

KOLinPHARMA

A new player in the growing nutraceutical industry

IR TOP RESEARCH
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COMPANY DESCRIPTION

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-physiatric and gynaecological fields.

KOLinPHARMA sells its own-branded products through a skilled sales network of 58 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 2017 with sales of 4.1 Eu (2.5 Eu m in 2016) and a 2015-2017 CAGR of +80%.

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 **4 patents** (Italy) and **9 certifications** (2 for the Company and 7 for its products). In 2017 KOLinPHARMA received a certificate of excellence from the European Commission for a **Horizon 2020 project proposal**.

REFERENCE MARKET AND DRIVERS

The value of the nutraceutical market in Italy has doubled since 2009 and registered about **3 Eu b of total sales** in 2016 (TTM November), with a 2014-2016 CAGR of 7.4%. The main distribution channel is pharmacy, where about 80% of the total value is realized.

Main market drivers: development of the culture of prevention and well-being, opportunity for pharmacies to differentiate, increasing number of distribution channels (e-commerce), aging population.

AIM POSITIONING

Compared to average values of AIM Italia "Healthcare goods & services" Sector, KOLinPHARMA shows:

- strongly higher sales growth rate (+99% vs. +32%);
- lower EBITDA margin (10% vs. 17%);
- lower net financial debt in absolute terms (1.7 Eu m vs. 5.1 Eu m);
- lower capitalisation (10 Eu m vs. 63 Eu m) and ADTT (45k Eu vs. 63k Eu);
- higher free float (32% vs. 30%).

2018-2020 ESTIMATES

- 1) Sales '17-'20 CAGR of 40% thanks to increase of (i) sales force up to 90 people (currently 56) and, consequently, prescriptions; (ii) product portfolio; (iii) average sell-out price as products mature in the market.
- 2) EBITDA CAGR of 77%. EBITDA margin will reach 30% at year end 2020, up from 15% in 2017, mainly thanks to increased volumes, lower incidence of personnel and raw material costs from efficiencies with suppliers.
- 3) Net result: break-even in 2018.
- 4) Total capex for the period, only in intangibles, are estimated equal to 3.9 Eu m.
- 5) Net financial debt will increase to 2.7 Eu m by the end of 2018 and thereafter decrease to 0.7 Eu m in 2020.

VALUATION

We set a **target price of 8.67 Eu p.s.** (without considering PAS conversion dilution effect) obtained by applying 2 different approaches, equally weighted:

- 2018-2019 EV/EBITDA multiples comparison (8.87 Eu p.s.) on two different peer groups (i) international nutraceutical peers and (ii) AIM listed peers;
- a DCF model (8.47 Eu p.s. with WACC=9.94% and g=2%).

Please, read important disclaimer on the last page of this report.

SHARE DATA

Market	AIM Italia
ISIN ordinary shares	IT0005322950
N. of shares	1,639,571 (of which 180,000 not listed PAS)
Free Float	31.65%
Main Shareholder	Rita Paola Petrelli (52.61%)
CEO	Emanuele Lusenti

Target Price (Eu)	8.67
Market Price (Eu)	6.94
Capitalisation (Eu m)	10
Enterprise Value (Eu m)	13
<i>(as of April 3rd, 2018)</i>	

AIM Positioning

FY 2016 (Eu m)	Company	AIM Sector*	AIM Italia
Revenues	2.5	54	38
Revenues YoY	+99%	+32%	+18%
EBITDA Margin	10%	17%	13%
Net Debt (Cash)	1.7	5.1	9.9
Net Debt/EBITDA (x)	6.4	1.6	3.0
Market Data (Eu m)	Company	AIM Sector*	AIM Italia
Capitalisation	10	63	66
Perf. from IPO	+1%	+14%	-1%
Free Float	32%	30%	40%
ADTT YTD (Eu)	44,557	62,757	87,534

Source: Osservatorio AIM Italia and FactSet data as of March 27th, 2018
 * Healthcare: BioDive, Bormi Italia, GPI, Health Italia, KOLinPHARMA, Pharnanutra

Results & Estimates

Key Figures (Eu m)	16A	17A	18E	19E	20E
Sales	2.5	4.1	6.7	9.0	11.2
Sales YoY growth	+99%	+62%	+65%	+34%	+24%
EBITDA	0.3	0.6	1.5	2.4	3.3
EBITDA%	10%	15%	23%	27%	30%
EBIT	(0.3)	0.03	0.6	1.1	1.8
EBIT%	-13%	1%	8%	12%	16%
Net Profit	(0.4)	(0.1)	0.5	0.8	1.2
Net Debt (Cash)*	2.5	2.5	2.7	2.0	0.7
EPS (Eu)	n.m.	n.m.	0.31	0.52	0.74

Source: Company data (Italian Accounting Principles) for FY 2016-17 and IR Top Research estimates for FY 2018-20
 * Net financial Debt includes shareholders' loan (0.05 Eu m at the end of FY 2017)

Peers Comparison

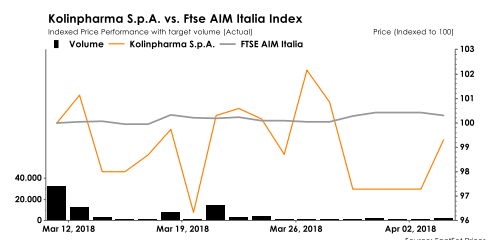
EV/EBITDA (x)	18E	19E	20E
KOLinPHARMA	8.3	5.3	3.8
Nutraceutical peers median	9.2	8.7	n.a.
Discount/Premium to peers	-10%	-39%	n.a.
P/E (x)	18E	19E	20E
KOLinPHARMA	20.0	12.0	8.3
Nutraceutical peers median	16.8	15.4	n.a.
Discount/Premium to peers	+19%	-22%	n.a.

Source: IR Top Research estimates for KOLinPHARMA and FactSet data for comparables as of April 3rd, 2018

Performance

	1M	3M	1Y
Absolute	n.a.	n.a.	n.a.
Relative (FTSE AIM Italia)	n.a.	n.a.	n.a.
52-week High/Low (Eu)*	7.27 / 6.67		

Source: FactSet data
 * Intraday



AIM ITALIA

Dimension

98 companies
6.5 Eu b of capitalisation

Growth

63 IPOs in 2015-18
3.7 Eu b of capital raised since 2009

Performance

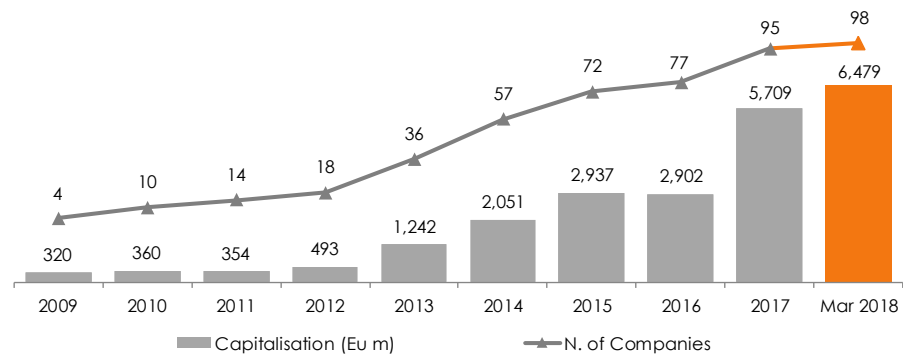
FTSE AIM Italia +22% since 2017

Liquidity

ADTT in 2017 was 120 Eu k vs. 24 Eu k in 2016

AIM Italia, the equity capital market for small growing companies, has grown significantly since 2013: as of March 27th, 2018 the listed companies were 98 for a total capitalisation of 6.5 Eu b.

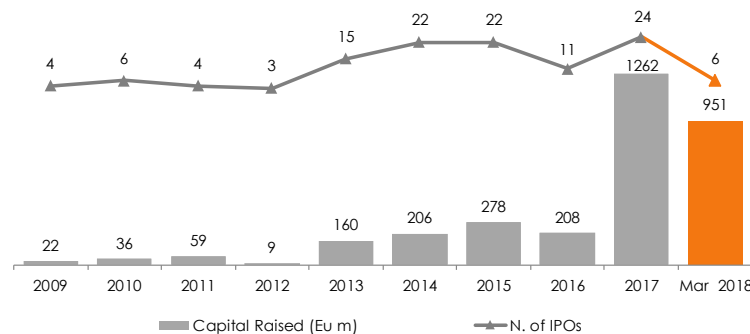
AIM Italia: 2009-2018 market dimension trend



Since 2013 the number of IPO's and the amount raised increased considerably: in 2017 a peak was registered thanks to the listing of 24 new companies and in 2018 there have been 6 IPOs. AIM Italia is more dynamic than the main market (MTA): in 2015-2017, 57 companies listed on AIM Italia, 19 on MTA.

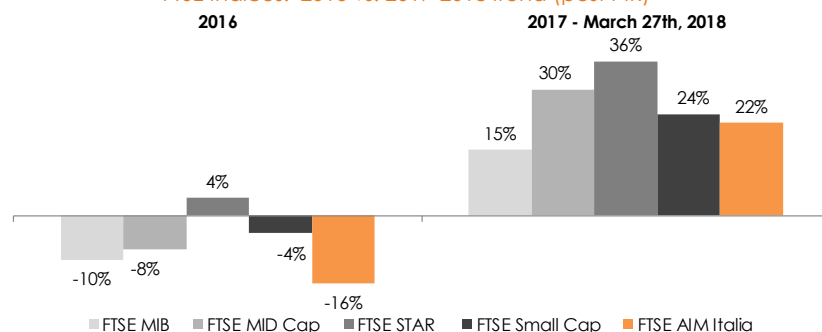
Since 2009, the total equity amount raised in IPO is 3.2 Eu b; including capital increases, warrant exercise and bond subscription, the capital raised is 3.7 Eu b.

AIM Italia: 2009-2018 market growth trend



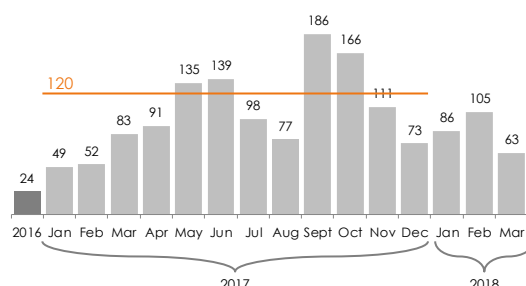
Thanks to the introduction of PIR (Piani Individuali di Risparmio, the Italian equivalent of UK Individual Savings Accounts), all the indices highlight positive trends: FTSE AIM Italia has grown by +22% since 2017 vs. -16% in 2016.

FTSE Indices: 2016 vs. 2017-2018 trend (post PIR)

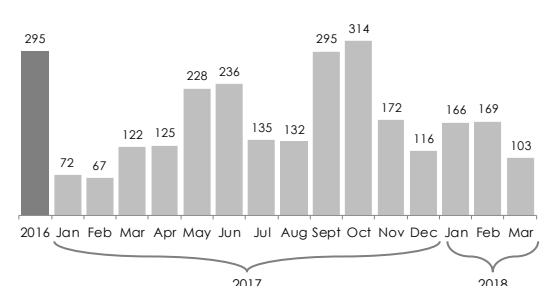


Improving market liquidity after the introduction of PIR: Average Daily Traded Turnover (ADTT) strongly increased in 2017, with an average value among the 95 companies of 120 Eu k (5.1x 24 Eu k in 2016). Total Traded Turnover (TTT) in 2017 amounted to 2.0 Eu b, 6.7x 295 Eu m in 2016.

Average Daily Traded Turnover (Eu k)



Total Traded Turnover (Eu m)



AIM ITALIA BY SECTOR

Finance is the main sector in terms of n. of companies (26%) and capitalisation (42%)

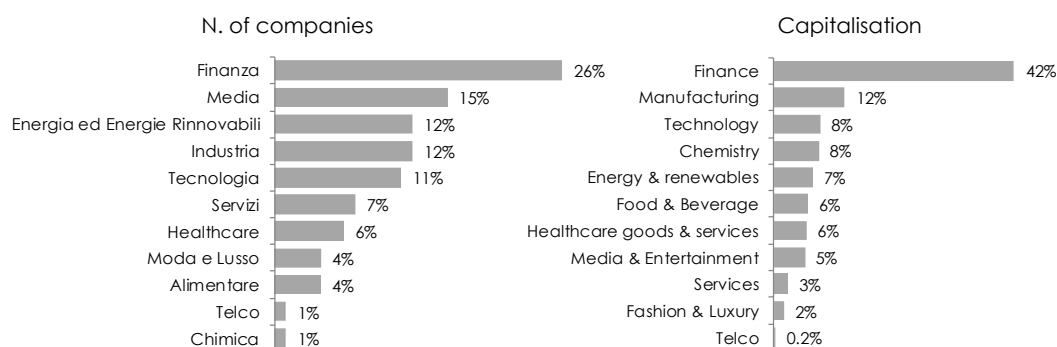
Best share performance since 2017: Chemistry (+89%)

Best yoy 2016 revenues growth: Energy & renewables (+33%)

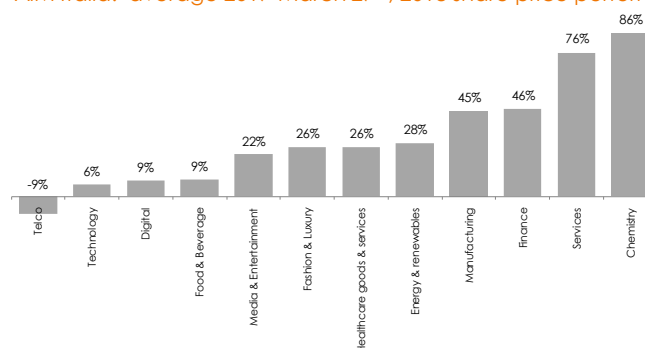
Average 2016 EV/EBITDA multiple: 13.1x

The most important sectors in terms of number of companies are: Finance (26%), Media & Entertainment (15%) and Energy & renewables (12%); main sectors in terms of capitalisation are Finance (42%), Manufacturing (12%) and Technology (8%).

AIM Italia: breakdown by Sector



Chemistry is the sector with the best performance in 2017 (+89%), followed by Services (+79%) and Manufacturing (+46%).

AIM Italia: average 2017-March 27th, 2018 share price performance

In 2016 Food & Beverage had the highest level of average revenues (238 Eu m), followed by Manufacturing (79 Eu m). The best growth yoy was realized by Energy & renewables (+33%), that was the sector that registered also the highest level of indebtedness (26.5 Eu m).

AIM Italia: average 2016 financial data

Sector	Revenues (Eu m)	Revenues YoY growth (%)	EBITDA margin (%)	NFP (Cash) (Eu m)	NFP/EBITDA (x)
Chemistry	5	-40%	16%	(3.3)	(4.1)
Energy & renewables	38	+33%	6%	26.5	14.6
Fashion & Luxury	37	-4%	2%	3.7	0.1
Food & Beverage	238	+4%	10%	18.6	1.7
Healthcare goods & services	54	+32%	17%	5.1	1.6
Manufacturing	79	+4%	12%	14.8	1.7
Media & Entertainment	23	+11%	18%	6.3	0.7
Services	15	+29%	12%	0.2	(1.2)
Technology	21	+31%	16%	3.4	0.8
Telco	6	+21%	39%	2.4	0.9
AIM Italia	38	+18%	13%	9.9	3.0

Excluding Chemistry (represented by 1 company), the first sector in terms of average capitalisation is Finance (110 Eu m), followed by Food & Beverage (97 Eu m). In terms of 2016 EV/EBITDA multiples, Services shows the highest value (17.1x), followed by Technology (16.4x).

AIM Italia: average market data

Sector	N. of companies	Market Cap (Eu m)	Free Float (%)	ADTT YTD (Eu)	EV/EBITDA 2016 (x)
Chemistry	1	524	37%	1,230,939	n.m.
Energy & renewables	12	37	25%	31,613	15.5
Fashion & Luxury	4	30	21%	29,482	8.6
Finance	25	110	70%	151,137	n.m.
Food & Beverage	4	97	47%	97,896	8.7
Healthcare goods & services	6	63	30%	62,757	16.5
Manufacturing	12	67	25%	49,117	11.9
Media & Entertainment	15	23	28%	35,481	9.3
Services	7	24	26%	49,170	17.1
Technology	11	49	39%	68,327	16.4
Telco	1	15	39%	49,779	6.9
AIM Italia	98	66	40%*	87,534	13.1

Source: Osservatorio AIM and FactSet data as of March 27th, 2018
n.m. = not meaningful
* 32% as median value

AIM POSITIONING

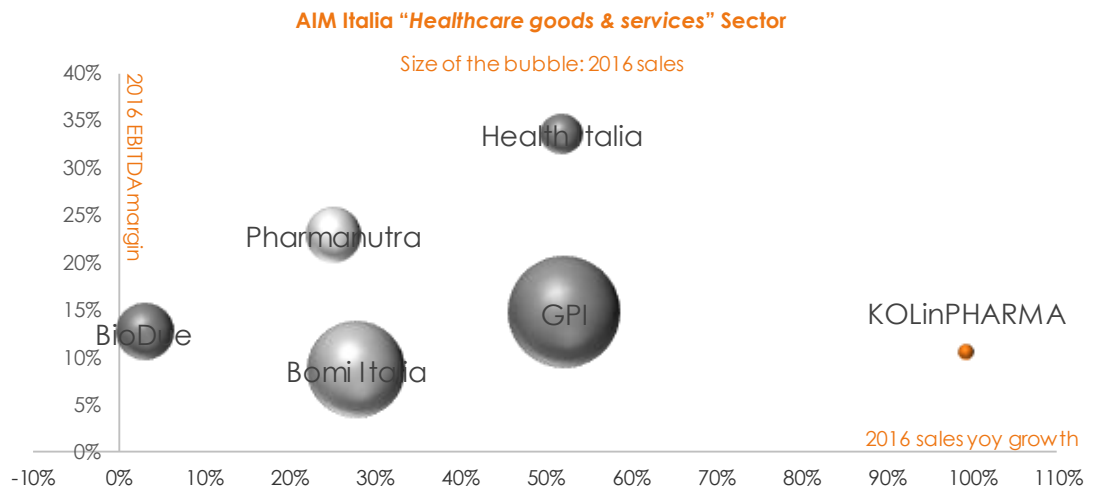
Higher sales growth but lower EBITDA margin and NFP within the AIM "Healthcare" Sector

KOLinPHARMA positions itself in the AIM "Healthcare goods & services" Sector.

Compared to average values of AIM Italia "Healthcare goods & services" Sector, KOLinPHARMA shows:

- strongly higher sales growth rate (+99% vs. +32%);
- lower EBITDA margin (10% vs. 17%);
- lower net financial debt in absolute terms (1.7 Eu m vs. 5.1 Eu m);

Moreover, KOLinPHARMA is the only "Innovative SME" of this panel besides Health Italia.



2016 Data	Revenues (Eu m)	Revenues YoY growth (%)	EBITDA margin (%)	NFP (Cash) (Eu m)	EV/EBITDA (x)	NFP/EBITDA (x)
BioDue	34.8	+3.1%	12.6%	4.4	13.5	1.0
Bomi Italia	100.9	+27.8%	8.7%	16.0	7.6	1.8
GPI	136.2	+52.4%	14.8%	9.9	3.6	0.5
Health Italia	18.0	+52.0%	33.6%	-3.1	11.7	(0.5)
KOLinPHARMA**	2.5	+99.5%	10.5%	1.7	45.7	6.4
Pharmanutra	32.8	+25.3%	22.9%	1.9	16.7	0.3
Healthcare goods & services*	54.2	+32.1%	17.2%	5.1	16.5	1.6
AIM Italia*	38	+18%	13%	9.9	13.1	3.0

Source: Osservatorio AIM Italia and FactSet data as of March 27th, 2018 for EV
 * Average values. Revenues YoY growth rate does not include KOLinPHARMA's figure
 ** Net financial Debt does not include shareholders' loan (0.8 Eu m at the end of FY 2016)

Compared to average values of AIM Italia "Healthcare goods & services" Sector, KOLinPHARMA shows:

- lower market capitalisation (10 Eu m vs. 63 Eu m);
- higher free float (32% vs. 30%);
- lower average daily traded turnover year-to-date (45k Eu vs. 63k Eu).

The share performance from IPO is positive.

Market Data	Market Cap (Eu m)	Free Float (%)	Perf. from IPO (%)	ADTT YTD (Eu)
BioDue	54.7	21.5%	+38.3%	17,074
Bomi Italia	50.6	44.6%	+20.7%	122,405
GPI	62.3	36.6%	+3.4%	51,680
Health Italia	73.9	23.4%	+29.0%	76,309
KOLinPHARMA	10.3	31.7%	+0.7%	44,557
Pharmanutra	123.9	22.5%	-8.5%	64,515
Healthcare goods & services*	62.6	30.0%	+13.9%	62,757
AIM Italia*	66	40%	-1%	87,534

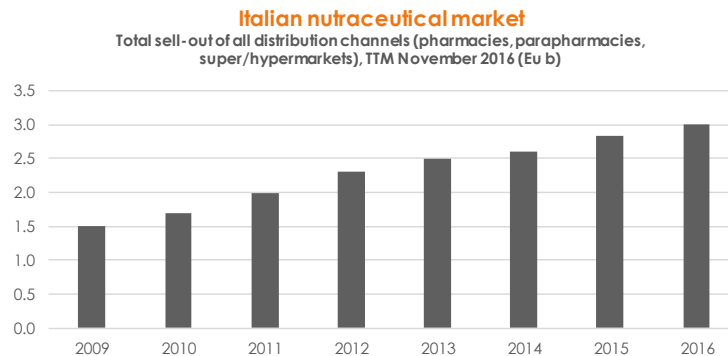
Source: Osservatorio AIM Italia and FactSet data as of March 27th, 2018
 * Average values

REFERENCE MARKET

Italian nutraceutical market total turnover was 3.0 Eu b in 2016 ('14-'16 CAGR: +7.4%)

Nutraceuticals are globally broadly defined as **foods and beverages, including functional foods and food supplements derived from natural bioactive compounds**. They add health benefits to the basic nutritional value in foods and are primarily used to promote health and wellness or to prevent and treat disease. Global market size of nutraceuticals is predicted to reach \$ 340 billion by 2024 from \$ 205.39 billion in 2015, with a **CAGR of 7.2% from 2016 to 2024**. Main market drivers are aging population, rise in disposable income, increasing healthcare awareness, higher incidence of allergies and intolerance and demand from emerging Economies (Source: variant market research).

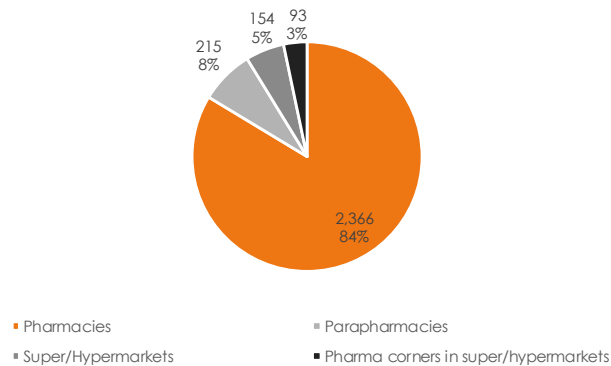
In Italy, the nutraceutical market is defined as food supplements. Thanks to growing attention to nutritional needs and prevention and an increasing awareness on the key function of minerals, vitamins and other natural substances on our well-being, this market has seen **total turnover** double since 2009 to reach about **3.0 Eu billion in 2016** (Trailing Twelve Months November 2016) with a 2014-2016 **CAGR of +7.4%**. In 2016 volumes reached **231.7 million packs** from 130 million in 2009. Italy is one of the most mature market for food supplements, with a **pro-capita expenditure of 41 Eu**, well above other EU countries (Germany 21 Eu, France 12 Eu, Belgium and Austria 33 Eu, Switzerland 21 Eu).



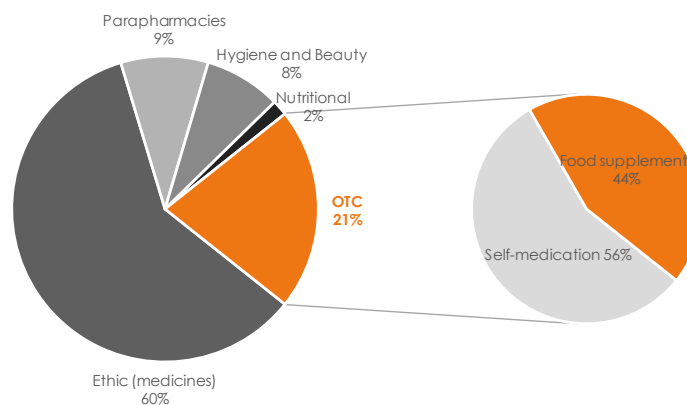
Source: QuintilesIMS Italy – «Il mercato degli integratori alimentari in Italia», Giornale Italiano di Farmacoeconomia e Farmacoutilizzazione 2017

In Italy, **pharmacies represent the most important distribution channel for nutraceuticals, with over 80% of total turnover**. Other distribution channels are parapharmacy and super/hypermarkets.

Nutraceuticals sell-out (2.8 Eu b) by distribution channels in Italy in 2015



Italian pharmacy total market value (25.2 Eu b) by segment in 2015

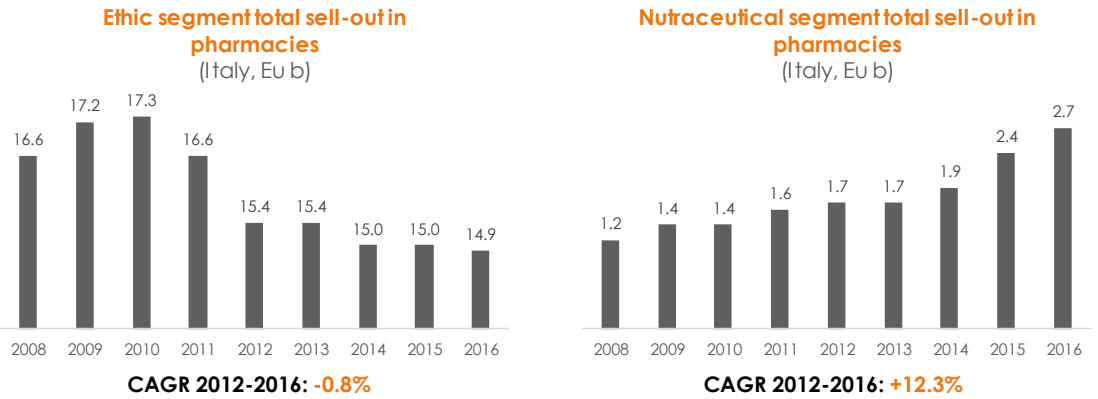


Source: IMS Health – Multichannel View 2015

Nutraceuticals is the most dynamic segment within the OTC market

Pharmacies operate in two segments: ethic (licensed medicine on medical prescription), and commercial. The commercial segment is made up by OTC (self-medication, i.e. medications without prescription, and nutraceuticals), parapharmacies, hygiene&beauty and nutrition. **Nutraceuticals are classified as a segment of the OTC market.**

In 2015, the OTC market registered total sell-out of 5.38 Eu billion, +5.8% vs. 2014. This growth was mainly driven by **nutraceuticals (44% of total OTC market) which grew by 7.7%**. In the last five years of economic crisis pharmacies have seen boosting sales in the nutraceuticals segment, while the ethic segment has been declining. Nutraceuticals therefore represent an alternative for Pharmacies to diversify in a more dynamic market.



Between 2015 and 2016 nutraceutical market grew along all distribution channels:

- pharmacies +7.7%
- parapharmacies +4.2%
- super/hypermarkets +6.3%
- pharma corners in super/hypermarkets +11.0%.

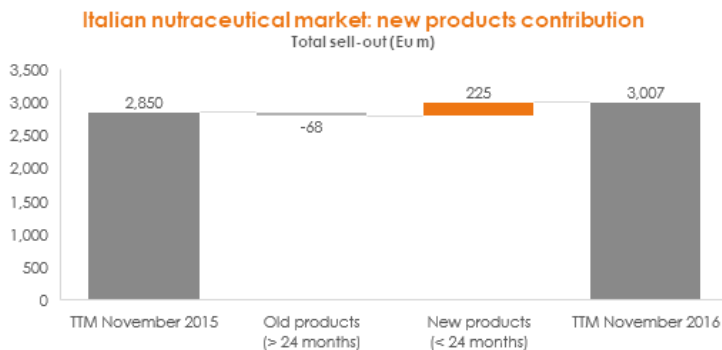
Source: Company Road Show presentation

In the period January-October 2017 the total nutraceutical sell-out in Italy was 2.44 Eu billion (+6.6% yoy) with 177 million packs sold (+4.8% yoy) and an average public price of 13.74 Eu (+1.6% yoy); pharmacies accounted for 2.23 Eu b, with a yoy growth of 6.3%, but the trend was positive also in the other distribution channels.

Source: FederSalus – «Il Mercato degli Integratori», Ottobre 2017

Key industry success factors: innovation, skilled and efficient salesforce

Innovation is a key performance driver in the nutraceuticals market. New launches support growth and attract patients interests. In 2016 total market value increased thanks to the introduction of new products, while "historical" products lost market share. Given the dynamics of this market, the key to gain market share is continuous renewal of product portfolio.



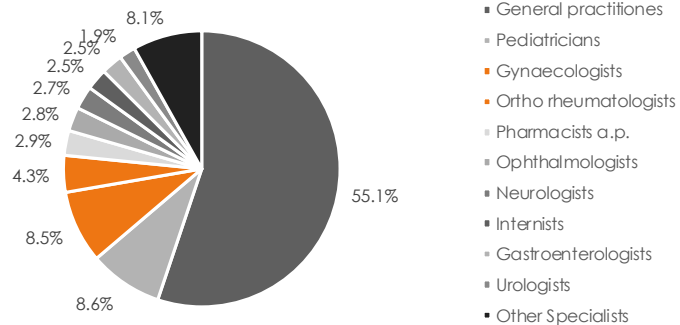
Source: QuintilesIMS Italy – «Il mercato degli integratori alimentari in Italia», Giornale Italiano di Farmacoeconomia e Farmacoutilizzazione 2017

Skilled and efficient salesforce are other important success factors in this industry. End customers are usually not expected to express preference for a certain brand, and a company's success therefore largely depends on the efficiency of the communication to General Practitioners (GPs) and Specialists. **Product quality, hiring and training, alongside adequate compensation mechanisms for the sales team are therefore crucial.**

Role of GPs and Specialists

GPs and Specialists play a fundamental role in the nutraceutical market. Paediatrics, gynaecologists and orthopaedics are the Specialists most inclined to prescribe nutraceuticals as part of a cure. **KOLinPHARMA's products are focused on gynaecology and ortho rheumatology.**

Prescription weights by medical specialities



Source: Company Road Show presentation

Main market driver: increasing awareness of prevention and well-being

MARKET DRIVERS

- development of the culture of **prevention and well-being**: especially in Western countries, food supplements have become part of a lifestyle choice, thanks to the increasing awareness on the key function of minerals, vitamins and other natural substances;
- with a declining ethnic segment, **nutraceuticals represent an alternative for pharmacies** to differentiate the offer by focusing on the most dynamic segment of the commercial market;
- **increasing number of distribution channels** allowing greater accessibility (e-commerce);
- social-demographic trends: **aging population** and rise in disposable income (middle class growth).

Source: QuintilesIMS Italy - «Il mercato degli integratori alimentari in Italia», Giornale Italiano di Farmacoeconomia e Farmacoutilizzazione 2017

COMPETITIVE LANDSCAPE

In April 2016 KOLinPHARMA ranked 198th, up from bottom 400 in 2014

The supply side relative to the nutraceutical sector in Italy involves two types of companies:

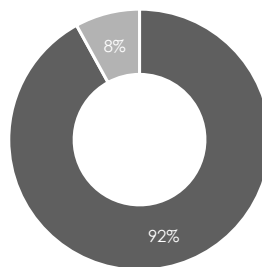
- multinational pharmaceutical companies, for which nutraceuticals are not core;
- exclusively nutraceutical companies.

In Italy there are about 1,800 players in the market (companies which distribute through the pharmacy and parapharmacy channels). Only **15% (about 270 companies) record revenues over 1 Eu m and represent together 92% of the market.**

The top 15 nutraceutical companies (by sell-out in Italian pharmacies) have a market share of about 30%; the first one in this ranking is Aboca, with 112 Eu m sell-out (TTM April 2016) and a market share of 4.2%, followed by Pfizer, a multinational pharmaceutical company with 109 Eu m sell-out and a 4.1% market share.

In April 2016 KOLinPHARMA ranked 198th, up from bottom 400 in 2014.

Nutraceutical companies (# 1,800) sell-out in Italian pharmacies and parapharmacies



- 15% of nutraceutical companies operating in Italian pharmacies and parapharmacies with sell-out > 1 Eu m
- 85% of nutraceutical companies operating in Italian pharmacies and parapharmacies with sell-out > 1 Eu m

Source: Company Road Show presentation

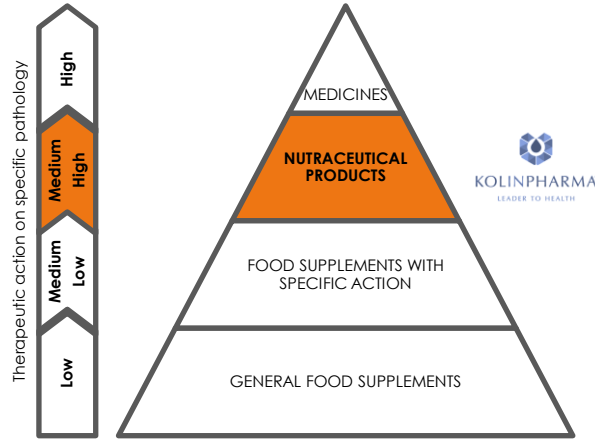
Company	Market share	Sell-out (TTM April 2016, Eu k)
Aboca	4.23%	112,335
Pfizer cons.health	4.08%	108,555
Sofar	2.94%	78,192
Meda Pharma	2.67%	71,000
Montefarmaco OTC	2.20%	58,427
Named	1.83%	48,659
Pool Pharma	1.70%	45,274
Unifarco	1.48%	39,338
Laborest Italia	1.46%	38,822
Shedir Pharma	1.44%	38,189
Biofutura Pharma	1.40%	37,159
Johnson & Johnson.ch	1.40%	37,119
ESI	1.34%	35,714
Solgar Italia	1.25%	33,314
Giuliani	1.20%	31,947
Others	69.38%	1,844,493
Totale	100.00%	2,658,537

POSITIONING

High-end positioning

KOLinPHARMA positions itself among nutraceuticals with focus on **therapeutic support for specific pathologies**. This positions the Company's products **between generic supplements and traditional drugs**, thus differentiating them from generic integrators (for example energizing, multivitamins or generics food supplements) distributed in pharmacies, parapharmacies and super/hypermarkets.

KOLinPHARMA's strategic positioning



Source: Company Road Show presentation

REGULATORY FRAMEWORK

Regulation and compliance play an important role in this market and differs considerably from country to country.

- The EU **46/2002/CE Directive** "ensuring safe food supplements in the EU" (Italian Legislative Decree 169/2004 "Attuazione della direttiva 2002/46/CE relativa agli integratori alimentari") **defines food supplements as food products** with the purpose to integrate the common diet and containing concentrated nutritive substances, such as vitamins and minerals, or other substances having a nutritive or physiological effect. **As food products, food supplements must meet quality and food safety requirements** (178/2002, 852/2004, 882/2004, 1333/2008, 1881/2006, 2073/2005, 396/2005). The **production and packaging of food supplements must be carried out in establishments authorized by the Ministry of Health**, in accordance with the provisions of article 10 of Legislative Decree 111/1992.
- **Nutritional substances:** the legislation limits the use of ingredients used in food supplements, in terms of typology, source of dosage and, if necessary, warning labels (vitamins and minerals 1170/2009, DM 24/03/14).
- **Nutritive and physiological effects** (194/2006/CE 432/2012/CE) have to be scientifically proved, well defined and verifiable in order to attribute salutistic properties or generic benefits.
- In Italy products for therapeutic purposes can be registered medicines either with the national procedure (AIC, Autorizzazione alla Immissione in Commercio) or with the European procedure through the EMA (European Medicines Agency). Registered medicines can be distributed with or without medical prescription. Registered medicines with prescription obligation can be refundable (class A) or non-refundable (class C) by the Italian National Health System. Self-medication medicines without prescription obligation are generally not refundable. Products with non-therapeutic purposes, such as **nutraceuticals** (as defined above by the 46/2002/CE Directive and Lgs. D. 169/2004), **can be placed on the market only after a preliminary notification of their label to the Italian Ministry of Health**; once this procedure is successfully over, the products are included in a specific list with their own code, whose details can be found in the same label.

COMPANY PROFILE

Specialised in R&D and marketing of nutraceuticals

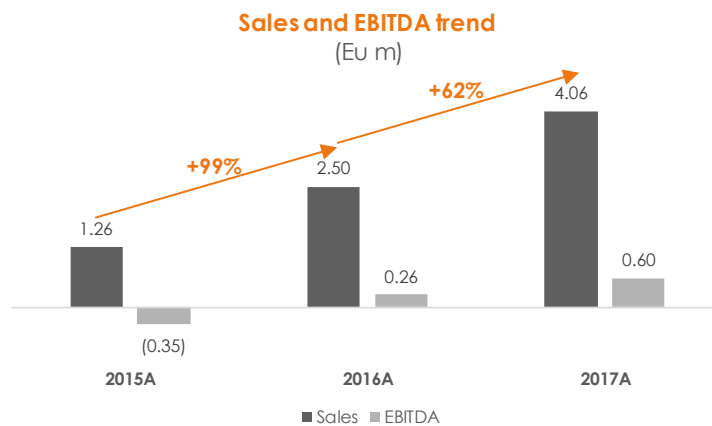
“Innovative SME”

KOLinPHARMA SpA, founded in 2013 and listed on AIM Italia on March 9th, 2018, is **specialised in R&D and sale of its own branded products in the growing nutraceutical market**. The Company's products are based on natural raw materials with the purpose of supporting pharmacological treatments for certain pathologies. KOLinPHARMA is currently present in the market with 5 products: 3 to support orthopaedic and physiatrist pathologies and 2 for gynaecological treatments.

The intention of KOLinPHARMA's founders is to position the Company in the high-end nutraceutical market by implementing best practice of Pharma industry organisation and strategies with strong focus on R&D and a well trained sales network.

Since November 2017 the Company is **included in the Milan Register of “Innovative SMEs”** (Law 24 March 2015 n.33, so called Investment Compact).

KOLinPHARMA has experienced rapid growth since its foundation and closed 2017 with 4.1 Eu m sales (2015-2017 CAGR +80%).



Source: Company data (Italian Accounting Principles)

The Company currently has **12 employees** and realizes **100% of total revenues in Italy**.

BUSINESS MODEL

Focus on R&D

Collaboration with scientific departments of Universities of Pavia and Calabria

Owner of 4 patents in Italy and 9 certifications

1) RESEARCH AND DEVELOPMENT

KOLinPHARMA manages R&D internally through a department of 3 employees (Scientific Manager, R&D Manager and Regulatory Affairs Manager) and through collaborations with external research institutes.

The R&D department identifies the needs of the final users through direct interaction with the sales network (MSIs). The specific ingredients of a compound and the development of the formulation are then identified internally, whereas the clinical (*in vitro*) tests are carried out by Universities.

In the **constant search for innovative ingredients**, the Company has teamed up with the University of Pavia, which recently launched the first University Master in Nutraceutical, for the monographic research on the antibacterial activity of plant extracts to be used in **nutraceuticals**.

In 2017 the Company also signed an agreement with the University of Calabria (UniCal of Cosenza) 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.

KOLinPHARMA is currently holder of **4 patents in Italy** (*Xinepa*, *Xinepa2*, *Almetax* and *Milesax*) expiring in 2034-2035, with **2 other patents pending** and **9 certifications** in force:

- company → ISO 9001:2008 (management quality) and ISO 22.000:2005 (food safety) both released by Bureau Veritas Italia SpA, while ISO 13485 is in course of release;
- products → *Kosher*, *Halal*, *Associazione Italiana Celiachia*, *Milk Free*, *Eccellenza di Casa Savoia* and *Unione Italiana Ciechi* (UIC).

In 2016 the Company achieved the **Play Sure Doping Free certification**, released by Doping Free S.A.. This certification guarantees that the ingredients stated on the product label do not contain any prohibited substances. The list of prohibited substances includes all those prohibited by the main sports organizations, such as the World Anti-Doping Agency (WADA).

In 2017 KOLinPHARMA received a **certificate of excellence from the European Commission for a Horizon 2020** project proposal and its 4th patent.

5 products in portfolio

2) PRODUCTION

Production is outsourced to two companies specialized in nutraceuticals production for third parties: **PharcoTerm Srl** (the agreement, in force since 2014, will expire at the end of 2018) and **Pharmaxima Srl** (the contract was signed during 2017), both authorized by the Ministry of Health.

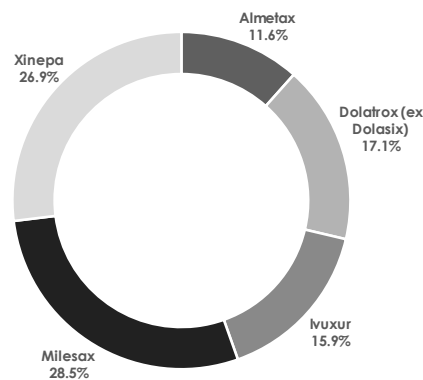
PRODUCT PORTFOLIO

KOLinPHARMA is currently present in the market with **5 products**, all included in the Ministry of Health's food supplements register:

- **Almetax (11.6% of 2017 sales):** food supplement for women in climacteric and menopause. In particular, vitamin B5 helps in the metabolism of fats; the chromium contributes to the maintenance of normal levels of glucose in the blood; the zinc helps to maintain normal testosterone levels in the blood; vitamin B6 contributes to the regulation of hormonal activity; Turmeric is indicated to combat menstrual disorders and to inhibit inflammation factors; Vitamin C contributes to the protection of cells from oxidative stress.
- **Dolatrox, ex Dolasix (17.1% of 2017 sales):** food supplement as a solution for arthropathies and osteoarthritis. Vitamin C contributes to the formation of collagen for the normal function of cartilages, Copper and Manganese for the maintenance of normal connective tissues.
- **Ivuxur (15.9% of 2017 sales):** food supplement to prevent and help fight urinary tract infections. This product is based on cranberry (dry extract of blueberry), D-mannose, bearberry and zinc. Cranberry and bearberry are useful for the well being and functionality of the urinary tract; zinc, in addition to helping the normal functioning of the immune system, contributes to the protection of cells from oxidative stress; D-mannose exerts an antibacterial action.
- **Milesax (28.5% of 2017 sales):** food supplement indicated for the myorelaxing and anti-inflammatory treatment. Magnesium contributes to normal muscle and psychological function and boswellia contrasts localized states of tension.
- **Xinepa (26.9% of 2017 sales):** food supplement indicated for mechanical, post-traumatic or compression neuropathies. Vitamins B1, B2, B6 and B12 contribute to the normal functioning of the nervous system and energy metabolism; moreover, B2, B6 and B12 help in cases of tiredness and fatigue. **The clinical study conducted at the Umberto I hospital in Rome states the effectiveness of Xinepa for the treatment of peripheral neuropathies**, affecting in Europe about 7-8% of the over 55 population, in combination with very low frequency electromagnetic waves; this results will be published on "The Journal of Physical Therapy Science" .

The Company is currently developing a medical device, named **Infemix®**, for the treatment of vaginal fungal infections; the launch is expected in 2018.

FY 2017 Sales breakdown
(4.1 Eu m)



Source: Company data

3) PACKAGING

The design and production of packaging is outsourced to a third party.

In 2015 KOLinPHARMA introduced the "**Tamper Evident**" closing, an international patented system that allows to check if the outer packaging has been tampered, as well as the use of **Braille** (the language for blind people), certificated by UIC, for the expiration data and the QR code. Moreover, the Company uses FSC ("forest stewardship council") paper.

4) LOGISTICS, STORAGE AND DISTRIBUTION

Logistics, custody, storage and distribution to wholesalers is outsourced to **Bomi Group**, a company listed on AIM Italia (ISIN IT0005108748). The exclusive contract was signed in November 2016 and it will expire at the end of 2019.

Transport of KOLinPHARMA's products is made at **controlled temperature**.

5) MARKETING AND SALES

This function is managed internally and headed by a Key Area manager to whom 4 Area Managers and **58 medical scientific informers (MSIs)** report. Before starting to work for the Company, the MSIs have to attend a 4 weeks introduction course and assume exclusivity and non-compete obligations. The MSIs are specialized professionals, graduated in scientific disciplines, who promote nutraceutical products directly to GPs and Specialists, focusing on raising KOLinPHARMA awareness, and paid on commissions.

Some Specialists (**Key Opinion Leaders**), convinced of the efficacy of the products, collaborate on occasional basis with the Company and, in particular, with scientific research and promotion of the products to colleagues and patients.

Highly qualified sales network

Key Opinion Leaders (KOL as in KOLinPHARMA)

The activity of MSIs is organized in interim periodic cycles:

- 1) identification of a reference pathology for each period of the year, also thanks to real-life clinical studies;
- 2) role playing, the definition of interviews to be carried out at the medical class or pharmacies;
- 3) identification of the reference medical target;
- 4) use of appropriate communication tools.

Wholesalers are direct customers

KOLinPHARMA's direct customers are wholesalers located throughout Italy. According to law, the Company applies **39.09% discount** on the sell-out price for these clients, with and extra 2-4% discount in July and November, months with higher than average revenues as wholesalers bulk up for the holidays (incidence on total sales was 14.8% and 21% respectively in 2016). KOLinPHARMA does not formalize supply agreements with individual wholesalers, but agrees on individual supply orders from time to time. These **wholesalers sell Company's products to pharmacies and parapharmacies.**

MILESTONES

- KOLinPHARMA was **founded on July 18th, 2013** by Emanuele Lusenti (current CEO) and Rita Paola Petrelli (current Chairman).
- In 2014 the first **four products were launched on the market**: *Almetax*, *Dolatrox* (ex *Dolasix*), *Ivuxur* and *Milesax*. KOLinPHARMA achieved **2 certifications** in July and the **innovative start-up** qualification in November.
- In March 2015 the **5th nutraceutical product** (*Xinepa*) was placed on the market.
- In 2016 the Company started scientific research collaboration with **Pavia University** – Pharmacy Department and achieved the certifications *Doping Free*, *Milk Free* and *Kosher*; in November 2016 the following **3 patents** on products were released: *Xinepa*, *Almetax* and *Milesax*.
- In 2017 KOLinPHARMA:
 - achieved an excellence recognition for the **Horizon 2020 Project**;
 - received its **4th patent** *Xinepa2*;
 - signed an agreement with Calabria University (UniCal di Cosenza) for the experimental cultivation of plants for nutraceutical use;
 - became "**Innovative SME**" (November 2017).
- **On March 9th, 2018 the Company listed on AIM Italia.**

"Innovative SME"
qualification in 2017 and
listing on AIM Italia in 2018

STRATEGY

Widening of product range
and development of sales
network

In the next three years KOLinPHARMA intends to grow through:

- **strengthening scientific research** and **expanding of product range** also through introduction of new innovative pharmaceutical forms (buccal tablets, sublingual, mucoadhesive);
- **development of sales network**, in order to increase awareness of GPs and Specialists about the Company's products and thereby boost prescriptions;
- **internationalization** through commercial agreements with foreign players.

With the listing on the AIM Italia market, the Company intends to **further reinforce the research department to include clinical tests *in vitro*.**

OPPORTUNITIES

High expected growth of nutraceutical market and continuous product innovation

- **High expected growth of the nutraceutical industry**
- Strong focus on R&D and **continuous product innovation** (3 new products are expected to be launched in 2018). Collaboration with the scientific departments of the Universities of Pavia and Calabria
- **Focus on quality with important certifications and consolidated relationships with medical specialists** who guarantee quality
- **Skilled sales team: university degree and high focus on training**
- KOLinPHARMA has the qualification of **"Innovative SME"** and it holds **4 patents, 2 patents pending and 9 certifications**
- Management team with long experience both in the Pharma and Nutraceutical industries

MAIN RISKS

Short equity story, high competition in the nutraceutical market and outsourced production

- **Short equity story:** the Company was founded in 2013 and it is still in a start-up phase
- **High competition in the nutraceutical industry:** possible entrance of new competitors in the market
- **Production in outsourcing:** reliability of outsources
- **Wholesalers consolidation** that increases their bargaining power
- **Net working capital must be kept under control** in order to guarantee business
- Risks resulting from **side effects, production defects and non-compliance with the technical and contractual specifications** of its products
- **Reputational risk:** related to the legal qualification of relationships with MSIs, as well as to any unfair commercial practices carried out by them
- **Regulatory limitations** on new products and **regulatory changes** in the reference market

IPO AND OWNERSHIP

180,000 not listed PAS

KOLinPHARMA was listed on AIM Italia on March 9th, 2018. IPO price was set at 7.00 Eu per share, for a total capitalisation at the IPO date of 10.2 Eu m. Total capital raised was 3.1 Eu m.

The Company is owned by Rita Paola Petrelli, co-founder and Chairwoman of the Board of Directors, who currently holds 52.61% of the Company share capital.

The share capital subscribed and paid up is 1,639,571 Eu, made up by n. 1,639,571 shares without nominal value, of which 1,459,571 are ordinary shares and 180,000 are **Price Adjustment Shares (PAS)** not listed on AIM Italia and hold by founding shareholders (Rita Paola Petrelli and Emanuele Lusenti). If certain financial targets (FY 2017 EBITDA > 0.5 Eu m, FY 2018 EBITDA > 1.4 Eu m) are not reached, the PAS will be cancelled, with proportional increase of free float; should targets be achieved, the PAS will be converted back into ordinary shares after the approval of FY 2018 financial statements. Moreover, founding shareholders have a **lock-up of 24 months** after IPO.

Free float is 31.7%

Free float is 31.65% (447,000 + 5,000 + 10,000 shares out of 1,459,571 ordinary shares).

Shareholder	N° of shares	%
Rita Paola Petrelli (Sefit Servizi Fiduciari SpA)	862,571	52.61%
Emanuele Lusenti (Carini SpA – Società Fiduciaria di Amministrazione e Revisione)	315,000	19.21%
Anna Laura Lanza	10,000	0.61%
Carmine di Vincenzo	5,000	0.30%
Market	447,000	27.26%
Total	1,639,571	100.00%

Source: Company data
Petrelli and Lusenti have 180,000 Price Adjustment Shares (Petrelli 122,437 and Lusenti 57,563) that are not listed on AIM Italia

GOVERNANCE

6 Board members, of which 2 Independent

List vote: 5% of share capital

The Board of Directors has 6 members, 2 of them are Independent.

KOLinPHARMA has approved an organization and management model pursuant to the Legislative Decree n. 231/2001.

Rita Paola PETRELLI – Co-founder, Chairwoman and CFO

She is chartered accountant, auditor, technical consultant of the Court of Catanzaro since 2004. She was Sole Director of Finanza e Tributi Consulting Srl, specialized in corporate, tax and financial services, and consultant in the administrative and management field for Calabria Region - Environment and Territory Department.

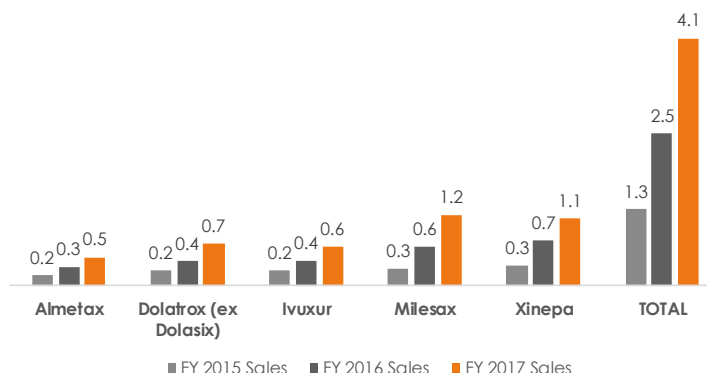
Emanuele LUSENTI – Co-founder and CEO

He made his professional debut as Pharma Sales Representative and then he carried out important managerial roles in the commercial field, acquiring experience in the pharmaceutical sector. His professional curriculum includes, with various roles, important companies of the pharmaceutical world, such as Schiapparelli, Sigma Tau, Alfa Wassermann, Bracco, Cizeta Medicali and Laborest Italia (an important company in the nutraceutical sector).

FY 2017 RESULTS

Since 2015 KOLinPHARMA has increased revenues at a CAGR of 80% and closed FY 2017 with **4.1 Eu m sales**, +62% vs. FY 2016, thanks to the progressive introduction of new products in the market and the strengthening of the sales network, with the number of MSIs up from 35 to 58 in 2017. In terms of products, performance was good across all product lines and, in particular, *Milesax* (+81% yoy) and *Dolatrox* (+74% yoy).

Sales breakdown by products



The **Value of Production of 5.3 Eu m** in 2017 (+41.6% yoy) includes capitalized costs (1.2 Eu m), mainly related to R&D costs and MSIs' entry incentives (advanced commissions), as of Company policy to incentivise the salesforce in the first year of activity (20% amortization rate). This cost will gradually diminish as the number of MSIs reach a steady state.

EBITDA more than doubled in FY 2017 to 0.6 Eu m (vs. 0.26 Eu m in FY 2016) and **EBITDA margin came at 15%** (vs. 10% in 2016) thanks in particular to operational leverage, partially offset by an increase in general expenses, especially personnel expenses (12 vs. 8 employees) and IPO related costs. Services, which includes MSIs commissions and advisory costs, is the most important cost item and represented 64% on sales in 2017 (76% in FY 2016), followed by raw material costs (33% vs. 48% in FY 2016).

EBIT improved (+0.4 Eu m) and reached break-even for the first time (positive for **0.03 Eu m** vs. negative for 0.4 Eu m in 2016), after D&As of 0.6 Eu m, in line with those of FY 2016.

Net financial charges remained stable at 0.07 Eu m and the pre-tax profit was equal to (0.04) Eu m vs. (0.4) Eu m in FY 2016. **Net result** was negative but close to the break-even: **(0.07) Eu m** vs. (0.4) Eu m in 2016.

Eu m – OIC	FY 2017	FY 2016	FY 2015*
Sales	4.1	2.5	1.3
YoY growth	62.3%	+99.5%	n.a.
VoP	5.3	3.8	2.2
EBITDA	0.6	0.3	(0.3)
EBITDA%	14.8%	10.5%	-27.7%
EBIT	0.03	(0.3)	(1.0)
EBIT%	0.8%	-12.9%	-76.6%
Pre-tax profit	(0.04)	(0.4)	(1.0)
Net Profit	(0.07)	(0.4)	(0.8)

Source: Company data (Italian Accounting Principles)
n.a. = not available
* Unaudited

The table below illustrates net working capital in the 2015-2017 period, which reflect typical dynamics for start-ups, with long payment terms for clients and suppliers in order to get the business going. Going forward, KOLinPHARMA must adapt to market conditions in order to guarantee relation with suppliers.

	Eu k	FY 2017	FY 2016	FY 2015*
Trade receivables		2,141	1,128	704
	DSO	177	150	186
Inventory		371	329	120
	DIO	34	48	35
Trade payables		(1,717)	(1,172)	(739)
	DPO	130	113	112
Operating Working Capital		795	285	85
Other current assets		422	456	319
Other current liabilities		(530)	(535)	(124)
Net Working Capital		687	206	280

Net financial debt as of December 31st, 2017 was equal to **2.5 Eu m**, up by 1.7 Eu m vs. year end 2016 after **1.2 Eu m of CAPEX** (vs. 1.0 Eu m in 2016) dedicated to R&D (new products development, trademarks and patents registration) and advance commissions for MSIs. **Equity** was **1.2 Eu m** vs. 0.1 Eu m in 2016.

Eu m – OIC	FY 2017	FY 2016	FY 2015*
Net working capital (NWC)	0.7	0.2	0.3
Fixed net assets	3.1	2.5	2.0
Funds	(0.05)	(0.03)	(0.02)
Net Capital Employed	3.8	2.6	2.3
Net financial Debt (Cash)**	2.5	2.5	1.8
Equity	1.2	0.1	0.5
Sources	3.8	2.6	2.3

Source: Company data (Italian Accounting Principles)

* Unaudited

** Net financial Debt includes shareholders' loan (0.05 Eu m at the end of FY 2017, 0.8 Eu m at the end of FY 2016 and 0.7 Eu m at the end of FY 2015)

2018-2020 ESTIMATES

Sales '17-'20 CAGR: +40%
EBITDA margin in 2020: 30%

- 1) **We believe Sales** can grow at a 2017-2020 CAGR of 40% (from 4.1 to 11.2 Eu m) through:
- strengthening of sales network by increasing the number of MSIs from current 58 to 90 at the end of 2020;
 - increase in average monthly prescriptions as products mature in the market;
 - widening of product range: 3 new products are expected to be launched in 2018;
 - Increase in sell-out price by 3% annually.
 - Capitalization of MSIs' advanced commissions, will gradually decrease and terminate when the number of MSIs will reach a steady state

Key success factors in support of revenue growth: product innovation and salesforce expertise.

- 2) **EBITDA CAGR** of 77% (from 0.6 to 3.3 Eu m at year end 2020). Increase in EBITDA margin from 14.8% in 2017 to 29.8% in 2020 mainly thanks to increased volumes, lower incidence of personnel and raw material costs from efficiencies with suppliers.
- 3) **Net result**: break even in 2018.
- 4) **Total capex** for the period are estimated equal to 3.9 Eu m in R&D, trademarks, patents and advance MSIs' fees. We assumed no investments in tangible and financial assets.
- 5) **We expect net financial debt** to increase to 2.7 Eu m in 2018 with investments in working capital and Capex and, thereafter, to shrink to 0.7 Eu m in 2020 thanks to free cash flow. We don't assume any new medium-long term loans during the period.
- 6) **Our estimates do not include M&A activities.**

Eu m - OIC	15A*	16A	17A	18E	19E	20E
Sales	1.3	2.5	4.1	6.7	9.0	11.2
YoY growth	n.a.	+99.5%	+62.3%	+65.4%	+34.3%	+23.9%
EBITDA	(0.3)	0.3	0.6	1.5	2.4	3.3
Margin	-27.7%	10.5%	14.8%	22.8%	26.6%	29.8%
EBIT	(1.0)	(0.3)	0.03	0.6	1.1	1.8
Margin	-76.6%	-12.9%	0.8%	8.4%	11.8%	15.8%
Pre-tax profit	(1.0)	(0.4)	(0.04)	0.6	1.1	1.8
Net Profit	(0.8)	(0.4)	(0.07)	0.5	0.8	1.2
YoY growth	n.a.	48.7%	18.1%	n.m.	n.m.	n.m.
EPS (Eu)	n.m.	n.m.	n.m.	0.32	0.57	0.89

Eu m - OIC	15A*	16A	17A	18E	19E	20E
Net working capital (NWC)	0.3	0.2	0.7	1.1	1.3	1.5
Fixed net assets	2.0	2.5	3.1	3.5	3.5	3.1
Funds	(0.02)	(0.03)	(0.05)	(0.03)	(0.03)	(0.04)
Net Capital Employed	2.3	2.6	3.8	4.5	4.7	4.6
Net financial Debt (Cash)**	1.8	2.5	2.5	2.7	2.0	0.7
Equity	0.5	0.1	1.2	1.7	2.6	3.8
Sources	2.3	2.6	3.8	4.5	4.7	4.6

Source: Company data (Italian Accounting Principles) for FY 2015-17 and IR Top Research estimates for FY 2018-20

n.a. = not available; n.m. = not meaningful

* Unaudited

** Net financial Debt includes shareholders' loan (0.05 Eu m at the end of FY 2017)

VALUATION

We value KOLinPHARMA through 2 different approaches, equally weighted:

- Market multiples comparison with international nutraceutical peers (adjusted by AIM positioning) and with AIM listed peers (without discount);
- Discounted Cash Flow (DCF) model.

Our valuation has not been adjusted for a possible dilution from the conversion of the 180,000 Price Adjustment Shares into ordinary shares, that would have an impact of -11% on our valuation (from 8.67 Eu per share to 7.72 Eu per share).

AIM POSITIONING DISCOUNT/PREMIUM

When using market multiples to determine the fair value of an AIM Italia listed company, we apply a discount on the average peer multiple based on an algorithm that measures the positioning of the company compared to the AIM Italia market as a whole and to the relevant AIM Sector .

In partnership with "Osservatorio AIM" (IR Top proprietary database) all companies listed on AIM Italia have been analysed over 4 dimensions:

1. Market Data (capitalisation, liquidity, free float)
2. Financials (growth and profitability)
3. Sustainability (ESG)
4. Transparency (strategic plan)

The Market Data establishes a base discount that runs from 20% to 30%. According to a scoring system, the other 3 dimensions (Financials, Sustainability and Transparency) determine an additional discount/premium in a range of +/- 5%.

Applying the algorithm on KOLinPHARMA, we consider fair a discount of 27.75% to Nutraceutical peers based on:

- Market Data discount of 27.5%
- A 0.25% discount as a sum of the scoring for Financials, Sustainability and Transparency.

The figure below summarizes KOLinPHARMA's relative positioning for the items considered.

KOLinPHARMA's AIM Positioning	AIM Sector		AIM Italia		YES	NO
	<AVG	>AVG	<AVG	>AVG		
Market Data						
Capitalisation	X		X			
Liquidity (ADTT YTD)	X		X			
Free Float		X	X			
Financials						
YoY Revenues growth		X				
EBITDA Margin	X					
Dividend policy						X
Sustainability (ESG)						
Independent Directors					X	
List vote					X	
Relevant Environmental Data						X
Relevant Social Data						X
Transparency						
Strategic Plan						X

Source: Osservatorio AIM Italia and FactSet data as of March 27th, 2018

MULTIPLES

We used **two peer groups**:

- international players operating in the nutraceutical industry;
- Italian players listed on AIM and active in the nutraceutical industry.

We consider EV/EBITDA the most important tool to evaluate KOLinPHARMA, as the Company is in a start-up phase with expected significant investments.

27.75% discount to Nutraceutical peers multiples according to AIM Positioning

Applying a 27.75% discount -as determined above- on 2018 and 2019 EV/EBITDA median multiples of international peers, the market multiple comparison yields a fair value of **6.88 Eu per share**.
Applying no discount on 2018 and 2019 EV/EBITDA median multiples of AIM listed peers, the market multiple comparison yields a fair value of **10.85 Eu per share**.

	Country	Market Cap (Eu m)	2017 sales (Eu m)	Sales 2017/2016 growth	2017 EBITDA margin	2018E EBITDA Margin
Archer-Daniels-Midland Company	USA	19,634	53,938	-4.4%	3.4%	5.4%
Boiron SA	France	1,328	618	+0.5%	24.3%	24.9%
Enervit S.p.A.	Italy	60	56	+3.4%	11.5%	10.4%
GNC Holdings, Inc. Class A	USA	239	2,175	-5.3%	10.5%	8.6%
Herbalife Ltd.	USA	6,909	3,925	-3.3%	15.3%	15.8%
Ingredion Incorporated	USA	7,494	5,170	+0.3%	18.6%	19.3%
Royal DSM NV	Netherlands	14,681	8,632	+9.0%	14.3%	17.9%
USANA Health Sciences, Inc.	USA	1,780	928	+2.1%	14.2%	15.0%
International peers median		4,344	3,050	+0.4%	14.3%	15.4%
BioDue	Italy	55	36	+3.1%	15.3%	17.3%
Pharmanutra	Italy	126	38	+15.3%	25.4%	24.6%
AIM listed peers median		91	37	+9.2%	20.4%	20.9%

Source: elaboration on FactSet data as of April 3rd, 2018

EV/EBITDA (x)	18E	19E	20E
KOLinPHARMA	8.3	5.3	3.8
Archer-Daniels-Midland Company	9.0	8.6	10.3
Boiron SA	6.7	6.4	6.3
Enervit S.p.A.	9.2	8.1	n.a.
GNC Holdings, Inc. Class A	7.6	8.0	6.0
Herbalife Ltd.	12.8	11.9	10.9
Ingredion Incorporated	9.1	8.7	8.4
Royal DSM NV	9.6	9.4	8.9
USANA Health Sciences, Inc.	11.5	10.9	n.a.
International peers median	9.2	8.7	n.a.
<i>Discount/Premium to international peers median</i>	<i>-10%</i>	<i>-39%</i>	<i>n.a.</i>
BioDue	9.0	7.5	n.a.
Pharmanutra	11.3	10.2	n.a.
AIM listed peers median	10.1	8.9	n.a.
<i>Discount/Premium to AIM listed peers median</i>	<i>-18%</i>	<i>-40%</i>	<i>n.a.</i>

Source: IR Top Research estimates for KOLinPHARMA and elaboration on FactSet data as of April 3rd, 2018

DCF

Main assumptions are:

- Risk-free interest rate: 1.786% (Italian 10y BTP yield as of April 3rd, 2018)
- WACC: 9.94%
- Perpetual growth: 2.00%

Our DCF yields a fair value of **8.47 Eu per share**.

Sum of PV 2018-2021 FCFs (Eu m)	2.35
Discounted Terminal Value (Eu m)	9.43
Total Enterprise Value (Eu m)	11.78
Net financial Debt (Cash) as of December 31 st , 2017 (Eu m)	2.55
IPO proceeds	3.13
Total Equity Value (Eu m)	12.36
Number of outstanding shares (m)*	1.46
Fair Value per share (Eu)	8.47

Source: Company data and IR Top Research estimates
* Excluding the 180,000 Price Adjustment Shares

VALUATION SUMMARY

Weighting the 2 approaches equally we set a target price of 8.67 Eu, implying an upside of 25% and an implicit 2017-2018 EV/EBITDA multiples of 25.2x and 9.9x respectively.

Method	Weight	Price (Eu)
Multiples analysis	50%	8.87
DCF	50%	8.47
Target Price		8.67

Our valuation yields a Target Price of 8.67 Eu p.s.

KOLINPHARMA ON AIM

-0.9% from IPO

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

Price Adjustment shares (PAS) not listed on AIM Italia: 180,000 for founding shareholders'

SHARE DATA (as of April 3rd, 2018)

Alphanumeric Code: KIP

ISIN ordinary shares: IT0005322950

ISIN PAS: IT0005322968

Outstanding shares: 1,639,571 (of which 180,000 are not listed Price Adjustment Shares)

Share capital: 1,639,571 Eu

Price: 6.94 Eu

Performance from IPO: **-0.9%**

Capitalisation: 10.1 Eu m

Free Float: 31.65%

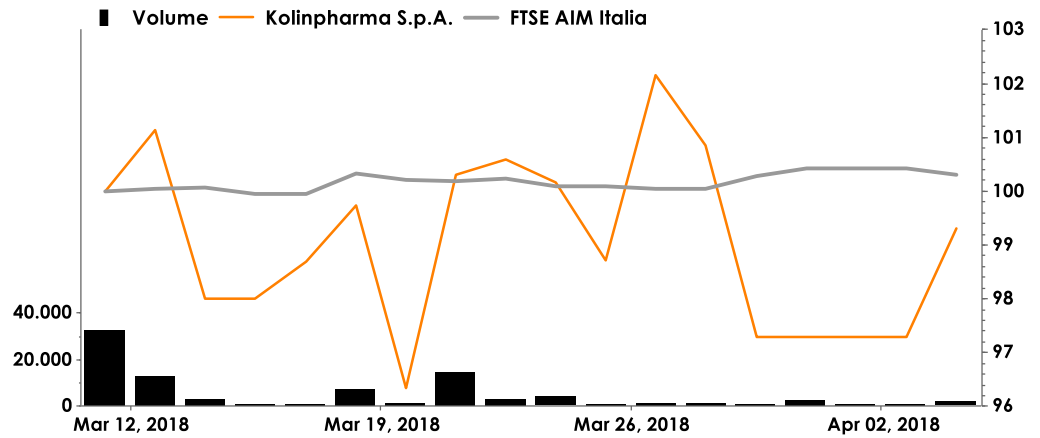
NomAd: EnVent Capital Markets Ltd

Specialist: Banca Aletti & C. SpA

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

Indexed Price Performance with target volume (Actual)

Price (Indexed to 100)



Source: FactSet Prices

KEY FIGURES

Eu m	2015A*	2016A	2017A	2018E	2019E	2020E
Profit & Loss Statement						
Sales	1.3	2.5	4.1	6.7	9.0	11.2
EBITDA	(0.3)	0.3	0.6	1.5	2.4	3.3
EBIT	(1.0)	(0.3)	0.03	0.6	1.1	1.8
Financial income (charges)	(0.02)	(0.07)	(0.07)	(0.05)	(0.04)	(0.01)
Pre-tax profit (loss)	(1.0)	(0.3)	0.03	0.6	1.1	1.8
Taxes	0.23	0.02	(0.02)	0.0	(0.2)	(0.5)
Net Profit (Loss)	(0.8)	(0.4)	(0.1)	0.5	0.8	1.2
Balance Sheet						
Fixed assets	2.0	2.5	3.1	3.5	3.5	3.1
NWC	0.3	0.2	0.7	1.0	1.2	1.4
M/L Funds	(0.02)	(0.03)	(0.05)	(0.03)	(0.03)	(0.04)
Net Capital Employed	2.3	2.7	3.9	4.5	4.7	4.6
Net financial Debt (Cash)**	1.8	2.5	2.5	2.7	2.0	0.7
Total Equity	0.5	0.1	1.2	1.8	2.6	3.8
Cash Flow						
EBIT	(1.0)	(0.3)	0.03	0.6	1.1	1.8
D&A	(0.6)	(0.6)	(0.6)	(1.0)	(1.3)	(1.6)
Taxes	0.23	0.02	(0.02)	0.0	(0.2)	(0.5)
Change in M/L Funds	n.a.	(0.01)	(0.02)	0.02	(0.001)	(0.002)
Gross Cash Flow	n.a.	(0.9)	(0.6)	(0.4)	(0.5)	(0.3)
Change in NWC	n.a.	(0.1)	0.5	0.3	0.2	0.2
Operating Cash Flow	n.a.	(1.0)	(0.1)	(0.1)	(0.3)	(0.1)
Capex	n.a.	(1.0)	(1.3)	(1.3)	(1.4)	(1.2)
Financial income (charges)	(0.02)	(0.07)	(0.07)	(0.05)	(0.04)	(0.01)
Free Cash Flow	n.a.	(2.1)	(1.4)	(1.5)	(1.7)	(1.3)
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Change in Equity	n.a.	(0.3)	1.1	0.5	0.8	1.2
Change in Net financial Debt (Cash)	n.a.	(2.4)	(0.3)	(0.9)	(0.8)	(0.1)
Per Share Data						
Current Price				€ 6.80		
Total shares outstanding (m)***				1.64		
EPS	n.m.	n.m.	n.m.	0.31	0.52	0.74
DPS	n.m.	n.m.	n.m.	0.00	0.00	0.00
FCF	n.m.	n.m.	n.m.	0.30	0.63	1.11
Pay-out ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ratios						
EBITDA margin	-27.7%	10.5%	14.8%	22.8%	26.6%	29.8%
EBIT margin	-76.6%	-12.9%	0.8%	8.3%	11.8%	15.7%
Net Debt/Equity (Gearing)	402.2%	n.m.	204.5%	152.9%	78.3%	18.0%
Net Debt/EBITDA	-5.3x	9.5x	4.2x	1.8x	0.8x	0.2x
Interest cover EBIT	0.02x	0.2x	-2.4x	-0.1x	-0.04x	-0.01x
ROE	n.m.	n.m.	-5.3%	28.9%	32.6%	31.9%
Free Cash Flow Yield	n.m.	n.m.	n.m.	4.4%	9.2%	16.3%
Growth Rates						
Sales	n.a.	99%	62%	65%	34%	24%
EBITDA	n.a.	175%	130%	154%	57%	38%
EBIT	n.a.	66%	110%	1702%	90%	65%
Net Profit	n.a.	51%	82%	863%	67%	44%

Source: Company data (Italian Accounting Principles) for FY 2015-17 and IR Top Research estimates for FY 2018-20

n.a. = not available; n.m. = not meaningful

* Unaudited

** Net financial Debt includes shareholders' loan (0.05 Eu m at the end of FY 2017)

*** Including the 180,000 Price Adjustment Shares

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