

PHARMAGEST

Euronext B – FR0012882389 – PHA

- ✓ Q3 more complicated but e-Health continues to accelerate
- ✓ Sales Q3 € 35.3m -0.43% / 9 months € 112.2m + 4.25%

This Q3 is mainly marked by the sharp drop of -21% (€ 4m) in the Health and Social Care facilities Solutions Division (HSCF). Thus, over 9 months, activity fell by -5.7% to € 13.2m.

This decline is related to the delays in the GHT tenders, whereas last year Axigate has benefited. Axigate also saw its business fall by -65% in Q3 and -48% over 9 months, while EHPAD and SSIAD continue to grow by + 6% (€ 3.35m) and + 15.5% (€ 10.75m) respectively.

The Pharmacy Division also suffers a little but to a lesser extent: Q3 -0.62% to € 27m (+ 0.68% excluding CPI and Intecum disposals) / 9 months + 3.2% to € 86.2m.

The main negative factor was a lack of commercial staff, particularly in Italy, but also a less favorable base effect in Belgium.

E-Health, meanwhile, continues to perform well and accelerates even with a Q3 up 39.1% to € 3.8m after + 25.5% in Q1, + 32.6% in Q2. Over 9 months, e-Health posts sales up 32.3% to € 11.7m.

Finally, Fintech is recovering slightly with an increase of + 2.5% in Q3 to € 0.38m (-9.2% over 9 months to € 1.15m).

This Q3 does not include the acquisitions made in October that are: ICT for the ESM, whose contribution to the Q4 we estimate at around € 0.5-0.6m (€ 2.6m expected for 2020e) and SVEMU in Italy for Pharmacy. It should be noted that we have not included this last in our 2019 preview because we do not have any quantified data.

This publication leads us to be a little more cautious on the pharmacy with a turnover of € 120.1 million (excluding SVEMU) vs. € 120.9 million. Similarly, due to the inertia linked to the GHT, we are lowering our target for HSCF sales to € 19.2 million vs. € 20.2 million (including ICT). On the other hand, we are seeing the e-Health up again at € 16.2m vs. € 16m (+ 26.6% over the year), which can even be seen as a minimum in view of the momentum observed and the potential for growth. this market.

In the end, we now expect annual sales of € 157.2 million vs. € 158.6 million. On this basis the Q4 should show a + 10,2% increase.

What to notice?

That the e-Health is really to watch closely because it must be the division, and this will be in our opinion, the division offering the group the main lever on its growth.

That HSCF can rely on ALFs (Malta Informatique) and Home-based Nurses Services (Dicsit Informatique) but that the key comes from GHT through Axigate. This makes this division, for the moment, less predictable.

That the Pharmacy confirms its status as a base on which Pharmagest can permanently rest to unfold its international deployment strategy.

Conclusion

This Q3 may disappoint but has suffered from base effects and / or adverse exogenous elements (GHT).

The Q4 will offer a simpler reading especially since we will have the metrics of the last two acquisitions. Moreover, it is not impossible that by the publication of the annual turnover, Pharmagest will continue its "market", the management having indicated that it was on the lookout for any opportunity of external growth in order to strengthen itself in Europe.

The slight adjustment of our forecasts does not affect our price target, which we confirm at € 67.9. With a potential for appreciation slightly above + 10%, we confirm our Buy opinion.

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BUY

Sales Q3 + contact

Eligible PEA

TARGET

€ 67.9

PREVIOUS

€ 67.9

PRICE (11/15/19)

€ 61.6

POTENTIAL

+ 10.2%

MARKET CAP.

€ 934m

FREE FLOAT

€ 225m

Ratios	2019e	2020e	2021e
EV/Sales	5,6	5,0	4,4
EV/EBIT	21,4	18,6	16,5
P/E	31,8	28,5	25,6
P/CF	28,9	23,5	21,3
Dividend Yield	0,0	0,0	0,0

Data per share	2018	2019e	2020e	2021e
EPS	1,70	1,94	2,16	2,41
%Change	10%	14%	12%	11%
FCF	1,23	1,44	2,35	2,60
%Change	-3%	17%	63%	11%
Dividend	0,85	0,91	1,02	1,13

Income Statement (€m)	2018	2019e	2020e	2021e
Net Sales	148,5	157,2	174,6	190,4
%Change	14,5%	5,9%	11,0%	9,0%
Gross Margin	121,8	128,2	141,8	154,5
% Sales	82,0%	81,6%	81,3%	81,2%
EBITDA	44,1	46,7	52,4	57,7
% Sales	29,7%	29,7%	30,0%	30,3%
EBIT	38,9	41,4	46,3	51,0
% Sales	26,2%	26,3%	26,5%	26,8%
Net Result	27,0	29,4	32,8	36,5
% Sales	18,2%	18,7%	18,8%	19,2%

Cash Flow Statement (€m)	2018	2019e	2020e	2021e
FCF	18,7	21,9	35,6	39,5
Net Debt	-53,0	-48,8	-70,6	-94,6
Shareholder Equity	117,1	133,7	152,7	173,8
Gearing	-45%	-37%	-46%	-54%
ROCE	28%	30%	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	20,5%	16,2%	14,1%	20,5%
CAC Mid & Small	17,0%	9,4%	4,4%	6,7%
12 months Low-High	48,3	62,8		

Liquidity	2019	3m	6m	1 Year
Cumulative volume (000)	838	305	498	984
% of capital	5,5%	2,0%	3,3%	6,5%
% of Free Float	22,9%	8,3%	13,6%	26,9%
€ Million	47,7	17,5	28,5	55,2

Next Event

2019 Sales : 2/6

GreenSome has signed a research contract with Pharmagest

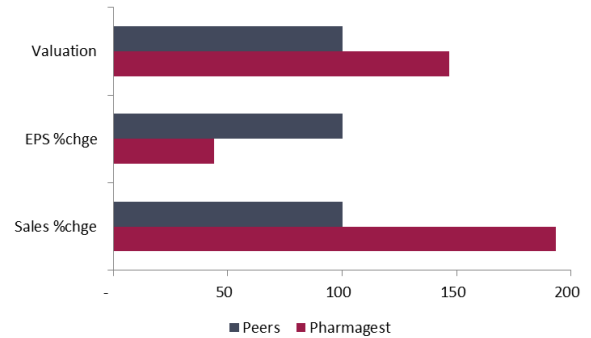
Snapshot PHARMAGEST

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
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
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

Financial Data

Income Statement (€ m)	2014*	2015*	2016*	2017**	2018**	2019e**	2020e**	2021e**
Revenues	114,6	113,5	128,4	129,7	148,5	157,2	174,6	190,4
Purchase	28,4	24,1	31,5	23,5	26,7	29,0	32,7	35,9
Gross Margin	86,2	89,4	96,9	106,2	121,8	128,2	141,8	154,5
Externals costs	14,4	13,9	14,7	17,5	21,6	21,2	23,0	23,4
Personnals Costs	41,5	42,2	44,6	47,1	53,0	57,1	62,8	69,4
EBITDA	27,6	30,7	35,0	38,8	44,1	46,7	52,4	57,7
Amortization	2,4	2,8	3,8	4,6	5,5	5,7	6,3	6,9
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	41,4	46,3	51,0
Financial Result	1,0	1,0	1,2	1,1	0,9	0,6	0,6	1,1
Tax	9,4	10,3	10,9	10,7	12,7	12,6	14,1	15,6
Net Result	17,0	19,0	21,5	24,3	27,0	29,4	32,8	36,5
Group Net Result	17,0	18,8	20,6	23,2	25,4	28,2	31,5	35,0
Balance Sheet (€ m)	2014*	2015*	2016*	2017**	2018**	2019e**	2020e**	2021e**
Fixed Assets	44,9	46,4	66,8	88,0	117,1	143,0	142,8	142,7
Stock Inventories	2,3	2,4	2,6	2,8	5,1	3,5	3,9	4,2
Accounts Receivable	15,3	16,0	20,2	22,9	32,0	26,2	29,1	31,7
Other Currents Assests	3,4	4,1	6,0	8,7	8,4	10,9	12,1	13,2
Cash & Equivalents	47,7	55,1	55,2	55,7	61,3	69,9	87,6	107,5
TOTAL Assets	113,6	124,0	150,7	178,2	223,8	253,5	275,5	299,4
Shareholders' Equity	81,7	91,6	103,7	104,9	117,1	133,7	152,7	173,8
Provisions	2,0	2,4	3,3	3,4	4,1	4,3	4,8	5,2
Financial Debt	1,6	1,6	10,4	16,9	43,2	56,0	51,9	47,8
Accounts Payables	6,3	6,7	8,2	9,6	11,9	11,8	13,1	14,3
Others Liabilities	21,0	19,0	22,1	39,0	45,9	45,9	50,9	55,5
TOTAL Liabilities	113,6	124,0	150,7	178,2	223,8	253,5	275,5	299,4
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	32,4	39,7	43,8
Change in Net Working Capital	-1,3	-1,1	-1,3	-0,8	-4,2	5,0	2,0	2,3
Cash Flow from Operations	16,7	20,0	22,6	27,2	28,9	37,4	41,7	46,1
Cash Flow from Investing	-3,3	-4,0	-5,7	-7,9	-10,2	-15,5	-6,1	-6,7
Capital Increase	-11,4	-8,9	-9,3	-11,1	-11,7	-13,5	-13,8	-15,4
Funding Flow	-5,0	-5,4	3,0	7,0	7,7	8,5	-4,1	-4,1
Cash Flow from Financing	-16,5	-14,5	-9,2	-14,6	-13,3	-13,2	-17,9	-19,6
Net Change in cash position	-3,1	1,4	7,7	4,7	5,4	8,6	17,7	19,9
RATIOS	2014*	2015*	2016*	2017**	2018**	2019e**	2020e**	2021e**
Gross Margin	75,2%	78,8%	75,5%	81,9%	82,0%	81,6%	81,3%	81,2%
Ebitda Margin	24,1%	27,1%	27,3%	29,9%	29,7%	29,7%	30,0%	30,3%
EBIT Margin	22,3%	24,9%	24,4%	26,5%	26,2%	26,3%	26,5%	26,8%
Net Margin	14,8%	16,7%	16,7%	18,7%	18,2%	18,7%	18,8%	19,2%
ROE	20,8%	20,8%	20,7%	23,2%	23,1%	22,0%	21,5%	21,0%
ROCE	27,5%	25,6%	25,8%	30,3%	27,6%	29,8%	27,4%	25,3%
Gearing	-58,5%	-58,5%	-57,4%	-54,6%	-45,2%	-36,5%	-46,2%	-54,4%
FCF per share	0,9	1,1	1,1	1,3	1,2	1,4	2,3	2,6
EPS (€)	1,1	1,3	1,4	1,5	1,7	1,9	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%	1,4%	1,5%	1,7%	1,8%
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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