



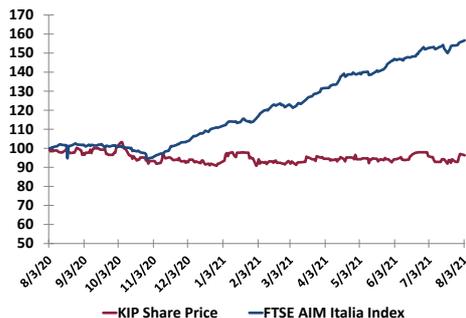
FLASH NOTE

OUTPERFORM

Current Share Price (€): 8.38

Target Price (€): 11.42

Kolinpharma - 1Y Performance



Source: S&P Capital IQ - Note: 08/03/2020=100

Company data

ISIN number	IT0005322950
Bloomberg code	KIP IM
Reuters code	KIP.MI
Industry	Healthcare
Stock market	AIM Italia
Share Price (€)	8.38
Date of Price	08/03/2021
Shares Outstanding (m)	1.6
Market Cap (€m)	13.7
Market Float (%)	40.4%
Daily Volume	400
Avg Daily Volume YTD	1,704
Target Price (€)	11.42
Upside (%)	36%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
Kolinpharma - Absolute (%)	0%	2%	-4%
FTSE AIM Italia (%)	3%	12%	57%
1Y Range H/L (€)	8.98	7.90	
YTD Change (€)/%	0.38	5%	

Source: S&P Capital IQ

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H1 21 Sales €5.1m, +110% vs H1 20 and +65% vs H1 19

High performance in H1 21

KIP unveiled figures as key performance indicators for H1 21:

- Sales €5.1m, unaudited figures (+110% vs H1 20 and +65% vs H1 19)
- Q1+Q2 number of prescriptions 309,671 (+51% vs Q1+Q2 20 and +32% vs Q1+Q2 19)
- Medical Sales Representatives (MSRs) 87 as of June, 30th 2021 (51 as of 2020 year-end)

Target Price €11.42 per share and OUTPERFORM rating confirmed

We consider that sales and prescriptions trend look in tune with our last FY 21 estimates, taking also into account that KIP has always showed H2 stronger than H1 along 2018-20. We recall that H2 18 and H2 19 revenues were +63% and +88% vs H1, while the 137% growth recorded between H1 20 and H2 20 sales could have been influenced by pandemic slowdowns. In view of H1 sales figures, our last FY 21 estimate would imply a +20% H2 vs H1 growth, below the trend observed in previous years. Therefore, we now consider that 2021 sales estimate more achievable and we confirm our previous estimates along the entire 2021-22E period and our €11.42 target price, with a 36% upside on current price.

Key financials and estimates

€m	2017A	2018A	2019A	2020A	2021E	2022E
Revenues	4.1	7.3	9.1	8.4	11.2	14.6
YoY %	60%	78%	24%	-7%	33%	30%
EBITDA	0.6	1.4	2.3	1.9	2.5	3.5
Margin	15%	20%	25%	23%	23%	24%
EBIT	0.0	0.5	0.9	1.0	1.2	1.8
Margin	1%	8%	10%	12%	11%	12%
Net Income (Loss)	(0.1)	0.3	0.6	0.6	0.7	1.1
Net (Debt) Cash	(2.5)	(0.1)	0.7	(1.4)	(1.3)	0.7
Equity	1.2	4.7	5.2	7.6	8.3	9.4

Source: Company data 2017-20A, EnVent Research 2021-22E

Key ratios

	2017A	2018A	2019A	2020A	2021E	2022E
MSR per-capita revenues (€k)	70	98	154	161	158	182
TWC/Revenues	19%	17%	18%	50%	48%	38%
Net Debt / EBITDA	4.2x	0.1x	cash	0.8x	0.5x	cash
Cash flow from P&L operations / EBITDA	100%	90%	93%	91%	97%	96%
Earnings per Share (€)	n.m.	0.19	0.36	0.39	0.43	0.69

Source: Company data 2017-20A, EnVent Research 2021-22E

Investment Case

Company

Kolinpharma SpA (KIP), listed on AIM Italia in March 2018, is an Italian company which develops, produces and markets nutraceutical products, all made of natural ingredients, with the purpose of helping to prevent or cure diseases.

Drivers

Industry drivers

Nutraceuticals continue to gain ground. The global nutraceutical industry has so far experienced exceptional growth rates. Growth of the nutraceutical market is driven by an aging population, rise in disposable income, increasing healthcare awareness, and higher occurrence of allergies/intolerance. Nutraceuticals are expected to play a central role in prevention, especially by mitigating the effect of lifestyle-related diseases in aging population. Consumers share the perception that the onset of many chronic diseases can be prevented with intake of proper nutritious supplements.

Ageing/healthy ageing. The life expectancy increase is and will continue to boost demand for medical treatments, health care services and nutritional products.

Global middle class population growth. The observed and still expected global growth of middle class population will increase demand for all goods and services associated with a healthier lifestyle.

Increasing opportunity to divert spending from medical services to nutrition and wellness. As a consequence of both policy-making and shifting of consumers' lifestyle choices, there is a consensus of an increasing switch from medical services to nutrition and wellness expenditure.

Pharmacies decreasing price/margins for traditional medical prescriptions. In Italy, as well as in other countries in the western world, nutraceuticals represent a suitable alternative to traditional prescription drugs which deliver gradually decreasing margins for pharmacies.

Company drivers

A product portfolio marketable to the medical profession. Quality and Innovation are a *must have* to enter a crowded market and gain market share. Differently from most competitors, KIP was established with a mission to operate in the nutraceutical market functioning as a pharma company, rather than a simple nutritional supplements player. Nutraceutical products are perceived as "lighter" and more natural with respect to drugs. Advertising can be effective, but physicians play a crucial role with their recommendation to patients. An exhaustive explanation of the effects of nutraceuticals by a physician is seen as a crucial factor in order to generate customer/patient retention (Source: IQVIA Italy S.r.l., 2017).

Quality recognized by physicians. KIP has established agreements with the University of Pavia, Rome University La Sapienza and University of Milan. The Company currently owns Italian and foreign patents, others are pending, all products are certified Kosher, Halal and Play Sure Doping-Free. The fast growth experienced in the first four years of the Company's life proves its appreciation by the medical profession, which is a key source of sales.

A skilled and valuable affiliated salesforce. The presence of skilled and successful Medical Sales Representatives (MSR) is a key driver to be successful in the industry. In order to operate with first class professionals and to affiliate them, KIP, for its exclusive salesforce, only seeks graduated MSRs. The fast growth of prescriptions per MSR reflects the quality of their communication.

Certifications are a distinctive factor. KIP is an ISO 9001 (Quality Management), ISO 22000 (Food Safety Management) and UNI ISO 37001 (Anti-bribery management systems) certified company and is pending to be ISO 13485 (Medical Devices) certified. Moreover, KIP's products have the following certifications and endorsements: Italy Kosher Union, Dairy-Free, Lactose-Free, Halal, Play Sure Doping-Free, UCI, ECS. All KIP's product packaging can be also read in Braille.

Management experience. Management's industry experience was gained in large pharmaceutical companies and the organization was modeled according to pharma companies best practices.

Challenges

Low barriers to entry and pricing trends. The nutraceutical industry has relatively low barriers to entry. New competitors can enter the marketplace without significant obstacles. Since purchase decisions are normally addressed by physicians and pharmacies, new large competitors might offer underpriced specialties in order to capture market share or as a strategic decision, affecting the industry's margins as a whole.

Pharma giants entering the competitive arena. Should nutraceuticals confirm their growth rate observed in the past years, more and more pharmaceutical companies will invest in this industry, capitalizing on the average small size of its operators. Increasingly intense rivalry coupled with attractive profit margins might bring to a wave of market consolidation. Consequently, it will become crucial for well-established players to act quickly in acquiring additional portfolios for their product range. Large promotion and advertising budgets, unaffordable by smaller companies, will follow suit. Pharma companies could then easily gain market share by squeezing existing players out.

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The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

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Kolinpharma

Date	Recommendation	Target Price (€)	Share Price (€)
04/18/2018	OUTPERFORM	8.54	7.05
10/08/2018	OUTPERFORM	8.33	6.95
04/15/2019	OUTPERFORM	8.73	6.60
10/21/2019	OUTPERFORM	13.61	10.00
04/30/2020	OUTPERFORM	13.69	9.30
10/16/2020	OUTPERFORM	11.32	8.34
04/28/2021	OUTPERFORM	11.42	8.20
08/03/2021	OUTPERFORM	11.42	8.38

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