

# Farmacosmo

Sector: E-Commerce



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## Strategic execution to unlock profitable growth

Farmacosmo (COSMO) is a Health, Pharma & Beauty e-retailer for OTC and SOP pharmaceuticals (without prescription) and BPC (beauty and personal care) SKUs. COSMO also boasts pharmacies and digital health services.

### Margins vs. Growth in 1H24

Farmacosmo's 1H24 financials reaffirm the improvements of the Group's strategic shift, which prioritizes improving margins over pure revenue growth. Key 1H24 figures include the VoP at €33.1mn, down 12% y/y but only slightly below our expectations; EBITDA at €334k (10x vs. €30k in 1H23), though still impacted by the start-up phase of ContactU (EBITDA Adj. at €553k vs. €124k in 1H23); Net Debt at €1.7mn, after ca. €1.5mn equity decrease due to the deconsolidation of Innovation Pharma.

### Successful delivery of Business Development initiatives

Farmacosmo is continuing its strategic transformation, aiming to achieve qualitative and sustainable growth through a well-diversified business model and key development initiatives, including:

- ◆ Farmacosmo Logistics: the establishment of a new subsidiary to centralize logistics operations and enable more economies of scale;
- ◆ ContactU KPIs: positive growth indicators reflecting a well-executed marketing strategy. To sustain future growth, management is exploring external capital-raising opportunities.
- ◆ Innovation Pharma divestment: sale of the business in February 2024 following underperformance.

### Estimates fine-tuned: B2B downsizing goes on and on

With 1H24 results substantially coherent with our FY estimates, we only fine-tuned our top line forecasts to account for a stronger-than-expected speed of the B2B voluntarily decline, a more controlled growth of Pharmasi and ProfumeriaWeb, and a slightly lower ramp-up of ContactU. On the opposite, we revised upward Bau Cosmesi and Farmacia De Leo' contributions. In 2026E, we expect VoP at €82.5mn (4% CAGR<sub>23A-26E</sub>), EBITDA at €2.5mn (3% Margin), and OpFCF at €1.7mn (68% of EBITDA).

### Fair Value at €1.20 p/s (from €1.28 p/s)

We have revised our Fair Equity Value to €1.20 p/s, as result of the downward adjustment in our revenue projections. The updated fair value suggests a >90% upside potential vs. the current market price, implying a target Market Cap of approximately €50mn, assuming continued smooth execution of the Company's strategic plan, which is already well underway.

<b>Fair Value (€)</b>	<b>1.20</b>
<b>Market Price (€)</b>	<b>0.63</b>
<b>Market Cap. (€mn)</b>	<b>24.5</b>

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	72.6	69.0	75.6
EBITDA	-0.4	0.7	1.5
EBIT	-3.2	-1.9	-1.1
NET PROFIT	-3.2	-2.3	-1.7
EQUITY	15.4	12.6	10.6
NET FIN. POS.	-1.2	-2.0	-1.9
EPS ADJ. (€)	-0.08	-0.06	-0.04
DPS (€)	0.00	0.00	0.00

Source: Farmacosmo (historical figures)  
Value Track (2024E-25E estimates)

KEY RATIOS (*)	2023A	2024E	2025E
EBITDA MARGIN (%)	-0.6	1.1	2.0
EBIT MARGIN (%)	-4.5	-2.8	-1.5
NET DEBT / EBITDA (x)	nm	2.8	1.3
NET DEBT / EQUITY (x)	0.1	0.2	0.2
EV/SALES (x)	0.61	0.38	0.35
EV/EBITDA (x)	nm	nm	17.8
EV/EBIT (x)	nm	nm	nm
P/E ADJ. (x)	nm	nm	nm

Source: Farmacosmo (historical figures)  
Value Track (2024E-25E estimates)

STOCK DATA (*)	
FAIR VALUE (€)	1.20
MARKET PRICE (€)	0.63
SHS. OUT. (m)	38.9
MARKET CAP. (€m)	24.5
FREE FLOAT (%)	26.48
AVG. 20D VOL. (#)	25,296
RIC / BBG	COSMO.MI / COSMO IM
52 WK RANGE	€0.61 - €1.15

Source: Stock Market Data

EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON FARMACOSMO SHARES



## Business Description

Farmacosmo is a e-retailer for OTC and SOP pharmaceuticals (“over the counter”, i.e. that do not need prescriptions) and BPC products (“beauty and personal care”, such as cosmetics) in Italy. Thanks to a wide catalogue with over 70k references, long shelf-life products selling at discount vs. physical stores and end-to-end customer-centric approach, Farmacosmo is generating ever improving KPIs. Thanks to recent M&A, Farmacosmo now also boast a physical pharmacy and digital health services.

## Key Financials

€mn	2023A	2024E	2025E	2026E
<b>Value of Production</b>	<b>72.6</b>	<b>69.0</b>	<b>75.6</b>	<b>82.5</b>
y/y (%)	9.0%	-4.9%	9.5%	9.1%
<b>EBITDA</b>	<b>-0.3</b>	<b>0.7</b>	<b>1.5</b>	<b>2.5</b>
EBITDA Margin (%)	-0.4%	1.1%	2.0%	3.0%
<b>EBIT</b>	<b>-3.2</b>	<b>-1.9</b>	<b>-1.1</b>	<b>0.0</b>
EBIT Margin (%)	-4.4%	-2.8%	-1.5%	0.0%
<b>Net Profit</b>	<b>-3.2</b>	<b>-2.3</b>	<b>-1.7</b>	<b>-0.8</b>
y/y (%)	nm	-29.5%	-25.1%	-52.4%
<b>Adjusted Net Profit</b>	<b>-3.2</b>	<b>-2.3</b>	<b>-1.7</b>	<b>-0.8</b>
y/y (%)	nm	-29.5%	-25.1%	-52.4%
<b>Net Fin. Position</b>	<b>-1.2</b>	<b>-2.0</b>	<b>-1.9</b>	<b>-4.3</b>
Net Fin. Pos. / EBITDA (x)	nm	2.8	1.3	1.7
Capex	-2.2	-0.9	-0.9	-0.9
<b>OpFCF b.t.</b>	<b>-6.6</b>	<b>-0.4</b>	<b>1.1</b>	<b>1.7</b>
OpFCF b.t. as % of EBITDA	nm	nm	72.0%	68.1%

Source: Farmacosmo (historical figures), Value Track (estimates)

## Investment case

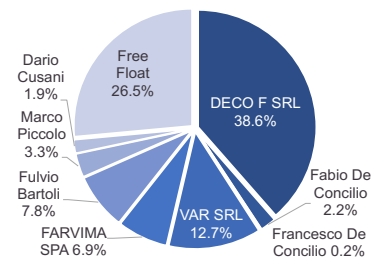
### Strengths / Opportunities

- ◆ Very high flexibility to demand thanks to “sell and buy” approach and almost non-existent inventory risk due to the “zero warehouse” policy;
- ◆ All-around value proposition in the Health, Beauty & Pharma industry with online portals, physical pharmacy and digital health services;
- ◆ End-to-end customer centric approach resulting in high conversion rate and above competition average order value (AOV).

### Weaknesses / Risks

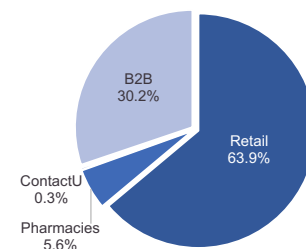
- ◆ Increasing competition trying to exploit current low online penetration;
- ◆ Risk of potential changes in current legal and regulatory framework;
- ◆ Risk of sales concentration, operating in B2B channel with one major client.

## Shareholders Structure



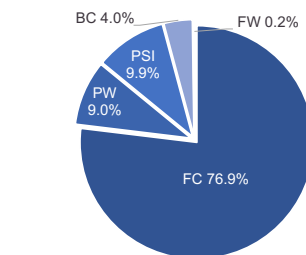
Source: Farmacosmo

## Revenues by Business Line



Source: Farmacosmo, FY23

## Retail Revenues by Portal



Source: Farmacosmo, FY23

## Stock Multiples @ €1.20 Fair Value

	2024EE	2025E
EV / SALES (x)	0.70	0.64
EV / EBITDA (x)	nm	32.7
EV / EBIT (x)	nm	nm
EV / CAP.EMP. (x)	3.3	3.9
OpFCF Yield (%)	nm	2.2
P / E (x)	nm	nm
P / BV (x)	4.4	5.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

# 1H24 Financial Results

## Key Financials & Messages

Farmacosmo’s 1H24 financial results reaffirm the success of the Group’s strategic shift, which prioritizes improving margins over pure revenue growth. Key highlights include:

- ◆ **Value of Production at €33.1mn**, down 12% y/y but only slightly below our expectations;
- ◆ **EBITDA at €334k** vs. €30k in 1H23, though still impacted by the start-up phase of ContactU;
- ◆ **EBITDA Adjusted** (for ContactU performance), at **€553k** vs. €124k in 1H23;
- ◆ **Net Debt at €1.7mn**, up from €1.2mn at the end of FY23, reflecting a ca. €1.5mn equity reduction due to the deconsolidation of Innovation Pharma.

### Farmacosmo: Key Financials 1H22-1H24

(IT GAAP, €mn)	1H22	1H23	1H24	y/y
<b>Value of Production</b>	<b>32.4</b>	<b>37.4</b>	<b>33.1</b>	<b>-12%</b>
<b>EBITDA</b>	<b>0.2</b>	<b>0.0</b>	<b>0.3</b>	<b>&gt;100%</b>
<i>EBITDA Margin (%)</i>	<i>0.7%</i>	<i>0.1%</i>	<i>1.0%</i>	<i>90bps</i>
<b>EBITDA Adj.</b>	<b>na</b>	<b>0.1</b>	<b>0.6</b>	<b>&gt;100%</b>
<i>EBITDA Adj. Margin (%)</i>	<i>na</i>	<i>0.3%</i>	<i>1.7%</i>	<i>130bps</i>
<b>Net Financial Position [Debt(-)/Cash(+)]</b>	<b>nm</b>	<b>-1.2 (*)</b>	<b>-1.7</b>	<b>nm</b>

Source: Farmacosmo, Value Track Analysis, (\*) FY23

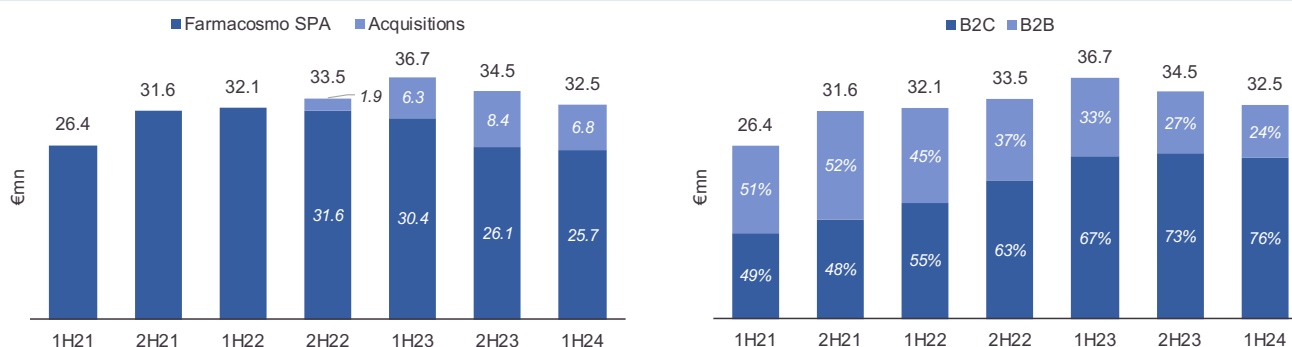
The main messages behind these results are, in our view:

- 1. Revenue drop is the result of strategic B2B downsizing, prioritizing quality growth;**
- 2. Profitability rising thanks to much better revenue mix;**
- 3. Cash Flow impaired by Net Working Capital and ContactU investments.**

### Revenue drop is the result of strategic B2B downsizing, prioritizing quality growth

Farmacosmo reported 1H24 **Revenues from Sales at €32.5mn**, down 12% y/y, or -9% like-for-like after the deconsolidation of Innovation Pharma, aligning with the Group's strategy to prioritize the higher-margin **B2C** stream (**€23.2mn**, +3% y/y) while voluntarily downsizing the **B2B** channel (**€7.9mn**, -34% y/y). Indeed, 1H24 marks the fourth semester in a row with declining B2B revenues, now accounting for only 24% of the total vs. 51% in 1H21).

### Farmacosmo: Revenues from Sales Evolution



Source: Farmacosmo, Value Track Analysis

Looking at the B2C leg, we highlight the strong performance of **Bau Cosmesi** (€1.3mn vs. €0.2mn in 1H23) and **ProfumeriaWeb** (€1.9mn, +6% y/y) achieved thanks to the integration of new, high-margins products (stronger average order value). The growing contributions from **Farmacia De Leo** (physical pharmacy, €1.1mn) and **ContactU** (digital health, €287k) further underscores the Group's diversification. Regarding ContactU, we also believe worth to highlight the ever-increasing KPIs of the platform, leveraging a strong strategic positioning and achieving >11,000 therapy hours and a >30% conversion rate from survey to recurrent patient.

**Farmacosmo: Value of Production Breakdown**

(IT GAAP, €mn)	1H22	1H23	1H24	y/y
Retail	17.5	22.4	23.1	3%
o/w Farmacosmo	17.5	18.3	17.7	-3%
o/w ProfumeriaWeb	//	1.7	1.9	6%
o/w Pharmasi	//	2.2	1.9	-12%
o/w BauCosmesi	//	0.2	1.3	>100%
o/w FarmaWow	//	//	0.3	>100%
Physical Pharmacies	//	2.2	1.1	-49%
ContactU	//	0.0	0.3	>100%
B2B	14.6	12.1	7.9	-34%
<b>Revenues from Sales</b>	<b>32.1</b>	<b>36.7</b>	<b>32.5</b>	<b>-12%</b>
Δ Fixed Assets	0.2	0.5	0.4	-12%
Other Revenues	0.0	0.2	0.2	1%
<b>Value of Production</b>	<b>32.4</b>	<b>37.4</b>	<b>33.1</b>	<b>-12%</b>

Source: Farmacosmo, Value Track Analysis

**Farmacosmo: Revenues from Sales by Business Line and Retail Revenues by Portal**



Source: Farmacosmo, Value Track Analysis

**Profitability rising thanks to much better revenue mix**

Farmacosmo’s Group **EBITDA** reached **€334k** in 1H24, significantly up from €30k in 1H23, supported by (i) a reduced reliance on the B2B channel, (ii) costs synergies from ProfumeriaWeb's relaunch and Pharmasi's turnaround, (iii) exponential growth of pet-focused Bau Cosmesi (boasting an EBITDA Margin of ~11%), and (iv) fully internalized logistics, accounting and IT management. All in all, management’s diversification strategy has been successful, with the B2C stream more than offsetting the reduction in B2B’s EBITDA. Analyzing this metric by legal entities, we highlight:

- ◆ **Farmacosmo SPA** (including both the B2B client and the portal) at €382k (+20% y/y), implying an EBITDA Margin of 1.5%, thanks to heightened margins on all the catalogue and the increase of SKUs per order (same volumes sold but with less shipments);
- ◆ **ProfumeriaWeb** at -€54k (-€86k), now starting to benefit from first logistic efficiencies from the transfer to the Group distribution hub of Nola;
- ◆ **Farmacia De Leo** (including both the physical pharmacy and Pharmasi) at €133k vs. -€14k in 1H23, mainly thanks to the turnaround of the online portal;
- ◆ **BauCosmesi** at ca. €145k (vs. €168k of all FY23), implying an EBITDA Margin of ca. 11% thanks to the launch of new products;
- ◆ **ContactU** at -€219k, reflecting structural and project launch costs (still in its start-up phase).

Adjusted for ContactU, Group's **EBITDA Adj.** reached **€553k** vs. €124k in 1H23.

#### Farmacosmo: EBITDA Breakdown

(IT GAAP, €mn)	1H22	1H23	1H24
Farmacosmo SpA (B2B+B2C)	0.2	0.3	0.4
ProfumeriaWeb	//	-0.1	-0.1
BauCosmesi	//	0.0	0.1
FarmaWow	//	//	-0.1
Farmacia De Leo	//	0.0	0.1
Innovation Pharma	//	-0.1	//
ContactU	//	-0.1	-0.2
<b>Group EBITDA</b>	<b>0.2</b>	<b>0.0</b>	<b>0.3</b>

Source: Farmacosmo, Value Track Analysis

In terms of Opex incidence on top line, we note an efficient costs policy, with lower Raw Materials, G&A, and Labour Costs, despite the strengthening of the key management.

Lower Goodwill amortization post-Innovation Pharma deconsolidation drove an **EBIT** improvement of ca. €600k to **-€937k** (-€1.5mn in 1H23).

Declining Financial Charges and almost nihil taxes implied almost €1mn bottom line improvement before minorities. **Net Profit** came out at **-€1.1mn** vs. -€1.7mn of 1H23.

#### Cash Flow impaired by Net Working Capital and ContactU investments

1H24 saw a mild FCF erosion of ~€500k, with **Net Debt** amounting to **€1.7mn**, driven by:

- ◆ **Net Working Capital** absorbing €550k, mainly due to inventory increase (related to the decision to increase Gross Margin by building some stock of high-selling products);
- ◆ **Capex** standing at ca. €600k, mainly due to investments for the launch of ContactU;
- ◆ **Net Equity** reflecting a €1.5mn reduction due to the deconsolidation of Innovation Pharma.

## Financial Statements 1H22-1H24

### Farmacosmo: P&L 1H22-1H24

(IT GAAP, €mn)	1H22	1H23	1H24	y/y
<b>Value of Production</b>	<b>32.4</b>	<b>37.4</b>	<b>33.1</b>	<b>-12%</b>
Raw Materials (incl. Δ Inventory)	-27.9	-29.8	-24.9	-16%
Costs of Services	-3.0	-5.3	-5.7	8%
Labour Costs	-1.1	-2.0	-1.8	-12%
Other Operating Expenses	-0.2	-0.3	-0.4	9%
<b>EBITDA</b>	<b>0.2</b>	<b>0.0</b>	<b>0.3</b>	<b>&gt;100%</b>
<i>EBITDA Margin (%)</i>	<i>0.7%</i>	<i>0.1%</i>	<i>1.0%</i>	<i>90bps</i>
D&A	-0.4	-1.6	-1.3	-19%
<b>EBIT</b>	<b>-0.1</b>	<b>-1.5</b>	<b>-0.9</b>	<b>nm</b>
<i>EBIT Margin (%)</i>	<i>-0.4%</i>	<i>-4.2%</i>	<i>-2.9%</i>	<i>130bps</i>
Net Financial Charges	-0.2	-0.4	-0.2	-44%
Taxes	0.1	-0.2	0.0	-71%
Minorities	0.0	0.4	0.1	-64%
<b>Net Profit</b>	<b>-0.3</b>	<b>-1.7</b>	<b>-1.1</b>	<b>nm</b>

Source: Farmacosmo, Value Track Analysis

### Farmacosmo: Balance Sheet 1H23-1H24

(IT GAAP, €mn)	1H23	FY23	1H24
Net Fixed Assets	16.6	16.3	13.5
Net Working Capital	2.3	1.0	1.5
Provisions	0.6	0.7	0.7
<b>Total Capital Employed</b>	<b>18.3</b>	<b>16.6</b>	<b>14.3</b>
<b>Group Net Equity</b>	<b>16.9</b>	<b>15.4</b>	<b>12.6</b>
<b>Net Financial Position</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-1.7</b>

Source: Farmacosmo, Value Track Analysis

### Farmacosmo: Cash Flow Statement 1H22-1H24

Cash Flow (IT GAAP, €mn)	1H22	1H23	1H24
<b>EBITDA</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.3</b>
Δ NWC (incl. Provisions)	-1.2	-5.2	-0.5
Capex (Δ Fixed Assets)	-2.3	-1.2	1.5
<b>OpFCF (b.t.)</b>	<b>-3.3</b>	<b>-6.5</b>	<b>1.3</b>
<i>As a % of EBITDA</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>
Cash Taxes	0.1	-0.2	0.0
Capital Injections	16.1	0.0	-1.5
Others (incl. Fin. Investments)	0.3	0.5	0.0
Net Financial Charges	-0.2	-0.4	-0.2
Dividends Paid	0.0	0.0	0.0
<b>Δ Net Financial Position</b>	<b>12.9</b>	<b>-6.5</b>	<b>-0.5</b>

Source: Farmacosmo, Value Track Analysis

## Business Development

### Strategic Execution Driving Profitable Growth

In the first half of 2024, Farmacosmo has continued its strategic transformation, aiming to achieve qualitative and sustainable growth through a well-diversified business model. The Group's evolution is proven by the solid 1H24 financial performance and the successful execution of several key business development initiatives, including:

- ◆ **Farmacosmo Logistics:** the establishment of a new subsidiary to centralize logistics operations for recently acquired companies;
- ◆ **ContactU KPIs:** positive growth indicators supported by strong investment;
- ◆ **Innovation Pharma divestment:** sale of the business following underperformance.

### Farmacosmo Logistics to Drive Cost Synergies Across Acquisitions

On July 15, 2024, Farmacosmo's Board of Directors approved the set-up of Farmacosmo Logistics SRL and the transfer of the Group's logistics activities from Farmacosmo SpA to the new entity. This move is designed to create a specialized, centralized logistics hub that will serve the entire Group, enhancing operational efficiency and delivering economies of scale. By centralizing these activities, Farmacosmo aims to optimize costs, increase shipment capacity, and reduce lead times. Over the medium-to-long term, there is potential for Farmacosmo to leverage its logistics expertise to explore third-party opportunities, further enhancing profitability.

Efficiency gains have been already gained as logistics operations from recent acquisitions have been consolidated at the Group's hub in Nola:

- ◆ **ProfumeriaWeb:** logistics operations were relocated to Nola as of July 2023.
- ◆ **Pharmasi:** benefiting from centralized marketing strategies, contributing to robust growth, but with logistic center in Messina;
- ◆ **BauCosmesi:** achieved standout FY23 results, driven by cost synergies from the relocation of logistics to Nola and economies of scale in payment and packaging processes;
- ◆ **Farmacia De Leo:** the integration of loyalty programs with Farmacosmo.it is improving the customer experience;
- ◆ **FarmaWow:** launched a line of innovative nutraceutical products, supported by ongoing integration of IT and marketing functions to maximize synergies in this growing market;

### ContactU Positioned for Continued Expansion via Capital Increase

ContactU, which launched its telepsychology services in the second half of 2023, has built a compelling value proposition for both patients and therapists through its B2C, B2P, and more recently, B2B offerings (corporate welfare services). While market demand is strong, competitive pressures have driven up customer acquisition and service delivery costs. Despite these challenges, ContactU's business development remains robust, as highlighted by key performance indicators:

- ◆ Over 5,500 therapy sessions conducted in 1H24, surpassing the full-year total for FY23;
- ◆ More than 11,000 therapy hours completed;
- ◆ Conversion rate at approximately 55% from initial survey to first session;
- ◆ Recurring patient conversion rate at about 30%.

These metrics underpin a well-executed marketing strategy and a strong market position. To sustain growth and support further investments in marketing and operations, management is exploring external capital-raising opportunities.



### Divestment of Innovation Pharma

In February 2024, Farmacosmo sold its 67% stake in Innovation Pharma back to G&Ph Holding SRL, the company's original majority shareholder. Farmacosmo had acquired its stake in Innovation Pharma in December 2022, as part of a transaction involving both a contribution of its 67% holding in Farmacia De Leo and a €1.1mn cash investment, valuing the stake at approximately €5.8mn. The recent divestment involved the following steps:

1. Farmacosmo sold its shares in Innovation Pharma for approximately €5.82mn, while Innovation Pharma transferred its shares in Farmacia De Leo back to Farmacosmo for €5.31mn;
2. The resulting balance of €510k is being paid in instalments by G&Ph Holding, with €150k due at closing, €150k by May 31, 2024, and €210k by July 31, 2024, plus interest accrued at Euribor 3M + 1.35%.

To secure the outstanding payments, G&Ph Holding pledged 50% of Innovation Pharma’s capital, with the pledge remaining in place until a bank guarantee is issued. The rationale for this disposal stems from a divergence in strategic interests and underperformance relative to expectations. Nonetheless, Farmacosmo remains committed to its omnichannel strategy, with a renewed focus on strengthening Farmacia De Leo by leveraging its expertise and market position.

### Farmacosmo’s Strategic Transformation (2022-2023)

Between FY22 and FY23, Farmacosmo executed several strategic acquisitions aimed at creating a comprehensive value proposition in the Health, Pharma, Beauty, and Digital Health sectors. These moves are transforming the company from a product-centric business to an integrated platform offering both products and services, with the potential for significantly enhanced profitability. The strategy focuses on three core pillars:

1. **Value proposition extension in the online retailing business**, thanks to the acquisition of *ProfumeriaWeb*, *Pharmasi*, *Bau Cosmesi* and lately, *FarmaWow*.
2. **Pursuing an omnichannel approach**, now targeting specific and profitable pharmacies, such as *Farmacia De Leo*;
3. **Building a leading digital platform providing health services**, out of which the recently acquired *ContactU* is an example.

While the first tangible results of this strategy were visible in 1H24, we believe its full potential is yet to be realized.

### Farmacosmo: Value Proposition (\*) & Business Model

**FARMACOSMO+**  
L'e-commerce del benessere a portata di click

An integrated wellness ecosystem

Farmacosmo is a health, pharma & beauty ecosystem, listed on the EGM in March 2022.

Our goal is to becoming a benchmark in the area of services, as well as products, for people's wellness thanks to our Cosmo

5 portals for wellness and beauty of people and their friends

FARMACOSMO+ PhàrmaSì.it ProfumeriaWeb bàu FARMAWOW

Development of telemedicine service. Online psychotherapy already launched

contactU

3 Physical pharmacies +1 para pharmacy to improve the "customer journey" with additional value-added services

INNOVATION PHARMA

**FARMACOSMO+**  
L'e-commerce del benessere a portata di click

A unique business model: I(ea)n strategy

Farmacosmo is a Health, Pharma & Beauty ecosystem. Its model is fueled by mutual combination of three strategic streams, which make a I(ea)n strategy: **Logistics**, **Intelligence**, **Node**. The company pursues ESG guidelines and is approaching the market with a sustainability report.

**AOV 98€**  
Among the highest on the market (> 100€ from July)

**Fast Delivery**  
Up to 12k orders per day, up to 20 hours

**Warehouse**  
The direct purchase of the main high-selling products to increase margins

**Collection Points**  
25k collection points active from September

Source: Farmacosmo (Illimity Novas Conference October 2023), (\*) As of October 2024 only one Physical Pharmacy after Innovation Pharma Divestment



**Farmacosmo: IPO Strategies & Achievements**



Post IPO achievements

Successfully launched the strategies described in the listing prospectus...

Premium Beauty	Omnichannel	Pet world	Digital Health
<ul style="list-style-type: none"> <li>Acquisition of <b>ProfumeriaWeb</b>, a leading e-commerce portal in the <b>perfumery</b> and <b>beauty</b> sector also in the <b>luxury segment</b></li> <li>Launch of the <b>integration plan</b>, with revenue and cost synergies</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of <b>Phàrmasi</b> and of the pharmacy holding company <b>Innovation Pharma</b></li> <li>Launch of the <b>logistics pharmacies project</b> (3 selling points: Turin, Verbanico, Messina) for an <b>omnichannel offer</b> and <b>fast delivery services</b></li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of <b>Bàucosmesi</b>, specialized in <b>own-brand premium products</b> in the <b>pet world</b></li> </ul>	<ul style="list-style-type: none"> <li><b>ContactU</b> is of great strategic significance as it marks Farmacosmo's entry into the field of <b>Telepsychology</b> and accelerates the process of evolution of the Company into an integrated ecosystem of high added value services, dedicated to <b>personal care and well-being</b></li> </ul>

The Farmacosmo has increased the team to support horizontal integration strategy, preparatory to the creation a fully integrated platform for wellness and beauty

Source: Farmacosmo (Illimity Novas Conference October 2023)

## Forecasts 2024E-26E

### Estimates Revision

We appreciate Farmacosmo's strategy of enhancing profitability and cash flow by focusing on higher-margin retail while moving away from low-margin B2B activities, with 1H24 results consistent with our FY estimates, especially in terms of profit margins and cash flow generation. Therefore, we are only fine-tuning our forecasts, with:

- ◆ **Value of Production** down by ca. 7%-8% per annum due to: (i) a stronger-than-expected speed of the B2B decline; (ii) a more controlled growth of Pharmasi and ProfumeriaWeb; and (iii) a slightly lower ramp-up of ContactU. On the opposite, we are revising upward the forecasted contribution from Bau Cosmesi and Farmacia De Leo;
- ◆ **EBITDA** up 3% on average thanks to (i) Farmacosmo and ProfumeriaWeb strategies focused on high-price SKUs (rather than volumes), (ii) logistics centers integration / cost redundancies elimination, and (iii) superior expected profitability of Farmacia De Leo. In the longer-term, the ramp-up of ContactU (digital health services) could drive additional margins expansion;
- ◆ **EBIT & Net Profit** less impacted due confirmed Capex and D&A estimates;
- ◆ **Net Debt** broadly confirmed, except for 2026E as we believe the stronger performance of Bau Cosmesi should increase the price for the buy-out of the 33% remaining minorities.

### Farmacosmo: Old vs. New Estimates

(IT GAAP, €mn)	2024E			2025E			2026E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Value of Production	74.5	69.0	-7%	81.5	75.6	-7%	90.1	82.5	-8%
EBITDA	0.7	0.7	-2%	1.4	1.5	5%	2.4	2.5	5%
EBITDA Margin (%)	1.0%	1.1%	10bps	1.7%	2.0%	30bps	2.6%	3.0%	40bps
EBIT	-1.9	-1.9	1%	-1.2	-1.1	nm	-0.1	0.0	nm
EBIT Margin (%)	-2.6%	-2.8%	-20bps	-1.4%	-1.5%	-10bps	-0.2%	0.0%	20bps
Net Profit	-2.3	-2.3	-2%	-1.8	-1.7	nm	-1.0	-0.8	nm
Net Financial Position	-2.1	-2.0	0.1	-2.0	-1.9	0.1	-3.7	-4.3	-0.6

Source: Value Track Analysis

### New Estimates 2024E-26E

#### Key Forecasts & Drivers

By 2026E, we now expect Farmacosmo to reach:

- ◆ **Value of Production at €82.5mn**, growing at 4% CAGR<sub>23A-26E</sub> despite the continuous voluntarily decrease of B2B leg and the disposal of Innovation Pharma, as all of this should be more than offset by online retail and the development of ContactU services business line;
- ◆ **EBITDA at €2.5mn** and EBITDA Margin at 3%, mainly boosted by Farmacosmo SpA (~40% of group EBITDA), Bau Cosmesi, Farmacia De Leo, and ProfumeriaWeb;
- ◆ **OpFCF/EBITDA at ~68%**, after reaching break-even in 2025E as EBITDA and NWC cycle should be enough to cover Capex (ca. €900k per year);
- ◆ **Net Debt at €4.3mn**, assuming the buy-out of Bau Cosmesi minorities in 2026E.

**Farmacosmo: Revenues from Sales Breakdown 2023A-26E**

(IT GAAP, €mn)	2023A	2024E	2025E	2026E	CAGR <sub>23A-26E</sub>
Retail	45.5	50.7	57.9	65.6	13%
<i>o/w Farmacosmo</i>	35.0	37.7	41.9	46.5	10%
<i>o/w ProfumeriaWeb</i>	4.1	4.5	5.2	6.0	13%
<i>o/w Pharmasi</i>	4.5	4.3	4.9	5.7	8%
<i>o/w BauCosmesi</i>	1.8	3.4	4.7	5.9	48%
<i>o/w FarmaWow</i>	0.1	0.8	1.2	1.5	>100%
Physical Pharmacies	4.0	2.2	2.3	2.4	-15%
ContactU	0.2	0.6	2.0	3.0	>100%
B2B	21.5	14.5	12.3	10.5	-21%
<b>Revenues from Sales</b>	<b>71.2</b>	<b>68.0</b>	<b>74.6</b>	<b>81.5</b>	<b>5%</b>
Δ Fixed Assets	0.9	0.5	0.5	0.5	-17%
Other Revenues	0.5	0.5	0.5	0.5	-2%
<b>Value of Production</b>	<b>72.6</b>	<b>69.0</b>	<b>75.6</b>	<b>82.5</b>	<b>4%</b>

Source: Farmacosmo, Value Track Analysis

**Farmacosmo: EBITDA Breakdown 2024E-26E**

EBITDA Breakdown (IT GAAP, €mn)	2024E	2025E	2026E
Farmacosmo SPA	0.8	0.9	1.0
ProfumeriaWeb	0.0	0.2	0.4
BauCosmesi	0.4	0.5	0.7
FarmaWow	-0.1	0.0	0.0
Farmacia De Leo (incl. Pharmasi)	0.2	0.3	0.4
ContactU	-0.6	-0.4	0.0
<b>EBITDA</b>	<b>0.7</b>	<b>1.5</b>	<b>2.5</b>

Source: Farmacosmo, Value Track Analysis

## Financial Statements 2023A-26E

### Farmacosmo: P&L 2023A-26E

P&L (IT GAAP, €mn)	2023A	2024E	2025E	2026E	CAGR <sub>23A-26E</sub>
<b>Value of Production</b>	<b>72.6</b>	<b>69.0</b>	<b>75.6</b>	<b>82.5</b>	<b>4%</b>
Raw Materials (incl. Δ Inventory)	-56.5	-52.5	-57.6	-62.3	3%
Costs of Services	-11.5	-11.0	-11.3	-12.4	2%
Labour Costs	-4.0	-4.1	-4.3	-4.5	4%
Other Operating Expenses	-0.9	-0.7	-0.8	-0.9	-1%
<b>EBITDA</b>	<b>-0.3</b>	<b>0.7</b>	<b>1.5</b>	<b>2.5</b>	<b>nm</b>
EBITDA Margin (%)	-0.4%	1.1%	2.0%	3.1%	350bps
D&A	-2.9	-2.6	-2.6	-2.5	-5%
<b>EBIT</b>	<b>-3.2</b>	<b>-1.9</b>	<b>-1.1</b>	<b>0.0</b>	<b>nm</b>
EBIT Margin (%)	-4.5%	-2.8%	-1.5%	0.0%	450bps
Net Financial Charges	-1.0	-0.9	-0.9	-1.0	0%
Taxes	0.2	0.0	0.0	0.0	-100%
Minorities	0.7	0.5	0.3	0.2	-34%
<b>Net Profit</b>	<b>-3.2</b>	<b>-2.3</b>	<b>-1.7</b>	<b>-0.8</b>	<b>nm</b>

Source: Farmacosmo, Value Track Analysis

### Farmacosmo: Balance Sheet 2023A-26E

Balance Sheet (IT GAAP, €mn)	2023A	2024E	2025E	2026E
Net Fixed Assets	16.3	14.0	12.3	13.8
Net Working Capital	1.0	1.4	1.0	1.0
Provisions	0.7	0.8	0.9	0.9
<b>Total Capital Employed</b>	<b>16.6</b>	<b>14.6</b>	<b>12.5</b>	<b>13.9</b>
<b>Group Net Equity</b>	<b>15.4</b>	<b>12.6</b>	<b>10.6</b>	<b>9.6</b>
<b>Net Financial Position</b>	<b>-1.2</b>	<b>-2.0</b>	<b>-1.9</b>	<b>-4.3</b>

Source: Farmacosmo, Value Track Analysis

### Farmacosmo: Cash Flow Statement 2023A-26E

Cash Flow (IT GAAP, €mn)	2023A	2024E	2025E	2026E
<b>EBITDA</b>	<b>-0.4</b>	<b>0.7</b>	<b>1.5</b>	<b>2.5</b>
Δ NWC (incl. Provisions)	-3.9	-0.3	0.5	0.1
Capex	-1.3	-0.9	-0.9	-0.9
<b>OpFCF (b.t.)</b>	<b>-5.6</b>	<b>-0.4</b>	<b>1.1</b>	<b>1.7</b>
As a % of EBITDA	nm	nm	72.0%	68.1%
Cash Taxes	0.2	0.0	0.0	0.0
Capital Injections	0.0	0.0	0.0	0.0
Others (incl. Fin. Investments)	-0.1	0.5	0.0	-3.1
Net Financial Charges	-0.9	-0.9	-0.9	-1.0
<b>Δ Net Financial Position</b>	<b>-6.5</b>	<b>-0.8</b>	<b>0.1</b>	<b>-2.4</b>

Source: Farmacosmo, Value Track Analysis

## Valuation

### Fair Equity Value at €1.20 p/s (from €1.28 p/s)

We have revised our **Fair Equity Value** to **€1.20 p/s**, as a result of 7%-8% downward adjustment in our revenue projections for the coming years, with peer multiples remaining stable vs. our previous analysis and valuation now focused on 2025E instead of 2024E.

The updated fair value suggests an upside potential of over 90% compared to the current market price, implying a target market capitalization of approximately €50mn, assuming continued smooth execution of the Company's strategic plan, which is already well underway.

Our valuation could see an upward revision depending on the realization of certain key factors: (i) the magnitude of synergies achieved across the Group's various legal entities, (ii) the growth trajectory of ContactU, and (iii) potential regulatory developments, such as news in electronic prescription (eRx) adoption.

At €1.20 p/s, Farmacosmo would trade at a 0.70x–0.64x EV/Sales multiple for 2024E-25E, which aligns with the average multiple for comparable companies, considering both B2C E-Retailers and B2B Wholesalers.

### Farmacosmo: Multiples Sensitivity at Various Stock Price Levels

Fair Equity Value p/s (€)	EV/Sales (x)		
	2024E	2025E	2026E
€ 0.60	0.37	0.33	0.33
€ 0.80	0.48	0.44	0.43
€ 1.00	0.59	0.54	0.52
<b>€ 1.20</b>	<b>0.70</b>	<b>0.64</b>	<b>0.62</b>
€ 1.40	0.82	0.74	0.71
€ 1.60	0.93	0.85	0.81
€ 1.80	1.04	0.95	0.90

Source: Value Track Analysis

### Sum-of-the-Parts Valuation

Our fair value is derived from a bottom-up sum-of-the-parts (SOTP) model that accounts for the distinct profiles of the various business lines and legal entities within the Farmacosmo Group:

- ◆ **Retail:** we applied a relative valuation based on the EV/Sales 2025E multiple of 0.62x for Farmacosmo.it, ProfumeriaWeb, Pharmasi, and Farmacia De Leo, applying a 10% discount compared to B2C peers to reflect the more mature nature of these platforms. For BauCosmesi and FarmaWow, which demonstrate higher growth potential, we applied EV/Sales 2025E multiples of 2.0x and 1.0x, respectively;
- ◆ **ContactU:** given the strong KPIs reported, we have increased the fair multiple applied to ContactU to 3.0x EV/Sales 2025E, up from 2.0x in our previous assessment. If ContactU continues to deliver strong KPIs and financial results in the coming quarters, we may further revise this multiple upwards or consider valuing the business in line with venture capital rounds of comparable companies;
- ◆ **B2B:** the B2B segment has been valued using a relative valuation approach based on listed wholesale peers.

### Farmacosmo: Sum of the Parts Valuation

Fair Equity Value p/s (€)	FC B2C	FC B2B	Prof.Web	Pharmasi	De Leo	BauCosm.	FarmaWow	ContactU	Group
Fair EV/Sales 2025E	0.62	0.50	0.62	0.62	0.62	2.0	1.0	3.0	
Enterprise Value (€mn)	25.9	6.2	3.2	3.0	1.4	9.4	1.2	6.0	56.4
Stake (%)	100%	100%	100%	67%	67%	67%	51%	51%	
<b>EV Pro-Quota (€mn)</b>	<b>25.9</b>	<b>6.2</b>	<b>3.2</b>	<b>2.0</b>	<b>1.0</b>	<b>6.3</b>	<b>0.6</b>	<b>3.1</b>	<b>48.3</b>
Net Financial Position									-1.9
<b>Fair Equity Value (€mn)</b>									<b>46.4</b>
NOSH									38.9
<b>Fair Equity Value p/s (€)</b>									<b>1.20</b>

Source: Value Track Analysis

It is worth reminding that in recent months Farmacosmo's key competitors have undergone significant rebranding efforts: Farmaè is now Talea Group, Zur Rose has rebranded as DocMorris, and Shop Apotheke is now Redcare Pharmacy.

Comparing Farmacosmo's relative stock performance to its peers, we observe that DocMorris has experienced the weakest performance over the last six months, largely due to weaker-than-expected earnings.

In terms of valuation multiples, the landscape remains largely unchanged compared to six months ago, with B2C E-Retailers trading at an average EV/Sales multiple of 0.82x–0.69x for 2024E–25E, while B2B Wholesalers continue to trade at approximately a 30% discount.

### Farmacosmo: Peers Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)	
	2024E	2025E	2024E	2025E
<b>B2C E-Retailers</b>				
DocMorris	0.63	0.58	nm	nm
Redcare Pharmacy	1.32	1.07	nm	29.9
Talea Group	0.50	0.41	23.5	9.1
<b>Average</b>	<b>0.82</b>	<b>0.69</b>	<b>23.5</b>	<b>19.5</b>
<b>Median</b>	<b>0.63</b>	<b>0.58</b>	<b>23.5</b>	<b>19.5</b>
<b>B2B Wholesalers</b>				
Sysco Corporation	0.58	0.56	10.7	10.1
Marr	0.45	0.45	7.2	6.6
<b>Average</b>	<b>0.52</b>	<b>0.50</b>	<b>8.9</b>	<b>8.4</b>
<b>Median</b>	<b>0.52</b>	<b>0.50</b>	<b>8.9</b>	<b>8.4</b>
<b>Total Average</b>	<b>0.70</b>	<b>0.61</b>	<b>13.8</b>	<b>13.9</b>
<b>Total Median</b>	<b>0.58</b>	<b>0.56</b>	<b>10.7</b>	<b>9.6</b>
<b>Farmacosmo</b>	<b>0.38</b>	<b>0.35</b>	<b>nm</b>	<b>17.8</b>
Discount vs. Average (%)	-45%	-43%	nm	28%

Source: Market Consensus, Value Track Analysis

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