

PHARMAGEST

Euronext B – FR0012882389 – PHA

- ✓ Q3: Unfavorable base effect except for e-Health Solutions which continue to catch up
- ✓ Q3 sales stable, + 13% over 9 months, + 6.5% at constant scope
- ✓ + 13% annual growth expected

During the first two quarters, Pharmagest benefited 1 / from a catch-up effect and 2 / from the scope effect, notably with Asca for the Pharmaceuticals branch. The group was thus able to post an increase in its activity of + 20.5% in H1 and + 10.4% at constant scope. The Q3 logically marks a brake on this dynamic given the base effect which is particularly unfavorable. In fact, Q3 2020 had benefited from the "reopening" of our economy, which enabled growth to be close to 26% and above 11% on a like-for-like basis. Only e-Health was left behind due to a certain wait-and-see attitude in terms of investment policy in digital communication but also because of the e-connect pole (connected readers).

The Pharmacy and HSCF (Health and Social Care Facilities) divisions, which had experienced a very strong increase in their activity in Q3 2020 (+ 24% and + 63%) fell by - 2.1% respectively (€ 32.9m) and -4.9% (€ 6.2m).

If we refer to 2019 which can be considered as a "normal" financial year and restating from the scope, we estimate that Pharmaceuticals progressed between Q3 2019 and 2021 by around + 10%, or roughly + 5% per year smoothly. Pharmagest is therefore showing an increase in its activity close to our expectations of "normative" growth on a like-for-like basis.

Over 9 months, the Pharmacy division grew by + 13.8% to € 102.7 million (+ 5.3% at constant scope). It should be noted the excellent performance of Italy, which rose 29% to € 2.3m (+ 27% like-fo-like) in Q3 and + 30.5% to € 6.8m. This is the result, among other things, of the almost complete network of the Transalpine territory.

HSCF are suffering from a particularly unfavorable base effect but also from the wait for the replacement of the HSCF Digital plan, which should take place at the end of the year. Apart from this "one-off" element, the other segments show a double-digit progression. Over 9 months Growth was + 5.1% to € 20 million (+ 4% at constant scope).

E-Health, with an increase of + 21.6% (€ 4.6 million), continues to catch up and shows 4 consecutive quarters of increase.

Over 9 months, turnover increased by + 14.5% to € 13.5 million.

Finally, the FinTech division grew 16.2% in Q3 and 63% over 9 months, taking advantage of new business providers and a resumption of investments.

Outlook.

Management's annual objective is growth equivalent to that observed at the end of September, ie + 13%. This objective includes Prokov Editions, which was acquired at the end of September, and which develops software for private practitioners who are under an Apple environment.

Given that no quantitative information had been given, in view of the information available, we can envisage a contribution in Q4 of slightly less than € 1 million. On this basis, excluding Prokov, the annual turnover would increase by around + 12.5%, leading to an increase in Q4 of + 11.5%. This is close to our expectations knowing that there is uncertainty at the Nursing Home level regarding the period from when their digital investments will be able to fully resume.

For 2022e, we include a turnover for Prokov of € 4.5 million for an EBIT margin of 25%.

To conclude, this Q3 is a good surprise for e-Health, which confirms its recovery, knowing that it is on this division that we expect the most leverage in the years to come. The HSCF remain dynamic while the division is still awaiting the resumption of investments in Nursing Home. The establishment in Italy for Pharmacy seems to be a success, which is a good signal of the group's ability to develop internationally.

Opinion & Price Target: Buy - € 143.2 vs € 138.7.

The acquisition of Prokov in view of its estimated balance sheet and cash flow structure, should be accretive in our opinion. This, combined with an appreciation of peers, leads to an increase in our price target (DCF 154 € - peers 117 €).

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BUY

Q3 Sales + Contact

Eligible PEA

TARGET

€ 143.2

PREVIOUS

€ 138.7

PRICE (11/10/21)

€ 102.4

POTENTIAL

+ 40%

MARKET CAP.

€ 1 553m

FREE FLOAT

€ 374m

| Ratios | 2021e | 2022e | 2023e |
|----------------|-------|-------|-------|
| EV/Sales | 7,7 | 6,7 | 6,1 |
| EV/EBIT | 29,2 | 25,4 | 22,7 |
| P/E | 42,3 | 37,2 | 33,8 |
| P/CF | 37,0 | 33,5 | 29,3 |
| Dividend Yield | 0,9% | 0,9% | 1,2% |

| Data per share | 2020 | 2021e | 2022e | 2023e |
|----------------|------|-------|-------|-------|
| EPS | 2,15 | 2,42 | 2,75 | 3,03 |
| %Change | 13% | 12% | 14% | 10% |
| FCF | 1,82 | 2,82 | 3,15 | 3,41 |
| %Change | 13% | 55% | 12% | 8% |
| Dividend | 0,95 | 0,95 | 1,24 | 1,36 |

| Income Statement (€m) | 2020 | 2021e | 2022e | 2023e |
|-----------------------|-------|-------|-------|-------|
| Net Sales | 171,8 | 194,0 | 216,9 | 233,8 |
| %Change | 8,3% | 12,9% | 11,8% | 7,8% |
| Gross Margin | 139,5 | 157,1 | 174,6 | 189,4 |
| % Sales | 81,2% | 81,0% | 80,5% | 81,0% |
| EBITDA | 55,0 | 60,8 | 68,2 | 74,5 |
| % Sales | 32,0% | 31,3% | 31,5% | 31,9% |
| EBIT | 46,7 | 51,2 | 57,7 | 62,9 |
| % Sales | 27,2% | 26,4% | 26,6% | 26,9% |
| Net Result | 32,7 | 36,7 | 41,7 | 46,0 |
| % Sales | 19,0% | 18,9% | 19,2% | 19,7% |

| Cash Flow Statement (€m) | 2020 | 2021e | 2022e | 2023e |
|--------------------------|-------|-------|-------|--------|
| FCF | 27,6 | 42,7 | 47,8 | 51,7 |
| Net Debt | -36,0 | -59,3 | -90,6 | -123,5 |
| Shareholder Equity | 149,0 | 171,3 | 196,5 | 223,7 |
| Gearing | -24% | -35% | -46% | -55% |
| ROCE | 33% | 29% | 26% | 23% |

Shareholders

| | |
|------------------------|-------|
| Marque Verte Santé | 60,5% |
| La Coopérative Welcoop | 6,1% |
| Founders | 2,7% |
| Auto Control | 1,5% |
| Free Float | 29,2% |

| Performances | 2021 | 3m | 6m | 1 Year |
|--------------------|-------|-------|-------|--------|
| Pharmagest | 19,0% | 3,5% | 5,3% | 28,7% |
| CAC Mid&Small | -8,1% | 7,7% | 10,3% | 20,8% |
| 12 months Low-High | 83,00 | 124,2 | | |

| Liquidity | 2021 | 3m | 6m | 1 Year |
|-------------------------|-------|-------|-------|--------|
| Cumulative volume (000) | 520 | 1 106 | 2 825 | 2 364 |
| % of capital | 15,6% | 3,4% | 7,3% | 18,6% |
| % of Free Float | 64,6% | 14,2% | 30,2% | 77,2% |
| € Million | 231,5 | 50,1 | 104,3 | 276,2 |

Next Event

Sales 2021 : February, 4

GreenSome has signed a research contract with Pharmagest

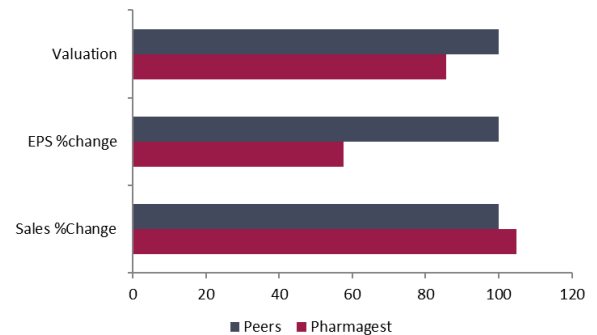
Snapshot PHARMAGEST

PHARMAGEST is the French leader in computational informatics with 44% of market share. With more than 1,100 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 |
|----------|------------------------|---------|---------|--------------|
| 9/30/21 | Acquisition | Buy | € 95.6 | €138.7 |
| 9/27/21 | H1 Results | Buy | € 98.1 | € 138.7 |
| 8/5/21 | Q2 Sales | Buy | 93.5 € | € 138.7 |
| 5/13/21 | Q1 Sales | Buy | € 89.3 | € 132.6 |
| 3/29/21 | 2020 Results | Buy | €95.2 | €132.6 |
| 2/5/21 | 2020 Sales | Buy | € 118.6 | € 132.6 |
| 12/9/20 | New Valuation Approach | Buy | € 94.6 | € 139.4 |
| 11/19/20 | Q3 Sales | Neutral | € 90 | € 83.9 |

Financial Data

| Income Statement (€ m) | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|------------------------|-------|-------|-------|-------|-------|-------|
| Revenues | 148,5 | 158,6 | 171,8 | 194,0 | 216,9 | 233,8 |
| Purchase | 26,7 | 29,9 | 32,2 | 36,9 | 42,3 | 44,4 |
| Gross Margin | 121,8 | 128,6 | 139,5 | 157,1 | 174,6 | 189,4 |
| Externals costs | 21,6 | 20,4 | 20,2 | 24,6 | 27,5 | 28,3 |
| Personnals Costs | 53,0 | 56,3 | 60,9 | 67,8 | 74,5 | 81,9 |
| EBITDA | 44,1 | 49,0 | 55,0 | 60,8 | 68,2 | 74,5 |
| Amortization | 5,5 | 8,1 | 9,1 | 9,7 | 10,6 | 11,7 |
| other | 0,2 | 0,0 | 0,8 | 0,0 | 0,0 | 0,0 |
| EBIT | 38,9 | 40,8 | 46,7 | 51,2 | 57,7 | 62,9 |
| Financial Result | 0,9 | 1,5 | 0,8 | 1,3 | 2,0 | 2,8 |
| Tax | 12,7 | 13,3 | 13,4 | 15,7 | 17,9 | 19,7 |
| Net Result | 27,0 | 29,0 | 32,7 | 36,7 | 41,7 | 46,0 |
| Group Net Result | 25,4 | 28,4 | 30,7 | 34,5 | 39,2 | 43,3 |

| Balance Sheet (€ m) | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fixed Assets | 117,1 | 160,5 | 184,9 | 187,0 | 184,0 | 180,5 |
| Stock Inventories | 5,1 | 4,4 | 6,8 | 5,4 | 6,0 | 6,5 |
| Accounts Receivable | 32,0 | 34,6 | 31,8 | 37,7 | 42,2 | 45,5 |
| Other Currents Assests | 8,4 | 8,0 | 9,0 | 10,8 | 12,1 | 13,0 |
| Cash & Equivalentents | 61,3 | 50,6 | 63,3 | 82,5 | 109,6 | 138,4 |
| TOTAL Assets | 223,8 | 258,1 | 295,8 | 323,4 | 353,8 | 383,8 |
| Shareholders' Equity | 117,1 | 131,9 | 149,0 | 171,3 | 196,5 | 223,7 |
| Provisions | 4,1 | 4,6 | 5,3 | 5,3 | 5,9 | 6,4 |
| Financial Debt | 43,2 | 57,5 | 71,8 | 67,7 | 63,6 | 59,4 |
| Accounts Payables | 11,9 | 13,4 | 14,2 | 16,2 | 18,1 | 19,5 |
| Others Liabilities | 45,9 | 47,6 | 49,3 | 56,6 | 63,3 | 68,2 |
| TOTAL Liabilitites | 223,8 | 258,1 | 295,8 | 323,4 | 353,8 | 383,8 |

| Cash Flow Statements (€ m) | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| Cash Flow from Operating Activities | 33,0 | 35,8 | 42,0 | 46,3 | 53,0 | 58,2 |
| Change in Net Working Capital | -4,2 | 4,9 | 5,2 | 3,2 | 2,4 | 1,7 |
| Cash Flow from Operations | 28,9 | 40,7 | 47,2 | 49,5 | 55,4 | 59,9 |
| Cash Flow from Investing | -10,2 | -16,3 | -19,6 | -6,8 | -7,6 | -8,2 |
| Capital Increase | -11,7 | -13,3 | -13,3 | -14,4 | -16,5 | -18,8 |
| Funding Flow | 7,7 | -4,8 | 17,8 | -4,1 | -4,1 | -4,2 |
| Cash Flow from Financing | -13,3 | -34,8 | -15,4 | -23,5 | -20,7 | -22,9 |
| Net Change in cash position | 5,4 | -10,5 | 12,2 | 19,2 | 27,1 | 28,8 |

| RATIOS | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|------------------------|--------|--------|--------|--------|--------|--------|
| Gross Margin | 82,0% | 81,1% | 81,2% | 81,0% | 80,5% | 81,0% |
| Ebitda Margin | 29,7% | 30,9% | 32,0% | 31,3% | 31,5% | 31,9% |
| EBIT Margin | 26,2% | 25,8% | 27,2% | 26,4% | 26,6% | 26,9% |
| Net Margin | 18,2% | 18,3% | 19,0% | 18,9% | 19,2% | 19,7% |
| ROE | 23,1% | 22,0% | 21,9% | 21,4% | 21,2% | 20,6% |
| ROCE | 27,6% | 32,9% | 33,0% | 29,3% | 26,0% | 23,4% |
| Gearing | -45,2% | -33,2% | -24,1% | -34,6% | -46,1% | -55,2% |
| FCF per share | 1,2 | 1,6 | 1,8 | 2,8 | 3,1 | 3,4 |
| EPS (€) | 1,7 | 1,9 | 2,2 | 2,4 | 2,7 | 3,0 |
| Dividend per share (€) | 0,9 | 0,9 | 1,0 | 1,0 | 1,2 | 1,4 |
| Dividen Yield | 0,8% | 0,9% | 0,9% | 0,9% | 1,2% | 1,3% |
| Distribution rate | 46,2% | 47,2% | 46,8% | 44,1% | 45,0% | 45,0% |

GreenSome Finance Estimates

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

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

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