



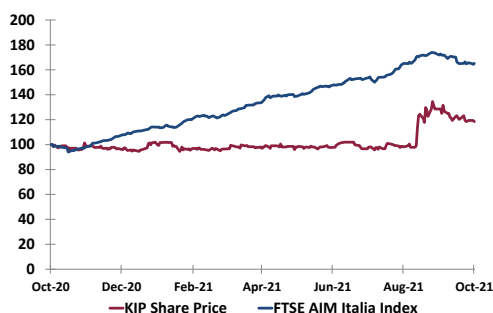
KOLINPHARMA®
LEADER TO HEALTH

OUTPERFORM

Current Share Price (€): 9.90

Target Price (€): 12.61

Kolinpharma - 1Y Performance



Source: S&P Capital IQ - Note: 13/10/2020=100

Company data

ISIN number	IT0005322950
Bloomberg code	KIP IM
Reuters code	KIP.MI
Industry	Healthcare
Stock market	AIM Italia
Share Price (€)	9.90
Date of Price	13/10/2021
Shares Outstanding (m)	1.6
Market Cap (€m)	16.2
Market Float (%)	40.4%
Daily Volume	400
Avg Daily Volume YTD	3,311
Target Price (€)	12.61
Upside (%)	27%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
Kolinpharma - Absolute (%)	-8%	21%	18%
FTSE AIM Italia (%)	-4%	7%	65%
1Y Range H/L (€)		11.25	7.90
YTD Change (€)/%		1.90	24%

Source: S&P Capital IQ

Analysts

Franco Gaudenti - Head of Research
fgaudenti@eventcapitalmarkets.co.uk
Luigi Tardella - Co-Head of Research
ltardella@eventcapitalmarkets.co.uk

EnVent Capital Markets Limited

42, Berkeley Square - London W1J 5AW (UK)
Phone +44 (0) 20 35198451

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Remarkable sales along H1 2021 vs H1 2020 and vs H1 2019, revision of 2021 higher pre-Covid targets, continuing internationalization process and new targets for 2024

Current trading: up since August 2021

Kolinpharma share price gained 18% in the last year, while AIM Italia index rose 65% in the same period. Along 2021 share price increased by +24% (vs AIM Italia Index +49%), with +18% performance since last August.

H1 2021: Sales up +110% vs H1 2020 and +65% vs H1 2019 (ante Covid)

H1 2021 sales to €5.1m vs H1 2020 €2.4m (+110% YoY). H1 2021 EBITDA was €1.1m (+278% compared to €0.3m in H1 2020), with margin on revenues at 20.3% (11.1% in H1 2020). Net equity was €8.0m vs €7.6m at year end 2020, while net cash was €0.5m vs €1.4m net debt at year end 2020. MSR's were 87 at June 2021 vs 51 at year end 2020.

Expansion of product portfolio, new markets

New products Doltendix® and Xinprox® were launched, with filing of a patent application for both of them. The MSR's network was reorganized and split in two clusters, each of them in charge of the sale of orthopedic-physiatric (KIPBlue) and urogynecological supplements (KIPRed). Following Milesax® and Miledix® sale authorization in Switzerland, Kolinpharma Suisse S.A. was established. Notification procedure successfully completed for some food supplements in France, Germany, Portugal and Belgium.

Outlook: Continuing growth, management announced partial shift of previous 2021E targets and new 2024E targets

In July and August 2021 the number of prescriptions grew by 37% compared to the same period in 2020 and + 47% compared to the same period in 2019. Due to Covid 19 overall effect and recent observed pressures on raw material and transportation costs, management announced a downward alignment of 2021E targets announced in April 2019 in terms of sales and EBITDA margin to H1 2021 results, within their 2021-24E guidelines, disclosed as to number of new products to be launched, MSR's expansion and 2024E sales (€18-20m). We consider KIP medium/long run perspectives positive and we agree with the 2024 management scenario and targets.

Target Price €12.61 per share (from €11.42), OUTPERFORM rating confirmed

Our updated target price is estimated at €12.61 per share (from €11.42 in our prior note), with a potential upside of +27% with respect to current share price. Our OUTPERFORM rating is confirmed.

Key financials and estimates

€m	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Revenues	4.1	7.3	9.1	8.4	11.2	14.4	16.3	18.0
YoY %	60%	78%	24%	-7%	33%	28%	14%	10%
EBITDA	0.6	1.4	2.3	1.9	2.3	3.0	3.5	3.9
Margin	15%	20%	25%	23%	21%	21%	22%	22%
EBIT	0.0	0.5	0.9	1.0	1.0	1.3	1.5	1.8
Margin	1%	8%	10%	12%	9%	9%	9%	10%
Net Income (Loss)	(0.1)	0.3	0.6	0.6	0.5	0.8	0.9	1.1
Net (Debt) Cash	(2.5)	(0.1)	0.7	(1.4)	(1.3)	0.4	1.9	3.7
Equity	1.2	4.7	5.2	7.6	8.1	8.9	9.8	10.9

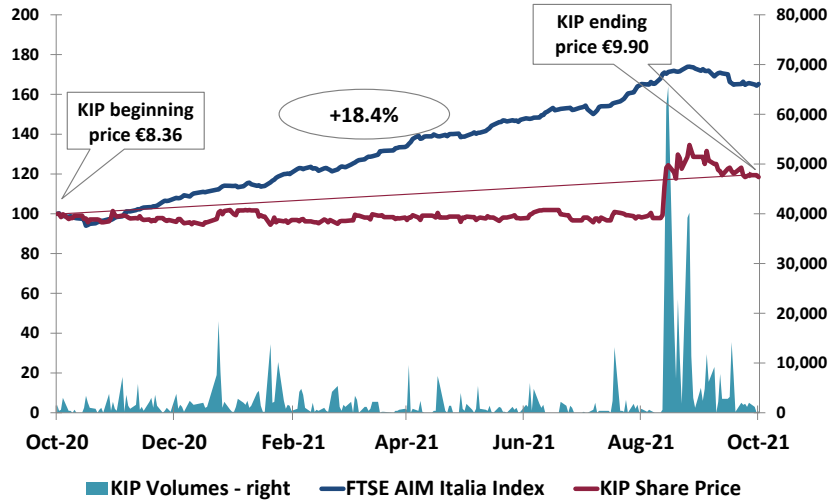
Source: Company data 2017-20A, EnVent Research 2021-24E

Market update: up in the last three months

KIP shares in the last 12 months increased by +18%. vs +65% of AIM Italia Index

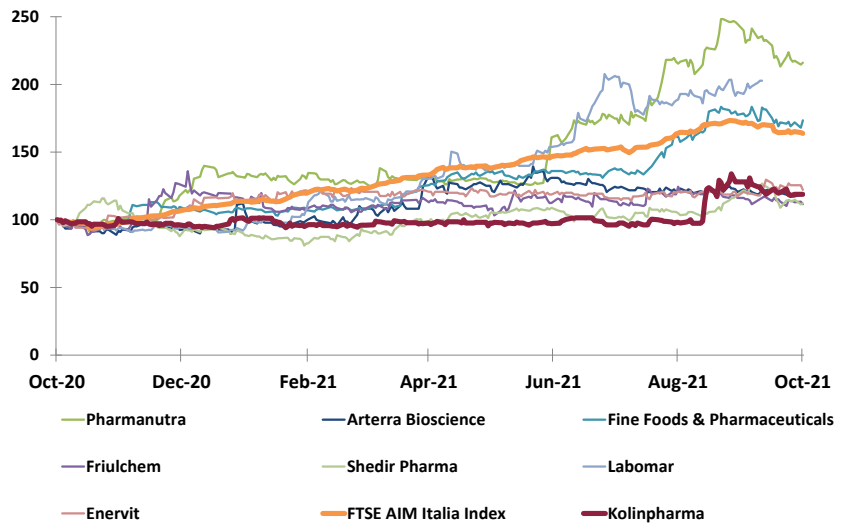
Up since August 2021: +18%

KIP - 1Y share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 13/10/2020=100

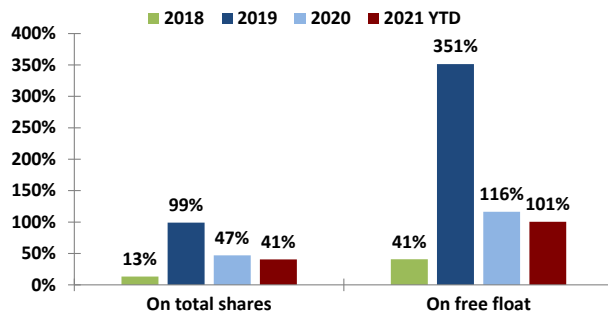
Comparable Italian pharma/nutraceutical companies - 1Y Market performance



Source: EnVent Research on S&P Capital IQ - Note: 13/10/2020=100

KIP - Liquidity analysis and velocity turnover

2021 YTD traded volumes decreasing vs 2020

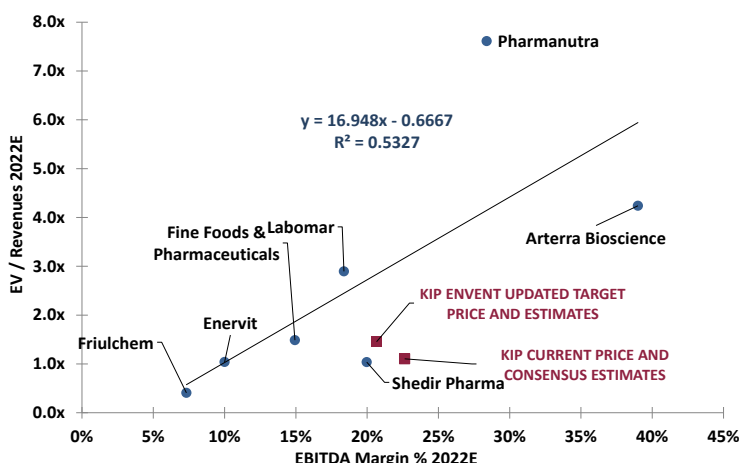


Source: EnVent Research - Note: Velocity turnover on total shares: ratio of total traded shares to total ordinary shares in a given period; Velocity turnover on free float: ratio of total volumes to free float

Comparable Italian pharma/nutraceutical companies - Regression analysis

Fair correlation, consistency of multiples

Room for further growth



Source: EnVent Research on S&P Capital IQ, October 2021

H1 2021: Sales up +110% vs H1 2020 and +65% vs H1 2019 (pre-Covid), prescriptions and MSRs' network growth

H1 2021 highlights:

- Sales €5.1m (vs €2.4m in H1 2020, +110%)
- EBITDA €1.1m (vs €0.3m in H1 2020, +278%)
- EBIT €0.7m (vs -€0.1m in H1 2020)
- Net Income €0.4m (vs -€0.1m in H1 2020)
- Net Equity €8.0m (vs €7.6m at year end 2020)
- Net Cash €0.5m (vs €1.4m net debt at year end 2020)
- 87 MSRs' at June 2021 vs 51 at year end 2020
- 309,671 prescriptions along H1 2021 (+55% vs 205,435 along H1 2020)

Profit and Loss

€m	H1 2020	2020A	H1 2021
Sales	2.4	8.2	5.1
Other revenues	0.1	0.2	0.1
Revenues	2.6	8.4	5.3
YoY %	-19.7%	-7.4%	106.1%
Operating costs	(1.2)	(4.0)	(2.1)
Personnel	(1.1)	(2.5)	(2.1)
EBITDA	0.3	1.9	1.1
Margin	11.1%	22.6%	20.3%
D&A	(0.4)	(0.9)	(0.4)
EBIT	(0.1)	1.0	0.7
Margin	-3.9%	11.8%	12.8%
Interest	(0.0)	(0.1)	(0.1)
EBT	(0.1)	0.9	0.6
Margin	-4.7%	10.5%	10.7%
Income taxes	(0.0)	(0.2)	(0.2)
Net Income (Loss)	(0.1)	0.6	0.4
Margin	-5.0%	7.6%	7.1%

Source: Company data

Balance Sheet

€m	H1 2020	2020A	H1 2021
Inventory	1.2	0.8	1.1
Trade receivables	3.2	5.3	3.7
Trade payables	(1.3)	(1.9)	(2.2)
Trade Working Capital	3.0	4.2	2.6
Other assets (liabilities)	(0.6)	(0.8)	(1.1)
Net Working Capital	2.4	3.4	1.4
Intangible assets	4.0	5.8	6.3
Property, plant and equipment	0.0	0.0	0.04
Financial assets	0.0	0.0	0.02
Non-current assets	4.0	5.8	6.4
Provisions	(0.2)	(0.2)	(0.3)
Net Invested Capital	6.3	9.0	7.5
Net Debt (Cash)	1.2	1.4	(0.5)
Equity	5.1	7.6	8.0
Sources	6.3	9.0	7.5

Source: Company data

**P&L operations and trade
working capital cash generation
offset financial debt**

Cash Flow

€m	H1 2020	2020A	H1 2021
EBIT	(0.1)	1.0	0.7
Current taxes	(0.0)	(0.2)	(0.2)
D&A	0.4	0.9	0.4
Provisions	0.0	0.1	0.1
Cash flow from P&L operations	0.3	1.7	0.9
Trade Working Capital	(1.4)	(2.5)	1.6
Other assets and liabilities	(0.2)	(0.0)	0.3
Capex	(0.6)	(2.9)	(0.9)
Operating cash flow after working capital a	(1.8)	(3.7)	2.0
Interest	(0.0)	(0.1)	(0.1)
Paid-in capital	0.0	1.7	0.0
Net cash flow	(1.8)	(2.1)	1.9
Net (Debt) Cash - Beginning	0.7	0.7	(1.4)
Net (Debt) Cash - End	(1.2)	(1.4)	0.5
Change in Net (Debt) Cash	(1.8)	(2.1)	1.9

Source: Company data

Ratio analysis

KPIs	H1 2020	2020A	H1 2021
ROE	-5%	8%	9%
ROS (EBIT/Revenues)	-4%	12%	13%
ROIC (NOPAT/Invested Capital)	-3%	8%	13%
DSO	214	216	117
DPO	128	119	120
DOI	88	34	39
TWC/Revenues	36%	50%	23%
NWC/Revenues	29%	41%	13%
Net Debt / EBITDA	0.6x	0.8x	cash
Net Debt / Equity	0.2x	0.2x	cash
Net Debt / (Net Debt+Equity)	0.2x	0.2x	cash
Cash flow from P&L operations / EBITDA	113%	91%	88%
FCF / EBITDA	neg.	neg.	188%

Source: Company data - Note: H1 KPIs calculated on LTM economics

Current trading update: prescriptions up

In July and August 2021 the number of prescriptions grew by 37% compared to the same period in 2020 and + 47% compared to the same period in 2019.

**Product portfolio expansion,
Growth of MSRs' network and
expansion of
internationalization**

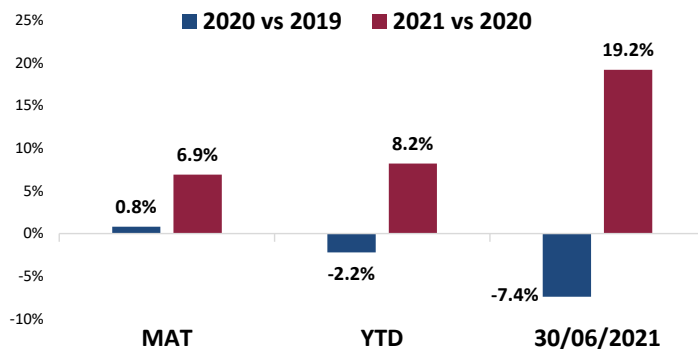
Business update

- Reorganization of MSRs' network, now split in two cluster: i) KIPBlue group, including the MSRs' in charge of the sale of orthopedic-physiatric food supplements; and ii) KIPRed group for the uro-gynecological supplements
- Launch of Doltendix®, orthopedic-physiatric food supplement and subsequent filing of a patent application in Italy
- Launch of Xinprox® in September 2021, uro-gynecological food supplement and subsequent filing of a patent application
- 10 new MSRs joined KIP between April and June 2021
- Subsequent to the authorization to sell Milesax® and Miledix® products in Switzerland, KIP Board of Directors decided in September 2021 to establish Kolinpharma Suisse S.A.
- Notification procedure successfully completed for some food supplements in France, Germany, Portugal and Belgium. This is a necessary and fundamental step to start sales of the notified supplements in these countries

Outlook

Along H1 21, Italian food supplements market experienced the expected recovery with respect to the same period in 2020, which had been affected by pandemic. The growth was higher than the observed decrease between 2020 and 2019, repositioning the market on the medium/long run growth trend expected before Covid-19.

Italian food supplements market 2019-2021, consumption volumes YoY % change



Source: Company Data based on IQVIA Solutions Italy 2019-2021

Pressure on raw materials price and transportation costs increase are some of the effects on supply chains of global demand upsurge after Covid, which also KIP is now experiencing. Along with those effects, the Company and its competitors are observing a reorganization of pharmacies' buying policies, with a deeper attention to stock level management. The chance to enter new markets may offset only partially the possible slowdown of previously expected growth path in the short run but will probably boost KIP growth in the M/L run.

Consistent with this scenario, KIP management announced a downward alignment of previously 2021E Sales and EBITDA margin targets announced in April 2019 to H1 2021 results, within their 2021-24E guidelines, disclosed as to 2024E sales, MSRs and number of new products launch targets:

- 2021E Sales target: from €14-16m to €10.5-11.5m
- 2021E EBITDA margin (as a percentage of sales) target: from 24-26% to H1 2021 level, i.e. 21% circa
- 2024E Sales target: €18-20m
- 2024E MSRs target: 115
- Number of new products launched by 2024: 4

Estimates revision

Our last 2021E sales are already in line with management revised targets, assuming a possible shift of Company growth path induced by pandemic. We see management new EBITDA margin 21E target consistent with outlook in the short run. At the same time, we consider management 2024E targets supported by the Company strategy and the chances offered by the expected further internationalization. We extend our projections along 2023-24E and assume 2024E sales at €18m.

Change in estimates

€m	Revised		Previous		Change %	
	2021E	2022E	2021E	2022E	2021E	2022E
Revenues	11.2	14.4	11.2	14.6	0%	-1%
EBITDA	2.3	3.0	2.5	3.5	-9%	-14%
<i>Margin on Revenues</i>	20.6%	20.7%	22.7%	23.8%		
EBIT	1.0	1.3	1.2	1.8	-19%	-28%
<i>Margin</i>	8.7%	9.0%	12.0%	12.3%		
Net Income	0.5	0.8	0.7	1.1	-23%	-31%
Net (Debt) Cash	(1.3)	0.4	(1.3)	0.7		
<i>Net Debt / EBITDA</i>	0.6x	n.m.	0.5x	n.m.		

Source: EnVent Research

Financial projections

Profit and Loss

€m	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Sales	4.1	7.2	8.9	8.2	11.1	14.4	16.3	18.0
Other revenues	0.0	0.1	0.2	0.2	0.1	0.0	0.0	0.0
Revenues	4.1	7.3	9.1	8.4	11.2	14.4	16.3	18.0
YoY %	60.4%	78.2%	24.3%	-7.4%	33.3%	28.4%	13.6%	10.2%
Operating costs	(2.8)	(4.6)	(4.8)	(4.0)	(4.9)	(5.7)	(6.6)	(7.3)
Personnel	(0.7)	(1.4)	(2.3)	(2.5)	(4.0)	(5.7)	(6.2)	(6.8)
EBITDA	0.6	1.4	2.0	1.9	2.3	3.0	3.5	3.9
Margin	14.5%	18.9%	21.9%	22.6%	20.6%	20.7%	21.6%	21.6%
D&A	(0.6)	(0.8)	(1.1)	(0.9)	(1.3)	(1.7)	(2.0)	(2.1)
EBIT	0.03	0.5	0.9	1.0	1.0	1.3	1.5	1.8
Margin	0.8%	7.5%	9.5%	11.8%	8.7%	9.0%	9.1%	9.8%
Interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
EBT	(0.0)	0.5	0.8	0.9	0.8	1.1	1.3	1.6
Margin	-1.1%	6.3%	8.8%	10.5%	6.9%	7.6%	7.8%	8.7%
Income taxes	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Net Income (Loss)	(0.1)	0.3	0.6	0.6	0.5	0.8	0.9	1.1
Margin	-1.6%	3.8%	6.5%	7.6%	4.9%	5.4%	5.6%	6.2%

Source: Company data 2017-20A, EnVent Research 2021-24E

Balance Sheet

€m	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Inventory	0.4	0.4	0.9	0.8	1.1	1.4	1.6	1.7
Trade receivables	2.1	2.6	3.1	5.3	5.7	5.6	6.4	7.1
Trade payables	(1.7)	(1.8)	(2.3)	(1.9)	(1.5)	(1.7)	(2.0)	(2.2)
Trade Working Capital	0.8	1.2	1.7	4.2	5.2	5.3	6.0	6.6
Other assets (liabilities)	(0.1)	(0.4)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Net Working Capital	0.6	0.8	0.8	3.4	4.4	4.5	5.2	5.8
Intangible assets	3.1	4.0	3.8	5.8	5.4	4.7	3.8	2.9
Non-current assets	3.1	4.0	3.9	5.8	5.5	4.8	3.9	3.0
Provisions	(0.0)	(0.1)	(0.2)	(0.2)	(0.4)	(0.7)	(1.1)	(1.5)
Net Invested Capital	3.7	4.8	4.6	9.0	9.5	8.6	8.0	7.3
Net Debt (Cash)	2.5	0.1	(0.7)	1.4	1.3	(0.4)	(1.9)	(3.7)
Equity	1.2	4.7	5.2	7.6	8.1	8.9	9.8	10.9
Sources	3.7	4.8	4.6	9.0	9.5	8.6	8.0	7.3

Source: Company data 2017-20A, EnVent Research 2021-24E

Cash Flow

€m	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
EBIT	0.0	0.5	0.9	1.0	1.0	1.3	1.5	1.8
Current taxes	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
D&A	0.6	0.8	1.1	0.9	1.3	1.7	2.0	2.1
Provisions	0.0	0.0	0.1	0.1	0.2	0.3	0.3	0.4
Cash flow from P&L operations	0.6	1.2	1.8	1.7	2.3	3.0	3.5	3.8
Trade Working Capital	(0.5)	(0.4)	(0.4)	(2.5)	(1.0)	(0.0)	(0.7)	(0.6)
Other assets and liabilities	0.2	0.2	0.4	(0.0)	0.0	0.0	0.0	0.0
Capex (cash out portion)	(1.2)	(1.7)	(0.9)	(1.2)	(1.0)	(1.0)	(1.1)	(1.2)
Operating cash flow after working capital and ca	(0.9)	(0.7)	0.9	(2.0)	0.3	1.9	1.7	2.0
Interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Paid-in capital	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IPO proceeds	0.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	0.2	2.4	0.8	(2.1)	0.1	1.7	1.5	1.8
Net (Debt) Cash - Beginning	(2.7)	(2.5)	(0.1)	0.7	(1.4)	(1.3)	0.4	1.9
Net (Debt) Cash - End	(2.5)	(0.1)	0.7	(1.4)	(1.3)	0.4	1.9	3.7
Change in Net (Debt) Cash	0.2	2.4	0.8	(2.1)	0.1	1.7	1.5	1.8

Source: Company data 2017-20A, EnVent Research 2021-24E

Ratio analysis

KPIs	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
MSRs	58	73	58	51	90	97	107	115
MSR per-capita revenues (€k)	70	98	154	161	123	148	153	157
ROE	neg.	6%	11%	8%	7%	9%	9%	10%
ROS (EBIT/Revenues)	1%	8%	10%	12%	9%	9%	9%	10%
ROIC (NOPAT/Invested Capital)	0%	8%	15%	8%	7%	11%	14%	18%
DSO	175	122	115	216	170	130	130	130
DPO	182	118	146	141	90	90	90	90
DOI	33	19	36	34	35	35	35	35
TWC/Revenues	19%	17%	18%	50%	47%	37%	37%	37%
NWC/Revenues	16%	11%	9%	41%	40%	31%	32%	32%
Net Debt / EBITDA	4.2x	0.1x	cash	0.8x	0.6x	cash	cash	cash
Net Debt / Equity	1.7x	0.0x	cash	0.2x	0.2x	cash	cash	cash
Net Debt / (Net Debt+Equity)	0.7x	0.0x	cash	0.2x	0.1x	cash	cash	cash
Cash flow from P&L operations / EBITDA	100%	90%	93%	91%	99%	100%	99%	98%
FCF / EBITDA	neg.	neg.	45%	neg.	13%	64%	48%	51%
Earnings per Share (€)	n.m.	0.19	0.36	0.39	0.33	0.47	0.56	0.68

Source: Company data 2017-20A, EnVent Research 2021-24E

Valuation

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.2% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, October 2021)
- Market return: 12.4% (3Y average. Source: Bloomberg, October 2021)
- Market risk premium: 11.2%
- Beta: 1.0
- Cost of equity: 12.4%
- Cost of debt: 4% (Source: implicit L/T bank debt rate)
- Tax rate: 24% (IRES)
- 30% debt/(debt + equity) as a sustainable target capital structure
- WACC 9.6%
- Perpetual growth rate after explicit projections: 2%
- Terminal Value assumes a 15% EBIT margin (2022E EBIT margin mean for the peers group)

DCF Valuation

€m	2020A	2021E	2022E	2023E	2024E	Perpetuity
Revenues	8.4	11.2	14.4	16.3	18.0	18.4
EBITDA	1.9	2.3	3.0	3.5	3.9	3.7
<i>Margin</i>	<i>22.6%</i>	<i>20.6%</i>	<i>20.7%</i>	<i>21.6%</i>	<i>21.6%</i>	<i>20.0%</i>
EBIT	1.0	1.0	1.3	1.5	1.8	2.8
<i>Margin</i>	<i>11.8%</i>	<i>8.7%</i>	<i>9.0%</i>	<i>9.1%</i>	<i>9.8%</i>	<i>15.0%</i>
Taxes	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.8)
NOPAT	0.7	0.7	0.9	1.1	1.3	2.0
D&A	0.9	1.3	1.7	2.0	2.1	0.9
Provisions	0.1	0.2	0.3	0.3	0.4	0.0
Cash flow from P&L operations	1.7	2.2	2.9	3.5	3.8	2.9
Trade Working Capital	(2.5)	(1.0)	(0.0)	(0.7)	(0.6)	(0.2)
Other assets and liabilities	(0.0)	0.0	0.0	0.0	0.0	0.0
Capex	(1.2)	(1.0)	(1.0)	(1.1)	(1.2)	(0.9)
Yearly Unlevered Free Cash Flow	(2.0)	0.3	1.8	1.7	2.0	1.8
-H1 Unlevered Free Cash Flow		(2.0)				
Unlevered Free Cash Flow to be discounted	(2.0)	(1.7)	1.8	1.7	2.0	1.8
WACC	9.6%					
Long-term growth (G)	2.0%					
Discounted Cash Flows		(1.7)	1.6	1.4	1.5	
Sum of Discounted Cash Flows	2.7					
Terminal Value						24.1
Discounted TV	17.5					
Enterprise Value	20.2					
Net (Debt) Cash as of 30/06/21	0.5					
Equity Value	20.7					

DCF - Implied multiples	2020A	2021E	2022E	2023E	2024E
EV/Revenues	2.4x	1.8x	1.4x	1.2x	1.1x
EV/EBITDA	10.6x	8.7x	6.8x	5.7x	5.2x
EV/EBIT	20.4x	20.8x	15.6x	13.6x	11.4x
P/E	32.2x	37.8x	26.6x	22.6x	18.5x

Current market price - Implied multiples	2020A	2021E	2022E	2023E	2024E
EV/Revenues	1.9x	1.4x	1.1x	1.0x	0.9x
EV/EBITDA	8.4x	6.9x	5.3x	4.5x	4.1x
EV/EBIT	16.0x	16.3x	12.3x	10.7x	9.0x
P/E	25.5x	29.9x	21.0x	17.9x	14.6x

Source: EnVent Research

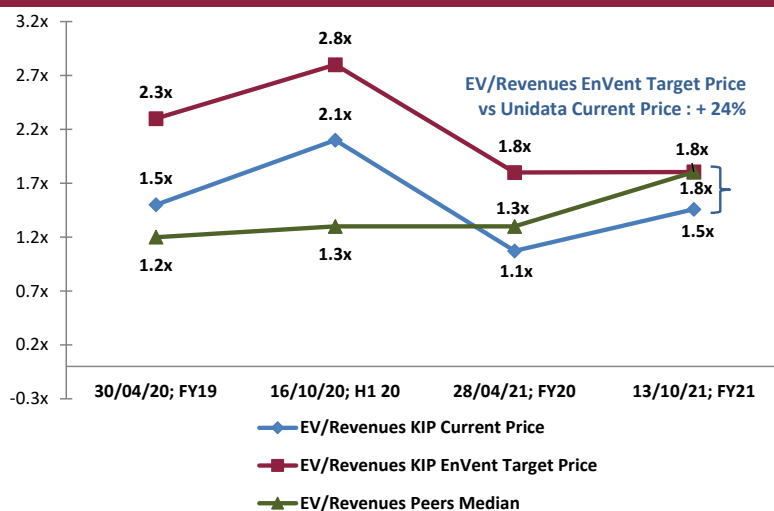
Target Price

KIP Share Price vs. EnVent Target Price



Source: EnVent Research

KIP implied EV/Revenues vs. industry median multiples



Source: EnVent Research

Note: EV/Revenues refers to multiples estimated for the year end following the research update

We have adjusted our valuation from €11.42 in our previous note to €12.61 per share, mainly due to the estimate horizon extension and new 2024 targets, in spite of the revised/desized EBITDA margin targets for 2021E. To take properly into consideration the risk associated to shift of growth path, we discounted future cash flow with a WACC at 9.6% vs previous 9%.

Please refer to important disclosures at the end of this report.

Kolinpharma Price per Share	€
Target Price	12.61
Current Share Price (13/10/2021)	9.90
Premium (Discount)	27%

Source: EnVent Research

Annex: Peer Group - Market Multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
Pharmanutra	5.7x	8.3x	7.6x	23.9x	30.9x	26.8x	24.9x	34.2x	29.7x	37.0x	49.9x	43.2x
Fine Foods & Pharmaceuticals	0.8x	1.8x	1.5x	6.4x	12.7x	10.0x	14.1x	23.3x	17.5x	14.1x	33.3x	24.7x
Friulchem	0.6x	0.6x	0.4x	6.5x	7.4x	5.6x	17.3x	37.0x	13.9x	20.8x	nm	32.3x
Shedir Pharma	1.0x	1.1x	1.0x	6.5x	6.0x	5.2x	8.0x	8.3x	7.2x	11.1x	13.0x	11.0x
Arterra Bioscience	3.6x	4.6x	4.2x	9.4x	12.2x	10.9x	12.5x	14.4x	12.5x	16.9x	19.7x	18.3x
Labomar	1.6x	3.4x	2.9x	9.4x	20.4x	15.8x	13.2x	35.0x	25.9x	15.6x	38.1x	31.7x
Enervit	1.4x	1.1x	1.0x	24.4x	11.1x	10.4x	neg	nm	24.4x	neg	nm	27.8x
Mean	2.1x	3.0x	2.7x	12.3x	14.4x	12.1x	15.0x	25.4x	18.7x	19.2x	30.8x	27.0x
Mean w/out extremes	1.7x	2.4x	2.1x	11.1x	12.8x	10.5x	14.3x	26.7x	18.8x	16.8x	30.4x	27.0x
Median	1.4x	1.8x	1.5x	9.4x	12.2x	10.4x	13.7x	28.8x	17.5x	16.3x	33.3x	27.8x
Kolinpharma current share price and Consensus Estimates	1.7x	1.5x	1.1x	7.7x	6.7x	4.9x	14.7x	12.6x	8.2x	20.4x	19.0x	12.6x
Kolinpharma EnVent Updated Target Price and Estimates	2.4x	1.8x	1.4x	10.6x	8.7x	6.8x	20.4x	20.8x	15.6x	32.2x	37.8x	26.6x

Source: S&P Capital IQ, update October 2021

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

Global and domestic 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.

Nutraceutical market in Italy. Italian nutraceutical market is one of the large and fast growing in Europe. The market has enjoyed a steady growth over the last years and is expected to continue to rise after Covid 19 temporary effects.

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 Solutions Italy).

Quality recognized by physicians. KIP has established agreements with the University of Pavia, Rome University La Sapienza and the Department of Pharmacological and Biomolecular Sciences of the University of Milan. The Company currently owns Italian and foreign patents, others are pending, all products are certified Kosher, Halal, Play Sure Doping-Free and Eccellenza Italiana. The fast growth experienced in the first 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.

Regulatory changes. More limitations or a tightening of laws regulating the nutraceutical industry could require unexpected investment and other expenses on behalf of current operators which could even end-up altering the competitive arena.

Supply chain. Along the supply chain, KIP presently has a limited number of suppliers. The inherent risk is progressively mitigated by the addition of suppliers concurrently with size increase.

Agreements among drugstores. Pharmacies cooperate in order to increase their bargaining power towards wholesalers to face lower prices (which, in turn, could decrease the final price indicated by nutraceutical companies towards wholesalers).

Pharmacies moral suasion towards end-users. Pharmacies may sway end-users' decisions in towards products which guarantee better margins.

Salesforce retention. KIP relies on its network of MSRs, who play a key role in driving sales and profitability. KIP's capability to attract and retain salespeople who can create a value-added relationship with physicians is critical. As such, after recruiting the best competencies on the market, the Company faces the challenge of motivating and rewarding the sales team. In addition, the industry's continuous growth could raise the cost of retaining top performing MSRs.

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Date	Recommendation	Target Price (€)	Share Price (€)
18/04/2018	OUTPERFORM	8.54	7.05
08/10/2018	OUTPERFORM	8.33	6.95
15/04/2019	OUTPERFORM	8.73	6.60
21/10/2019	OUTPERFORM	13.61	10.00
30/04/2020	OUTPERFORM	13.69	9.30
16/10/2020	OUTPERFORM	11.32	8.34
28/04/2021	OUTPERFORM	11.42	8.20
03/08/2021	OUTPERFORM	11.42	8.38
13/10/2021	OUTPERFORM	12.61	9.90

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