liquidity/Size Discount		20%	
Equity Value Post-Discount		82.1	
Number of shares (mn)		11.4	
Value per Share €		7.19	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 11.3% cost of equity, 4% cost of debt, and a D/E ratio of 15%.1 (based on company data). The cost of equity is a function of the risk-free rate of 3.78% (Italian 10y BTP yield, last 3 months average), 4.5% 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 10.2%.

We discounted 2024E–27E 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	2024E	2025E	2026E	2027E
EBIT	9.1	9.8	10.6	11.4
Taxes	(2.6)	(2.9)	(3.1)	(3.3)
D&A	4.0	4.1	4.3	4.4
Change in Net Working Capital	(0.9)	(1.1)	(0.9)	(1.1)
Change in Funds	0.4	0.4	0.5	0.5
Net Operating Cash Flow	10.0	10.5	11.3	11.9
Capex	(1.4)	(1.4)	(1.4)	(1.4)
FCFO	8.6	9.1	9.9	10.5
g	1.0%			
Wacc	10.2%			
FCFO (discounted)	8.0	7.7	7.6	7.4
Discounted Cumulated FCFO	30.8			
TV	115.8			
TV (discounted)	81.1			
Enterprise Value	111.8			
NFP FY2023A	2.3			
Minorities FY2023A	0.1			
Equity Value	109.4			
Current number of shares (mn)	11.4			
Value per share (€)	9.58			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ Millions	Terminal growth Rate	WACC				
		10.7%	10.4%	10.2%	9.9%	9.7%
	0.5%	99.6	102.2	104.9	107.7	110.7
	0.8%	101.6	104.3	107.1	110.1	113.2
	1.0%	103.7	106.5	109.4	112.6	115.8
	1.3%	105.9	108.8	111.9	115.2	118.7
	1.5%	108.2	111.3	114.5	118.0	121.6

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 €200mn, 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 FY23, the company achieved €316.1mn of sales revenues.
- **USANA Health Sciences:** listed on the NYSE with a market capitalization of €772mn, 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 FY23, the company achieved €851.9mn of sales revenues.
- **Rovi:** listed on Spain Stock Exchange with a market capitalization of €4.5bn, Rovi engages in the research, development, manufacture, and marketing of small molecule and specialty biologic drugs. In FY23, the Company achieved €829.5mn of sales revenues.
- **Pharmanutra:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €523mn, 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 FY23, the company achieved €100.2mn of sales revenues.
- **Balchem:** listed on NASDAQ with a market capitalization of €4.2bn, 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 FY23, the company achieved €853.2mn of sales revenues.
- **Laboratorio Farmaceutico Erfo:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €10mn, 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 FY23, the company achieved €5.7mn of sales revenues.
- **Fine Foods & Pharmaceuticals:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €216mn, 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 FY23, the company achieved €251.8mn of sales revenues.
- **Faes Farma:** listed on the Spanish Stock Exchange with a market capitalization of €1.1bn, Faes Farma engages in the manufacturing and sale of chemical and pharmaceutical products. In FY23, the company achieved €451.2mn of sales revenues.

- **Alliance Pharma:** listed on the London Stock Exchange with a market capitalization of €215mn, 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.

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