

9m Results 2019

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We have trimmed our estimates

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Biosearch is a small, Spanish biotech company based in Granada, specialising in the research, development and sale of functional ingredients (natural extracts, omega-3 and probiotics) for the nutrition and healthcare markets. It has an international presence (78% of revenues). A former subsidiary of the former EBRO-Puleva, its core shareholder remains the Lactalis group (30% of capital)

Weak 9M revenue mix and prelude to recovery (4Q)

Market Data

Market Cap (Mn EUR and USD)	54.8	60.8
EV (Mn EUR and USD) ⁽²⁾	57.2	63.5
Shares Outstanding (Mn)	57.7	
-12m (Max/Med/Mín EUR)	1.67 / 1.23 / 0.92	
Daily Avg volume (-12m Mn EUR)	0.30	
Rotation ⁽³⁾	138.01	
Thomson Reuters / Bloomberg	BIOS.MC / BIO SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Lactalis Group	29.5
Pescaderías Coruñesas, S.A.	10.0
Free Float	60.5

SLIGHT DECELERATION IN THE FALL IN REVENUES (-16% Y/Y 9M19, -0.8P.P. VS. 1H19), WITH A MIXED PERFORMANCE BY DIVISION. On the one hand, a worse performance by probiotics (-44.8% y/y), impacted by a reduction in stocks by Asian clients and by the cumulative commercial delay with Nestlé (which in turn provided a more demanding comp., justifying c. 20% of the decline in revenue). On the other hand, lipids did well, +8.0% y/y (+3.1p.p. vs. 1H19), although not as well as expected, while the fall in sales of extracts slowed (-14.2% y/y, -1.4p.p. vs. 1H19), which continues to be affected by tougher competition and the slow penetration of new launches.

TOGETHER WITH A SMALLER DETERIORATION OF THE EBITDA/REVENUE MARGIN (8.7%, -11.9P.P. Y/Y VS. -12.2P.P. Y/Y 1H19), impacted by the unfavourable revenue mix with a smaller contribution from probiotics (more lucrative; -10.1p.p. y/y, with 19.4% of revenue), and larger contributions from the lower margin lines (+10.2p.p. in lipids and +0.7p.p. in extracts, with 45.9% and 33.1% of revenue, respectively). Accordingly, EBITDA shrank 64.6% y/y, despite lower operating costs (c.-5% y/y), which will decline more sharply in 4Q (c. -10%).

BIOS HAS REITERATED ITS COMMITMENT TO R+D: to which it will earmark a total of EUR 0.7Mn in 3 years on development of the "Geras" project (natural products for the elderly), taking the estimated R+D spend to c. 10% of 2019e revenues (+1p.p. y/y), with the goal of starting to market these products in 2021.

BUT ACCOMPANIED BY A SIGNIFICANT ACCELERATION OF DEBT (+30.5% Y/Y, +19P.P. VS. 1H19), due to higher Capex in 3Q (EUR 1.6Mn 9M19, +2.5x y/y, vs. EUR 0.7Mn 1H19), which has increased leverage to 1.5x ND/EBITDA, +1.0x vs. 9M18.

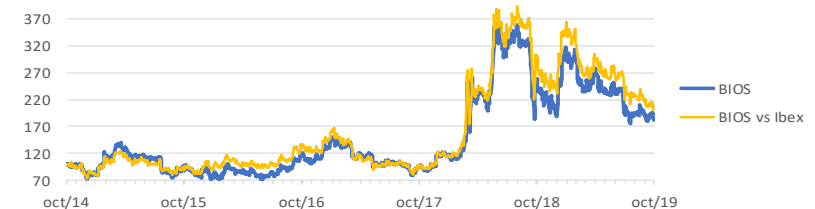
WHICH LEADS US TO DOWNGRADE OUR ESTIMATES, mainly due to the poor performance by revenues (volume and mix), which has led us to cut our estimates for 2019 revenues and EBITDA by -8% and -18.9% respectively, while we improve our mid-term projections for EBITDA and FCF.

Financials (Mn EUR)	2018	2019e	2020e	2021e
Adj. n° shares (Mn)	57.7	57.7	57.7	57.7
Total Revenues	27.2	23.2	26.2	32.0
Rec. EBITDA	5.7	2.7	4.9	7.5
% growth	9.0	-52.3	82.9	51.6
% Rec. EBITDA/Rev.	20.8	11.7	18.8	23.4
% Inc. EBITDA sector ⁽⁴⁾	11.0	13.3	8.6	12.9
Net Profit	3.3	0.9	2.9	4.7
EPS (EUR)	0.06	0.02	0.05	0.08
% growth	64.9	-72.5	221.9	62.1
Ord. EPS (EUR)	0.06	0.02	0.05	0.08
% growth	78.8	-72.5	221.9	62.1
Rec. Free Cash Flow ⁽⁵⁾	4.7	-2.2	3.1	2.5
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	3.4	4.2	0.1	-2.9
ND/Rec. EBITDA (x)	0.6	1.5	0.0	-0.4
ROE (%)	15.1	3.9	11.5	16.2
ROCE (%) ⁽⁶⁾	13.8	5.3	11.2	17.2

Ratios & Multiples (x)

P/E	16.5	60.2	18.7	11.5
Ord. P/E	16.5	60.2	18.7	11.5
P/BV	2.4	2.3	2.0	1.7
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	2.10	2.47	2.18	1.79
EV/Rec. EBITDA	10.1	21.2	11.6	7.6
FCF Yield (%) ⁽⁵⁾	8.5	n.a.	5.6	4.6

Relative performance -5y (Base 100)



(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Thomson Reuters and Lighthouse

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(4) Expected EBITDA growth (consensus) for the share's benchmark sector (Eurostoxx 600 Health Care).

(5) Based on recurrent FCF. Please refer to Appendix 2.

(6) Calculated with a theoretical tax rate. Please refer to Appendix 2.

(7) vs Eurostoxx 600 Health Care.

Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-6.9	-22.4	-29.1	-4.2	54.5	81.0
vs Ibex 35	-9.3	-24.1	-34.4	-13.3	50.7	99.4
vs Ibex Small Cap Index	-8.3	-22.4	-31.8	-10.9	11.3	26.0
vs Eurostoxx 50	-8.9	-24.6	-38.7	-20.7	31.2	51.5
vs Sector benchmark ⁽⁷⁾	-7.2	-25.1	-40.6	-20.4	23.1	42.0

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9M19 results and changes to estimates

The weakness of the revenue mix (smaller contribution to revenues by the probiotics division, still affected by the suspension of orders by its main clients in Asia and the delay to the launch schedule agreed with Nestlé), restricts the recovery in 4Q, negatively impacting margins (-11.9p.p. y/y for the EBITDA/Revenue margin at 9M).

Table 1. 9M 2019 Results

	9M19 (Real)	9M18	1H19 (Real) vs 1H18	2019e 2019e	2019e vs 2018	2Q19	2Q19 vs 2Q18
Total Revenues	16.9	20.1	-16.0%	23.2	-14.8%	5.6	-14%
Lipids	7.7	7.2	8.0%	10.1	10.0%	2.7	14.5%
Probiotics	3.3	5.9	-44.8%	4.6	-42.1%	1.1	-48.2%
Extracts	5.6	6.5	-14.2%	7.7	-13.3%	1.7	-10.9%
Services	0.3	0.5	-42.5%	0.5	-58.5%	0.1	-32.0%
Rec. EBITDA	1.5	4.2	-64.6%	2.7	-52.3%	0.4	-64.5%
Rec. EBITDA / Rev.	8.7%	20.6%	-11.9 p.p.	11.7%	-9.2 p.p.	n.a.	n.a.
EBITDA	1.5	4.2	-64.6%	2.7	-52.3%	0.4	-64.5%
EBITDA / Rev.	8.7%	20.6%	-11.9 p.p.	11.7%	-9.2 p.p.	n.a.	n.a.
PBT	0.3	2.9	-90.1%	1.0	-74.7%	0.1	-94%
Net Debt	4.2	3.2	31%	4.2	21%		
ND / EBITDA	1.5 x	0.6 x	1.0 x	1.5 x	0.9 x		

For this reason we downgrade our estimates for 2019-2021e.

The worse expectations for the probiotics division together with the slower growth of the lipids division leads us to adjust our projections for the company:

- **2019E revenues EUR 23.2Mn (-14.8% y/y and -8% vs. previous estimate):** due mainly to the delay in the Nestlé commercial launches and a bigger negative impact of the suspension of orders by the main Asian client in the probiotics division (justifying c. 65% of the adjustment), slower growth in lipids (accounting for c. 20% of the adjustment) and, to a lesser extent, the slow penetration of new launches in the extracts division. However, an acceleration of revenue growth is likely in 4Q, underpinned by new probiotic launches in conjunction with its Swiss partner.
- **EBITDA 2019e EUR 2.7Mn (-52.3% y/y and -18.9% vs. previous estimate).** Due to the impact on margins of the worse revenue mix: a smaller contribution from probiotics (-3.8p.p. vs previous estimate) and a larger contribution from lipids and extracts (+1.7p.p. and +1.6p.p. respectively), that was not offset by lower operating expenses (-14.6% y/y).
- **NP 2019e EUR 0.9Mn (-72.5% y/y and -31.8% vs. previous estimate)** as a result of the adjustments made, reversing our scenario for FCF 2019 (EUR -2.2 Mn of cash consumption vs. EUR +1.5Mn).

Table 2. Changes to estimates

EUR Mn	2019e (New)	2019e	Review (%)	2020e (New)	2020e	Review (%)	2021 (New)	2021e	Review (%)
Total Revenues	23.2	25.2	-8.0%	26.2	29.1	-9.9%	32.0	35.5	-9.9%
Recurrent EBITDA	2.7	3.3	-18.9%	4.9	4.9	0.9%	7.5	7.1	6.2%
Recurrent EBITDA growth	-52.3%	-41.1%	-11.1 p.p.	82.9%	46.9%	36.0 p.p.	51.6%	44.2%	7.5 p.p.
Rec. EBITDA/Revenues	11.7%	13.2%	-1.6 p.p.	18.8%	16.8%	2.0 p.p.	23.4%	19.9%	3.6 p.p.
Net Profit	0.9	1.3	-31.8%	2.9	2.6	10.7%	4.7	4.2	12.2%
Recurrent Free Cash Flow	-2.2	1.5	n.a.	3.1	1.7	81.3%	2.5	1.8	41.7%
ND / EBITDA	1.5 x	0.4 x	1.2 x	0.0 x	-0.3 x	0.3 x	-0.4 x	-0.5 x	0.1 x

The increase in the portfolio of Asian clients and the growing contribution of Nestlé revenues in probiotics, together with growth in lipids backed by favourable European regulations (increased use of omega-3 in infant formulas) will underpin revenue growth after 2019 (CAGR 17.5% 2019-2021e; +44.2% in probiotics, +7.9% in lipids and +14.4% in extracts, the last of these due to the growing penetration of Caronisitol and new launches in the medium term). The improved revenue mix (with a 30% contribution from probiotics in 2021e, +10p.p. -2y), and control of costs, will improve margins (+11.8p.p. EBITDA/Revenue -2y), and working capital in the mid term (-11.4p.p. in working capital/revenue 2019-2021e), boosting cash generation (FCF 2021e: EUR 2.5Mn), taking BIOS to a net cash position at the end of the period (EUR 2.9Mn 2021e).

Valuation inputs

Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(0.3)	4.2	3.1	37		
Market Cap	54.8	At the date of this report				
Net financial debt	4.2	Debt net of Cash (9m Results)				
					Best Case	Worst Case
Cost of Debt	2.0%	Net debt cost			2.0%	2.5%
Effective tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	1.6%	Kd = Cost of Net Debt * (1-T)			1.6%	2.0%
Risk free rate (rf)	0.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	7.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.4	B (Thomson Reuters)			1.4	1.6
Cost of Equity	9.8%	Ke = Rf + (R * B)			8.0%	10.7%
Equity / (Equity + Net Debt)	92.9%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	7.1%	D			=	=
WACC	9.2%	WACC = Kd * D + Ke * E			7.5%	10.1%
G "Reasonable"	2.0%				2.5%	1.5%

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 19e	EPS 19e-21e	EV/EBITDA 19e	EBITDA 19e-21e	EV/Sales 19e	Revenues 19e-21e	EBITDA/Sales 19e	FCF Yield 19e	FCF 19e-21e
Probi AB	PROB.ST	287.1	37.3	33.0%	16.6	15.3%	4.9	11.5%	29.7%	4.3%	5.5%
Biogaia AB	BIOGb.ST	568.3	24.1	0.2%	24.1	20.7%	7.7	15.2%	32.1%	2.8%	25.2%
Christian Hansen	CHRH.CO	9,188.6	36.8	9.3%	24.4	7.9%	8.6	6.8%	35.1%	1.7%	n.a.
Pobiotic Industry			32.7	14.2%	21.7	14.6%	7.1	11.2%	32.3%	2.9%	15.3%
DSM	DSMN.AS	19,866.4	22.2	12.0%	12.1	6.9%	2.2	5.0%	18.4%	3.4%	12.1%
Omega 3 Industry			22.2	12.0%	12.1	6.9%	2.2	5.0%	18.4%	3.4%	12.1%
BIOS	BIOS.MC	54.8	60.2	128.4%	21.17	66.5%	2.47	17.5%	11.7%	-0.7%	n.a.

Free Cash Flow sensitivity analysis (2020e)

A) EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 20e	EBITDA 20e	EV/EBITDA 20e
Max	19.8%	5.2	11.0x
Central	18.8%	4.9	11.6x
Min	17.8%	4.7	12.2x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 20e			Scenario	FCF/Yield 20e		
EBITDA 20e	6.7%	7.7%	8.7%		Max	6.6%	6.1%
5.2	3.6	3.3	3.1	Central	6.1%	5.6%	5.1%
4.9	3.3	3.1	2.8	Min	5.6%	5.1%	4.7%
4.7	3.1	2.8	2.6				

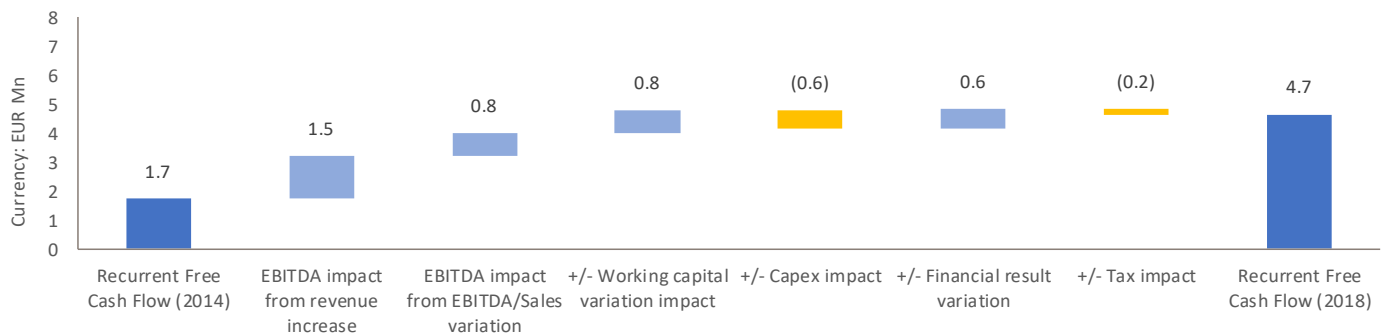
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e		
Intangible assets	1.5	1.2	0.8	0.8	1.0	1.6	2.1	2.6		
Fixed assets	11.5	10.2	8.9	8.7	8.1	9.3	9.5	9.9		
Other Non Current Assets	6.3	6.3	7.3	5.7	5.1	5.1	5.1	5.1		
Financial Investments	0.1	0.1	0.1	0.1	3.1	1.6	0.6	0.1		
Goodwill & Other Intangibles	7.5	7.5	1.3	-	-	-	-	-		
Current assets	11.0	12.9	13.5	15.4	13.9	15.6	15.3	17.8		
Total assets	37.9	38.1	31.8	30.7	31.2	33.2	32.6	35.4		
Equity	22.6	22.5	18.8	20.7	23.1	24.0	27.0	31.7		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.9	1.0	1.2	0.6	0.3	0.3	0.3	0.3		
Net financial debt	10.4	10.0	6.9	4.5	3.4	4.2	0.1	(2.9)		
Current Liabilities	3.9	4.6	4.8	4.9	4.3	4.7	5.2	6.3		
Equity & Total Liabilities	37.9	38.1	31.8	30.7	31.2	33.2	32.6	35.4		
									CAGR	
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Total Revenues	18.2	19.9	23.3	25.7	27.2	23.2	26.2	32.0	10.6%	5.6%
<i>Total Revenues growth</i>	-2.4%	9.5%	17.4%	10.3%	5.6%	-14.8%	13.1%	22.0%		
COGS	(5.1)	(6.4)	(7.1)	(8.4)	(7.7)	(8.7)	(9.0)	(10.3)		
Gross Margin	13.0	13.5	16.3	17.3	19.4	14.5	17.2	21.7	10.6%	3.7%
<i>Gross Margin/Revenues</i>	71.7%	67.8%	69.7%	67.3%	71.5%	62.4%	65.7%	67.8%		
Personnel Expenses	(4.9)	(5.4)	(6.2)	(6.7)	(7.6)	(7.5)	(7.2)	(7.1)		
Other Operating Expenses	(4.7)	(5.5)	(5.9)	(5.4)	(6.2)	(4.3)	(5.1)	(7.1)		
Recurrent EBITDA	3.4	2.6	4.1	5.2	5.7	2.7	4.9	7.5	13.6%	9.8%
<i>Recurrent EBITDA growth</i>	0.9%	-22.6%	57.5%	25.5%	9.0%	-52.3%	82.9%	51.6%		
<i>Rec. EBITDA/Revenues</i>	18.7%	13.2%	17.7%	20.2%	20.8%	11.7%	18.8%	23.4%		
Restructuring Expenses	-	-	-	-	-	-	-	-		
Other non-recurrent Income / Costs	-	-	-	-	-	-	-	-		
EBITDA	3.4	2.6	4.1	5.2	5.7	2.7	4.9	7.5	13.6%	9.8%
<i>EBITDA growth</i>	0.9%	-22.6%	57.5%	25.5%	9.0%	-52.3%	82.9%	51.6%		
<i>EBITDA/Sales</i>	18.7%	13.2%	17.7%	20.2%	20.8%	11.7%	18.8%	23.4%		
Depreciation & Provisions	(2.4)	(2.3)	(3.0)	(1.9)	(1.6)	(1.2)	(1.3)	(1.4)		
Capitalized Expense	-	-	-	-	0.1	-	-	-		
EBIT	1.0	0.4	1.1	3.3	4.2	1.5	3.7	6.1	42.3%	12.8%
<i>EBIT growth</i>	43.9%	-64.8%	208.5%	192.7%	29.0%	-63.8%	139.6%	65.2%		
<i>EBIT/Revenues</i>	5.7%	1.8%	4.8%	12.7%	15.6%	6.6%	14.0%	19.0%		
Impact of Goodwill & Others	(0.1)	(0.0)	(5.5)	(1.1)	(0.0)	-	-	-		
Net Financial Result	(0.8)	(0.5)	(0.3)	(0.2)	(0.1)	(0.5)	(0.1)	(0.1)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	0.2	(0.2)	(4.7)	2.0	4.1	1.0	3.6	6.0	n.a.	13.6%
<i>Ordinary Profit Growth</i>	298.0%	-186.0%	n.a.	142.7%	103.3%	-74.7%	245.5%	67.9%		
Extraordinary Results	(0.1)	0.0	0.0	0.2	-	-	-	-		
Profit Before Tax	0.1	(0.2)	(4.7)	2.2	4.1	1.0	3.6	6.0	n.a.	13.6%
Tax Expense	(0.6)	(0.2)	1.4	(0.2)	(0.8)	(0.1)	(0.6)	(1.2)		
<i>Effective Tax Rate</i>	n.a.	n.a.	n.a.	7.8%	18.9%	12.0%	18.0%	20.8%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(0.5)	(0.3)	(3.3)	2.0	3.3	0.9	2.9	4.7	n.a.	12.7%
<i>Net Profit growth</i>	-628.8%	40.6%	-955.1%	160.3%	64.9%	-72.5%	221.9%	62.1%		
Ordinary Net Profit	0.2	(0.2)	(4.7)	1.9	3.3	0.9	2.9	4.7	n.a.	12.7%
<i>Ordinary Net Profit growth</i>	248.5%	-214.7%	n.a.	139.4%	78.8%	-72.5%	221.9%	62.1%		
									CAGR	
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Recurrent EBITDA						2.7	4.9	7.5	13.6%	9.8%
Working Capital Increase						(1.4)	0.9	(1.4)		
Recurrent Operating Cash Flow						1.3	5.8	6.1	16.9%	-2.8%
CAPEX						(2.9)	(2.0)	(2.2)		
Net Financial Result affecting the Cash Flow						(0.5)	(0.1)	(0.1)		
Tax Expense						(0.1)	(0.6)	(1.2)		
Recurrent Free Cash Flow						(2.2)	3.1	2.5	28.1%	-18.5%
Restructuring Expense & Others						-	-	-		
- Acquisitions / + Divestures of assets						1.5	1.0	0.5		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(0.7)	4.1	3.0	-8.2%	19.6%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						0.7	(4.1)	(3.0)		

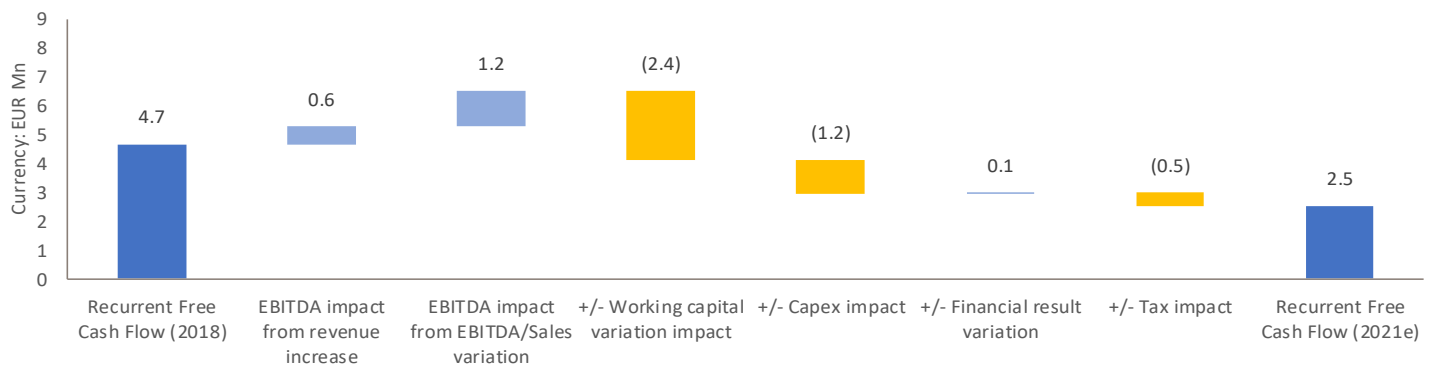
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
								15-18	18-21e
Recurrent EBITDA	2.6	4.1	5.2	5.7	2.7	4.9	7.5	29.1%	9.8%
<i>Recurrent EBITDA growth</i>	-22.6%	57.5%	25.5%	9.0%	-52.3%	82.9%	51.6%		
<i>Rec. EBITDA/Revenues</i>	13.2%	17.7%	20.2%	20.8%	11.7%	18.8%	23.4%		
+/- Working Capital increase	(1.2)	-0.3	(1.9)	0.9	(1.4)	0.9	(1.4)		
= Recurrent Operating Cash Flow	1.4	3.8	3.3	6.6	1.3	5.8	6.1	67.4%	-2.8%
<i>Rec. Operating Cash Flow growth</i>	-60.2%	171.9%	-13.8%	100.2%	-80.4%	350.9%	3.7%		
<i>Rec. Operating Cash Flow / Sales</i>	7.1%	16.4%	12.8%	24.3%	5.6%	22.3%	19.0%		
- CAPEX	(0.6)	(0.4)	(0.9)	(1.1)	(2.9)	(2.0)	(2.2)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.3)	(0.2)	(0.1)	(0.5)	(0.1)	(0.1)		
- Taxes	(0.2)	1.4	(0.2)	(0.8)	(0.1)	(0.6)	(1.2)		
= Recurrent Free Cash Flow	0.1	4.5	2.1	4.7	(2.2)	3.1	2.5	<i>n.a.</i>	-18.5%
<i>Rec. Free Cash Flow growth</i>	-91.6%	n.a.	-52.9%	121.1%	n.a.	n.a.	-18.0%		
<i>Rec. Free Cash Flow / Revenues</i>	0.7%	19.2%	8.2%	17.1%	n.a.	11.7%	7.9%		
- Restructuring expenses & others	-	-	-	(0.1)	-	-	-		
- Acquisitions / + Divestments	0.0	(1.7)	0.0	(2.7)	1.5	1.0	0.5		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.0	0.0	0.2	-	-	-	-		
= Free Cash Flow	0.2	2.8	2.3	1.8	(0.7)	4.1	3.0	<i>n.a.</i>	19.6%
<i>Free Cash Flow growth</i>	-93.1%	n.a.	-15.7%	-23.9%	n.a.	n.a.	-25.8%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	0.3%	8.2%	3.8%	8.5%	n.a.	5.6%	4.6%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.3%	5.0%	4.2%	3.2%	n.a.	7.4%	5.5%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e		
Recurrent FCF(FY - 1)	1.7	0.1	4.5	2.1	4.7	(2.2)	3.1		
EBITDA impact from revenue increase	0.3	0.5	0.4	0.3	(0.8)	0.4	1.1		
EBITDA impact from EBITDA/Sales variation	(1.1)	1.1	0.6	0.2	(2.1)	1.9	1.5		
= Recurrent EBITDA variation	(0.8)	1.5	1.1	0.5	(3.0)	2.2	2.6		
+/- Working capital variation impact	(1.4)	0.9	(1.6)	2.8	(2.4)	2.3	(2.3)		
= Recurrent Operating Cash Flow variation	(2.1)	2.4	(0.5)	3.3	(5.3)	4.5	0.2		
+/- CAPEX impact	(0.2)	0.2	(0.4)	(0.2)	(1.8)	0.9	(0.2)		
+/- Financial result variation	0.2	0.2	0.1	0.0	(0.4)	0.4	0.0		
+/- Tax impact	0.4	1.5	(1.5)	(0.6)	0.6	(0.5)	(0.6)		
= Recurrent Free Cash Flow variation	(1.6)	4.3	(2.4)	2.6	(6.9)	5.3	(0.6)		
Recurrent Free Cash Flow	0.1	4.5	2.1	4.7	(2.2)	3.1	2.5		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
EBIT	0.4	1.1	3.3	4.2	1.5	3.7	6.1	<i>n.a.</i>	12.8%
* Tax rate	0.0%	0.0%	7.8%	18.9%	12.0%	18.0%	20.8%		
= Taxes (pre- Net Financial Result)	-	-	(0.3)	(0.8)	(0.2)	(0.7)	(1.3)		
Recurrent EBITDA	2.6	4.1	5.2	5.7	2.7	4.9	7.5	29.1%	9.8%
+/- Working Capital increase	(1.2)	(0.3)	(1.9)	0.9	(1.4)	0.9	(1.4)		
= Recurrent Operating Cash Flow	1.4	3.8	3.3	6.6	1.3	5.8	6.1	67.4%	-2.8%
- CAPEX	(0.6)	(0.4)	(0.9)	(1.1)	(2.9)	(2.0)	(2.2)		
- Taxes (pre- Financial Result)	-	-	(0.3)	(0.8)	(0.2)	(0.7)	(1.3)		
= Recurrent Free Cash Flow (To the Firm)	0.8	3.4	2.2	4.8	(1.8)	3.2	2.6	79.1%	-18.5%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-71.0%	311.4%	-35.9%	117.8%	n.a.	n.a.	-18.4%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	4.2%	14.6%	8.5%	17.5%	n.a.	12.0%	8.1%		
- Acquisitions / + Divestments	0.0	(1.7)	0.0	(2.7)	1.5	1.0	0.5		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.0	0.0	0.2	-	-	-	-		
= Free Cash Flow "To the Firm"	0.9	1.7	2.4	2.0	(0.3)	4.2	3.1	33.1%	15.2%
<i>Free Cash Flow (To the Firm) growth</i>	-76.4%	98.1%	42.1%	-16.2%	n.a.	n.a.	-26.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	1.4%	6.0%	3.8%	8.3%	n.a.	5.5%	4.5%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	1.5%	3.0%	4.2%	3.5%	n.a.	7.3%	5.4%		

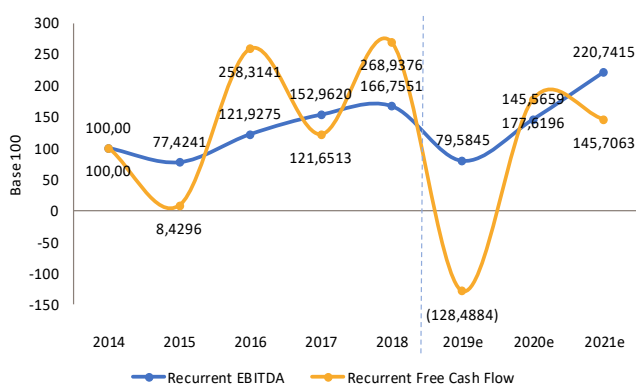
Recurrent Free Cash Flow accumulated variation analysis (2014 - 2018)



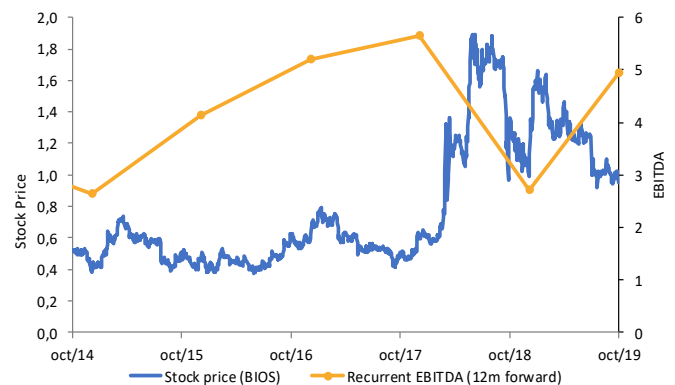
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Fuente
Market Cap	54.8	
+ Minority Interests	-	9m Results
+ Provisions & Other L/T Liabilities	0.1	9m Results
+ Net financial debt	4.2	9m Results
- Financial Investments	1.9	9m Results
+/- Others	-	9m Results
Enterprise Value (EV)	57.2	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)														CAGR		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	08-18	18-21e
Total Revenues	21.5	20.0	20.5	17.5	17.3	18.6	18.2	19.9	23.3	25.7	27.2	23.2	26.2	32.0	2.3%	5.6%
Total Revenues growth	108.1%	-7.2%	2.7%	-14.9%	-1.1%	7.7%	-2.4%	9.5%	17.4%	10.3%	5.6%	-14.8%	13.1%	22.0%		
EBITDA	2.9	2.6	4.8	2.2	2.5	3.5	3.4	2.6	4.1	5.2	5.7	2.7	4.9	7.5	6.7%	9.8%
EBITDA growth	-19.3%	-10.2%	79.4%	-52.9%	13.3%	39.4%	-4.0%	-22.6%	57.5%	25.5%	9.0%	-52.3%	82.9%	51.6%		
EBITDA/Sales	13.7%	13.2%	23.1%	12.8%	14.7%	19.0%	18.7%	13.2%	17.7%	20.2%	20.8%	11.7%	18.8%	23.4%		
Net Profit	(0.1)	(9.4)	0.6	(4.1)	(0.9)	(0.1)	(0.5)	(0.3)	(3.3)	2.0	3.3	0.9	2.9	4.7	n.a.	12.7%
Net Profit growth	-104.6%	n.a.	106.7%	-743.6%	77.5%	92.1%	-628.8%	40.6%	-955.1%	160.3%	64.9%	-72.5%	221.9%	62.1%		
Adjusted number shares (Mn)	57.5	57.7	57.7	57.7	57.7	57.7	57.7	57.7	57.7	57.7	57.7	57.7	57.7	57.7		
EPS (EUR)	n.a.	n.a.	0.01	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.03	0.06	0.02	0.05	0.08		
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	64.9%	-72.5%	n.a.	62.1%		
Ord. EPS (EUR)	n.a.	n.a.	0.01	n.a.	n.a.	n.a.	0.00	n.a.	n.a.	0.03	0.06	0.02	0.05	0.08		
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	78.8%	-72.5%	n.a.	62.1%		
CAPEX	-	(2.1)	(2.7)	(0.7)	(1.1)	(0.9)	(0.4)	(0.6)	(0.4)	(0.9)	(1.1)	(2.9)	(2.0)	(2.2)		
CAPEX/Sales %	0.0%	10.5%	13.1%	4.1%	6.2%	5.0%	2.4%	2.9%	1.8%	3.4%	3.9%	12.5%	7.7%	7.0%		
Free Cash Flow	(15.7)	8.2	1.4	(2.4)	(0.6)	2.1	2.5	0.2	2.8	2.3	1.8	(0.7)	4.1	3.0	n.a.	19.6%
ND/EBITDA (x) ⁽²⁾	6.0x	-0.1x	2.8x	6.5x	6.0x	3.5x	3.1x	3.8x	1.7x	0.9x	0.6x	1.5x	0.0x	-0.4x		
P/E (x)	n.a.	n.a.	56.2x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.1x	17.3x	60.2x	18.7x	11.5x		
EV/Sales (x)	3.2x	2.7x	2.4x	2.2x	2.1x	2.8x	1.8x	1.8x	1.8x	1.5x	2.1x	2.5x	2.2x	1.8x		
EV/EBITDA (x) ⁽²⁾	23.5x	20.3x	10.3x	16.9x	14.5x	14.8x	9.6x	13.5x	10.0x	7.3x	10.0x	21.2x	11.6x	7.6x		
Absolute performance	-58.0%	5.6%	-34.0%	-34.7%	-7.4%	84.0%	-44.2%	22.1%	26.6%	0.0%	66.7%	-4.2%				
Relative performance vs Ibx 35	-30.7%	-18.7%	-20.1%	-24.8%	-2.9%	51.5%	-46.2%	31.5%	29.2%	-6.9%	96.1%	-13.3%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2019e

		Probiotics Industry			Omega-3		
EUR Mn		Probi AB	Biogaia AB	Christian Hansen	Average	DSM	BIOS
Market data	Ticker (Reuters)	PROB.ST	BIOGb.ST	CHRH.CO		DSMN.AS	BIOS.MC
	Country	Sweden	Sweden	Denmark		Netherlands	Spain
	Market cap	287.1	568.3	9,188.6		19,866.4	54.8
	Enterprise value (EV)	275.5	554.3	9,939.6		20,540.3	57.2
Basic financial information	Total Revenues	55.8	71.7	1,161.1		9,203.6	23.2
	Total Revenues growth	-6.2%	-1.9%	5.8%	-0.8%	-0.7%	-14.8%
	2y CAGR (2019e - 2021e)	11.5%	15.2%	6.8%	11.2%	5.0%	17.5%
	EBITDA	16.6	23.0	407.8		1,694.2	2.7
	EBITDA growth	1.4%	-16.2%	6.2%	-2.9%	-5.9%	-52.3%
	2y CAGR (2019e - 2021e)	15.3%	20.7%	7.9%	14.6%	6.9%	66.5%
	EBITDA/Revenues	29.7%	32.1%	35.1%	32.3%	18.4%	11.7%
	Net Profit	7.4	17.2	250.2		844.5	0.9
	Net Profit growth	-1.3%	-18.7%	9.6%	-3.4%	-11.8%	-72.5%
	2y CAGR (2019e - 2021e)	34.3%	20.2%	9.3%	21.3%	10.1%	128.4%
	Capex	(2)	(2)	(140)		(657)	-2.9
	CAPEX/Sales %	-3.4%	-2.8%	-12.0%	-6.1%	-7.1%	-12.5%
	Free Cash Flow	12.4	16.1	(49.4)		667.9	(0.7)
Net financial debt	17.5	(25.0)	734.4		1,084.9	4.2	
ND/EBITDA (x)	1.1	(1.1)	1.8	0.6	0.6	1.5	
Outstanding Shares	11.4	17.3	131.9		176.3	57.7	
Pay-out	35.9%	90.7%	94.1%	73.5%	50.7%	0.0%	
Multiples and Ratios	P/E (x)	37.3	24.1	36.8	32.7	22.2	60.2
	P/BV (x)	2.7	12.3	11.5	8.8	2.5	2.3
	EV/Revenues (x)	4.9	7.7	8.6	7.1	2.2	2.5
	EV/EBITDA (x)	16.6	24.1	24.4	21.7	12.1	21.2
	ROE	7.7	35.8	31.9	25.1	11.1	3.9
	FCF Yield (%)	4.3	2.8	1.7	2.9	3.4	n.a.
	DPS	0.2	0.9	1.8	1.0	2.4	-
	Price Close	24.6	34.2	69.8		109.7	1.0
	Dvd Yield	0.9%	2.6%	2.6%	2.0%	2.2%	0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
29-Oct-2019	n.a.	0.95	n.a.	n.a.	9m Results 2019	Ana Isabel González García
30-Jul-2019	n.a.	1.02	n.a.	n.a.	6m Results 2019	Ana Isabel González García
14-May-2019	n.a.	1.24	n.a.	n.a.	3m Results 2019	Ana Isabel González García
28-Feb-2019	n.a.	1.62	n.a.	n.a.	12m Results 2018	Ana Isabel González García
31-Jan-2019	n.a.	1.56	n.a.	n.a.	Initial Coverage	Ana Isabel González García