

PHARMAGEST

Euronext B – FR0012882389 – PHA

✓ An actor apart

Sometimes the numbers are sufficient on their own:

Speaking broadly:

- Stock price over 10 years + 920% vs + 82% for the CAC Small
- Stock Price since the 2020 low + 133% vs + 65% for the CAC Small
- Integration of the European Rising Tech Label (ex Tech 40) - July 2020
- Integration of the MSCI Global Small Cap index - Nov 2020
- 1st prize Gaïa Rating 2019 - inclusion in the Gaïa index (ESG) - Nov. 2019

In terms of results:

- Revenue over 10 years + 89% / CAGR + 6.6% - 66% of recurring revenue
- Ebit over 10 years + 168% / CAGR + 10.4% - 68% of the recurring gross margin (77% Pharmacies)
- Net result over 10 years + 166% / CAGR + 10.3%
- Net financial debt 2019: - € 44m

Operationally speaking:

- Market share Pharmacies France 44% i.e. 9,800 / 15% Belgium / 5% Italy software part, 60% distribution markets, 88% communication market
- Market share Accommodation Facilities for Dependent Elderly People France 28% (2 150) / AFDEP Belgium 30% (630)
- Market share Home Hospitalization 43% (140)
- Market share Home Nursing Services 20% (400)
- Market share Territorial Hospital Group 3% (50 hospitals & University Hospital Center)
- Market share Healthcare Houses 23% (170 - 2,500 doctors & auxiliaries)

Technically speaking:

- Hash Code 2020 (competition offered by Google to developers): 1st in France, 59th globally (BEER Programming team)
- No2 of the CodinGame 2019 ranking Pharmagest acted as a safe haven this year benefiting from the dual theme of Health / Technology.

Even if the stock market ratios seem "stratospheric", this dual sector membership associated with its "ultra resilient" profile (9-month turnover + 9%, + 2% constant scope - H1 operating margin 26.6% +2.3 pts) give it a profile apart.

The group has demonstrated, in what can be considered the perfect "stress test", the solidity of its economic model. This strength is an asset for the future because it is based on a very high recurrence of activity and results, recurrence which itself is based on the fact that Pharmagest addresses a very large number of users.

This notion of the number of users is key to anticipating the added value of the group. Indeed, Pharmagest, through its technological solutions, is a facilitator for healthcare professionals, which improves patient care. This has a double impact: 1 / better care of patients and 2 / better care and therefore ultimately less expensive. The more Pharmagest, through its solutions, will reach users, the more efficient the system will be.

With its multi-sector approach, the group fully supervises the patient which, in the long term, makes his journey more fluid because each healthcare professional has a precise vision of the treatments of the latter. This is in line with the reforms desired by the government, which wants patients to be better treated both for a "humanist" but also financial.

The other strength of Pharmagest is to be present in a sector naturally driven by the aging of the population. It is in a way a guarantee of hyper visibility. But what provides the group with this "natural" visibility is above all the fact that it is historically present in these "niches" thanks to long-lasting, proven and constantly evolving technological solutions. This technological mastery is the basis of everything because we are touching an ultra-sensitive area that needs confidence.

BUY vs Neutral

New valuation approach

Eligible PEA

TARGET
€ 139.4

PREVIOUS
€ 83.9

PRICE (12/8/20)
€ 94.6

POTENTIAL
+47.3%

MARKET CAP.
€ 1,435m

FREE FLOAT
€ 346m

Ratios	2020e	2021e	2022e
EV/Sales	8,0	7,0	6,1
EV/EBIT	30,9	26,9	22,6
P/E	44,5	39,7	33,8
P/CF	35,2	30,9	26,6
Dividend Yield	1,1%	1,2%	1,4%

Data per share	2019	2020e	2021e	2022e
EPS	1,91	2,12	2,38	2,80
%Change	12%	11%	12%	18%
FCF	1,60	2,21	2,80	3,28
%Change	30%	38%	27%	17%
Dividend	0,90	1,00	1,12	1,32

Income Statement (€m)	2019	2020e	2021e	2022e
Net Sales	158,6	172,9	193,7	219,1
%Change	6,8%	9,0%	12,1%	13,1%
Gross Margin	128,6	140,5	157,2	177,5
% Sales	81,1%	81,3%	81,2%	81,0%
EBITDA	49,0	53,7	60,2	69,4
% Sales	30,9%	31,1%	31,1%	31,7%
EBIT	40,8	45,0	50,7	58,9
% Sales	25,8%	26,0%	26,2%	26,9%
Net Result	29,0	32,2	36,1	42,5
% Sales	18,3%	18,6%	18,7%	19,4%

Cash Flow Statement (€m)	2019	2020e	2021e	2022e
FCF	24,3	33,5	42,5	49,8
Net Debt	-43,9	-44,0	-71,3	-104,2
Shareholder Equity	131,9	150,5	171,5	197,0
Gearing	-33%	-29%	-42%	-53%
ROCE	33%	42%	35%	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	57,9%	20,2%	36,5%	62,2%
CAC Mid&Small	-3,5%	12,3%	10,5%	-1,2%
12 months Low-High	41,25	100,8		

Liquidity	2020	3m	6m	1 Year
Cumulative volume (000)	1 639	633	996	1 712
% of capital	10,8%	4,2%	6,6%	11,3%
% of Free Float	44,8%	17,3%	27,2%	46,8%
€ Million	122,6	56,5	84,8	127,1

Next Event 2020 Sales : 4th of february

GreenSome has signed a research contract with Pharmagest

The number of addressed & addressable users, their sector diversity, recognized and validated technological competence, the financial fundamentals allowing sector consolidation to continue are all entry barriers that will be difficult to overcome for other groups unless buy out Pharmagest.

These features give Pharmagest a level of risk well below what we expected. We had a classic approach by minimizing in addition the fact that Pharmagest, by its position of leader and reference, is unique in its kind. This particularity justifies that we update our DCF approach with a lower level of risk than the Small market. We now apply a corporate risk factor of 0.9 times and a WACC of 4.56% vs. 1.2 times and 6.5% previously. On this basis, the DCF price target increases to € 148 vs. € 86.4, which would highlight ratios that can be found among leading players in software publishing.

In terms of peers, we have also refined our sample, which shows an average valuation of € 10 billion and a median of € 6 billion. We chose CompuGroup, Dassault Systèmes, Emis, SimCorp, Nemetschek, Aveva and Temenos. On this basis, the valuation of Pharmagest is € 105 vs. € 73.5.

We continue to overweight the DCF approach at 80% which leads to a new price target of € 139.4. With upside potential of 47%, we are switching back to Buy.

Arnaud Riverain
+ 33 (0)1 76 70 35 34
ariverain@greensome-finance.com

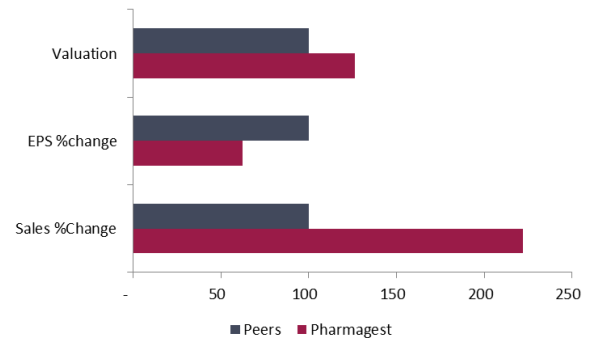
Snapshot PHARMAGEST

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
11/19/20	Q3 Sales	Neutral	€ 90	€ 83.9
9/28/20	H1 Result	Neutral	€ 79.7	€ 83.9
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

Financial Data

Income Statement (€ m)	2017**	2018**	2019**	2020e**	2021e**	2022e**
Revenues	129,7	148,5	158,6	172,9	193,7	219,1
Purchase	23,5	26,7	29,9	32,4	36,5	41,6
Gross Margin	106,2	121,8	128,6	140,5	157,2	177,5
Externals costs	17,5	21,6	20,4	21,7	26,2	30,7
Personnals Costs	47,1	53,0	56,3	61,5	66,9	72,9
EBITDA	38,8	44,1	49,0	53,7	60,2	69,4
Amortization	4,6	5,5	8,1	8,6	9,7	10,7
other	0,0	0,2	0,0	0,0	0,0	0,0
EBIT	34,3	38,9	40,8	45,0	50,7	58,9
Financial Result	1,1	0,9	1,5	1,0	1,0	1,7
Tax	10,7	12,7	13,3	13,8	15,5	18,2
Net Result	24,3	27,0	29,0	32,2	36,1	42,5
Group Net Result	23,2	25,4	28,4	30,9	34,7	40,8

Balance Sheet (€ m)	2017**	2018**	2019**	2020e**	2021e**	2022e**
Fixed Assets	88,0	117,1	160,5	183,8	180,9	177,8
Stock Inventories	2,8	5,1	4,4	3,8	4,3	4,9
Accounts Receivable	22,9	32,0	34,6	28,8	32,3	36,5
Other Currents Assests	8,7	8,4	8,0	12,0	13,5	15,2
Cash & Equivalents	55,7	61,3	50,6	46,7	69,9	98,6
TOTAL Assets	178,2	223,8	258,1	275,1	300,8	333,0
Shareholders' Equity	104,9	117,1	131,9	150,5	171,5	197,0
Provisions	3,4	4,1	4,6	4,7	5,3	6,0
Financial Debt	16,9	43,2	57,5	53,4	49,3	45,2
Accounts Payables	9,6	11,9	13,4	13,0	14,5	16,4
Others Liabilities	39,0	45,9	47,6	50,4	56,5	63,9
TOTAL Liabilities	178,2	223,8	258,1	275,1	300,8	333,0

Cash Flow Statements (€ m)	2017**	2018**	2019**	2020e**	2021e**	2022e**
Cash Flow from Operating Activities	28,0	33,0	35,8	40,8	46,4	53,9
Change in Net Working Capital	-0,8	-4,2	4,9	4,8	2,9	3,6
Cash Flow from Operations	27,2	28,9	40,7	45,6	49,3	57,5
Cash Flow from Investing	-7,9	-10,2	-16,3	-12,1	-6,8	-7,7
Capital Increase	-11,1	-11,7	-13,3	-13,6	-15,2	-17,0
Funding Flow	7,0	7,7	-4,8	-4,1	-4,1	-4,1
Cash Flow from Financing	-14,6	-13,3	-34,8	-37,5	-19,3	-21,1
Net Change in cash position	4,7	5,4	-10,5	-4,0	23,3	28,7

RATIOS	2017**	2018**	2019**	2020e**	2021e**	2022e**
Gross Margin	81,9%	82,0%	81,1%	81,3%	81,2%	81,0%
Ebitda Margin	29,9%	29,7%	30,9%	31,1%	31,1%	31,7%
EBIT Margin	26,5%	26,2%	25,8%	26,0%	26,2%	26,9%
Net Margin	18,7%	18,2%	18,3%	18,6%	18,7%	19,4%
ROE	23,2%	23,1%	22,0%	21,4%	21,1%	21,6%
ROCE	30,3%	27,6%	32,9%	41,9%	34,7%	30,4%
Gearing	-54,6%	-45,2%	-33,2%	-29,2%	-41,6%	-52,9%
FCF per share	1,3	1,2	1,6	2,2	2,8	3,3
EPS (€)	1,5	1,7	1,9	2,1	2,4	2,8
Dividend per share (€)	0,0	0,9	0,9	1,0	1,1	1,3
Dividen Yield	0,0%	0,9%	0,9%	1,1%	1,2%	1,4%
Distribution rate	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%

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NO	NO	YES	YES	NO	NO

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