

PHARMAGEST

Euronext B – FR0012882389 – PHA

✓ Q1 turnover + 2.23% to € 38.15m (-1.87% cs) / + 8.5% excluding the Covid impact

- o Pharmacy € 28.3m -3.6% (+ 3.2% excluding Covid)
- o Health & Social Care Solutions (HSCS) € 6.1m + 31.9% (+ 7.6% cs and excluding Covid)
- o E-Health € 4.1m + 10.8% (+ 8.2% cs)
- o Fintech € 0.44m + 10.7%

The Q1 is of good quality, excluding the Covid effect, which “cost” € 2.4m in turnover. Restated for the latter, activity increased by 8.5%. We expected + 10.2% over the year before our estimates are reviewed.

The **Pharmacy division** is the most affected (Covid effect for € 2m, postponement of the renewal of rental contracts beyond Q1 in France, unfavorable base effect in Belgium & Italy, etc.). Excluding Covid, it is closed to our annual objective of + 5.7% growth. The **HSCS division** is in line with our annual expectation of + 30%. **E-Health division** has lagged behind (+ 10.8% vs + 20% expected) while the group indicates that it has little impact on the Covid effect. Also, we were probably a little too optimistic, making this division one of the keys to the group's future development. **Fintech division** is ahead of our expectations at + 10.4% vs + 6% expected even though management indicates that it has suffered from the consequences of confinement.

Outlook

During the video conference organized to detail the annual results, Pharmagest's management had been reassuring about its short-term prospects, having notably indicated that in the event of total confinement for 45 days, the stress tests carried out enabled it to confirm the fact that the group will be growing organically in 2020. Ultimately, “strict” confinement lasted 53 days in France, “less strict” confinement will last 22 days until June 2. We will see for the rest. Also, we believe it will be difficult to have organic growth this year as a return to normal seems unlikely before September. Considering the impact of the Covid observed over about 1 month but really 13 days of strict confinement in France, it goes without saying that the Q2 will be much more complicated. However, being able to count on 66% of turnover and 68% of gross profit as being recurring will be a very good shock absorber.

At the time of the publication of the annual results, we estimated that it was possible to have organic growth between + 3% and + 5% due to the Covid. Furthermore, we had not integrated Svemu (Italy - October 2019), Care Solutions (Belgium - January 2020) and Pandalab (France - March 2020). Reading Q1, our estimates now seem a little optimistic. At the end of March, we decided to put our estimates under review while waiting for Q1. Even if the year remains just as complicated as Q2 will be key, **the Q1 allows us to update our forecasts**. The Pharmacy division will again decline in Q2 and certainly much more markedly. It is not until September that things should “normalize” because, contrary to what one might think, pharmacies saw their income very affected once precautionary purchases were made. The USPO pharmacists' union has seen activity declines from -15% to -35%. This sharp decline will necessarily have repercussions on the short-term investment policy of pharmacies. The non-recurring part of Pharmagest will be affected. It is therefore difficult to target growth this year in this context. We now expect -3.9%. For HSCS we lower our estimate to + 20% because the activity of GHT will suffer from the situation. Regarding e-Health, we were a priori too optimistic and are now targeting + 7%. Also, now we expect an annual turnover of € 159m vs € 174.7m, which is prudent. In terms of 2020 EPS, the impact is -17% compared to our previous estimates. The revision of our expectations leads us to lower our price target to € 61.7 vs € 69.6 (DCF € 66.3 - peers € 43.5).

Conclusion

Pharmagest's defensive profile has earned it an exceptional market performance in the current context. It is also close to its highest. It goes without saying that the group with its solutions is able to consolidate its positions. Basically we remain positive, but the adjustment of our forecasts and the lowering of our price target lead us to move to Neutral.

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Neutral

Q1 Sales

Eligible PEA

TARGET
€ 61.7

PREVIOUS
€ 69.6

PRICE (5/14/20)
€ 62

POTENTIAL
-0,5%

MARKET CAP.
€ 942m

FREE FLOAT
€ 226m

Ratios	2019	2020e	2021e
EV/Sales	5,8	5,6	4,9
EV/EBIT	22,3	23,4	19,3
P/E	32,5	35,1	29,3
P/CF	26,3	29,3	24,2
Dividend Yield	0,0	0,0	0,0

Data per share	2018	2019	2020e	2021e
EPS	1,70	1,91	1,77	2,11
%Change	10%	12%	-7%	20%
FCF	1,23	1,60	1,96	2,32
%Change	-3%	30%	22%	18%
Dividend	0,85	0,90	0,83	0,99

Income Statement (€m)	2018	2019	2020e	2021e
Net Sales	148,5	158,6	159,0	176,7
%Change	14,5%	6,8%	0,3%	11,2%
Gross Margin	121,8	128,6	129,2	143,4
% Sales	82,0%	81,1%	81,3%	81,2%
EBITDA	44,1	49,0	44,0	51,7
% Sales	29,7%	30,9%	27,7%	29,3%
EBIT	38,9	40,8	38,3	45,4
% Sales	26,2%	25,8%	24,1%	25,7%
Net Result	27,0	29,0	26,8	32,1
% Sales	18,2%	18,3%	16,9%	18,1%

Cash Flow Statement (€m)	2018	2019	2020e	2021e
FCF	18,7	24,3	29,8	35,3
Net Debt	-53,0	-28,0	-44,1	-66,8
Shareholder Equity	117,1	131,9	145,1	164,6
Gearing	-45%	-21%	-30%	-41%
ROCE	28%	33%	30%	28%

Shareholders	
Marque Verte Santé	60,5%
La Coopérative Welcoop	6,1%
Founders	7,8%
Auto Control	1,5%
Free Float	24,1%

Performances	2020	3m	6m	1 Year
Pharmagest	2,3%	-4,5%	-0,2%	14,2%
CAC Mid & Small	-25,1%	-26,2%	-23,4%	-20,4%
12 months Low-High	41,3	65,9		

Liquidity	2020	3m	6m	1 Year
Cumulative volume (000)	569	408	723	1 244
% of capital	3,7%	2,7%	4,8%	8,2%
% of Free Float	15,6%	11,1%	19,8%	34,0%
€ Million	33,2	23,0	42,3	72,1

Next Event Q2 Sales : 5th of august

GreenSome has signed a research contract with Pharmagest

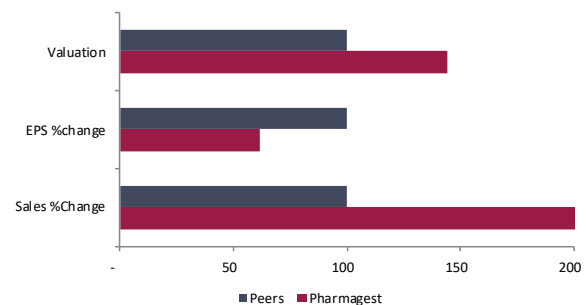
Snapshot PHARMAGEST

PHARMAGEST is the French leader in computational informatics with 44% of market share. With more than 1,000 employees, the PHARMAGEST Group's strategy revolves around a core business, IT innovation in the service of healthcare and the development of two priority areas: 1 / services and technologies for patients and health professionals, including support for the pharmacist in monitoring adherence; 2 / Technology areas that can improve the efficiency of health systems. PHARMAGEST has developed specialized professions: computational informatics, solutions for e-Health, solutions for health professionals, solutions for pharmaceutical laboratories, applications and connected health objects, market place in sales financing ... These activities are divided into 4 Divisions: Solutions Pharmacy Europe, Solutions for health and medico-social establishments, e-Health Solutions and Fintech.

Fondamental Matrix



Investment Profile



Price Target and Rating History

DATE	TYPE	OPINION	PRICE	TARGET PRICE
3/31/20	Video Conf.	Under Review	€ 50.6	Under Review
3/30/20	2019 Results	Under Review	€ 48.9	Under Review
2/7/20	2019 Sales	Buy	€ 63.1	€ 69.6
1/14/20	Acquisition in Belgium	Buy	€ 61.6	€ 69.6
11/18/19	Q3 Sales	Buy	€ 61.6	€ 67.9
10/14/19	Acquisition in France	Buy	€ 56.6	€ 67.9
10/2/19	Acquisition in Italy	Buy	€ 55.5	€ 64.7
9/23/19	H1 results	Buy	€ 58	€ 64.7
8/5/19	H1 Sales	Buy	€ 58.1	€ 64.7
6/6/19	Pharmathek	Buy	€ 57.6	€ 67.3
5/17/19	Q1 Sales	Buy	€ 53.8	€ 67.3

Financial Data

Income Statement (€ m)	2014*	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**
Revenues	114,6	113,5	128,4	129,7	148,5	158,6	159,0	176,7
Purchase	28,4	24,1	31,5	23,5	26,7	29,9	29,8	33,3
Gross Margin	86,2	89,4	96,9	106,2	121,8	128,6	129,2	143,4
Externals costs	14,4	13,9	14,7	17,5	21,6	20,4	21,0	23,3
Personnals Costs	41,5	42,2	44,6	47,1	53,0	56,3	60,9	64,7
EBITDA	27,6	30,7	35,0	38,8	44,1	49,0	44,0	51,7
Amortization	2,4	2,8	3,8	4,6	5,5	8,1	5,7	6,4
other	0,3	0,3	0,2	0,0	0,2	0,0	0,0	0,0
EBIT	25,5	28,3	31,4	34,3	38,9	40,8	38,3	45,4
Financial Result	1,0	1,0	1,2	1,1	0,9	1,5	0,1	0,4
Tax	9,4	10,3	10,9	10,7	12,7	13,3	11,5	13,7
Net Result	17,0	19,0	21,5	24,3	27,0	29,0	26,8	32,1
Group Net Result	17,0	18,8	20,6	23,2	25,4	28,4	25,7	30,8
Balance Sheet (€ m)	2014*	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**
Fixed Assets	44,9	46,4	66,8	88,0	117,1	160,5	160,4	160,2
Stock Inventories	2,3	2,4	2,6	2,8	5,1	4,4	3,5	3,9
Accounts Receivable	15,3	16,0	20,2	22,9	32,0	34,6	26,5	29,5
Other Currents Assests	3,4	4,1	6,0	8,7	8,4	8,0	11,0	12,3
Cash & Equivalents	47,7	55,1	55,2	55,7	61,3	50,6	62,7	81,2
TOTAL Assets	113,6	124,0	150,7	178,2	223,8	258,1	264,1	287,1
Shareholders' Equity	81,7	91,6	103,7	104,9	117,1	131,9	145,1	164,6
Provisions	2,0	2,4	3,3	3,4	4,1	4,6	4,4	4,8
Financial Debt	1,6	1,6	10,4	16,9	43,2	57,5	53,4	49,3
Accounts Payables	6,3	6,7	8,2	9,6	11,9	13,4	11,9	13,3
Others Liabilities	21,0	19,0	22,1	39,0	45,9	47,6	46,4	51,6
TOTAL Liabilities	113,6	124,0	150,7	178,2	223,8	258,1	264,1	287,1
Cash Flow Statements (€ m)	2014*	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**
Cash Flow from Operating Activities	18,0	21,1	23,9	28,0	33,0	35,8	32,1	38,9
Change in Net Working Capital	-1,3	-1,1	-1,3	-0,8	-4,2	4,9	3,3	2,5
Cash Flow from Operations	16,7	20,0	22,6	27,2	28,9	40,7	35,3	41,4
Cash Flow from Investing	-3,3	-4,0	-5,7	-7,9	-10,2	-16,3	-5,6	-6,2
Capital Increase	-11,4	-8,9	-9,3	-11,1	-11,7	-13,3	-13,6	-12,6
Funding Flow	-5,0	-5,4	3,0	7,0	7,7	-4,8	-4,1	-4,1
Cash Flow from Financing	-16,5	-14,5	-9,2	-14,6	-13,3	-34,8	-17,7	-16,7
Net Change in cash position	-3,1	1,4	7,7	4,7	5,4	-10,5	12,1	18,5
RATIOS	2014*	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**
Gross Margin	75,2%	78,8%	75,5%	81,9%	82,0%	81,1%	81,3%	81,2%
Ebitda Margin	24,1%	27,1%	27,3%	29,9%	29,7%	30,9%	27,7%	29,3%
EBIT Margin	22,3%	24,9%	24,4%	26,5%	26,2%	25,8%	24,1%	25,7%
Net Margin	14,8%	16,7%	16,7%	18,7%	18,2%	18,3%	16,9%	18,1%
ROE	20,8%	20,8%	20,7%	23,2%	23,1%	22,0%	18,5%	19,5%
ROCE	27,5%	25,6%	25,8%	30,3%	27,6%	32,9%	29,8%	28,5%
Gearing	-56,5%	-58,5%	-57,4%	-54,6%	-45,2%	-21,2%	-30,4%	-40,6%
FCF per share	0,9	1,1	1,1	1,3	1,2	1,6	2,0	2,3
EPS (€)	1,1	1,3	1,4	1,5	1,7	1,9	1,8	2,1
Dividend per share (€)	0,6	0,6	0,7	0,0	0,9	0,9	0,8	1,0
Dividen Yield	2,9%	2,6%	2,4%	0,0%	1,4%	1,4%	1,3%	1,6%
Distribution rate	47,9%	51,2%	47,3%	0,0%	46,2%	47,0%	47,0%	47,0%

GreenSome Finance Estimates

*Accounts before IFRS 15 / **Accounts after IFRS15

Rating Definition

BUY	NEUTRAL	SELL
Upside > +10%	-10% < Upside < +10%	Upside < -10%

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NO	NO	YES	YES	NO	NO

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