

KOLINPHARMA

Strong 1H21 results and new strategic plan

Top line growth of +113% and EBITDA more than quadrupled in 1H21. Kolinpharma, Innovative SME and leader in the Italian nutraceutical market, reported strong 1H21 results with net sales of Euro 5.1 m, +113% vs. 1H20 and + 65% vs. 1H19 (Euro 3.1 m). Management highlighted that the strong result was driven by growth above market rates of all product lines, thus allowing the Company to gain market share. Other growth drivers in 1H21 were the increase in MSI network (+37 vs. end of December 2020) coupled with an effort to increase productivity (sales per MSI) resulting in an increase in medical prescriptions (+51% (volume) and +55% (value) vs. 1H20), a key growth driver for the Company. Production value stood at Euro 6.5 m, +91% vs. 1H20 (Euro 3.4 m). Looking at profitability, EBITDA came in at Euro 1.1 m, +312% vs. 1H20 (Euro 0.3 m) and +153% vs. 1H19 (Euro 0.4 m) posting an EBITDA margin of c. 21%, well above 1H20 and 1H19 (11% and 12% respectively) thanks mainly to the higher revenues. In fact, the Company has historically (2018-2020) always recorded EBITDA margin above 25% in the second half of each year when sales volumes exceeded Euro 4.5 m (sales between Euro 4.5 m -5.8 m). Net income was of Euro 0.4 m (Net loss of Euro 0.1 m in 1H20) after D&As of Euro 0.4 m, in line with prior year, and financial charges of Euro 0.1 m (Euro 20 k in 1H20). The Company presented a Euro 0.5 m Net Cash position at the end of June, after a significant improvement compared to a Net Debt position of Euro 1.4 m at the end of FY20 as Net Working Capital decreased by 60% to Euro 1.4 m (Euro 3.4 m in FY20) after extraordinary high levels at the end of 2020 due to a delay in cashing in a trade receivable, and in spite of an increase in inventory by Euro 0.4 m, following the strategic choice to increase stock of raw material in order to protect margins from the currently trend of increased raw material.

Focus on product portfolio, international expansion, digital and Sustainability. Year to date, the Company has launched three new products (DOLAROX® the Company's first medical device), DOLTENDIX® and XINPROX® dietary supplements for the Kip Blue (orthopedic-physiatic) and Kip Red (urogynaecological) lines respectively) bringing the total number of products in portfolio to 13. The Company also accelerated on the internationalization strategy and approved the establishment of Kolinpharma Suisse SA, the Company's first international commercial branch, after having achieved the authorisation to sell its products in the country. Management is currently evaluating how to best approach other international markets where the formal authorization has been obtained (France, Portugal, Germany and Belgium). In mid-September Kolinpharma launched a proprietary e-commerce platform to align to new post-pandemic consumer behaviour. In terms of Sustainability, the Company proceeded its ESG path and formally became a Benefit Corporation.

New 21-24 industrial plan with revised FY21 targets. Management presented a new industrial plan for FY21-24 which partially revised FY21 targets taking into consideration on the one hand recent global events including the pandemic and its impact on consumer behaviour and raw material prices, and on the other a resumption, confirmed by 1H21 results, of the growth trend of previous years (FY16-19 CAGR of +53%) and unexpectedly interrupted in 2020. The new plan assumes FY21 sales in a Euro 10.5-11.5 m range, implying a +28-40% yoy growth rate, and an EBITDA margin of about 21%, whereas the targets in terms of launch of new products (4 as of plan, 7 actual) and increase in the number of MSI (+20-25 units as of plan, 29 actual) were topped earlier this year. The previous targets, presented in April 2019 (pre-covid) pointed at Euro 14-16 m sales and EBITDA margin 24-26%. Management further stressed continuous focus on the product portfolio, international expansion, and increased productivity of the MSI network through continuous training as the backbone for growth in the medium term which is expected at a 20-24 CAGR of 22-25%. Other FY24 targets of the industrial plan include FY24 sales of Euro 18-20 m, increase of MSI network to 115 units (87 currently), and the launch of 4 new products to complete the offering in the current two areas of specialization. Other opportunities, not considered in the plan, are the expansion in new therapeutic areas with high growth potential, international expansion and M&A which remain a key strategic pillar for Management.

Outlook and Estimate revision. Considering the seasonality recorded in previous years in favour of 2H both in terms of revenue growth and profitability and the KPIs reported for the two-month period July-August (medical prescriptions up by +37% (volumes) +42% (value)) we align our estimates for FY21 with the upper range and Management's guidance. In terms of profitability, we slightly reduced FY21 EBITDA margin to 21% in line with 1H and guidance (23% pr.) to factor in potential effect from the increase in raw material and shipping costs which we however expect to be partially offset by increase in pricelist and planned purchase. Overall, we made an average -4% and -24% adjustment to our FY21-22 revenue and EPS estimates. We also added FY23 to our explicit forecast.

Valuation. 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 13.34 p.s. (Euro 12.06 p.s. previously) providing for an upside of +30% on the current market value and an implicit EV/EBITDA FY21E multiple of 9.1x.

Sector: Healthcare

Target Price (Euro)	13.34 (12.06 pr)
Market Price (Euro)	10.30
Market Cap (Euro m)	17
EV (Euro m)	17

as of Oct. 4th, 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

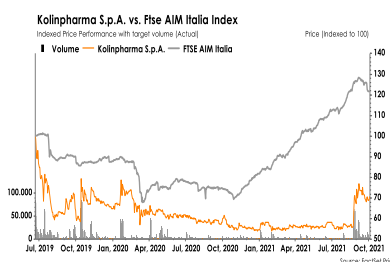
	2020A	2021E	2022E	2023E
Sales	8.2	11.5	15.0	17.2
Revenues	9.4	13.6	16.1	18.4
YoY %	-8%	+40%	+30%	+15%
EBITDA	1.9	2.4	3.2	3.9
EBITDA %	23%	21%	22%	23%
EBIT	1.0	1.5	2.2	2.9
EBIT %	12%	13%	15%	1%
Net Income	0.6	1.0	1.5	2.0
ND/(Cash)	1.4	(0.4)	(0.8)	(2.0)

Performance

	1M	3M	6M
Absolute	+0%	+24%	+25%
Relative (FTSE AIM Italia)	+5%	+14%	-0%
52-week High/Low (Eu)	11.70	/	7.78

IR TOP RESEARCH

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KEY FINANCIALS

Profit&Loss Statement	2018A	2019A	2020A	2021E	2022E	2023E
Sales	7,2	8,9	8,2	11,5	15,0	17,2
Revenues (VoP)	9,0	10,5	9,4	13,6	16,1	18,4
EBITDA	1,4	2,0	1,9	2,4	3,2	3,9
EBIT	0,5	0,9	1,0	1,5	2,2	2,9
Financial Income (charges)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)
Pre-tax profit (loss)	0,5	0,8	0,9	1,4	2,1	2,8
Taxes	(0,2)	(0,2)	(0,2)	(0,4)	(0,6)	(0,8)
Net profit (loss)	0,3	0,6	0,6	1,0	1,5	2,0
Balance Sheet						
Net working capital (NWC)	0,8	0,8	3,4	2,4	3,4	4,0
Net fixed assets	4,0	3,9	5,8	6,0	6,1	6,3
M/L Funds	(0,1)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)
Net Capital Employed	4,8	4,6	9,0	8,2	9,3	10,0
Net Debt (Cash)	0,1	(0,7)	1,4	(0,4)	(0,8)	(2,0)
Net Equity	4,7	5,2	7,6	8,6	10,0	12,0
Cash Flow						
EBIT	0,5	0,9	1,0	1,5	2,2	2,9
D&A	0,8	1,1	0,9	0,9	1,0	1,0
Tax	(0,2)	(0,2)	(0,2)	(0,4)	(0,6)	(0,8)
Change in M/L Funds	0,0	0,1	0,1	(0,0)	0,0	0,0
Gross Cash Flow	1,2	1,8	1,7	2,0	2,6	3,0
Change in NWC	(0,2)	(0,0)	(2,6)	1,0	(1,0)	(0,6)
Operating Cash Flow	1,1	1,8	(0,8)	3,0	1,6	2,4
Capex	(1,7)	(0,9)	(1,1)	(1,1)	(1,1)	(1,1)
Other change in fixed assets	(0,0)	0,0	(1,8)	0,0	0,0	0,0
Financial Income (charges)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)
Free Cash Flow	(0,8)	0,8	(3,8)	1,8	0,4	1,2
Dividend	0,0	0,0	0,0	0,0	0,0	0,0
Change in Equity	3,1	(0,0)	1,7	0,0	0,0	0,0
Change in Net debt (Cash)	2,4	0,8	(2,1)	1,8	0,4	1,2
Per Share Data						
Current Price	€10,30					
Total shares out(mn)	1,6					
EPS	0,17	0,36	0,39	0,59	0,90	1,20
DPS	0,0	0,0	0,0	0,0	0,0	0,0
FCF	(0,8)	0,8	(3,8)	1,8	0,4	1,2
Pay out ratio	0%	0%	0%	0%	0%	0%
Ratios						
EBITDA margin	19,3%	22,3%	23,2%	21,0%	21,5%	22,5%
EBIT margin	7,7%	9,7%	12,1%	13,0%	14,8%	17,0%
Net Debt/Equity (Gearing)	3,0%	-13,0%	18,9%	-4,3%	-7,7%	-16,3%
Net Debt/EBITDA	0,10	-0,34	0,76	-0,15	-0,24	-0,50
Interest cover EBIT	6,34	12,26	9,26	13,98	20,64	27,21
ROE	5,9%	11,3%	8,5%	11,4%	14,7%	16,4%
ROCE	15,4%	23,5%	13,7%	23,4%	30,7%	37,4%
Free Cash Flow Yield	-7,5%	8,0%	-37,1%	17,5%	3,9%	11,5%
Growth Rates						
Sales	76%	24%	-8%	40%	30%	15%
Revenues (VoP)	68%	17%	-11%	45%	18%	14%
EBITDA	129%	44%	-4%	27%	33%	20%
EBIT	1670%	58%	15%	51%	48%	32%
Net Profit	516%	114%	9%	52%	51%	33%

IR Top research estimates for FY21-23

Key Financials FY19-1H21 – Euro m

	1H21A	1H20A	1H19A	FY20A	FY19A
Sales	5.1	2.4	3.1	8.2	8.9
yoy	+113%	-23%	+13%	-8%	24%
Production Value	6.5	3.4	4.4	9.4	10.5
yoy	+91%	-23%	+6%	-11%	17%
EBITDA	1.1	0.3	0.4	1.9	2.0
margin	21%	12%	13%	23%	22%
EBIT	0.7	(0.1)	(0.1)	1.0	0.9
margin	13%	n.m.	n.m.	12%	10%
Net Profit	0.4	(0.1)	(0.1)	0.6	0.6
Net Working Capital (NWC)	1.4	2.4	0.8	3.4	0.8
Fixed net assets	6.4	4.1	4.2	5.8	3.9
Funds	(0.3)	(0.2)	(0.1)	(0.2)	(0.16)
Net Capital Employed	7.5	6.3	4.9	9.0	4.6
Net Debt (Cash)	(0.5)	1.2	0.4	1.4	(0.7)
Equity	8.0	5.1	4.5	7.6	5.2
Sources	7.5	6.3	4.9	9.0	4.6

Source: Company Data

Estimates Revision

Eu m	20A	21E Old	21E New	22E Old	22E New	23E New
Sales	8,2	12,5	11,5	16,2	15,0	17,2
yoy	-8%	52%	40%	30%	30%	6%
Revneues (PV)	9,4	13,6	13,6	17,4	16,1	18,4
	-11%	45%	45%	28%	18%	14%
EBITDA	1,9	2,9	2,4	3,9	3,2	3,9
margin	23%	24%	21%	24%	22%	23%
EBIT	1,0	1,9	1,5	2,7	2,2	2,9
margin	12%	15%	13%	17%	15%	17%
Net Profit	0,6	1,3	1,0	1,9	1,5	2,0
yoy	9%	103%	52%	46%	51%	33%
EPS	0,36	0,73	0,55	1,07	0,83	1,11

Eu m	20E New	21E Old	21E New	22E Old	22E New	23E New
Net Working Capital (NWC)	3,4	2,4	2,4	3,4	3,4	4,0
Fixed net assets	5,8	5,9	6,0	5,8	6,1	6,3
Funds	(0,24)	(0,22)	(0,22)	(0,22)	(0,22)	(0,22)
Net Capital Employed	9,0	8,1	8,2	9,0	9,3	10,0
Net Debt (Cash)	1,4	(0,8)	(0,4)	(1,8)	(0,8)	(2,0)
Equity	7,6	8,9	8,6	10,8	10,0	12,0
Sources	9,0	8,1	8,2	9,0	9,3	10,0

Source: Company Data (FY20) and IR Top Estimates (FY21-23)

Valuation Summary

Method	Weight	Price (Euro)	Equity Value (Euro)
Multiple Comparison	50%	13.10	21.5
DCF	50%	13.58	22.3
Target Price	100%	13.34	21.9

Multiples Comparison

Companies	Country	Market Cap	Price	Sales 2021E	Sales YoY 21/20	EBITDA % 2021E	NI % 2021E
Industrial Peers							
Probi AB	Sweden	375,8	33,0	70,6	-1%	27%	14%
Boiron SA	France	728,1	41,5	442,6	-14%	15%	5%
Biogaia	Sweden	836,3	43,0	75,2	2%	34%	25%
Pharmanutra	Italy	609,9	63,0	64,9	13%	27%	19%
USANA Health Sciences, Inc.	US	1.627,6	81,3	1.025,0	10%	16%	10%
Fine Foods NTM	Italy	377,2	17,1	219,1	27%	14%	3%
Average				316,2	6%	22%	13%
KOLINPHARMA	Italy			13,6	40%	21%	8%
AIM Peers							
Arterra Bioscience	Italy	24,0	3,6	4,4	13%	40%	27%
Friulchem	Italy	9,6	1,2	19,1	20%	8%	2%
Labomar	Italy	202,4	11,0	67,2	13%	21%	10%
Shedir Pharma Group	Italy	52,8	4,6	48,4	8%	20%	10%
Ulisse Biomed	Italy	37,9	5,1	n.a.	n.a.	n.a.	n.a.
Average				34,8	13%	22%	12%
KOLINPHARMA	Italy			13,6	40%	21%	8%

 FactSet data as of October 4th, 2021 and IR Top estimates for Kolinpharma

Companies	EV/EBITDA		
	20A	21E	22E
Industrial Peers			
Probi AB	23,6	18,5	15,7
Boiron SA	4,8	7,8	6,0
Biogaia	38,4	26,6	22,5
Pharmanutra	n.a.	n.a.	n.a.
USANA Health Sciences, Inc.	6,8	8,9	8,5
Fine Foods NTM	9,4	11,7	9,2
Average	16,6	14,7	12,4
KOLINPHARMA	8,5	6,7	5,1
<i>Premium/Discount to Peers</i>	<i>-49%</i>	<i>-54%</i>	<i>-59%</i>
AIM Peers			
Arterra Bioscience	12,5	10,6	8,1
Friulchem	16,7	6,1	3,3
Labomar	18,2	14,1	12,4
Shedir Pharma Group	6,4	4,8	3,7
Ulisse Biomed	n.a.	n.a.	n.a.
Average	13,4	8,9	6,9
KOLINPHARMA	8,5	6,7	5,1
<i>Premium/Discount to Peers</i>	<i>-36%</i>	<i>-24%</i>	<i>-26%</i>

 FactSet data as of October 4th, 2021 and IR Top estimates for Kolinpharma

INDUSTRY COMPARISON

Kolinpharma SpA Spa (KIP-IT): IR Top estimates and Factset Data

AIM Peers: average data for listed AIM Italia peers including: Arterra Bioscience (ABS-IT), Friulchem (FCM-IT), Labomar (LBM-IT), Shedir Pharma Group (SHE-IT) and Ulisse Biomed (UBM-IT)

Industry Peers: (average data for a selected group industrial peers: Probi AB (PROB-SE), Boiron SA (BOI-FR), Biogaia (BIOG.B-SE), Pharmedica (PHN-IT), USANA Health Sciences, Inc. USANA-US and Fine Foods NTM (FF-IT)

AIM Italia: average financial and market data for all the companies listed on AIM Italia, reported price performance data are related to the FTSE Italia Index

	KIP-IT KOLINPHARMA	AIM Peers	Industry Peers	XS0072 FTSE AIM Italia
Key financials FY20				
Revenues	9,4	31,8	303,8	39,2
EBITDA	1,9	5,5	57,6	5,4
EBITDA %	23,2%	17,2%	19,0%	13,7%
EBIT	1,0	3,5	43,8	1,9
EBIT %	12,0%	11,1%	14,4%	4,9%
Earnings	0,6	2,7	31,5	1,0
Earnings %	7,8%	8,5%	10,4%	2,5%
NFP/EBITDA	0,7	0,0	-2,0	0,5
FY18-20 Revenues CAGR	11%	9%	-3%	9%
FY20-22 Revenues CAGR	35%	16%	4%	22%
Market Data				
Market Cap	16,6	65	758,3	64,7
EV	17,1	66	632,2	65,3
Free Float	40%	21%	48%	33%
ADTT YTD (Eu k)	51,823	255,219	4,811,210	133,651
Market Multiples				
EV/Sales 2021	1.2	2.2	3.7	2,1
EV/Sales 2022	1.0	1.8	3.3	1,6
EV/EBITDA 2021	6.7	8.9	14.7	11,9
EV/EBITDA 2022	5.1	6.9	12.4	8,6
EV/EBIT 2021	10.8	14.8	20.7	22,4
EV/EBIT 2022	7.3	6.1	16.5	15,6
P/E 2021	17.3	20.9	34.5	31,9
P/E 2022	11.5	15.5	27.7	26,9
Earnings Yield	6.5%	n.a.	2.9%	3,1%
Stock Performance				
1D	2,0%	0%	0%	0,1%
1W	3,2%	-9%	-5%	-3,1%
1M	0,5%	-7%	-11%	-4,1%
3M	23,5%	-7%	0%	8,2%
6M	25,3%	+10%	17%	25,5%
YTD	28,8%	+26%	19%	48,7%
1Y	17,0%	+19%	33%	64,0%

IR Top research based on Factset data as of October 4th, 2021

KOLINPHARMA IN BRIEF

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 9.4 m of posting a 2015-2020 CAGR of +56%.

Innovation

KOLinPHARMA is highly focused on innovation and works closely with the research departments of many Italian Universities (Milano, Pavia, Sapienza-Roma and Napoli). 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) and the orthopedic line (Dolatrox, Xinepa, Xinepa Easy, Milesax, Doltendix and Dolatrox hcc). 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

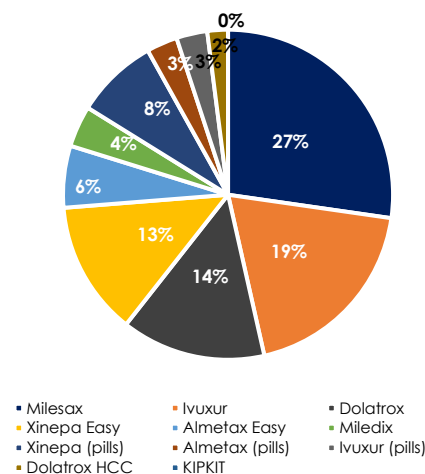
Board Members

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

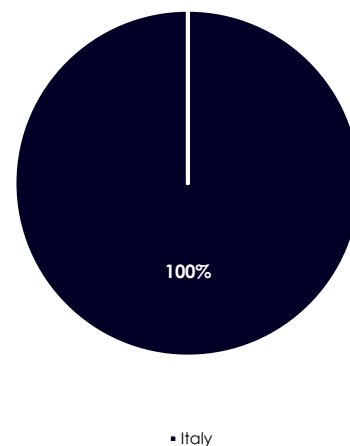
Ownership

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

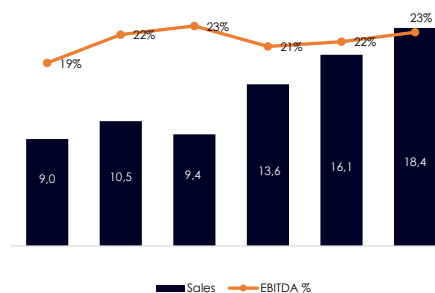
FY20 Revenue breakdown product



FY20 Revenue breakdown geography



Sales and EBITDA margin



KOLINPHARMA ON AIM ITALIA

IPO

Trading Market: AIM Italia – Borsa Italiana SpA
 Date: March 9th, 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 October 4 2021)

Code: KIP
 Bloomberg: KIP IM
 Reuters: KIP.MI
 ISIN ordinary shares: IT0005322950
 Shares: 1,639,571
 Price: 10.30 Eu
 Performance from IPO: +47%
 Capitalisation: Euro 17 m
 Free Float: 40.38%
 NomAd: EnVent Capital Markets Ltd
 Specialist: BANCA AKROS- Gruppo Banco BPM

STOCK OPTION

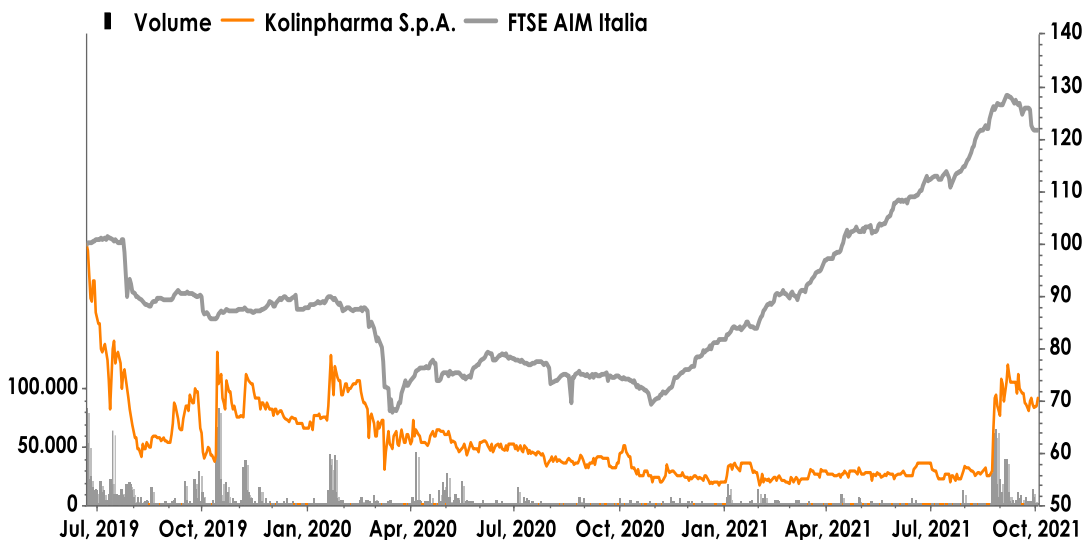
In May 2019 the shareholders' meeting approved a 2019-2021 Stock Option Plan to incentivize key employees, and on the relevant capital increase for a maximum of 138.462 shares without option rights (conversion rate 1:1).

STOCK PERFORMANCE

Kolinpharma S.p.A. vs. Ftse AIM Italia Index

Indexed Price Performance with target volume (Actual)

Price (Indexed to 100)



Source: FactSet Prices

DISCLAIMER

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on KOLINPHARMA (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on April 13th, 2021.

Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results.

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

Date	Target Price	Market Price	Validity Time
October 5 th , 2021	13.34	10.30	12 months
April 13 th , 2021	12.58	8.20	12 months
October 14 th , 2020	12.06	8.36	12 months
April 27 th , 2020	12.40	9.01	12 months
October 22 nd , 2019	12.33	10.0	12 months
April 16 th , 2019	9.37	6.40	12 months
October 15 th , 2018	8.92	6.50	12 months
April 4 th , 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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