

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

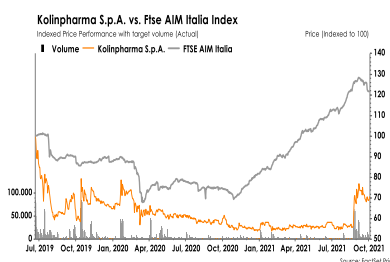
	2020A	2021E	2022E	2023E
Sales	8.2	11.5	15.0	17.2
Revenues	9.4	13.6	16.1	18.4
YoY %	-8%	+40%	+30%	+15%
EBITDA	1.9	2.4	3.2	3.9
EBITDA %	23%	21%	22%	23%
EBIT	1.0	1.5	2.2	2.9
EBIT %	12%	13%	15%	1%
Net Income	0.6	1.0	1.5	2.0
ND/(Cash)	1.4	(0.4)	(0.8)	(2.0)

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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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

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RESEARCH TEAM

Luisa Primi, (Senior Analyst, AIAF Associated)

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