

KOLINPHARMA

FY19: Revenue growth and cashflow above expectations

FY19 Results: KOLINPHARMA, innovative SME specialized in R&D in the nutraceutical market, just released a very strong set of FY 19 results, with sales of Euro 8.9 m, up by +24% vs. FY 18 (Euro 7.2 m), and +3% vs. our estimates. Growth was driven by a good performance along all product lines, and implied a continuous increase in market share, as it largely outperformed market growth (+3.6% Federsalus). EBITDA adjusted for non-recurring items came in at Euro 2.3 m, +58% vs. FY 18 (Euro 1.4 Eu m) and overperformed our estimates by +15%, and with an EBITDA margin of 25%, up from 19% in FY2018 thanks to actions taken by Management to improve operational efficiency. Non-adjusted EBITDA was of Euro 2.0 m. Net result increased by +115% to Euro 0.6 m (Euro 0.3 m in FY18). Net cash at the end of the period considered stood at Euro 0.7 m, recoding an increase of Euro 0.6 m vs. FY18 (Euro 0.1 m) thanks to good operating results and efficient management of working capital.

Outlook and Estimates: Our general outlook for Kolinpharma remains positive. In the first months of FY20, the Company launched two new products and added two new international patents to its portfolio. Management, however stated that given the uncertainty regarding the world-wide spread of the COVID-19 it is still difficult and premature to assess short-term potential effects on the Company's FY 2020 financials. For the time being the Company remains fully operational and Management confirmed the strategic guidelines of the Industrial Plan announced in April last year. Given the above we made a slight cut in our FY20 top-line growth assumption, now assuming a c. 12% growth rate (from c. +30%) whereas we increased the growth rate for FY21 as we expect demand to experience a steady recovery. Overall, we estimate a FY19-22 revenue and EPS CAGR of 27% and 46% respectively.

Valuation

We updated our model to factor in new estimates, up-to-date risk-free rate and ERP and market multiples and set a new target price of Euro 12.40 p.s. (Euro 12.33 p.s. previously) providing for an upside of 38% vs. current market price and obtained by weighting equally a DCF and a multiple comparison analysis.

Sector: Healthcare

Target Price (Euro)	12.40 (12.33 pr)
Market Price (Euro)	9.01
Market Cap (Euro m)	13
EV (Euro m)	12
<i>(as of April 26th, 2019)</i>	

Share Data

Market	AIM Italia
Reuters/Bloomberg	KIP.MI / KIP.IM
ISIN	IT0005322950
N. of Shares	1639571
Free Float	40.38%
Main Shareholder	Rita Paola Petrelli (59.62%)
CEO	Rita Paola Petrelli

AIM Positioning

FY 2019	Company	AIM Sector	AIM Italia
Revenues (Eu m)	8.9	48	43
Revenues YoY	24%	26%	30%
EBITDA Margin	25%	18%	14%
NFP/EBITDA (x)	0.3	0.2	3.8

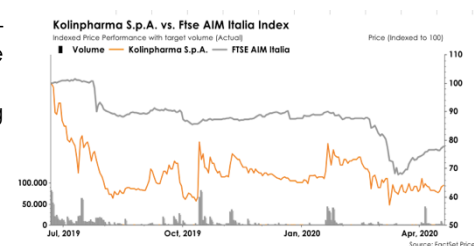
Market Data (Eu m)	Company	AIM Sector	AIM Italia
Capitalisation	13	93	46
Perf. YTD	-1%	-15%	-15%
Free Float	28%	30%	34%
ADTI YTD (Eu)	53,337	101,414	85,118

Performance

	1M	3M	6M
Absolute	0%	-1.6%	55%
Relative (TSE AIM Italia)	2%	2%	77%
52-week High/Low (Eu)	15.60	/	6.00

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Key Figures (Eu m)	Sales	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	8.9	+24%	2.0	22%	0.9	10%	0.6	(0.7)
2020E	10.0	+12%	2.3	23%	0.9	9%	0.6	(0.5)
2021E	14.0	+40%	3.4	25%	1.6	12%	1.1	(1.4)
2022E	18.2	+30%	4.7	26%	2.7	15%	1.8	(3.3)