

PHARMAGEST

Euronext B – FR0012882389 – PHA

- ✓ H1 revenue € 77.9m + 1.37% (-2.48% cs) - Covid impact - € 6m
 - o Q1 revenue € 39m + 2.23% (-1.87% cs)
 - o Q2 revenue € 38.9m + 0.52% (-3.09% cs)

In Q1, covid-19 cost € 2.4m and in Q2 around € 3.6m for group turnover in H1 excluding the scope effect of € 74.6m. Excluding the covid effect, activity would have grown at constant scope by around + 5.4% and by + 9.2% with acquisitions. Pharmagest, which benefits from nearly 66% of recurring turnover, therefore demonstrates its ability to amortize against exogenous events.

By divisions.

Pharmacies: € 56.7m -4.1% (France € 51.7m -3.4% / Belux € 1.57m -20.1% / Italy € 3.4m -5.1%).

Unsurprisingly, the countries that have undergone the strictest containments are the countries showing the strongest decline. The H2 will naturally benefit from the resumption of deliveries and orders. Although pharmacies can be expected to smooth their investments, given the sharp decline in activity they suffered in H1, a call for air for Pharmagest should be noted. To this will be added the contributions of ASCA in France and Svemu in Italy. We estimate ASCA's contribution to be around € 5.5m and € 11m for a full year. We therefore expect activity to grow in H2 of around + 4-5% at constant scope. So we expect an annual Pharmacy turnover of € 126.7m (+ 4.6%) with ASCA.

Health and Social Care Facilities: € 12.5m + 37% (+ 5.34% cs).

The performance of H1 is good at constant scope, especially since the group was logically penalized at the level of Axigate for hospitals. In addition, this division fully benefits from the acquisitions made at the end of 2019 and during H1 2020: ICT, Malta Belgium, Pandalab. Their contribution was € 2.89m. For ICT, we estimated its contribution in 2020 at € 2.6m. Due to lack of information, we had not included Malta Belgium in our forecasts but had estimated a maximum annual turnover of around € 4-5m. Over a "normal" semester, their contribution could therefore be around € 3.3m. So it is quite consistent if we take into account the effects of covid-19. We are now also integrating Malta Belgium into our forecasts and aiming for HSCF turnover of € 25.8m (+ 32.4%).

e-Health: € 8 million + 2.5% (+ 0.54% bw).

After Q1 growth of 10.5%, activity fell into the red in Q2 with a drop of 4.8% (-6.8% bw). The management particularly highlights the postponement of certain digital communication projects on the part of pharmaceutical laboratories. Beyond this element, perhaps we can explain this decrease in Q2 by the need to support users, which was not possible during containment. It will be interesting to see the evolution in S2 because this theme is completely part of the issues we were faced with. We therefore confirm an annual turnover target of € 17.3 million (+ 7%)

Summary

Pharmagest amortized rather well in Q2, which was to be the most complicated quarter. We therefore keep our previous estimates to which we add the contributions related to ASCA and Malta Belgium. Naturally, S2 should gradually regain a more normative profile, with management insisting that it has registered a significant upturn in activity to date. It should also be noted that the group has not had recourse to the State Guaranteed Loan, signs of its confidence and of its very good financial health. Beyond these aspects, more than ever Pharmagest, with its digital solutions, is at the heart of the challenges that our healthcare system must meet. This makes the group, in a way, unique.

Opinion & target price.

We adjusted our DCF model during our last flash. On the other hand, we had kept a very cautious approach on peers which had a negative impact on the resulting objective. Now, in view of the decline that we have on Pharmagest, its status as leader in France and its desire to establish itself in Europe, the very high visibility offered both in terms of turnover and margin, its level of operating margin at more of 25%, its financial solidity and the excellence of its skills recognized on a recurring basis now push us to compare it on the stock market with leaders in software publishing and therefore to apply their ratios.

Therefore, we are raising our price target to € 79 vs € 69.7 (DCF € 80.2 - peers € 74.2). Neutral opinion confirmed.

In the short term, the group assumes an obvious defensive status. In the medium term, one of the keys will be the way in which the group continues to consolidate its sector.

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IMPORTANT: Please refer to the last page of this report for warnings.

Neutral

Sales H1

Eligible PEA

TARGET
€ 79

PREVIOUS
€ 69.7

PRICE (8/5/20)
€ 82.1

POTENTIAL
- 3.8%

MARKET CAP.
€ 1 246m

FREE FLOAT
€ 300m

Ratios	2019	2020e	2021e
EV/Sales	7,7	7,0	6,1
EV/EBIT	29,8	29,1	24,1
P/E	43,0	43,0	36,0
P/CF	34,8	35,6	29,6
Dividend Yield	0,0	0,0	0,0

Data per share	2018	2019	2020e	2021e
EPS	1,70	1,91	1,91	2,28
%Change	10%	12%	0%	19%
FCF	1,23	1,60	2,22	2,53
%Change	-3%	30%	39%	14%
Dividend	0,85	0,90	0,90	1,07

Income Statement (€m)	2018	2019	2020e	2021e
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	52,3	62,6
% Sales	29,7%	30,9%	30,5%	32,4%
EBIT	38,9	40,8	41,3	49,0
% Sales	26,2%	25,8%	24,1%	25,4%
Net Result	27,0	29,0	29,0	34,6
% Sales	18,2%	18,3%	16,9%	17,9%

Cash Flow Statement (€m)	2018	2019	2020e	2021e
FCF	18,7	24,3	33,7	38,4
Net Debt	-53,0	-28,0	-43,1	-67,8
Shareholder Equity	117,1	131,9	147,3	168,2
Gearing	-45%	-21%	-29%	-40%
ROCE	28%	33%	32%	30%

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	-14,5%	11,6%	-15,0%	-6,7%
12 months Low-High	41,3	85,0		

Liquidity	2020	3m	6m	1 Year
Cumulative volume (000)	924	368	800	1 408
% of capital	6,1%	2,4%	5,3%	9,3%
% of Free Float	25,3%	10,1%	21,9%	38,5%
€ Million	59,8	27,4	52,0	87,6

Next Event

Results H1 : 25th of september

GreenSome has signed a research contract with Pharmagest

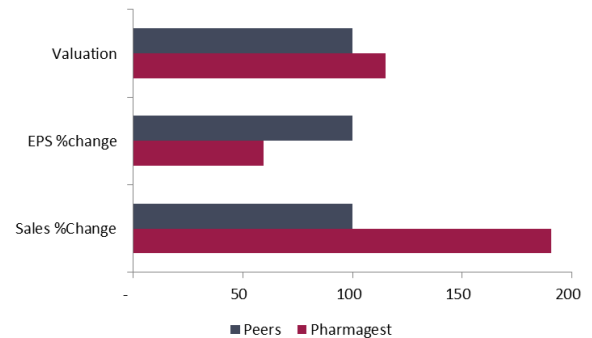
Snapshot PHARMAGEST

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
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
8/5/19	H1 Sales	Buy	€ 58.1	€ 64.7

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	171,6	193,2
Purchase	28,4	24,1	31,5	23,5	26,7	29,9	32,2	36,4
Gross Margin	86,2	89,4	96,9	106,2	121,8	128,6	139,4	156,8
Externals costs	14,4	13,9	14,7	17,5	21,6	20,4	22,7	25,5
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	52,3	62,6
Amortization	2,4	2,8	3,8	4,6	5,5	8,1	6,2	7,0
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	41,3	49,0
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	12,4	14,8
Net Result	17,0	19,0	21,5	24,3	27,0	29,0	29,0	34,6
Group Net Result	17,0	18,8	20,6	23,2	25,4	28,4	27,8	33,2

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	165,4	165,2
Stock Inventories	2,3	2,4	2,6	2,8	5,1	4,4	3,8	4,3
Accounts Receivable	15,3	16,0	20,2	22,9	32,0	34,6	28,6	32,2
Other Currents Assets	3,4	4,1	6,0	8,7	8,4	8,0	11,9	13,4
Cash & Equivalents	47,7	55,1	55,2	55,7	61,3	50,6	61,7	82,3
TOTAL Assets	113,6	124,0	150,7	178,2	223,8	258,1	271,3	297,3
Shareholders' Equity	81,7	91,6	103,7	104,9	117,1	131,9	147,3	168,2
Provisions	2,0	2,4	3,3	3,4	4,1	4,6	4,7	5,3
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	12,9	14,5
Others Liabilities	21,0	19,0	22,1	39,0	45,9	47,6	50,1	56,3
TOTAL Liabilities	113,6	124,0	150,7	178,2	223,8	258,1	271,3	297,3

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	35,0	42,1
Change in Net Working Capital	-1,3	-1,1	-1,3	-0,8	-4,2	4,9	4,7	3,0
Cash Flow from Operations	16,7	20,0	22,6	27,2	28,9	40,7	39,7	45,1
Cash Flow from Investing	-3,3	-4,0	-5,7	-7,9	-10,2	-16,3	-6,0	-6,8
Capital Increase	-11,4	-8,9	-9,3	-11,1	-11,7	-13,3	-13,6	-13,6
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	-22,7	-17,7
Net Change in cash position	-3,1	1,4	7,7	4,7	5,4	-10,5	11,0	20,6

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%	30,5%	32,4%
EBIT Margin	22,3%	24,9%	24,4%	26,5%	26,2%	25,8%	24,1%	25,4%
Net Margin	14,8%	16,7%	16,7%	18,7%	18,2%	18,3%	16,9%	17,9%
ROE	20,8%	20,8%	20,7%	23,2%	23,1%	22,0%	19,7%	20,6%
ROCE	27,5%	25,6%	25,8%	30,3%	27,6%	32,9%	31,9%	29,8%
Gearing	-56,5%	-58,5%	-57,4%	-54,6%	-45,2%	-21,2%	-29,3%	-40,3%
FCF per share	0,9	1,1	1,1	1,3	1,2	1,6	2,2	2,5
EPS (€)	1,1	1,3	1,4	1,5	1,7	1,9	1,9	2,3
Dividend per share (€)	0,6	0,6	0,7	0,0	0,9	0,9	0,9	1,1
Dividen Yield	2,9%	2,6%	2,4%	0,0%	1,0%	1,1%	1,1%	1,3%
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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