

EQUITY - SPAIN

Sector: Personal Products

 Closing price: EUR 1.87 (16 Mar 2023)
 Report date: 17 Mar 2023 (10:30)

Estimates downgrade
 Independent Equity Research

Naturhouse Health (NTH) is a small family group with headquarters in Madrid (Spain), specialising (c. 30 years) in nutrition and the re-education of eating habits (dietetics). With an international presence (c. 80% of revenue; France (36%), Italy (29%) and Poland (11%) being its core markets). It is managed and controlled by the founding family (77.8% of capital).

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Market Data

Market Cap (Mn EUR and USD)	112.2	119.2
EV (Mn EUR and USD) ⁽¹⁾	104.5	111.0
Shares Outstanding (Mn)	60.0	
-12m (Max/Med/Mín EUR)	2.06 / 1.70 / 1.51	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation ⁽²⁾	6.8	
Factset / Bloomberg	NTH-ES / NTH SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Mr. F. Revuelta & Family	77.8
Free Float	22.3

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	60.0	60.0	60.0	60.0
Total Revenues	52.6	48.8	47.6	47.8
Rec. EBITDA	15.7	14.5	14.4	14.7
% growth	-23.4	-7.7	-0.8	2.2
% Rec. EBITDA/Rev.	29.9	29.7	30.2	30.8
% Inc. EBITDA sector ⁽³⁾	17.9	8.1	7.8	6.5
Net Profit	9.6	9.0	9.1	9.5
EPS (EUR)	0.16	0.15	0.15	0.16
% growth	-27.9	-6.5	1.0	4.2
Ord. EPS (EUR)	0.17	0.15	0.15	0.16
% growth	-27.2	-10.4	1.0	4.2
Rec. Free Cash Flow ⁽⁴⁾	5.1	9.4	9.2	9.4
Pay-out (%)	100.0	85.0	85.0	85.0
DPS (EUR)	0.16	0.13	0.13	0.13
Net financial debt	-10.0	-8.2	-9.6	-11.0
ND/Rec. EBITDA (x)	-0.6	-0.6	-0.7	-0.7
ROE (%)	30.2	33.7	34.7	34.3
ROCE (%) ⁽⁴⁾	60.4	44.7	46.5	49.3

Ratios & Multiples (x)⁽⁵⁾

	2022	2023e	2024e	2025e
P/E	11.7	12.5	12.3	11.8
Ord. P/E	11.2	12.5	12.3	11.8
P/BV	4.0	4.4	4.2	4.0
Dividend Yield (%)	8.6	6.8	6.9	7.2
EV/Sales	1.99	2.14	2.19	2.19
EV/Rec. EBITDA	6.6	7.2	7.3	7.1
EV/EBIT	8.1	8.6	8.5	8.2
FCF Yield (%) ⁽⁴⁾	4.6	8.4	8.2	8.4

(1) Please refer to Appendix 3.

(2) Rotation is the % of the capitalisation traded - 12m.

(3) Sector: Stoxx Europe 600 Food & Beverage.

(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(5) Multiples and ratios calculated over prices at the date of this report.

The restructuring of points of sale will continue to pressure numbers

2022 RESULTS: WORSE THAN EXPECTED (REVENUE EUR 52.6Mn; -9.3% VS 2021 AND -7.2% VS OUR ESTIMATES). We highlight: (i) the contraction of 2022 revenue to EUR 52.6Mn (-9.3% vs 2021; -7.2% vs our estimates), ii) that, together with higher operating costs, has reduced 2022 Rec. EBITDA by 23.4% (EUR 15.7Mn vs EUR 20.5Mn in 2021). NTH closed 2022 with a net cash position of EUR 10Mn (vs EUR 25.1Mn in 2021) as a result of the payment of dividends (EUR 18Mn in dividends in 2022).

THE CONTINUING CLOSURE OF POINTS OF SALE (-130 VS 2021) RESTRICTS NTH'S GROWTH CAPACITY.... In the last five years, revenue has declined by 44%. The main drivers of this performance have been: i) the closure of points of sale (804 in total; an annual average of 161; 101 excluding 2020), and ii) average sales per centre; despite the restructuring of the retail network, in 2022 sales per store were EUR 32.4 thousand (-12% vs 2019).

....AND CAUSES US TO DOWNGRADE OUR ESTIMATES The scenario we envisage is a continuation of the evolution seen in the last 5 years. We estimate NTH will generate revenue of EUR 47.8Mn in 2025e (-3.1% CAGR 2022-2025e) with c. 1,400 centres (the "floor" according to our estimates), with 2025e EBITDA of EUR 14.7M thanks to an operating structure that is light on costs and so is very efficient (and is the company's big asset); this plus the increase in the online channel to 10% in 2025e (vs 5% in 2022) should improve the 2025e Rec. EBITDA margin to 30.8%. High cash generation capacity (2025e FCF of EUR 9.4Mn; conversion of c. 60% of EBITDA) should preserve the solid financial position (25e net cash > EUR 10Mn) without affecting the attractive dividend policy (Pay-Out 85%; Dividend yield 25e 7.2%).

THE CHALLENGE IS A RETURN TO GROWTH. NTH's biggest challenge is to break the downtrend in revenue seen to date and return to growth. In our opinion, the floor will be reached in 2025e, although 1H23 results will be key to identifying an indicator/catalyst that allows us to anticipate a change of trend that implies a return to the growth path. Currently, NTH is trading at a 2023e EV/EBITDA ratio of 7.2x (vs 7.7x for its sector). 2023e FCF Yield 8.4%.

Relative performance (Base 100)

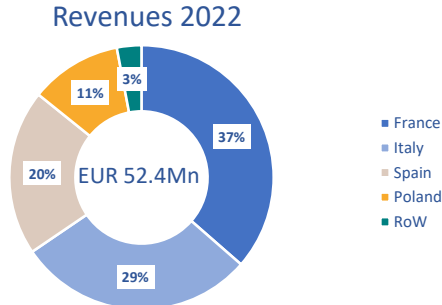

Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-6.5	16.9	-1.0	18.7	45.9	-35.7
vs Ibex 35	-1.9	6.7	-6.7	9.9	0.2	-29.4
vs Ibex Small Cap Index	-1.9	2.4	0.8	4.3	-19.6	-42.8
vs Eurostoxx 50	-2.4	8.0	-6.4	9.4	-13.2	-46.3
vs Sector benchmark ⁽³⁾	-8.2	11.8	-0.2	13.6	8.1	-47.8

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

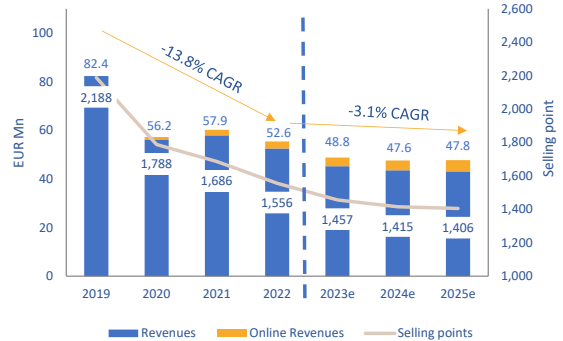
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La compañía en 8 gráficos

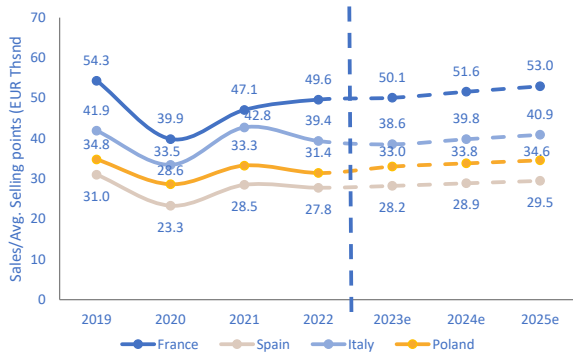
A geographically diversified business (especially in Europe)



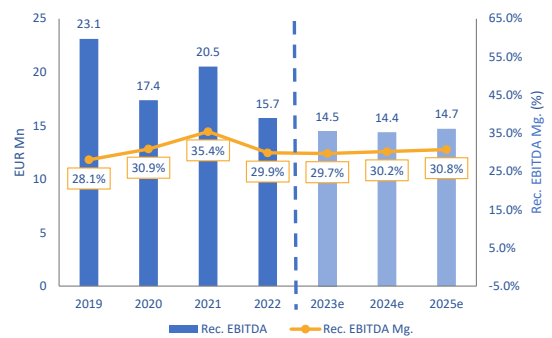
The halting of store closures is the key catalyst but will have to wait until 2025e



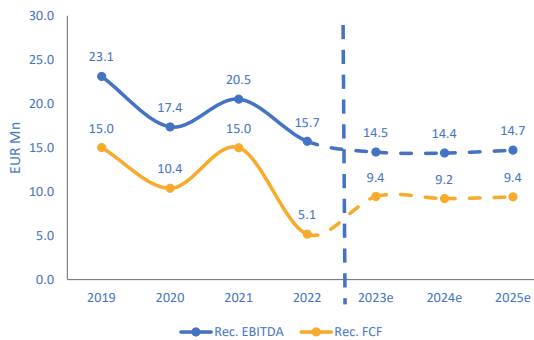
e expect sales per store to remain stable (+1.5% CAGR 2022-2025e) despite the restructuring of the retail network



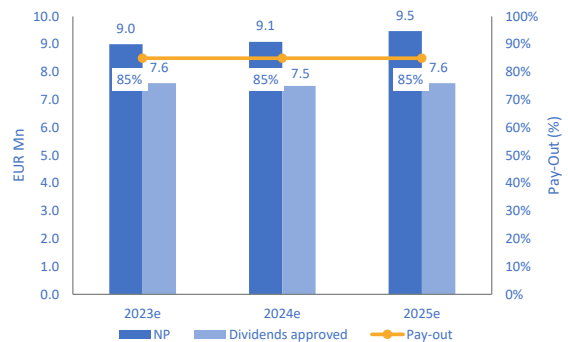
NTH's cost-light structure will allow it to maintain high margins (EBITDA margin c.30%). 23e-25e EBITDA EUR 14.5Mn



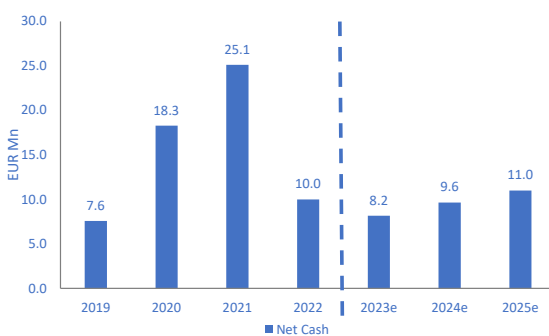
High capacity to convert EBITDA into cash (c. 60%). FCF Yield >8%



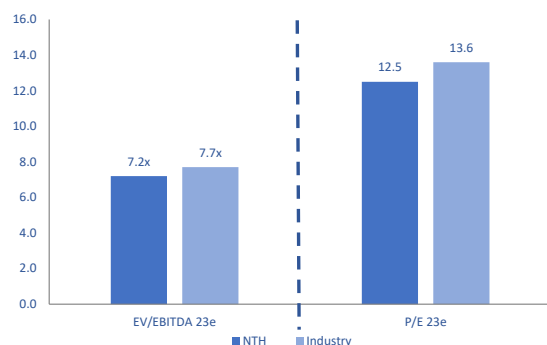
... that will allow a high pay-out (85%) and a 2023e Dividend Yield of 7% to be maintained



And a very robust balance sheet position (2023e Net Cash EUR 8Mn), especially interesting in a climate of rising rates



Trading at 2023e EV/EBITDA 2023e 7.2x vs 7.7x for its sector



Estimates downgrade

The closure of stores will maintain the downtrend in revenue until 2025e. Resilient margins remain NTH's big asset

NTH's performance over the last five years has a double reading: i) falling revenue (-11.2% CAGR 2017-2022) due to the restructuring of the sales network (-804 centres since 2017) and ii) its ability to protect margins (2022 EBITDA margin 29.9%; -1.8p.p. vs 2017) showing resilience even in adverse macro environments (Covid-19, inflation, rising rates).

Table 1. 2022 Results

EUR Mn	12m22 Real	12m21	12m22 Real vs 12m21	2022e	12m22 Real vs 2022e
Total Revenues	52.6	57.9	-9.3%	56.7	-7.2%
France	19.1	20.2	-5.3%	19.7	-3.2%
Spain	10.6	11.9	-10.6%	11.9	-10.6%
Italy	15.2	16.8	-9.4%	16.5	-7.4%
Poland	5.9	6.9	-15.0%	6.6	-10.5%
ROW	1.6	1.8	-12.9%	1.7	-6.6%
Other income	0.2	0.3	-50.0%	0.4	-54.5%
Gross Mg.	37.7	41.6	-9.5%	40.4	-6.7%
<i>Gross Margin/Revenues</i>	<i>71.6%</i>	<i>71.8%</i>	<i>-0.2 p.p.</i>	<i>71.2%</i>	<i>0.4 p.p.</i>
Recurrent EBITDA	15.7	20.5	-23.4%	17.5	-10.0%
<i>Rec. EBITDA/Revenues</i>	<i>29.9%</i>	<i>35.4%</i>	<i>-5.5 p.p.</i>	<i>30.8%</i>	<i>-0.9 p.p.</i>
EBITDA	15.2	19.9	-24.0%	17.5	-13.3%
<i>EBITDA/Revenues</i>	<i>28.8%</i>	<i>34.4%</i>	<i>-5.6 p.p.</i>	<i>30.8%</i>	<i>-2.0 p.p.</i>
EBIT	12.9	17.5	-26.5%	15.4	-16.7%
PBT	13.1	18.2	-28.2%	16.4	-20.1%
NP	9.6	13.4	-28.0%	11.5	-16.1%
Nr. Of Centers	1,556	1,686	-130	1,608	-52
Online Sales (%)	5.0%	4.0%	1.0 p.p.	5.6%	-0.6 p.p.
Rec. FCF	5.1	15.0	-66%	11.9	-57%
Net Cash ¹	-10.0	-25.1	60%	-14.1	29.1%
Net Cash / EBITDA	-0.6 x	-1.2 x	0.6 x	-0.8 x	-0.2 x

Note 1. Net Cash adjusted to strip out the impact of IFRS 16 (EUR 3.3Mn and EUR 2.2Mn in 2022 and 2021, respectively).

On February 28, NTH released worse than expected results. We highlight: (i) a decline in revenue in all geographies, to EUR 52.6Mn (-9.3% vs 2021 and EUR 56.2Mn in 2020), due to the closure of 130 points of sale and average revenue per store that has remained stable (EUR 32.4 thousand; -12% vs pre-Covid levels) despite the smaller number of centres, (ii) the increase in operating costs (especially supplies and transport) squeezing the 2022 Rec. EBITDA margin to 29.9% (-5.5p.p. vs the 2021 Rec. EBITDA margin, an all-time high, as 100% of personnel had yet to be reincorporated in 2021; c. +2 p.p. vs 2019) that has reduced 2022 Rec. EBITDA to EUR 15.7Mn (-23.4% vs 2021) and (iii) positive NP of EUR 9.6Mn (vs EUR 13.4Mn in 2021).

On the balance sheet side, the net cash position has declined to EUR 10Mn (ex IFRS-16; vs EUR 25.1Mn in 2021), mainly due to the payment of EUR 18Mn of dividends in 2022.

2022 results and the lack of catalysts indicating a resumption of revenue growth in the short/medium term, leads us to downgrade our estimates

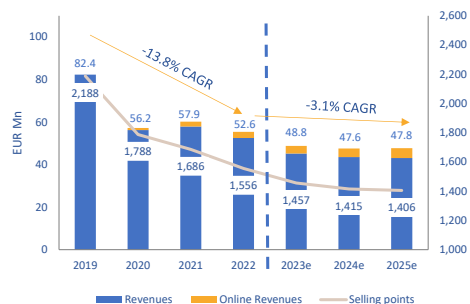
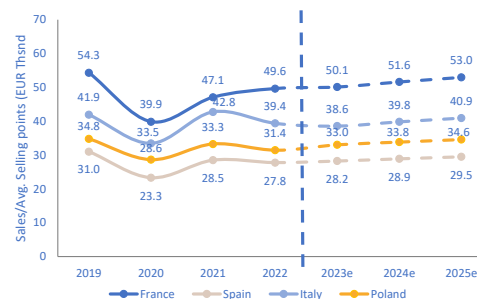
2022 results confirm the trend for a reduction in the number of points of sale (inevitably impacted by the deceleration of consumption and the lack of entry barriers). Consequently, we downgrade our estimates. We delay the return of revenue growth until after 2025e:

- **We estimate lower revenues in 2023e (EUR 48.2Mn; -18.3% vs previous estimate) due to the continuation of the restructuring of the retail network ...** Our model reflects an evolution of revenue dependent on three assumptions: i) points of sale, ii) average revenue per store and iii) growth of the online channel.

In 2022 a total of 130 points of sale were closed (vs 80 estimated). NTH has closed 161 points of sale a year on average -5y (101 excluding the year of Covid-19). The negative evolution in all NTH's mature markets (France, Italy, Spain and Poland; c.97% of 2022 revenue) plus the lack of catalysts that allow us to anticipate a change in this trend of closures (signings of master franchises are not significant at present) leads us to estimate the closure of at least 150 more stores until 2025e (we envisage a "floor" of c.1,400 points of sale in 2025e vs 1,556 in 2022 and 2,188 in 2019).

Moreover, average sales per store have not met our expectations, remaining stable (EUR 32.4 thousand; -2.8% vs 2021) after the rebound of 2021 (+18% vs 2020) due to Covid impact, (still -12% below 2019 levels). We estimate the continuation of this evolution of average sales per store until 2025e (EUR 33.9 thousand; +1.5% CAGR 2022-2025e).

The online channel increased its weighting in the revenue mix to 5% in 2022 (vs 4% in 2021), although it has not managed to offset the effect of store closures. However, we expect it to continue to gain weight in the mix to 10% of revenue in 2025e due to the investment already made by NTH (EUR 1Mn in 2022), that we expect to continue in coming years.

Chart 1. Revenue vs Points of sale (19-25e)

Chart 2: Average Sales per Store (19-25e)


In conclusion, we reiterate that the resumption of growth will depend on the end of the closure of points of sale and on the success of the expansion of the international business (outside already mature markets), via new commercial agreements (master franchises) that in recent years have focused on Asia. The above translates to a negative (and logical) estimate for revenue in the next 3 years (-3.1% CAGR 2022-2025e) and expectations of growth after that.

- ... that, despite maintaining a high margin (EBITDA/sales c. 30%), will prevent growth in EBITDA (2023e EBITDA: EUR 14.3Mn, -22.8% vs previous estimate). Historically, NTH's vertical integration has allowed it to maintain a gross margin of >71.5% (NTH owns 49.75% of Ichem and 49% of Girofibra, group suppliers). However, we estimate that the company can improve its EBITDA margin to >30% due to the flexibility of its operating costs structure and the increase in the online channel (higher margin). The fall in revenue estimated in 2023e (-7.2% vs 2022), will inevitably reduce Rec. EBITDA to EUR 14.5Mn (-7.7% vs 2022).
- FCF generating ability and NTH's net cash position guarantee the shareholder remuneration commitment (Pay-Out 85%). We estimate that NTH will maintain rec. FCF generation of c. EUR 9.5Mn a year for the next 3 years. In addition, at the 2022 close, NTH had a net cash position of EUR 10Mn that added to our estimates for NP until 2025 (c. EUR 9Mn a year), allows us to assume the continuation of its shareholder remuneration policy (we estimate a pay-out of 85% until 2025e).

Table 2. Estimates downgrade

EUR Mn	2023e (New)	2023e	Review (%)	2024e (New)	2024e	Review (%)	2025e (New)
Total Revenues	48.8	59.7	-18.3%	47.6	63.8	-25.3%	47.8
Recurrent EBITDA	14.5	18.8	-22.8%	14.4	20.4	-29.4%	14.7
Rec. EBITDA/Revenues	29.7%	31.5%	-2 p.p.	30.2%	32.0%	-2 p.p.	30.8%
EBIT	12.1	16.7	-27.6%	12.2	18.3	-33.2%	12.7
Net Profit	9.0	12.6	-28.6%	9.1	13.7	-33.8%	9.5
Recurrent Free Cash Flow	9.4	12.1	-21.9%	9.2	12.9	-28.7%	9.4
Net Cash / EBITDA	-0.6 x	-1.2 x	0.7 x	-0.7 x	-1.2 x	0.5 x	-0.7 x

In conclusion: the challenge/opportunity lies in the recovery of growth. The "defensiveness" of its margins is the biggest asset of NTH that (despite everything) will maintain a high FCF yield.

NTH's equity story today can be summarised as the halting of store closures in its mature markets. Although the current number of points of sale (1,556) is already a long way from highs (2,360 in 2017), we expect closures to continue until there are 1,400 points of sale in 2025. This, plus the normalisation of average sales per store and growth in the online channel (10% in 2025e vs 5% in 2022) should enable NTH to reverse the situation (falling revenue) in which it finds itself.

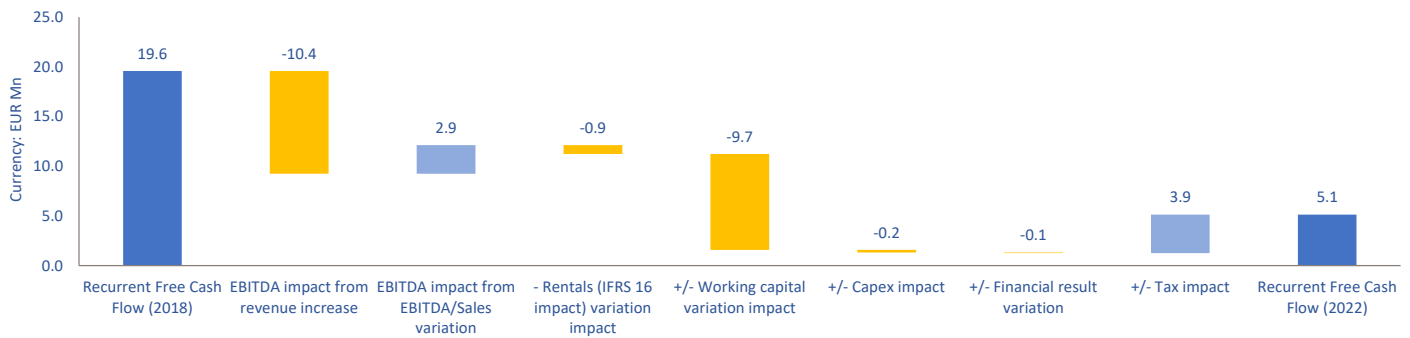
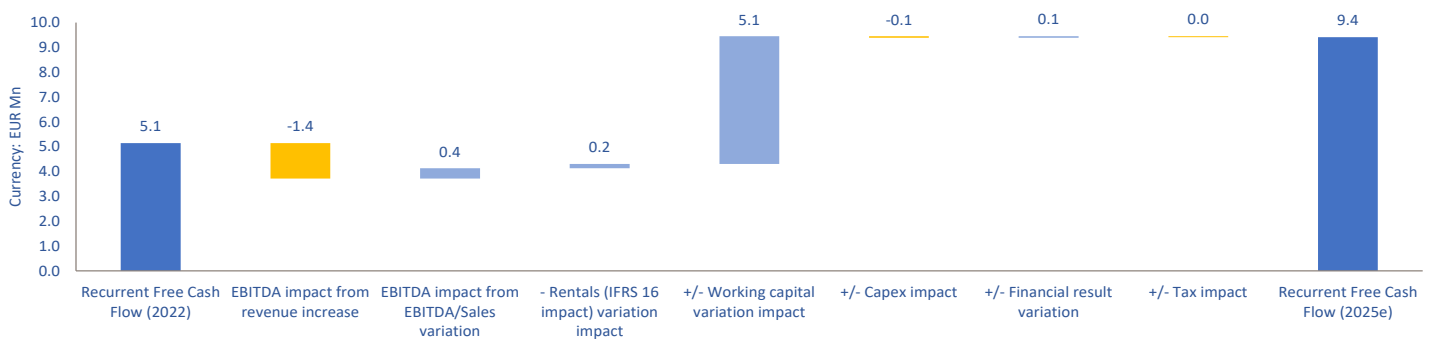
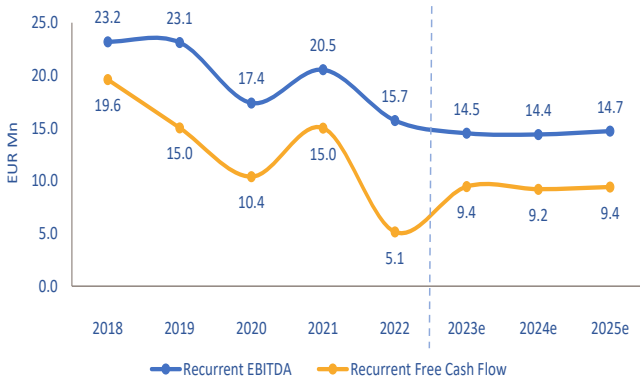
Accordingly, the focus should be on 1H23 results in the hope of spotting an indicator/catalyst (not visible at the date of this report) that allows us to anticipate a change in the downward trend for revenue growth seen in recent years. However, the strength of NTH's balance sheet (2022 net cash EUR 10Mn) acts as a safety net, limiting financial risk and allowing it to maintain its dividend policy. Currently NTH is trading at a 2023e EV/EBITDA ratio of 7.2x (vs 7.7x for its sector). The 2023e FCF Yield is very strong despite everything (>8%) and protected by resilient margins.

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	1.4	8.9	3.7	2.5	3.4	2.6	2.0	1.3		
Fixed assets	3.8	2.0	1.2	0.9	1.2	1.4	1.8	2.2		
Other Non Current Assets	3.6	3.4	3.5	7.0	10.7	10.7	10.7	10.7		
Financial Investments	0.8	0.8	0.6	1.3	0.5	0.8	1.1	1.4		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	16.3	12.2	11.8	10.0	15.0	14.3	14.1	14.0		
Total assets	25.9	27.3	21.0	21.8	30.7	29.9	29.6	29.6		
Equity	18.8	16.5	26.0	36.0	27.8	25.5	26.9	28.3		
Minority Interests	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Provisions & Other L/T Liabilities	1.2	1.1	1.4	1.5	2.7	2.7	2.7	2.7		
Other Non Current Liabilities	-	7.7	3.7	2.2	3.3	3.3	3.3	3.3		
Net financial debt	(5.4)	(7.6)	(18.3)	(25.1)	(10.0)	(8.2)	(9.6)	(11.0)		
Current Liabilities	11.2	9.5	8.1	7.1	6.9	6.5	6.3	6.2		
Equity & Total Liabilities	25.9	27.3	21.0	21.8	30.7	29.9	29.6	29.6		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	88.7	82.4	56.2	57.9	52.6	48.8	47.6	47.8	-12.2%	-3.1%
<i>Total Revenues growth</i>	-7.1%	-7.1%	-31.7%	3.0%	-9.3%	-7.2%	-2.4%	0.4%		
COGS	(25.2)	(23.8)	(15.9)	(16.3)	(14.9)	(13.6)	(13.2)	(13.1)		
Gross Margin	63.5	58.5	40.4	41.6	37.7	35.2	34.5	34.7	-12.2%	-2.7%
<i>Gross Margin/Revenues</i>	71.6%	71.0%	71.8%	71.8%	71.6%	72.1%	72.4%	72.6%		
Personnel Expenses	(20.7)	(19.3)	(12.4)	(10.8)	(10.6)	(10.1)	(9.7)	(9.7)		
Other Operating Expenses	(19.6)	(16.1)	(10.6)	(10.3)	(11.3)	(10.6)	(10.3)	(10.3)		
Recurrent EBITDA	23.2	23.1	17.4	20.5	15.7	14.5	14.4	14.7	-9.3%	-2.2%
<i>Recurrent EBITDA growth</i>	-23.4%	-0.3%	-24.8%	18.1%	-23.4%	-7.7%	-0.8%	2.2%		
<i>Rec. EBITDA/Revenues</i>	26.2%	28.1%	30.9%	35.4%	29.9%	29.7%	30.2%	30.8%		
Restructuring Expense & Other non-rec.	0.1	(0.2)	0.1	(0.6)	(0.6)	-	-	-		
EBITDA	23.3	22.9	17.4	19.9	15.2	14.5	14.4	14.7	-10.2%	-1.0%
Depreciation & Provisions	(1.1)	(1.0)	(1.6)	(1.2)	(1.4)	(1.5)	(1.4)	(1.3)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	(3.3)	(1.7)	(1.2)	(0.9)	(0.9)	(0.8)	(0.7)		
EBIT	22.1	18.6	14.2	17.5	12.9	12.1	12.2	12.7	-12.7%	-0.3%
<i>EBIT growth</i>	-21.6%	-15.9%	-24.0%	23.4%	-26.5%	-5.9%	1.0%	4.1%		
<i>EBIT/Revenues</i>	25.0%	22.6%	25.2%	30.2%	24.4%	24.8%	25.7%	26.6%		
Impact of Goodwill & Others	-	-	(0.9)	(0.1)	-	-	-	-		
Net Financial Result	(0.0)	(0.2)	(0.0)	0.3	(0.1)	(0.1)	(0.1)	(0.0)		
Income by the Equity Method	0.6	0.2	0.3	0.6	0.3	0.3	0.3	0.3		
Ordinary Profit	22.7	18.7	13.5	18.2	13.1	12.3	12.5	13.0	-12.9%	-0.3%
<i>Ordinary Profit Growth</i>	-20.7%	-17.7%	-27.7%	35.0%	-28.2%	-5.8%	1.0%	4.2%		
Extraordinary Results	-	0.5	-	-	-	-	-	-		
Profit Before Tax	22.7	19.2	13.5	18.2	13.1	12.3	12.5	13.0	-12.9%	-0.3%
Tax Expense	(7.4)	(6.0)	(4.1)	(4.9)	(3.5)	(3.3)	(3.4)	(3.5)		
<i>Effective Tax Rate</i>	32.4%	31.4%	30.5%	26.7%	26.6%	27.1%	27.1%	27.1%		
Minority Interests	0.0	0.1	(0.0)	(0.0)	0.0	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	15.4	13.3	9.4	13.4	9.6	9.0	9.1	9.5	-11.0%	-0.5%
<i>Net Profit growth</i>	-22.6%	-13.8%	-29.3%	42.5%	-27.9%	-6.5%	1.0%	4.2%		
Ordinary Net Profit	15.9	13.3	9.4	13.8	10.0	9.0	9.1	9.5	-10.8%	-1.9%
<i>Ordinary Net Profit growth</i>	-23.4%	-16.4%	-29.0%	46.5%	-27.2%	-10.4%	1.0%	4.2%		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						14.5	14.4	14.7	-9.3%	-2.2%
Rentals (IFRS 16 impact)						(0.9)	(0.8)	(0.7)		
Working Capital Increase						0.2	0.1	0.0		
Recurrent Operating Cash Flow						13.8	13.7	14.0	-23.1%	13.0%
CAPEX						(1.0)	(1.0)	(1.0)		
Net Financial Result affecting the Cash Flow						(0.1)	(0.1)	(0.0)		
Tax Expense						(3.3)	(3.4)	(3.5)		
Recurrent Free Cash Flow						9.4	9.2	9.4	-28.4%	22.3%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						9.4	9.2	9.4	-46.3%	75.8%
Capital Increase						-	-	-		
Dividends						(11.3)	(7.7)	(8.1)		
Net Debt Variation						1.8	(1.5)	(1.4)		

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	23.1	17.4	20.5	15.7	14.5	14.4	14.7	-12.1%	-2.2%
<i>Recurrent EBITDA growth</i>	-0.3%	-24.8%	18.1%	-23.4%	-7.7%	-0.8%	2.2%		
<i>Rec. EBITDA/Revenues</i>	28.1%	30.9%	35.4%	29.9%	29.7%	30.2%	30.8%		
- Rentals (IFRS 16 impact)	(3.3)	(1.7)	(1.2)	(0.9)	(0.9)	(0.8)	(0.7)		
+/- Working Capital increase	2.4	(1.0)	0.7	(5.1)	0.2	0.1	0.0		
= Recurrent Operating Cash Flow	22.2	14.7	20.0	9.7	13.8	13.7	14.0	-24.1%	13.0%
<i>Rec. Operating Cash Flow growth</i>	-19.9%	-33.7%	36.1%	-51.6%	42.9%	-1.3%	2.4%		
<i>Rec. Operating Cash Flow / Sales</i>	27.0%	26.2%	34.6%	18.4%	28.4%	28.7%	29.3%		
- CAPEX	(0.9)	(0.2)	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)		
- Net Financial Result affecting Cash Flow	(0.3)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)		
- Taxes	(6.0)	(4.1)	(4.9)	(3.5)	(3.3)	(3.4)	(3.5)		
= Recurrent Free Cash Flow	15.0	10.4	15.0	5.1	9.4	9.2	9.4	-30.0%	22.3%
<i>Rec. Free Cash Flow growth</i>	-23.3%	-30.9%	44.5%	-65.7%	83.5%	-2.6%	2.2%		
<i>Rec. Free Cash Flow / Revenues</i>	18.2%	18.5%	25.9%	9.8%	19.4%	19.3%	19.7%		
- Restructuring expenses & others	-	-	(0.7)	1.0	-	-	-		
- Acquisitions / + Divestments	1.7	0.2	(3.5)	(4.4)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.5	-	-	-	-	-	-		
= Free Cash Flow	17.2	10.6	10.8	1.7	9.4	9.2	9.4	-53.5%	75.8%
<i>Free Cash Flow growth</i>	-16.9%	-38.7%	2.1%	-83.9%	445.4%	-2.6%	2.2%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	13.4%	9.3%	13.4%	4.6%	8.4%	8.2%	8.4%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	15.4%	9.4%	9.6%	1.5%	8.4%	8.2%	8.4%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e		
Recurrent FCF(FY - 1)	19.6	15.0	10.4	15.0	5.1	9.4	9.2		
EBITDA impact from revenue increase	(1.6)	(7.3)	0.5	(1.9)	(1.1)	(0.4)	0.1		
EBITDA impact from EBITDA/Sales variation	1.6	1.6	2.6	(2.9)	(0.1)	0.2	0.3		
= Recurrent EBITDA variation	(0.1)	(5.7)	3.2	(4.8)	(1.2)	(0.1)	0.3		
- Rentals (IFRS 16 impact) variation impact	(3.3)	1.6	0.4	0.3	-	0.1	0.1		
+/- Working capital variation impact	(2.2)	(3.3)	1.7	(5.9)	5.4	(0.2)	(0.1)		
= Recurrent Operating Cash Flow variation	(5.5)	(7.5)	5.3	(10.3)	4.2	(0.2)	0.3		
+/- CAPEX impact	(0.2)	0.7	0.2	(0.9)	(0.0)	(0.0)	(0.0)		
+/- Financial result variation	(0.2)	0.3	(0.1)	0.0	0.0	(0.0)	0.0		
+/- Tax impact	1.3	1.9	(0.8)	1.4	0.1	(0.0)	(0.1)		
= Recurrent Free Cash Flow variation	(4.6)	(4.6)	4.6	(9.9)	4.3	(0.2)	0.2		
Recurrent Free Cash Flow	15.0	10.4	15.0	5.1	9.4	9.2	9.4		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	18.6	14.2	17.5	12.9	12.1	12.2	12.7	-11.6%	-0.3%
* Theoretical Tax rate	30.0%	30.0%	26.7%	26.6%	27.1%	27.1%	27.1%		
= Taxes (pre- Net Financial Result)	(5.6)	(4.3)	(4.7)	(3.4)	(3.3)	(3.3)	(3.5)		
Recurrent EBITDA	23.1	17.4	20.5	15.7	14.5	14.4	14.7	-12.1%	-2.2%
- Rentals (IFRS 16 impact)	(3.3)	(1.7)	(1.2)	(0.9)	(0.9)	(0.8)	(0.7)		
+/- Working Capital increase	2.4	(1.0)	0.7	(5.1)	0.2	0.1	0.0		
= Recurrent Operating Cash Flow	22.2	14.7	20.0	9.7	13.8	13.7	14.0	-24.1%	13.0%
- CAPEX	(0.9)	(0.2)	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)		
- Taxes (pre- Financial Result)	(5.6)	(4.3)	(4.7)	(3.4)	(3.3)	(3.3)	(3.5)		
= Recurrent Free Cash Flow (To the Firm)	15.7	10.3	15.3	5.3	9.6	9.3	9.5	-30.4%	21.5%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-22.7%	-34.7%	49.1%	-65.3%	80.4%	-2.5%	2.0%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	19.1%	18.3%	26.4%	10.1%	19.6%	19.6%	19.9%		
- Acquisitions / + Divestments	1.7	0.2	(3.5)	(4.4)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.5	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	17.9	10.5	11.8	0.9	9.6	9.3	9.5	-62.8%	n.a.
<i>Free Cash Flow (To the Firm) growth</i>	-17.2%	-41.8%	12.8%	-92.2%	940.2%	-2.5%	2.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	15.0%	9.8%	14.7%	5.1%	9.2%	8.9%	9.1%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	17.2%	10.0%	11.3%	0.9%	9.2%	8.9%	9.1%		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

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	Source
Market Cap	112.2	
+ Minority Interests	0.1	12m Results 2022
+ Provisions & Other L/T Liabilities	2.7	12m Results 2022
+ Net financial debt	(10.0)	12m Results 2022
- Financial Investments	0.5	12m Results 2022
+/- Others		
Enterprise Value (EV)	104.5	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															16-22	22-25e
Total Revenues				96.6	98.3	95.4	88.7	82.4	56.2	57.9	52.6	48.8	47.6	47.8	-9.9%	-3.1%
Total Revenues growth				0.2%	1.8%	-2.9%	-7.1%	-7.1%	-31.7%	3.0%	-9.3%	-7.2%	-2.4%	0.4%		
EBITDA				33.6	32.4	29.4	23.3	22.9	17.4	19.9	15.2	14.5	14.4	14.7	-11.9%	-1.0%
EBITDA growth				-0.2%	-3.7%	-9.3%	-20.8%	-1.4%	-24.0%	14.4%	-24.0%	-4.2%	-0.8%	2.2%		
EBITDA/Sales				34.8%	32.9%	30.8%	26.2%	27.8%	31.0%	34.4%	28.8%	29.7%	30.2%	30.8%		
Net Profit				22.9	22.5	19.9	15.4	13.3	9.4	13.4	9.6	9.0	9.1	9.5	-13.2%	-0.5%
Net Profit growth				1.3%	-1.6%	-11.8%	-22.6%	-13.8%	-29.3%	42.5%	-27.9%	-6.5%	1.0%	4.2%		
Adjusted number shares (Mn)				59.9	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0		
EPS (EUR)				0.38	0.38	0.33	0.26	0.22	0.16	0.22	0.16	0.15	0.15	0.16	-13.2%	-0.5%
EPS growth				1.4%	-1.6%	-11.8%	-22.6%	-13.8%	-29.3%	42.5%	-27.9%	-6.5%	1.0%	4.2%		
Ord. EPS (EUR)				0.38	0.38	0.34	0.26	0.22	0.16	0.23	0.17	0.15	0.15	0.16	-12.7%	-1.9%
Ord. EPS growth				1.9%	-1.4%	-9.6%	-22.6%	-16.4%	-29.0%	46.5%	-27.2%	-10.4%	1.0%	4.2%		
CAPEX				(0.9)	(1.2)	(1.3)	(0.7)	(0.9)	(0.2)	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)		
CAPEX/Sales %				0.9%	1.2%	1.4%	0.8%	1.1%	0.4%	0.1%	1.8%	2.0%	2.1%	2.1%		
Free Cash Flow				30.9	14.4	14.8	20.8	17.2	10.6	10.8	1.7	9.4	9.2	9.4	-29.7%	75.8%
ND/EBITDA (x) ⁽²⁾				-0.4x	-0.4x	-0.2x	-0.2x	-0.3x	-1.0x	-1.3x	-0.7x	-0.6x	-0.7x	-0.7x		
P/E (x)				6.5x	8.5x	8.8x	4.8x	7.8x	8.5x	7.6x	9.8x	12.5x	12.3x	11.8x		
EV/Sales (x)					2.78x	2.49x	1.01x	1.37x	1.34x	1.56x	1.65x	2.14x	2.19x	2.19x		
EV/EBITDA (x) ⁽²⁾					8.4x	8.1x	3.9x	4.9x	4.3x	4.5x	5.7x	7.2x	7.3x	7.1x		
Absolute performance					29.2%	-9.3%	-57.6%	39.2%	-22.3%	27.7%	-7.3%	18.7%				
Relative performance vs Ibxex 35					31.8%	-15.5%	-50.1%	24.5%	-8.2%	18.3%	-1.8%	9.9%				

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 Factsset.

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

Appendix 5. Main peers 2023e

		Weight Management				Diet Supplements			
		Herbalife Nut.	Medifast	WW Intl.	Average	Nu Skin	Glanbia	Average	NTH
EUR Mn									
Market data	Ticker (Factset)	HLF-US	MED-US	WW-US		NUS-US	GL9-IE		NTH-ES
	Country	Cayman Isl.	USA	USA		USA	Ireland		Spain
	Market cap	1,655.9	1,066.7	288.5		1,839.1	3,633.1		112.2
	Enterprise value (EV)	3,926.3	1,008.6	1,540.8		2,066.9	4,202.6		104.5
Basic financial information	Total Revenues	4,575.3	1,167.9	870.6		1,967.3	5,548.1		48.8
	Total Revenues growth	-6.6%	-22.4%	-11.2%	-13.4%	-6.1%	-1.7%	-3.9%	-7.2%
	2y CAGR (2023e - 2025e)	4.9%	n.a.	9.7%	7.3%	2.1%	3.8%	3.0%	-1.1%
	EBITDA	585.0	167.9	149.7		243.4	435.5		14.5
	EBITDA growth	-4.6%	-23.5%	-7.1%	-11.7%	-6.4%	4.9%	-0.8%	-4.2%
	2y CAGR (2023e - 2025e)	12.3%	n.a.	12.5%	12.4%	6.0%	6.3%	6.1%	0.7%
	EBITDA/Revenues	12.8%	14.4%	17.2%	14.8%	12.4%	7.8%	10.1%	29.7%
	EBIT	475.7	149.1	102.4		170.9	315.9		12.1
	EBIT growth	-5.8%	-26.7%	-14.6%	-15.7%	13.9%	15.9%	14.9%	-5.9%
	2y CAGR (2023e - 2025e)	15.3%	n.a.	19.9%	17.6%	8.4%	5.4%	6.9%	2.5%
	EBIT/Revenues	10.4%	12.8%	11.8%	11.6%	8.7%	5.7%	7.2%	24.8%
	Net Profit	252.1	109.9	(4.2)		118.2	264.0		9.0
	Net Profit growth	-16.7%	-18.7%	98.2%	20.9%	19.8%	31.7%	25.8%	-6.5%
	2y CAGR (2023e - 2025e)	21.9%	n.a.	n.a.	21.9%	9.8%	4.6%	7.2%	2.6%
CAPEX/Sales %	3.0%	1.3%	2.0%	2.1%	3.8%	1.3%	2.6%	2.0%	
Free Cash Flow	230.7	103.7	(11.0)		109.0	288.8		9.4	
Net financial debt	n.a.	(118.2)	1,227.5		170.0	313.5		(8.2)	
ND/EBITDA (x)	n.a.	(0.7)	8.2	3.7	0.7	0.7	0.7	(0.6)	
Pay-out	0.0%	n.a.	0.0%	0.0%	61.3%	36.7%	49.0%	85.0%	
Multiples and Ratios	P/E (x)	6.2	9.8	24.8	13.6	15.5	12.1	13.8	12.5
	P/BV (x)	n.a.	n.a.	n.a.	n.a.	n.a.	1.8	1.8	4.4
	EV/Revenues (x)	0.9	0.9	1.8	1.2	1.1	0.8	0.9	2.1
	EV/EBITDA (x)	6.7	6.0	10.3	7.7	8.5	9.6	9.1	7.2
	EV/EBIT (x)	8.3	6.8	15.0	10.0	12.1	13.3	12.7	8.6
	ROE	n.a.	n.a.	n.a.	n.a.	n.a.	15.1	15.1	33.7
	FCF Yield (%)	13.9	9.7	n.a.	11.8	5.9	7.9	6.9	8.4
	DPS	0.00	n.a.	0.00	0.00	1.45	0.35	0.90	0.13
Dvd Yield	0.0%	n.a.	0.0%	0.0%	3.9%	2.6%	3.3%	6.8%	

Note 1: Financial data, multiples and ratios based on market consensus (Factset). 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).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	9.6	9.3	9.5	126.5		
Market Cap	112.2	At the date of this report				
Net financial debt	-10.0	Debt net of Cash (12m Results 2022)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	Kd = Cost of Net Debt * (1-T)			3.4%	3.8%
Risk free rate (rf)	3.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.0	B (own estimate)			0.9	1.1
Cost of Equity	9.3%	Ke = Rf + (R * B)			8.3%	10.5%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	9.3%	WACC = Kd * D + Ke * E			8.3%	10.5%
G "Fair"	1.0%				1.0%	0.5%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Herbalife Nut.	HLF-US	1,655.9	6.2	24.4%	6.7	12.3%	0.9	4.9%	12.8%	13.9%	n.a.
Medifast	MED-US	1,066.7	9.8	n.a.	6.0	n.a.	0.9	n.a.	14.4%	9.7%	n.a.
WW Intl.	WW-US	288.5	24.8	64.7%	10.3	12.5%	1.8	9.7%	17.2%	n.a.	n.a.
Weight Management			13.6	44.5%	7.7	12.4%	1.2	7.3%	14.8%	11.8%	n.a.
Nu Skin	NUS-US	1,839.1	15.5	9.3%	8.5	6.0%	1.1	2.1%	12.4%	5.9%	n.a.
Glanbia	GL9-IE	3,633.1	12.1	7.4%	9.6	6.3%	0.8	3.8%	7.8%	7.9%	5.4%
Diet Supplements			13.8	8.4%	9.1	6.1%	0.9	3.0%	10.1%	6.9%	5.4%
NTH	NTH-ES	112.2	12.5	2.6%	7.2	0.7%	2.1	-1.1%	29.7%	8.4%	-0.2%

Free Cash Flow sensitivity analysis (2024e)

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

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	33.2%	15.8	6.6x
Central	30.2%	14.4	7.3x
Min	27.2%	13.0	8.1x

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

FCF Rec. EUR Mn	CAPEX/Sales 24e				Rec. FCF/Yield 24e			
EBITDA 24e	1.9%	2.1%	2.3%		Scenario			
15.8	10.7	10.6	10.5	➔	Max	9.6%	9.5%	9.4%
14.4	9.3	9.2	9.1		Central	8.3%	8.2%	8.1%
13.0	7.9	7.8	7.7		Min	7.0%	6.9%	6.8%

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
17-Mar-2023	n.a.	1.87	n.a.	n.a.	Estimates downgrade	Luis Esteban Arribas
02-Mar-2023	n.a.	2.04	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
22-Sep-2022	n.a.	1.60	n.a.	n.a.	6m Results 2022 - Estimates downgrade	Luis Esteban Arribas
02-Mar-2022	n.a.	1.66	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
21-Sep-2021	n.a.	1.51	n.a.	n.a.	6m Results 2021	Alfredo Echevarría Otegui
22-Jun-2021	n.a.	1.45	n.a.	n.a.	3m Results 2021 - Estimates upgrade	Ana Isabel González García, CIIA
23-Apr-2021	n.a.	1.40	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

