

PHARMAGEST

Euronext B – FR0012882389 – PHA

- ✓ The crisis, what crisis?
- ✓ Current operating margin + 2.3 pts to 26.6%
- ✓ Net margin 17.3% vs. 19% in H1 2019, penalized in particular by the fair value effect of financial investments

In the first half of the year, Pharmagest's activity grew by 1.4% to € 77.9m, helped by the scope effect. Restated from acquisitions, turnover would have fallen by 2.5% due to the impact of Covid-19. Despite this tense context, the group improved its current operating income by 11.2% to € 20.7m.

The Pharmaceuticals division improved its profitability by 1.5 points to 23.4% thanks in particular to the strong recovery seen in June in France, while the Benelux and Italy were still severely penalized. In France, the catch-up effect is much larger than what we expected.

The health and Social Care Facilities Solutions division posted declining profitability with a margin of 34.7% vs. 37.8% in H1 2019, but still up 25% (turnover € 12.5m - operating profit of € 4.3m).

The e-Health & Fintech division is the one with the best performance with a margin which increased by 9.4 points to 34.7%, well above our expectations while the turnover remained stable. It is the product mix that explains this excellent performance.

Ultimately, the group has demonstrated its resilience thanks, among other things, to a very high recurrence rate of its activity and its gross margin (over 60%). This advantage, added to the aid obtained through the support of short-time working, the lower marketing expenses and a natural drop in commercial costs explain the increase in profitability and this despite a certain shortfall from pharmacies on very "marginal" activities. "

On the other hand, the improvement in operating profitability was erased by two elements: 1 / the one-off impact of medium-term investments (impact - € 0.9m) and 2 / the sale of 100% of the shares of the subsidiary Intecum to Pharmathek in H1 2019 (contribution in H1 2019 of € 1.4m). This resulted in a 7.5% drop in net income.

At the balance sheet level, the situation remains very comfortable with net cash (including non-current financial assets excluding guarantees) of nearly € 27m for € 130m in equity.

What about H2?

If we refer to the previous H1s, the "exogenous" elements which are the lower expenses induced by the cessation of activity and the temporary support of short-time working by the State brought at least 2 points of profitability according to us. If we restate for this effect, profitability would have been around 24.5% even though some very profitable activities could not proceed normally. Also, even in a context of "extreme tension", Pharmagest was able to post "normal" profitability. This demonstrates the strength of its model. It also makes our assumptions for the year too conservative. Based on this first half-year, Pharmagest should post profitability over the year of at least 26% vs. 24.1% estimated so far. Again, this may seem conservative, but be careful not to extrapolate the margins for H2 2018 and 2019, which were exceptionally high because the group had then benefited from the contribution of GHT Armor and the integration for pharmacies of FMD licences (Falsified Medicine Directive).

Summary

Pharmagest moves forward almost as if nothing had happened. The diversification of its approach in terms of products, healthcare professionals addressed, markets and geography are all assets in an environment that will necessarily resort more and more to digital because the fluidity of the patient journey will become a major issue. . The system will have to become more efficient in order to optimize patient care. In this respect, the crisis induced by Covid-19 could be an accelerator of the needs to have systems that can talk to each other. In this, Pharmagest is perfectly positioned.

Opinion & Target Price.

Adjusting our estimates leads to an increase in our price target to € 83.9 from € 79. With a potential appreciation of 5.2% we confirm Neutral opinion.

Arnaud Riverain

+ 33 (0)1 76 70 35 34

ariverain@greensome-finance.com

Neutral

H1 Net Result

Eligible PEA

TARGET PREVIOUS
€ 83.9 € 79

PRICE (9/25/20) POTENTIAL
€ 79.7 +5.2%

MARKET CAP. FREE FLOAT
€ 1,209m € 291.5m

Ratios	2020e	2021e	2022e
EV/Sales	6,8	5,9	5,0
EV/EBIT	26,0	23,3	18,8
P/E	38,5	35,3	29,0
P/CF	30,3	27,1	22,8
Dividend Yield	0,0	0,0	0,0

Data per share	2019	2020e	2021e	2022e
EPS	1,70	1,91	2,07	2,26
%Change	10%	12%	8%	9%
FCF	1,23	1,60	2,14	2,69
%Change	-3%	30%	34%	25%
Dividend	0,85	0,90	0,97	1,06

Income Statement (€m)	2019	2020e	2021e	2022e
Net Sales	148,5	158,6	171,6	193,2
%Change	14,5%	6,8%	8,2%	12,6%
Gross Margin	121,8	128,6	139,4	156,8
% Sales	82,0%	81,1%	81,3%	81,2%
EBITDA	44,1	49,0	51,7	60,7
% Sales	29,7%	30,9%	30,1%	31,4%
EBIT	38,9	40,8	44,8	49,0
% Sales	26,2%	25,8%	26,1%	25,4%
Net Result	27,0	29,0	31,4	34,3
% Sales	18,2%	18,3%	18,3%	17,8%

Cash Flow Statement (€m)	2019	2020e	2021e	2022e
FCF	18,7	24,3	32,5	40,8
Net Debt	-53,0	-43,9	-43,0	-69,0
Shareholder Equity	117,1	131,9	149,7	169,2
Gearing	-45%	-33%	-29%	-41%
ROCE	28%	33%	42%	34%

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	35,5%	30,3%	30,7%	49,5%
CAC Mid&Small	-17,1%	-0,3%	15,9%	-12,2%
12 months Low-High	41,25	85,0		

Liquidity	2020	3m	6m	1 Year
Cumulative volume (000)	1 062	312	701	1 379
% of capital	7,0%	2,1%	4,6%	9,1%
% of Free Float	29,0%	8,5%	19,2%	37,7%
€ Million	70,8	25,1	49,6	89,4

Next Event

Sales Q3 : 8th of november

GreenSome has signed a research contract with Pharmagest

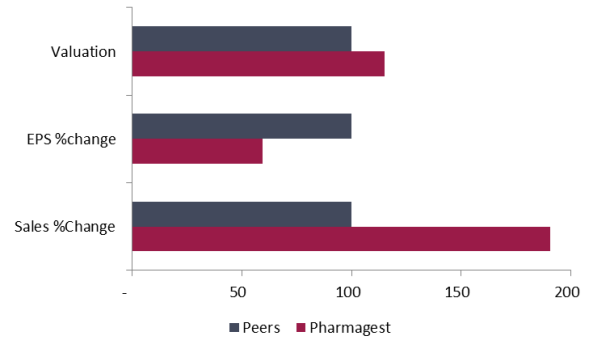
Snapshot PHARMAGEST

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
8/6/20	H1 Sales	Neutral	€ 82.1	€ 79
7/1/20	ASCA Acquisition	Neutral	€ 78	€ 69,7
5/15/20	Q1 Sales	Neutral	€ 62	€ 61.7
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

Financial Data

Income Statement (€ m)	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**	2022e**
Revenues	113,5	128,4	129,7	148,5	158,6	171,6	193,2	219,6
Purchase	24,1	31,5	23,5	26,7	29,9	32,2	36,4	41,7
Gross Margin	89,4	96,9	106,2	121,8	128,6	139,4	156,8	177,9
Externals costs	13,9	14,7	17,5	21,6	20,4	22,7	26,1	29,6
Personnals Costs	42,2	44,6	47,1	53,0	56,3	61,5	65,9	71,0
EBITDA	30,7	35,0	38,8	44,1	49,0	51,7	60,7	72,6
Amortization	2,8	3,8	4,6	5,5	8,1	8,6	9,7	10,8
other	0,3	0,2	0,0	0,2	0,0	0,0	0,0	0,0
EBIT	28,3	31,4	34,3	38,9	40,8	44,8	49,0	58,9
Financial Result	1,0	1,2	1,1	0,9	1,5	0,1	0,0	0,7
Tax	10,3	10,9	10,7	12,7	13,3	13,5	14,7	17,9
Net Result	19,0	21,5	24,3	27,0	29,0	31,4	34,3	41,7
Group Net Result	18,8	20,6	23,2	25,4	28,4	30,1	32,9	40,0
Balance Sheet (€ m)	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**	2022e**
Fixed Assets	46,4	66,8	88,0	117,1	160,5	183,8	180,9	177,8
Stock Inventories	2,4	2,6	2,8	5,1	4,4	3,8	4,3	4,9
Accounts Receivable	16,0	20,2	22,9	32,0	34,6	28,6	32,2	36,6
Other Currents Assests	4,1	6,0	8,7	8,4	8,0	11,9	13,4	15,2
Cash & Equivalents	55,1	55,2	55,7	61,3	50,6	45,7	67,6	96,5
TOTAL Assets	124,0	150,7	178,2	223,8	258,1	273,8	298,3	331,0
Shareholders' Equity	91,6	103,7	104,9	117,1	131,9	149,7	169,2	194,8
Provisions	2,4	3,3	3,4	4,1	4,6	4,7	5,3	6,0
Financial Debt	1,6	10,4	16,9	43,2	57,5	53,4	49,3	45,2
Accounts Payables	6,7	8,2	9,6	11,9	13,4	12,9	14,5	16,5
Others Liabilities	19,0	22,1	39,0	45,9	47,6	50,1	56,3	64,0
TOTAL Liabilities	124,0	150,7	178,2	223,8	258,1	273,8	298,3	331,0
Cash Flow Statements (€ m)	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**	2022e**
Cash Flow from Operating Activities	21,1	23,9	28,0	33,0	35,8	39,9	44,6	53,2
Change in Net Working Capital	-1,1	-1,3	-0,8	-4,2	4,9	4,7	3,0	3,7
Cash Flow from Operations	20,0	22,6	27,2	28,9	40,7	44,5	47,5	56,8
Cash Flow from Investing	-4,0	-5,7	-7,9	-10,2	-16,3	-12,0	-6,8	-7,7
Capital Increase	-8,9	-9,3	-11,1	-11,7	-13,3	-13,6	-14,8	-16,1
Funding Flow	-5,4	3,0	7,0	7,7	-4,8	-4,1	-4,1	-4,1
Cash Flow from Financing	-14,5	-9,2	-14,6	-13,3	-34,8	-37,5	-18,9	-20,2
Net Change in cash position	1,4	7,7	4,7	5,4	-10,5	-4,9	21,9	28,9
RATIOS	2015*	2016*	2017**	2018**	2019**	2020e**	2021e**	2022e**
Gross Margin	78,8%	75,5%	81,9%	82,0%	81,1%	81,3%	81,2%	81,0%
Ebitda Margin	27,1%	27,3%	29,9%	29,7%	30,9%	30,1%	31,4%	33,1%
EBIT Margin	24,9%	24,4%	26,5%	26,2%	25,8%	26,1%	25,4%	26,8%
Net Margin	16,7%	16,7%	18,7%	18,2%	18,3%	18,3%	17,8%	19,0%
ROE	20,8%	20,7%	23,2%	23,1%	22,0%	21,0%	20,3%	21,4%
ROCE	25,6%	25,8%	30,3%	27,6%	32,9%	42,4%	34,4%	30,9%
Gearing	-58,5%	-57,4%	-54,6%	-45,2%	-33,2%	-28,7%	-40,8%	-52,4%
FCF per share	1,1	1,1	1,3	1,2	1,6	2,1	2,7	3,2
EPS (€)	1,3	1,4	1,5	1,7	1,9	2,1	2,3	2,7
Dividend per share (€)	0,6	0,7	0,0	0,9	0,9	1,0	1,1	1,3
Dividen Yield	2,6%	2,4%	0,0%	1,1%	1,1%	1,2%	1,3%	1,6%
Distribution rate	51,2%	47,3%	0,0%	46,2%	47,0%	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%

Disclosures

Corporate Finance operation in progress or completed during the last 12 months	GreenSome Consulting and affiliate owns common equity securities of this subject company	Financial Analysis Contract	Notice to the company before publication	Liquidity Contract	Liquidity Provider
NO	NO	YES	YES	NO	NO

Warnings

This publication was prepared by Greensome Finance on behalf of GreenSome Consulting. It is issued for informational purposes only and does not constitute a solicitation of orders to buy or sell securities mentioned therein.

The information contained in this publication and all opinions contained therein are based on sources believed reliable. However Greensome Consulting does not warrant the accuracy or completeness of this information and no one can rely. All opinions, projections and / or estimates contained in this publication reflect the decision of Greensome Consulting on the date and may be subject to change without notice. This publication is for informational purposes only to professional investors who are supposed to develop their own investment decisions without relying improperly on this publication. Investors must make their own judgments about the appropriateness of investing in any securities mentioned in this publication taking into account the merits and risks attached to them, their own investment strategy and their legal status, fiscal and financial. Past performance is by no means a guarantee for the future. Because of this publication, neither Greensome Consulting nor any of its officers or employees, can not be held responsible for any investment decision. In accordance with the regulations and to prevent and avoid conflicts of interest with respect to any investment recommendations, Greensome Consulting has developed and maintains an effective operational management of conflicts of interest. The system for managing conflicts of interest is to prevent, with reasonable certainty, any breach of the principles and rules of professional conduct. It is constantly updated to reflect regulatory changes and changes in the activity of Greensome Consulting. Greensome Consulting intends at all times, act with respect for the integrity of the market and the primacy of the interests of its customers. To this end, Greensome Consulting has set up an organization's business and the procedures commonly called "Chinese Wall" whose purpose is to prevent the improper circulation of confidential information, and organizational and administrative arrangements to ensure transparency in situations likely to be perceived as conflicts of interest by investors. This publication is in terms of its distribution in the UK, only for people considered persons licensed or exempt under the Financial Services Act 1986 in the United Kingdom or any regulations passed under it or to persons as described in section 11 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Order 1997 and is not intended to be distributed or communicated, directly or indirectly, to any other type of person. The distribution of this publication in other jurisdictions may be restricted by applicable law, and anyone who would come to be in possession of this book should learn and observe such restrictions.