

ADL BIONATUR SOLUTIONS

Pharmaceutical products and
Biotechnology

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Starting to deliver on the operating level

Close (09-05-2019): € 2.23/sh.

T.P. range: € 2.50-4.11/sh. (+48.2% upside)

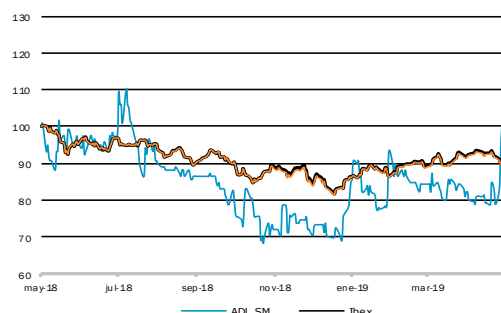
KEY INFORMATION

Reuters / Bloomberg:	ADL.MC/ADL SM
Market Cap / EV	87 M
# shares:	39.4 M
12M Max/Min:	2.60/1.61
Rel. Perf. IBEX (1, 3, 6 months):	19.4%/-2.4%/29.3%
Average volume €M / M shares	0.019/0.01
5 yrs. Beta	0.81
Free-float:	21.7%
Rating(S&P, M, F)	NR / NR / NR
Main shareholders	
Black Toro Capital 73,23%, Victor Infante 5,08%	

BS(e)	2018	2019e	2020e
Total Income	25	51	60
YoY %	72.8%	103.7%	16.5%
EBITDA	-12	9	13
YoY %	n.a.	n.a.	44.0%
EBITDA Margin	-48.4%	17.9%	22.1%
EBIT	-15	6	10
YoY %	n.a.	n.a.	58.1%
EBIT Margin	-59.2%	12.4%	16.8%
Net Profit	-17	3	6
YoY %	n.a.	n.a.	88.7%
PER SHARE	2018	2019e	2020e
EPS	-0.49	0.09	0.17
YoY %	n.a.	n.a.	88.7%
Adjusted EPS	-0.49	0.09	0.17
YoY %	n.a.	n.a.	88.7%
DPS	0.00	0.00	0.00
YoY %	n.a.	n.a.	n.a.
CFPS	-0.71	-0.34	0.14
YoY %	n.a.	n.a.	n.a.
RATIOS	2018	2019e	2020e
P/E	-4.49x	23.91x	12.67x
Adjusted P/E	-4.49x	23.91x	12.67x
PCF	-3.12x	-6.50x	15.67x
P/BV	3.80x	3.28x	2.60x
ROE	-84.6%	13.7%	20.5%
Yield	0.0%	0.0%	0.0%
EV/Sales	4.67x	2.49x	2.03x
EV/EBITDA	-9.65x	13.97x	9.19x
EV/EBIT	-7.89x	20.18x	12.09x

Source: BS Research

Company vs. IBEX 35



Source: Bloomberg

- ADL Bionatur's 1Q'19 results showed **revenues of €~10 M**, which means **~2.3x the levels seen in 1Q'18**, leaving the company in a comfortable position to meet its **guidance of €~50 M for FY2019** (in line with € 51 M BS(e)). Moreover, the company has set itself the target of **having 100% of its productive capacity in CMO committed** (2,400 m³) by 2019 (vs. ~85% currently), which is a necessary condition for EBITDA margins to expand to ~26%, as assumed in our estimates (below the company's target of 30%).
- By divisions, **CMO** (~80% of revenues) **almost tripled its revenues** thanks to the improvements made to its facilities and the signing of new contracts. We recall that the company has increased utilisation levels to ~63% since October 2018 (currently it uses 6 out of the 8 large 225 m³ fermenters). In **APIs** (~9% of revenues), revenues **fell by -14%**, which we already saw in the 1H'18 results and which the company blames on the seasonality of demand and on the registration process for its range of oral and sterile products with regulatory agencies, which should be completed before the 2H'19. **The rest of revenues** (~11% of the total) **multiplied by 3x**, although a breakdown by division has not been provided. Note that this group would encompass R&D, revenues from recurring contract services (Wacker Chemie) and the own product area, including animal and human health products.
- Quarterly EBITDA** was in **positive territory** for the first time ever, at € +0.1 M vs. € -2.85 M in 1Q'18. We expect this result to mark the beginning of **a process of margin expansion**, driven by the sales growth (+29% CAGR'18-23) and the company's **operating leverage** stemming from its large fixed cost structure. Thus, we expect EBITDA margins of around ~26% in 2022 vs. ~33% for the sector.
- Following these results (and based on the company's confirmation that revenues continue to grow at more than 100% in 2Q'19), **we keep our operating estimates unchanged**, which as we have mentioned include **€~51 M of revenues in 2019** (~2x revenues'18; in line with the € 50 M expected by ADL Bionatur) and €~9 M of EBITDA (vs. € -9.7 M adjusted'18) thanks to the leveling out of indirect expenses. Separately, the company **maintains its guidance of positive Net Profit in 2019**, which we already include in our estimates (€ 3.1 M in 2019 BS(e)).
- We maintain our **valuation range of € 141/205 M EV** (6.5x/7.2x EV/EBITDA), which we obtain through a DCF model (with a 9% WACC and a g of 2%) that prices in both the company's estimates and a more conservative base-case scenario assuming 2023 EBITDA -34% lower than forecast by ADL. On the equity level, this implies a **valuation range of between € 2.50/sh. and € 4.11/sh.**, showing average upside of +48%.

FINANCIAL DATA

PROFIT & LOSS	2017	2018	2019e	2020e	2021e	2022e	CAGR 18/22
Total Income	14.6	25.3	51.5	60.0	68.3	75.2	31.34%
YOY%	n.a.	72.8%	103.7%	16.5%	13.9%	12.2%	
EBITDA	-10.4	-12.2	9.2	13.2	16.6	20.3	n.a.
YOY%	n.a.	n.a.	n.a.	44.0%	25.5%	22.4%	
EBITDA Margin	-71.0%	-48.4%	17.9%	22.1%	24.3%	27.0%	
EBIT	-12.6	-14.9	6.4	10.1	13.1	16.4	n.a.
YOY%	n.a.	n.a.	n.a.	58.1%	29.8%	25.4%	
EBIT Margin	-86.1%	-59.2%	12.4%	16.8%	19.1%	21.8%	
Net Financial Expenses	-1.2	-1.0	-2.2	-2.2	-1.9	-1.2	4.19%
YOY%	n.a.	n.a.	113.8%	-0.7%	-10.3%	-29.1%	
Taxes		0.4	1.3	-1.1	-2.0	-2.0	n.a.
Tax Rate(%)	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	
Minority / EBIT (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Net Profit	-12.8	-16.7	3.1	5.9	8.3	11.4	n.a.
Shares	5.1	33.9	33.9	33.9	33.9	33.9	
EPS	-2.52 €	-0.49 €	0.09 €	0.17 €	0.25 €	0.34 €	n.a.
YOY%	n.a.	-80.5%	-118.8%	88.7%	40.8%	33.5%	
Adjusted EPS	-2.52 €	-0.49 €	0.09 €	0.17 €	0.25 €	0.34 €	n.a.
YOY%	n.a.	-80.5%	-118.8%	88.7%	40.8%	33.5%	
DPS	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	n.a.
Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Capex	7.5	11.2	15.4	3.2	3.6	4.0	-22.87%

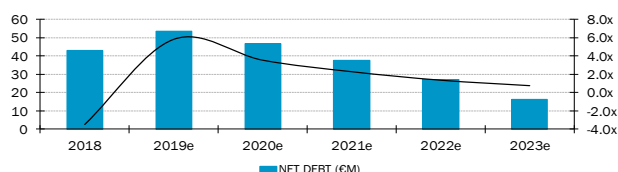
CASH FLOW (€ M)	2017	2018	2019e	2020e	2021e	2022e	CAGR 18/22
NET PROFIT	-12.8	-16.7	3.1	5.9	8.3	11.4	n.a.
Depreciation	2.2	2.7	2.8	3.2	3.6	4.0	9.7%
Changes in working capital	-0.3	-1.1	2.1	1.1	1.1	0.8	n.a.
Investments	7.5	11.2	15.4	3.2	3.6	-4.0	n.a.
Adjustments	12.7	13.4	1.0	2.0	1.8	0.1	-68.4%
Free Cash Flow	-5.1	-10.6	-10.5	6.8	9.0	18.6	n.a.
- Dividends	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Free Cash Flow (ex dividends)	-5.1	-10.6	-10.5	6.8	9.0	18.6	n.a.

BALANCE SHEET (€ M)	2017	2018	2019e	2020e	2021e	2022e	CAGR 18/22
Fixed Assets	42.1	51.5	64.1	64.1	64.1	64.4	5.76%
Net Current Assets	6.0	5.0	7.0	8.2	9.3	10.1	19.48%
% Net Current Assets / Sales	40.9%	19.6%	13.7%	13.6%	13.6%	13.4%	-9.03%
Shareholders Equity	24.8	19.8	22.9	28.8	37.2	62.2	33.20%
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Net Debt	32.2	42.9	53.3	46.6	37.6	16.4	-21.33%
Net Debt / Equity	1.3x	2.2x	2.3x	1.6x	1.0x	0.3x	
NetDebt / EBITDA	-3.1x	-3.5x	5.8x	3.5x	2.3x	0.8x	
ROE	-51.8%	-84.6%	13.7%	20.5%	22.4%	18.3%	
ROCE	-21.4%	-23.7%	6.3%	10.0%	13.1%	15.6%	

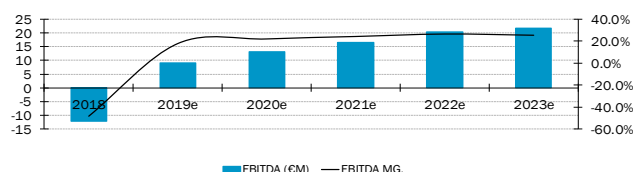
MARKET RATIOS	2017	2018	2019e	2020e	2021e	2022e
EV/Sales	2.82x	4.27x	2.30x	1.86x	1.50x	1.14x
EV/EBITDA	-3.97x	-8.83x	12.88x	8.43x	6.18x	4.20x
ROCE/WACC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	-0.70x	-3.89x	20.72x	10.98x	7.80x	6.07x
Adjusted P/E	-0.70x	-3.89x	20.72x	10.98x	7.80x	6.07x
P/CF	-0.51x	-2.70x	-5.64x	13.58x	9.00x	6.54x
P/BV	0.36x	3.29x	2.84x	2.26x	1.75x	1.11x
FCF Yield	-42.5%	-19.3%	-7.0%	8.0%	10.7%	13.9%

OPERATIONS DATA

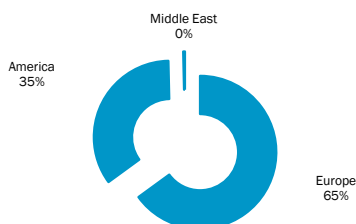
NET DEBT and NET DEBT/EBITDA



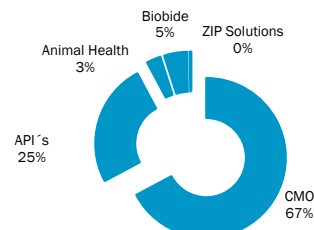
EBITDA and EBITDA MG.



SALES BY DIVISION 2018



SALES BY REGION 2018



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