

# KOLINPHARMA

## Strong recovery in 2H20, profitability above expectations

**Strong recovery in 2H20.** Kolinpharma, Innovative SME and leader in the Italian nutraceutical market, reported FY20 net sales of Euro 8.2 m, -8% vs. FY19 (and our estimates) after a strong recovery in 2H with revenues in line with those of 2H19 (-23% yoy in 1H20), thanks to a rebound of medical prescriptions (key sales driver) as MSIs (Medical Scientific Representatives) could, at least partially, resume promotional visits at specialist doctors which in Q2 were put to halt due to the lockdown. Good performance in particular by new products launched in FY20 (Xinepa pills, Almetax pills, Ivuxur pills and KIPKIT) which together recorded revues above Euro 1.0 m. Revenues (Production Value) stood at Euro 9.4 m, -11% vs FY19(Euro 10.5 in FY19) and Euro 10.2 as of our estimates.

**Profitability above expectations.** Looking at profitability, the Company overperformed our expectations posting an EBITDA of Euro 1.9 m, largely in line with prior year's (Euro 2.0 m and Euro 1.8 as of our estimates). EBITDA margin was of 23.5% up by 100 bps vs. FY19 (22.5%) and above our estimates of 20%, as Management managed to contain operating costs, which are mainly variable as production and logistics are managed in outsourcing and in spite of an increase in personnel costs (+6%) following the strategic decision of internalization of the entire MSI network. Other profitability drivers were the increase, at the beginning of the year, of list price and the renegotiation at the end FY19 of conditions with suppliers of raw materials. Again, 2H showed very strong results with an implied EBITDA margin of 28%, vs. 13% in 1H20. EBIT of 1.0 m, grew by +14.7% yoy and came in just above FY19's (Euro 0.9 m) after D&As of 0.9m, slightly below those of FY19 (Euro 1.1 m). Net Income was of Euro 0.6 m, +9% vs. FY19 and +50% vs. our estimates of Euro 0.4 m.

**Temporary increase in Net Debt in FY20.** Operating cash flow was affected by an increase in working capital to Euro 3.6 m (Euro 0.8 m in FY19) following an increase in trade receivables to Euro 5.3 m (Euro 3.1 m in FY19) due to the rescheduling to 2021 of, for administrative reasons, credit disposal operations, initially scheduled for the end of the year. Accordingly, Net Financial Position increased to Euro 1.4 from a cash position of Euro 0.7 m at the end of December 2019. Total investments amounted to Euro 1.1 m (Euro 0.9 m in FY19) and were, in line with strategic guidelines, mainly focused on R&D, registration of new products and the digitalization of the business. We highlight the increase by Euro 2.0 m vs. FY19 (+50%) of available long-term loans, which Management stated, should be used to fund both organic growth (new products of the existing lines and expansion of the commercial network) and through M&A.

**Focus on Innovation, Export and Sustainability.** Management stressed continuous focus on the expansion of the product portfolio, innovation, and training of the MSI network. FY20 saw the launch of 4 new products and the acquisition of several international patents which should lay ground for international expansion of the business. In FY21, the market has already seen the launch the Company's first class 3 medical device and, although the Company has already exceeded the targets of the industrial plan in terms of new products, (4 new products within 2021), we expect the Company to continue with new launches in the FY21-22 period as a result of the continues investment in R&D. Management also highlighted that, after the presentation of the Company's first sustainability report in April 2020 (the second report relative to FY20 was published earlier this month), the Company has taken another step along its sustainability path with the resolution of the board to start the formal process to become a Benefit Corporation.

**A good start of the year and positive outlook confirmed.** Medical prescriptions In January-February recorded an increase compared to the same period of last year which we recall was not affected by the pandemic (+4% in terms of volumes and +6% in value). This increase was achieved in spite of a reduction of MSI (-7 vs. Jan-Feb 2019) and confirms the effectiveness of the strategic choose to internalize the network. Management has recently announced the entry of 33 new MSIs, bringing the total number to 84 (58 at year end 2019, 51 at year end FY20). Based on the above, Management stated that the Company is working to pin the targets of the industrial plan set for 2021, which presented revenues of 14-16m and EBITDA margin in the 24-26% range.

**Estimates Revision and Valuation.** Given the FY20 financial results and strategic activates carried out over the last 12 months including strengthening of product portfolio and MSI network, and preparation of export markets, we confirm our positive outlook for the Company. We are leaving our estimates broadly unchanged, finetuning the balance sheet and incorporating lower than expected D&As in FY20 in the P&L, as the main assumptions underpinning our numbers are confirmed. We updated our model to factor in, up-to-date risk-free rate and ERP and market multiples. Our new target price is of Euro 12.47 p.s. (Euro 12.06 p.s. previously) providing for an upside of +52% on the current market value.

## Sector: Healthcare

Target Price (Euro)	12.47 (12.06 pr)
Market Price (Euro)	8.20
Market Cap (Euro m)	13
EV (Euro m)	15

As of April 13<sup>th</sup>, 2021

### Share Data

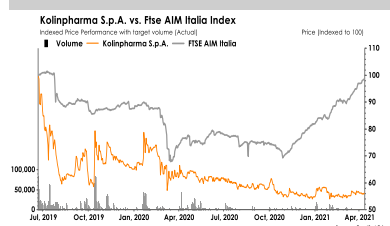
Market	AIM Italia
Reuters/Bloomberg	KIP:IM/KIP.MI
ISIN	IT00053232950
N. of Shares	1,639,571
Free Float	40.4%
Main Shareholder	RP Petrelli (59.6%)
CEO	Rita Paola Petrelli

### Financials

	2019A	2020E	2021E	2022E
<b>Revenues</b>	<b>10.5</b>	<b>9.4</b>	<b>13.6</b>	<b>17.4</b>
YoY %	+24%	-8%	+52%	+30%
<b>EBITDA</b>	<b>2.0</b>	<b>1.9</b>	<b>2.9</b>	<b>3.9</b>
EBITDA %	22%	23%	24%	24%
<b>EBIT</b>	<b>0.9</b>	<b>1.0</b>	<b>1.9</b>	<b>2.7</b>
EBIT %	10%	12%	15%	17%
<b>Net Income</b>	<b>0.6</b>	<b>0.6</b>	<b>1.3</b>	<b>1.9</b>
<b>ND/(Cash)</b>	<b>(0.7)</b>	<b>1.4</b>	<b>(0.8)</b>	<b>(1.8)</b>

### Performance

	1M	3M	6M
Absolute	+2%	-3%	-10%
Relative (FTSE AIM Italia)	-6%	-17%	-30%
52-week High/Low (Eu)	9.90		7.78



## IR TOP RESEARCH

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**KEY FINANCIALS**

<b>Profit&amp;Loss Statement</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>
Sales	7,2	8,9	8,2	12,5	16,2
Revenues (VoP)	9,0	10,5	9,4	13,6	17,4
EBITDA	1,4	2,0	1,9	2,9	3,9
EBIT	0,5	0,9	1,0	1,9	2,7
Financial Income (charges)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)
Pre-tax profit (loss)	0,5	0,8	0,9	1,8	2,6
Taxes	(0,2)	(0,2)	(0,2)	(0,5)	(0,7)
Net profit (loss)	0,3	0,6	0,6	1,3	1,9
<b>Balance Sheet</b>					
Net working capital (NWC)	0,8	0,8	3,4	2,4	3,4
Net fixed assets	4,0	3,9	5,8	5,9	5,8
M/L Funds	(0,1)	(0,2)	(0,2)	(0,2)	(0,2)
Net Capital Employed	4,8	4,6	9,0	8,1	9,0
Net Debt (Cash)	0,1	(0,7)	1,4	(0,8)	(1,8)
Net Equity	4,7	5,2	7,6	8,9	10,8
<b>Cash Flow</b>					
EBIT	0,5	0,9	1,0	1,9	2,7
D&A	0,8	1,1	0,9	1,0	1,2
Tax	(0,2)	(0,2)	(0,2)	(0,5)	(0,7)
Change in M/L Funds	0,0	0,1	0,1	(0,0)	0,0
Gross Cash Flow	1,2	1,8	1,7	2,4	3,2
Change in NWC	(0,2)	(0,0)	(2,6)	1,0	(1,0)
Operating Cash Flow	1,1	1,8	(0,8)	3,4	2,2
Capex	(1,7)	(0,9)	(1,1)	(1,1)	(1,1)
Change in other non-current asset	(0,0)	0,0	(1,8)	0,0	0,0
Financial Income (charges)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)
Free Cash Flow	(0,8)	0,8	(3,8)	2,2	1,0
Dividend	0,0	0,0	0,0	0,0	0,0
Change in Equity	3,1	(0,0)	1,7	0,0	0,0
Change in Net debt (Cash)	2,4	0,8	(2,1)	2,2	1,0
<b>Per Share Data</b>					
Current Price	8.20				
Total shares out fully diluted (mn)	1.88				
EPS	0,16	0,33	0,36	0,73	1,08
DPS	0,0	0,0	0,0	0,0	0,0
FCF	(0,8)	0,8	(2,0)	2,2	1,0
Pay out ratio	0%	0%	0%	0%	0%
<b>Ratios</b>					
EBITDA margin	19,3%	22,3%	23,2%	23,6%	24,1%
EBIT margin	7,7%	9,7%	12,1%	15,2%	16,9%
Net Debt/Equity (Gearing)	3,0%	-13,0%	18,9%	-8,8%	-16,4%
Net Debt/EBITDA	0,10	-0,34	0,76	-0,27	-0,46
Interest cover EBIT	6,34	12,26	9,26	17,69	25,55
ROE	5,9%	11,3%	8,5%	14,7%	17,8%
ROCE	15,4%	23,5%	13,7%	29,3%	38,2%
Free Cash Flow Yield	-9,4%	10,0%	-46,7%	27,0%	12,1%
<b>Growth Rates</b>					
Sales	76%	24%	-8%	52%	30%
Revenues (VoP)	68%	17%	-11%	45%	28%
EBITDA	129%	44%	-4%	55%	33%
EBIT	1670%	58%	15%	91%	44%
Net Profit	516%	114%	9%	103%	47%

**Revenue breakdown**

Eu m	FYH20	FY20 %	FY19	FY19 %
Milesax	2,2	27%	2,6	29%
Ivuxur	1,6	19%	1,6	18%
Dolatrox	1,2	14%	1,7	19%
Xinepa Easy	1,1	13%	1,8	20%
Almetax Easy	0,5	6%	0,9	10%
Miledix	0,3	4%	0,4	4%
Xinepa (pills)	0,6	8%		
Almetax (pills)	0,3	3%		
Ivuxur (pills)	0,2	3%		
Dolatrox HCC	0,2	2%		
KIPKIT	0,0	0%		
<b>Total</b>	<b>8,2</b>	<b>100%</b>	<b>8,9</b>	<b>100%</b>

Source: IR Top elaboration on Company data

**Key Financials FY19-20 – Euro m**

Kolinparma P&L Euro /000	2019	2020
<b>Sales</b>	<b>8.918</b>	<b>8.204</b>
Yoy %	24%	-8%
<b>Revenues</b>	<b>10.508</b>	<b>9.398</b>
Yoy %	17%	-11%
<b>EBITDA</b>	<b>1.985</b>	<b>1.900</b>
EBITDA %	22%	23%
D&A	(1.119)	(907)
<b>EBIT</b>	<b>866</b>	<b>993</b>
EBIT%	10%	12%
Financial Inc./ (exp.)	(71)	(107)
<b>EBT %</b>	<b>795</b>	<b>885</b>
EBT %	9%	11%
Tax	(204)	(244)
<b>Net Profit</b>	<b>591</b>	<b>642</b>
E %	6%	7%
Kolinpharma BS Euro/000	2019	2020
<b>Fixed Assets</b>	<b>3.873</b>	<b>5.849</b>
Trade Receivables	3.092	5.124
Trade Payables	(2.315)	(1.896)
Inventory	879	754
<b>Operating Working Capital</b>	<b>1.656</b>	<b>3.982</b>
Other current assets	215	748
Other current liabilities	(684)	(1.321)
<b>Net Working Capital</b>	<b>843</b>	<b>3.409</b>
Funds	(156)	(236)
<b>NET INVESTED CAPITAL</b>	<b>4.560</b>	<b>9.022</b>
Net Equity	5.242	7.588
Net Debt / (Cash)	(682)	1.436
<b>SOURCES</b>	<b>4.560</b>	<b>9.024</b>
<b>Ratio Analysis</b>		
Net Debt / (Cash) / Net Equity	(0,13)	0,19
Net Debt / (Cash) / EBITDA	(0,34)	0,76

Source: Company Data

**Estimates Revision**

Eu m		20A	21E Old	21E New	22E Old	22E New
<b>Sales</b>		<b>8,2</b>	<b>12,5</b>	<b>12,5</b>	<b>16,2</b>	<b>16,2</b>
	yoy	-8%	40%	52%	30%	30%
<b>Revneues (PV)</b>		<b>9,4</b>	<b>13,6</b>	<b>13,6</b>	<b>17,4</b>	<b>17,4</b>
		-11%	33%	45%	28%	28%
<b>EBITDA</b>		<b>1,9</b>	<b>2,9</b>	<b>2,9</b>	<b>4,0</b>	<b>3,9</b>
	margin	23%	24%	24%	24%	24%
<b>EBIT</b>		<b>1,0</b>	<b>1,1</b>	<b>1,9</b>	<b>1,9</b>	<b>2,7</b>
	margin	12%	9%	15%	12%	17%
<b>Net Profit</b>		<b>0,6</b>	<b>0,8</b>	<b>1,3</b>	<b>1,4</b>	<b>1,9</b>
	yoy	9%	25%	103%	7%	47%
EPS		0,36	0,45	0,73	0,79	1,08

Eu m		20E New	21E Old	21E New	22E Old	22E New
Net Working Capital (NWC)		3,4	2,2	2,4	3,0	3,4
Fixed net assets		5,8	3,1	5,9	2,2	5,8
Funds		(0,24)	(0,14)	(0,22)	(0,14)	(0,22)
<b>Net Capital Employed</b>		<b>9,2</b>	<b>5,2</b>	<b>8,1</b>	<b>5,1</b>	<b>9,0</b>
Net Debt (Cash)		1,4	(1,1)	(0,8)	(2,6)	(1,8)
Equity		7,6	6,3	8,9	7,6	10,8
<b>Sources</b>		<b>9,2</b>	<b>5,2</b>	<b>8,1</b>	<b>5,0</b>	<b>9,0</b>

Source: Company Data (FY20) and IR Top Estimates (FY21-22)

**Valuation Summary**

Method	Weight	Price (Euro)
Multiple Comparison	50%	10.64
DCF	50%	14.31
<b>Target Price</b>	<b>100%</b>	<b>12.47</b>

Our valuation is on a non-diluted basis (not considering the stock option plan).

**Multiples Comparison**

Companies	Country	Market Cap	Price	Sales 2020E	Sales YoY 20/19	EBITDA % 2020E	EBIT % 2020E	NI % 2020E
Boiron SA	France	680.8	38.8	513.9	-8%	20%	12%	5%
Enervit S.p.A.	Italy	62.3	3.5	51.8	-18%	7%	-4%	-4%
Biogaia	Sweden	812.0	41.7	73.7	2%	33%	31%	23%
Recipharm	Sweden	1,816.9	22.8	1,094.4	55%	18%	8%	3%
Pharmanutra	Italy	365.9	37.8	57.2	7%	28%	24%	25%
USANA Health Sciences, Inc.	USA	1,742.9	84.5	935.4	-1%	17%	16%	12%
<b>Average</b>	-	<b>913.47</b>	<b>38.2</b>	<b>454.4</b>	<b>6%</b>	<b>21%</b>	<b>15%</b>	<b>11%</b>
<b>Kolinpharma</b>	<b>Italy</b>	<b>13.4</b>	<b>8.2</b>	<b>8.2</b>	<b>-8%</b>	<b>23.2%</b>	<b>12.1%</b>	<b>7.8%</b>

Source: FactSet data as of April 12<sup>th</sup>, 2020 and IR Top estimates for Kolinpharma

Companies	21E	22E
Boiron SA	5.3	4.1
Enervit S.p.A.	24.4	13.3
Biogaia	27.9	24.0
Recipharm	13.4	12.6
Pharmanutra	22.0	19.0
USANA Health Sciences, Inc.	8.2	7.4
<b>Average</b>	<b>16.9</b>	<b>13.4</b>
<b>Kolinpharma</b>	<b>5.1</b>	<b>3.8</b>
<i>Premium/Discount to Peers</i>	-70%	-72%

Source: FactSet data as of April 12<sup>th</sup>, 2021 and IR Top estimates for Kolinpharma

Companies	Country	Market Cap	Price	Sales 2020E	Sales YoY 20/19	EBITDA % 2020E	EBIT % 2020E	NI % 2020E
Fine Foods NTM	Italy	236.2	12.6	172.0	8%	13%	6%	8%
Friulchem	Italy	9.8	1.2	16.8	7%	4%	-2%	-2%
Labomar	Italy	174.9	9.5	61.1	26%	20%	13%	10%
Shedir Pharma Group	Italy	45.7	4.0	44.1	-12%	19%	14%	9%
<b>Average</b>	-	<b>116.7</b>	<b>6.8</b>	<b>73.5</b>	<b>7%</b>	<b>14%</b>	<b>8%</b>	<b>6%</b>
<b>Kolinpharma</b>	<b>Italy</b>	<b>13.4</b>	<b>8.2</b>	<b>8.2</b>	<b>-8%</b>	<b>23.2%</b>	<b>12.1%</b>	<b>7.8%</b>

Source: FactSet data as of April 12<sup>th</sup>, 2021 and IR Top estimates for Kolinpharma

Companies	21E	22E
Fine Foods NTM	8.4	6.9
Friulchem	6.2	3.4
Labomar	12.4	10.7
Shedir Pharma Group	4.6	3.7
<b>Average</b>	<b>7.9</b>	<b>6.2</b>
<b>Kolinpharma</b>	<b>5.1</b>	<b>3.8</b>
<i>Premium/Discount to Peers</i>	-35%	-38%

Source: FactSet data as of April 12<sup>th</sup>, 2021 and IR Top estimates for Kolinpharma

**STOCK PERFORMANCE**

Companies	1M	3M	6M	YTD	1Y
Boiron SA	4.9%	3.3%	-10.6%	-6.2%	26.8%
Enervit S.p.A.	0.0%	6.1%	20.7%	4.2%	10.4%
Biogaia	-1.2%	-17.1%	-26.4%	-20.7%	-4.7%
Recipharm	0.0%	5.2%	42.5%	6.0%	142.1%
Pharmanutra	4.1%	0.8%	32.2%	0.5%	61.5%
USANA Health Sciences, Inc.	0.0%	26.8%	29.0%	30.5%	46.5%
<b>Average International Peers</b>	<b>1.3%</b>	<b>4.2%</b>	<b>14.6%</b>	<b>2.4%</b>	<b>47.1%</b>
Fine Foods NTM	16.7%	16.2%	25.5%	19.5%	22.4%
Friulchem	4.3%	-0.4%	12.9%	-5.8%	-20.2%
Labomar	16.9%	34.8%	35.2%	40.8%	n.a.
Shedir Pharma Group	8.1%	11.7%	-1.0%	5.0%	16.3%
<b>Average AIM Peers</b>	<b>11.5%</b>	<b>15.6%</b>	<b>18.2%</b>	<b>14.9%</b>	<b>6.2%</b>
<b>Kolinpharma</b>	<b>1.7%</b>	<b>-2.6%</b>	<b>-2.4%</b>	<b>29.9%</b>	<b>-9.9%</b>

Source: FactSet data as of April 12<sup>th</sup>, 2021

**Company Profile**

KOLinPHARMA SpA is an Innovative SME specialised in R&D in the growing nutraceutical market. The Company's products are based on natural raw materials and have the purpose of supporting pharmacological treatments mainly for pathologies in the orthopaedic-physiatry and gynaecological fields. KOLinPHARMA sells its own-branded products through a skilled sales network of medical scientific informers (MSIs). Customers are represented by pharmaceutical wholesalers, which distribute to pharmacies and parapharmacies nationwide. The Company has shown rapid growth since foundation in 2013 and closed 2020 with revenues Euro 9.4m of posting a 2015-2020 CAGR of +56%.

**Innovation**

KOLinPHARMA is highly focused on innovation and works closely with the research departments of the Universities of Pavia which recently launched the first University Master in Nutraceutical and Calabria for the experimental cultivation of plants for nutraceutical use. Thanks to this collaboration, KOLinPHARMA gains access to countless endemic botanical species preserved inside the Botanical Garden of the University. The Company is currently holder of 40 international patents.

**Products**

The Company presents two main product lines: the gynaecological line (Almetax, Almetax Easy, Ivuxur, Ivuxur Easy, Miledix) for problems related to the lack of estrogen and symptoms of menopause and the orthopedic line (Dolartrox, Xinepa, Xinepa Easy, Milesax). In addition, the Company recently introduced KIPKIT, a food supplement belonging to the category of products intended for strengthening the immune system, in the market.

**Strategy**

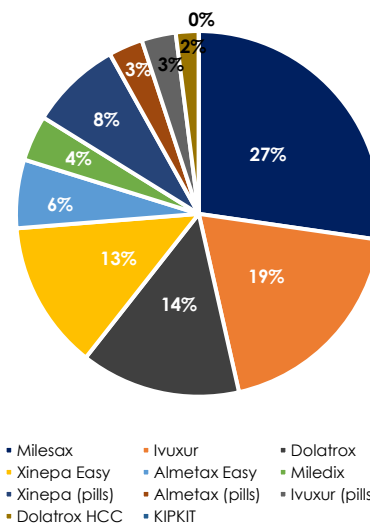
Over the next three years Kolinpharma intends to pursue growth through a strategy based on:

- Widening of product portfolio and patents
- Increase strengthening of MSI network
- M&A and/or international partnerships

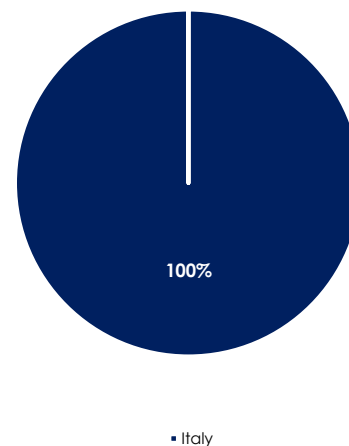
**Board Members**

Rita Paola Petrelli – Chairwoman  
 Massimo Mantella – CEO  
 Edoardo Ferragina Non-ex. Director  
 Giannunzio Corazza Non-ex.director  
 Francesco Maria Spano - Ind. member  
 Maurizio Altini - Independent member

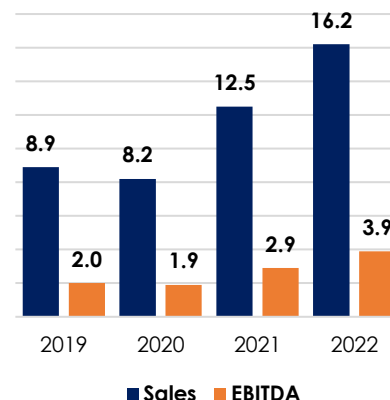
**Revenue breakdown by products**



**Revenue breakdown by geography**



**Sales and EBITDA margin**



**IPO**

Trading Market: AIM Italia – Borsa Italiana SpA  
Date: March 9<sup>th</sup>, 2018  
Price: 7.00 Eu  
Capital raised: 3.1 Eu m equity through a capital increase with private placement  
Capitalisation: 10.2 Eu m

**SHARES (as of April 13<sup>th</sup>, 2020)**

Code: KIP  
Bloomberg: KIP IM  
Reuters: KIP.MI  
ISIN ordinary shares: IT0005322950  
Shares: 1,639,571  
Price: 8.20 Eu  
Performance from IPO: +17%  
Capitalisation: Euro 14 m  
Free Float: 40.38%  
NomAd: EnVent Capital Markets Ltd  
Specialist: BANCA AKROS - Gruppo Banco BPM

**STOCK OPTION**

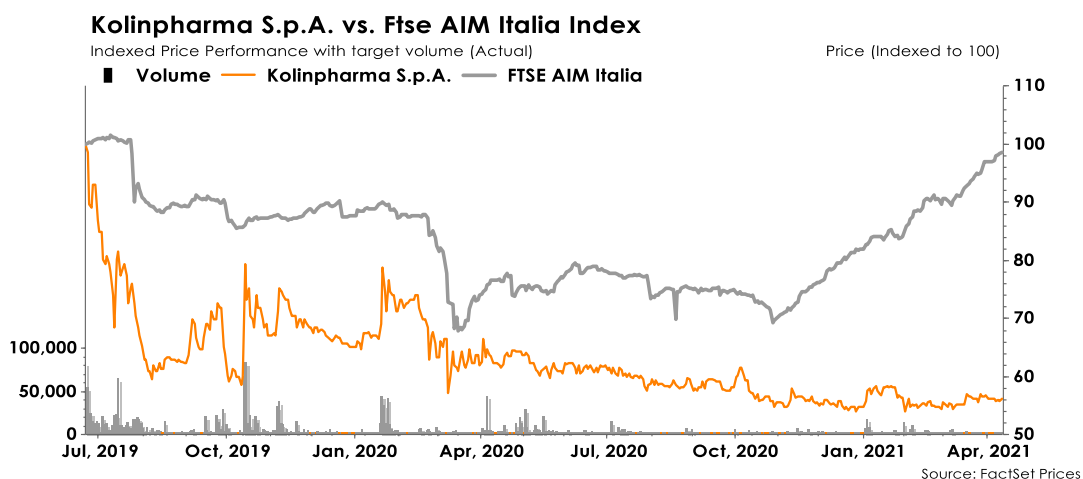
In May 2019 the shareholders' meeting approved a 2019-2021 Stock Option Plan to incentivize key employees, and on the relevant capital increase for a maximum of 138.462 shares without option rights (conversion rate 1:1).

**OWNERSHIP**

Shareholder	N° of shares	%
Rita Paola Petrelli	977.571	59.62%
Market	662.000	40.38%
<b>Total</b>	<b>1,639,571</b>	<b>100.00%</b>

Source: Company Data

**STOCK PERFORMANCE**





**DISCLAIMER**

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During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
April 13 <sup>th</sup> , 2021	12.47	8.20	12 months
October 14 <sup>th</sup> , 2020	12.06	8.36	12 months
April 27 <sup>th</sup> , 2020	12.40	9.01	12 months
October 22 <sup>nd</sup> , 2019	12.33	10.0	12 months
April 16 <sup>th</sup> , 2019	9.37	6.40	12 months
October 15 <sup>th</sup> , 2018	8.92	6.50	12 months
April 4 <sup>th</sup> , 2018	8.67	6.94	12 months

**VALUATION METHODOLOGY (HORIZON: 12M):** IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

**RESEARCH TEAM**

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