

PHARMAGEST

Euronext B – FR0012882389 – PHA

- ✓ H1 sales + 6.6% to € 76.9m (+ 3.5% like-for-like)
- ✓ Accelerated e-Health: Q2 + 32.6% after + 25.5% in Q1

In raw data, the Q2 seems to show a stop with an increase in activity of 3.1% after 10.3% in Q1. It is necessary to restate Macrosoft's contribution to Italy, a structure acquired in March 2018. In Q1, like-for-like activity grew by 3.9% and in Q2 by 3.8%. The rhythm is equivalent.

The Pharmaceuticals division will experience a slowdown with almost stable activity following a 3.3% like-for-like increase. This is linked to the Benelux zone, whose base effect is unfavorable because last year it benefited from the Groupements installations in Belgium, which are now finalized. This led to an increase of nearly 45% to € 2.1m. With a turnover close to € 2m, this area is therefore quite resilient thanks to the rise in recurring turnover.

Regarding France, the momentum remains with an increase of over 4% (turnover over € 53m) which is in line with our expectations over the year.

Italy, meanwhile, remains on a steady pace with a turnover of € 3.6m, up 23.7% compared to H2 2018. This pace 'explains by taking market shares (less than 5% in 2018 vs 40% in France) and the progressive development of recurring sales as pharmacy management software deploys. So, on the current basis, the group is ahead of our expectations. However, since in Q1 the group has benefited from exceptional sales, we are maintaining our expectations. Beyond this, it should be remembered that management has set a target of reaching 20% market share in 2023(e). Our estimates took into account this element but, in our opinion, this can not be done at this time without new acquisitions. We now choose to be more cautious and target the 20% market share at constant scope in 2027(e) vs 2023(e).

To return to the Pharmacy Division, as a whole, it is showing a beginning of the year in line with our annual expectations since we are aiming for 2019 growth at around 5%.

The e-Health Division, with sales of € 7.85m, was much better than expected, with an increase of 29.2% and an acceleration in Q2: + 32.6% after + 25.5% in Q1. The group benefits fully from the DMP (e-Connect Pole) and the compliance offer within the e-Patients Pole (+ 70%). Remember that this division is, in our opinion, the one able to show the pace of growth the most sustained because it is fully in line with the "Patient Centered" approach in which the group has launched. Thus, with regard to the H1, Pharmagest has taken a step ahead of our expectations, expectations that we meet. We are now aiming for an increase of 25% to reach € 16m, which leads to an increase in H2 of 22.4%.

The Solutions Division for Healthcare and Medical-Social Institutions, although showing similar growth in both Q1 and Q2 at + 3% (revenue of € 9.1m), is attracting more attention. Indeed, the activity for EHPAD and HAD / SSIAD is held but the group talks about a slowdown for Axigate acquired in July 2017 and in charge of development in hospitals including GHT. The GHT market is a tendering market which represents 135 groups, groups which had to have communicating systems by 2022. Unsurprisingly, the delays accumulate what is often the case when one touches the domain public. Also, it goes without saying that the goal that all tenders were launched by 2022 has become impossible. Although this does not put into question Pharmagest's ability to obtain about 15%, the time to do so is very uncertain. This makes our expectations for GHTs much too optimistic. While last year the contribution related to the GHT of Armor was about € 2m, we expected the gain of new calls and visions € 3.8m in 2019e, € 5.8m in 2020e and € 9.7m in 2021e. This sequence does not seem realistic anymore. We therefore decide to be much more cautious because of the uncertainties concerning 1 / the rate of calls for tenders and 2 / the capacity to take them away. Also, we are now expecting a stable turnover in 2019 compared to 2018, ie € 19.6m vs. € 22.8m initially estimated. For 2020, we are targeting € 22.4m vs. € 26.7m and 2021 € 25.5m vs € 32.8m.

Finally, the **Fintech Division** is the only one to decline in H1 to € 0.8m (-14%). The extremely low interest rate environment is unfavorable but the situation seems to be stabilizing according to management. We are targeting € 1.6m over the year vs. € 2.2m.

In the end, we adopt a more cautious bias, which does not put into question the medium-long-term dynamics of Pharmagest. We now expect a turnover of € 158m vs €161.8m, 2020e € 172.4m vs. € 181.9m and 2021 € 187.9m vs. € 201.9m (GHT + effect increased in Italy). Impact on EPS: EPS 2019e, 2020e and 2021e down by 3.4%, 6.2% and 8.5% respectively.

Target Price : the lowering of our expectations leads to the downward revision of our target price to € 64.7 vs. € 67.3.

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BUY

Sales H1 + contact

Eligible PEA

TARGET

€ 64.7

PREVIOUS

€ 67.3

PRICE (8/2/19)

€ 58.1

POTENTIAL

+11.4%

MARKET CAP.

€ 881m

FREE FLOAT

€ 212m

| Ratios | 2019e | 2020e | 2021e |
|----------------|-------|-------|-------|
| EV/Sales | 5,1 | 4,6 | 4,1 |
| EV/EBIT | 19,4 | 17,3 | 15,3 |
| P/E | 29,7 | 26,8 | 24,3 |
| P/CF | 25,9 | 23,4 | 21,2 |
| Dividend Yield | 0,0 | 0,0 | 0,0 |

| Data per share | 2018 | 2019e | 2020e | 2021e |
|----------------|------|-------|-------|-------|
| EPS | 1,70 | 1,96 | 2,16 | 2,39 |
| %Change | 10% | 15% | 11% | 11% |
| FCF | 1,23 | 1,89 | 2,20 | 2,46 |
| %Change | -3% | 53% | 16% | 12% |
| Dividend | 0,85 | 0,92 | 1,02 | 1,12 |

| Income Statement (€m) | 2018 | 2019e | 2020e | 2021e |
|-----------------------|-------|-------|-------|-------|
| Net Sales | 148,5 | 158,0 | 172,4 | 187,9 |
| %Change | 14,5% | 6,4% | 9,1% | 9,0% |
| Gross Margin | 121,8 | 129,2 | 140,3 | 152,9 |
| % Sales | 82,0% | 81,8% | 81,4% | 81,4% |
| EBITDA | 44,1 | 45,1 | 47,4 | 51,0 |
| % Sales | 29,7% | 28,5% | 27,5% | 27,1% |
| EBIT | 38,9 | 41,8 | 45,9 | 50,4 |
| % Sales | 26,2% | 26,5% | 26,6% | 26,8% |
| Net Result | 27,0 | 29,7 | 32,9 | 36,3 |
| % Sales | 18,2% | 18,8% | 19,1% | 19,3% |

| Cash Flow Statement (€m) | 2018 | 2019e | 2020e | 2021e |
|--------------------------|-------|-------|-------|--------|
| FCF | 18,7 | 28,7 | 33,3 | 37,3 |
| Net Debt | -53,0 | -68,9 | -88,3 | -110,2 |
| Shareholder Equity | 117,1 | 134,1 | 152,9 | 173,8 |
| Gearing | -45% | -51% | -58% | -63% |
| ROCE | 28% | 29% | 27% | 25% |

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

| Performances | 2019 | 3m | 6m | 1 Year |
|--------------------|-------|-------|------|--------|
| Pharmagest | 13,7% | 1,8% | 4,3% | -1,9% |
| CAC Mid & Small | 12,2% | -3,8% | 5,1% | -9,5% |
| 12 months Low-High | 48,3 | 65,6 | | |

| Liquidity | 2019 | 3m | 6m | 1 Year |
|-------------------------|-------|------|-------|--------|
| Cumulative volume (000) | 501 | 196 | 390 | 1 034 |
| % of capital | 3,3% | 1,3% | 2,6% | 6,8% |
| % of Free Float | 13,7% | 5,4% | 10,7% | 28,3% |
| € Million | 28,4 | 11,3 | 22,2 | 58,3 |

Next Event H1 resultats : 9/20

GreenSome has signed a research contract with Pharmagest

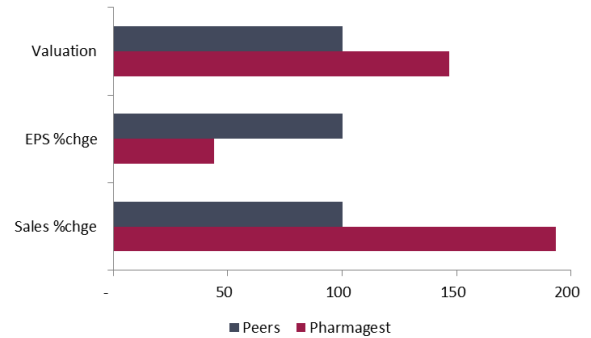
Snapshot PHARMAGEST

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 |
|----------|---------------------|---------|--------|--------------|
| 6/6/19 | Pharmathek | Buy | € 57.6 | € 67.3 |
| 5/17/19 | Q1 Sales | Buy | € 53.8 | € 67.3 |
| 4/1/19 | 2018 Results | Buy | € 54.1 | € 67.3 |
| 2/15/19 | 2018 Sales | Buy | € 57.3 | € 67.3 |
| 11/15/18 | Q3 Sales | Buy | € 49.8 | € 70 |
| 9/24/18 | H1 Results | Buy | € 61.5 | € 70 |
| 8/03/18 | H1 Sales | Buy | € 59.1 | € 70 |
| 7/26/18 | Coverage Initiation | Buy | € 55.5 | € 70 |

Financial Data

| Income Statement (€ m) | 2014* | 2015* | 2016* | 2017** | 2018** | 2019e** | 2020e** | 2021e** |
|-------------------------------------|--------|--------|--------|--------|--------|---------|---------|---------|
| Revenues | 114,6 | 113,5 | 128,4 | 129,7 | 148,5 | 158,0 | 172,4 | 187,9 |
| Purchase | 28,4 | 24,1 | 31,5 | 23,5 | 26,7 | 28,8 | 32,2 | 35,0 |
| Gross Margin | 86,2 | 89,4 | 96,9 | 106,2 | 121,8 | 129,2 | 140,3 | 152,9 |
| Externals costs | 14,4 | 13,9 | 14,7 | 17,5 | 21,6 | 21,5 | 22,7 | 23,1 |
| Personnals Costs | 41,5 | 42,2 | 44,6 | 47,1 | 53,0 | 59,3 | 66,7 | 74,9 |
| EBITDA | 27,6 | 30,7 | 35,0 | 38,8 | 44,1 | 45,1 | 47,4 | 51,0 |
| Amortization | 2,4 | 2,8 | 3,8 | 4,6 | 5,5 | 4,1 | 4,5 | 4,9 |
| 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 | 41,8 | 45,9 | 50,4 |
| Financial Result | 1,0 | 1,0 | 1,2 | 1,1 | 0,9 | 0,6 | 1,0 | 1,5 |
| Tax | 9,4 | 10,3 | 10,9 | 10,7 | 12,7 | 12,7 | 14,1 | 15,6 |
| Net Result | 17,0 | 19,0 | 21,5 | 24,3 | 27,0 | 29,7 | 32,9 | 36,3 |
| Group Net Result | 17,0 | 18,8 | 20,6 | 23,2 | 25,4 | 28,5 | 31,5 | 34,9 |
| Balance Sheet (€ m) | 2014* | 2015* | 2016* | 2017** | 2018** | 2019e** | 2020e** | 2021e** |
| Fixed Assets | 44,9 | 46,4 | 66,8 | 88,0 | 117,1 | 123,5 | 125,0 | 126,7 |
| Stock Inventories | 2,3 | 2,4 | 2,6 | 2,8 | 5,1 | 3,5 | 3,8 | 4,2 |
| Accounts Receivable | 15,3 | 16,0 | 20,2 | 22,9 | 32,0 | 26,3 | 28,7 | 31,3 |
| Other Currents Assets | 3,4 | 4,1 | 6,0 | 8,7 | 8,4 | 11,0 | 12,0 | 13,1 |
| Cash & Equivalents | 47,7 | 55,1 | 55,2 | 55,7 | 61,3 | 73,3 | 88,6 | 106,3 |
| TOTAL Assets | 113,6 | 124,0 | 150,7 | 178,2 | 223,8 | 237,6 | 258,2 | 281,6 |
| Shareholders' Equity | 81,7 | 91,6 | 103,7 | 104,9 | 117,1 | 134,1 | 152,9 | 173,8 |
| Provisions | 2,0 | 2,4 | 3,3 | 3,4 | 4,1 | 4,3 | 4,7 | 5,2 |
| Financial Debt | 1,6 | 1,6 | 10,4 | 16,9 | 43,2 | 39,2 | 35,1 | 31,0 |
| Accounts Payables | 6,3 | 6,7 | 8,2 | 9,6 | 11,9 | 11,9 | 12,9 | 14,1 |
| Others Liabilities | 21,0 | 19,0 | 22,1 | 39,0 | 45,9 | 46,1 | 50,3 | 54,8 |
| TOTAL Liabilities | 113,6 | 124,0 | 150,7 | 178,2 | 223,8 | 237,6 | 258,2 | 281,6 |
| Cash Flow Statements (€ m) | 2014* | 2015* | 2016* | 2017** | 2018** | 2019e** | 2020e** | 2021e** |
| Cash Flow from Operating Activities | 18,0 | 21,1 | 23,9 | 28,0 | 33,0 | 34,1 | 37,7 | 41,6 |
| Change in Net Working Capital | -1,3 | -1,1 | -1,3 | -0,8 | -4,2 | 5,1 | 1,6 | 2,3 |
| Cash Flow from Operations | 16,7 | 20,0 | 22,6 | 27,2 | 28,9 | 39,2 | 39,4 | 43,9 |
| Cash Flow from Investing | -3,3 | -4,0 | -5,7 | -7,9 | -10,2 | -10,5 | -6,0 | -6,6 |
| Capital Increase | -11,4 | -8,9 | -9,3 | -11,1 | -11,7 | -12,7 | -14,0 | -15,4 |
| Funding Flow | -5,0 | -5,4 | 3,0 | 7,0 | 7,7 | -4,0 | -4,1 | -4,1 |
| Cash Flow from Financing | -16,5 | -14,5 | -9,2 | -14,6 | -13,3 | -16,7 | -18,0 | -19,6 |
| Net Change in cash position | -3,1 | 1,4 | 7,7 | 4,7 | 5,4 | 12,0 | 15,3 | 17,8 |
| RATIOS | 2014* | 2015* | 2016* | 2017** | 2018** | 2019e** | 2020e** | 2021e** |
| Gross Margin | 75,2% | 78,8% | 75,5% | 81,9% | 82,0% | 81,8% | 81,4% | 81,4% |
| Ebitda Margin | 24,1% | 27,1% | 27,3% | 29,9% | 29,7% | 28,5% | 27,5% | 27,1% |
| EBIT Margin | 22,3% | 24,9% | 24,4% | 26,5% | 26,2% | 26,5% | 26,6% | 26,8% |
| Net Margin | 14,8% | 16,7% | 16,7% | 18,7% | 18,2% | 18,8% | 19,1% | 19,3% |
| ROE | 20,8% | 20,8% | 20,7% | 23,2% | 23,1% | 22,2% | 21,5% | 20,9% |
| ROCE | 27,5% | 25,6% | 25,8% | 30,3% | 27,6% | 29,0% | 27,0% | 25,3% |
| Gearing | -56,5% | -58,5% | -57,4% | -54,6% | -45,2% | -51,4% | -57,7% | -63,4% |
| FCF per share | 0,9 | 1,1 | 1,1 | 1,3 | 1,2 | 1,9 | 2,2 | 2,5 |
| EPS (€) | 1,1 | 1,3 | 1,4 | 1,5 | 1,7 | 2,0 | 2,2 | 2,4 |
| Dividend per share (€) | 0,6 | 0,6 | 0,7 | 0,0 | 0,9 | 0,9 | 1,0 | 1,1 |
| Dividen Yield | 2,9% | 2,6% | 2,4% | 0,0% | 1,5% | 1,6% | 1,8% | 1,9% |
| 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 |

Warnings

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