

ADL BIONATUR SOLUTIONS

Pharmaceutical products and
Biotechnology

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Heading to margin expansion

T.P. range: € 2.50-4.11/sh. (+54% upside)

Close (25-10-2019): € 2.15/sh.

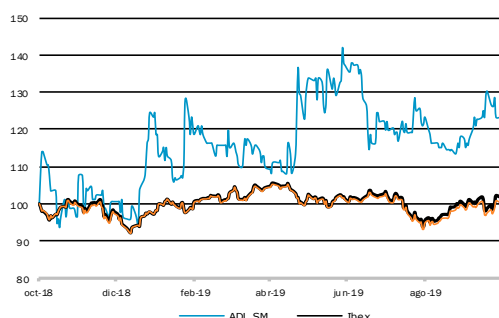
KEY INFORMATION

Reuters / Bloomberg:	ADL.MC/ADL SM
Market Cap / EV	84 M
# shares:	39.4 M
12M Max/Min:	2.44/1.61
Rel. Perf. IBEX (1, 3, 6 months):	2.9%/1.4%/13.4%
Average volume €M/M shares	0.022/0.011
5 yrs. Beta	0.62
Free-float:	24.0%
Rating(S&P, M, F)	NR / NR / NR
Main shareholders	
Black Toro Capital 71%, 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	-4.13x	21.99x	11.66x
Adjusted P/E	-4.13x	21.99x	11.66x
PCF	-2.87x	-5.98x	14.41x
P/BV	3.49x	3.01x	2.39x
ROE	-84.6%	13.7%	20.5%
Yield	0.0%	0.0%	0.0%
EV/Sales	4.43x	2.38x	1.93x
EV/EBITDA	-9.16x	13.32x	8.73x
EV/EBIT	-7.48x	19.23x	11.49x

Source: BS Research

Company vs. IBEX 35



Source: Bloomberg

- The 1H'19 results showed **€ 22.6 M of revenues**, meaning **~2.4x those of 1H'18** (in line with 1Q'19), keeping ADL in a good position to meet its **2019e sales guidance of € 50 M** (in line with our estimate).
- The biggest contribution came from the **CMO division** (~70% of revenues), which **saw its billing almost triple**, and where the outlook remains positive thanks to the latest contracts signed (we highlight the renewal with Amirys for 2020 for a minimum of € 12 M) and the increased capacity utilisation levels (100% expected by the end of 2019 vs. the current >85%). We also highlight the strong growth in **R&D and licences** (~6% sales), which saw its revenues multiplied by 6.6x, as well as the expected recovery in the **Pharma/API** division (~8% sales; +10% vs. 1H'18) after a contract was signed with a Japanese client for 2020 that will contribute an average of €~2.6 M annually for 5 years. Lastly, the increase in **R&D expenses** (~6% sales), which grew +55% to € 1.4 M, reflects the company's bet on developing its own products.
- Adjusted EBITDA reached €~0.6 M (vs. €~0.1 M reported and around € -6 M in 1H'18), meaning an **EBITDA margin of ~2.6%**, which the company expects to increase to **~20% in 2020e** (vs. ~22% BS(e)), which we deem attainable bearing in mind the company's operating leverage (ADL expects costs to remain stable) and the solid growth outlook in sales (+16.5% in 2020 BS(e)). With all this in mind, ADL reduced its net losses in 1H'19 to € -2.8 M vs. the € -8.4 M seen in 1H'18, and it reiterated its guidance of positive adjusted Net Profit in 2019 (vs. €~3.1 M BS(e)).
- August'19 proforma **Net Debt totalled € ~56 M** (vs. € 43 M in 2018), which includes a **€ 25 M loan** (extendable by additional € 5 M) formalised in August'19 with Kartesia, with a 4Y maturity and a +5% 3M Euribor interest rate plus a 7% PIK interest payable upon maturity. This financing will allow ADL to face (i) the repayment of debt maturities (€ 5.7 M in 2019), (ii) working capital needs (€ -6 M; in line BS(e)) and (iii) complete its investment plan for the renewal and modernisation of facilities (€ ~20 M vs. € ~15 M BS(e)) over the next 4 years.
- Following these 1H'19 results, **we keep our operating estimates unchanged**, which include € 51 M of total revenues (2x revenues'18; in line with the € 50 M expected by ADL) and €~9 M of EBITDA (vs. € -8.7 M in 2018), whereby it would reach € 3 M of Net Profit (vs. positive adjusted Net Profit outlined in the company's guidance). With this in mind, we maintain **our valuation range in EV at € 141/205 M** (6.5x/7.2x EV/EBITDA), which means **a valuation range in equity of between € 2.50-4.11/sh.**, yielding average upside of +54%.

In the table below we show the breakdown of the P&L Statement as of 1H'19 and the accumulated revenues by division:

P&L Statement and breakdown of revenues by división as of 1H'19

Profit and loss statement				
€'000	1H 2019	1H 2018	Δ	Δ (%)
Total operating income	22,590	9,506	13,084	138 %
Net turnover	19,413	7,593	11,820	156 %
Work performed by the company for its assets	1,378	886	492	56 %
Other income (including grant allocation)	1,799	1,027	772	75 %
Change in inventories	1,269	(429)	1,698	396 %
Total operating expenses	(23,754)	(15,270)	8,484	56 %
Sourcing	(9,498)	(3,102)	6,396	206 %
Staff costs	(7,589)	(5,560)	2,029	36 %
Other operating expenses	(6,489)	(6,549)	(60)	(1 %)
Other expenditure	(178)	(59)	119	202 %
EBITDA	105	(6,193)	6,298	102 %
Amortisation	(2,012)	(941)	1,071	114 %
Financial profit/(loss)	(907)	(1,250)	343	27 %
Pre-tax results	(2,814)	(8,384)	5,570	66 %
Corporate income tax	14	8	(7)	84 %
Profit(loss) for the year	(2,799)	(8,376)	5,577	67 %
STANDARDISED EBITDA*	595	(5,969)	6,564	110 %

INCOME BY BUSINESS AREA				
€'000	1H 2019	1H 2018	Δ	Δ (%)
Fermentation	16,013	5,526	10,487	190 %
Pharma	1,893	1,714	179	10 %
R&D and Licensing Services	1,243	189	1,054	558 %
Other Income	1,524	1,074	450	42 %
SUBTOTAL	20,673	8,503	12,170	143 %
Work performed by the company	1,378	887	491	55 %
Imputation of grants	539	116	423	363 %
TOTAL	22,590	9,506	13,084	138 %

Source: Company

FINANCIAL DATA

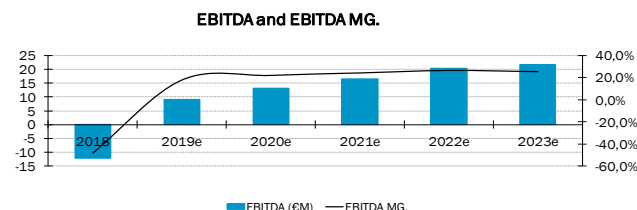
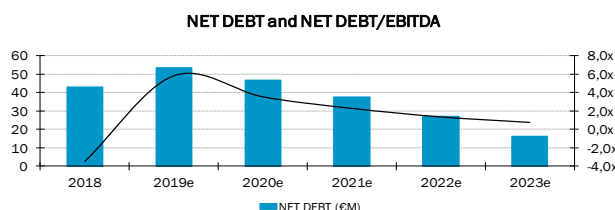
PROFIT & LOSS	2017	2018	2019e	2020e	2021e	CAGR 16/21
Sales	14.6	25.3	51.5	60.0	68.3	39,20%
YOY%	n.a.	72.8%	103.7%	16.5%	13.9%	
EBITDA	-10.4	-12.2	9.2	13.2	16.6	n.a.
YOY%	n.a.	n.a.	n.a.	44.0%	25.5%	
EBITDA Margin	-71.0%	-48.4%	17.9%	22.1%	24.3%	
EBIT	-12.6	-14.9	6.4	10.1	13.1	n.a.
YOY%	n.a.	n.a.	n.a.	58.1%	29.8%	
EBIT Margin	-86.1%	-59.2%	12.4%	16.8%	19.1%	
Net Financial Expenses	-1.2	-1.0	-2.2	-2.2	-1.9	n.a.
YOY%	n.a.	n.a.	113.8%	-0.7%	-10.3%	
Taxes		0.4	1.3	-1.1	-2.0	n.a.
Tax Rate(%)	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	
Minority / EBIT (%)	0.0%	0.0%	0.0%	0.0%	0.0%	
Net Profit	-12.8	-16.7	3.1	5.9	8.3	n.a.
Shares	5.1	33.9	33.9	33.9	33.9	
EPS	-2.52 €	-0.49 €	0.09 €	0.17 €	0.25 €	n.a.
YOY%	n.a.	-80.5%	-118.8%	88.7%	40.8%	
Adjusted EPS	-2.52 €	-0.49 €	0.09 €	0.17 €	0.25 €	n.a.
YOY%	n.a.	-80.5%	-118.8%	88.7%	40.8%	
DPS	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	n.a.
Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%	
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	
Capex	07	11	15	03	04	n.a.

CASH FLOW (€ M)	2017	2018	2019e	2020e	2021e	CAGR 16/21
NET PROFIT	-12.8	-16.7	3.1	5.9	8.3	n.a.
Depreciation	2.2	2.7	2.8	3.2	3.6	n.a.
Changes in working capital	-0.3	-1.1	2.1	1.1	1.1	n.a.
Investments	7.5	11.2	15.4	3.2	3.6	n.a.
Adjustments	12.7	13.4	1.0	2.0	1.8	n.a.
Free Cash Flow	-5.1	-10.6	-10.5	6.8	9.0	n.a.
- Dividends	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	n.a.

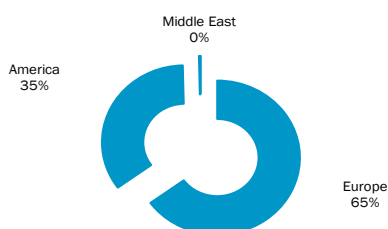
BALANCE SHEET (€ M)	2017	2018	2019e	2020e	2021e	CAGR 16/21
Fixed Assets	42.1	51.5	64.1	64.1	64.1	n.a.
Net Current Assets	6.0	5.0	7.0	8.2	9.3	n.a.
% Net Current Assets / Sales	40.9%	19.6%	13.7%	13.6%	13.6%	
Shareholders Equity	24.8	19.8	22.9	28.8	37.2	n.a.
Minority Interest	0.0	0.0	0.0	0.0	0.0	n.a.
Net Debt	32.2	42.9	53.3	46.6	37.6	n.a.
Net Debt / Equity	1.3x	2.2x	2.3x	1.6x	1.0x	
NetDebt / EBITDA	-3.1x	-3.5x	5.8x	3.5x	2.3x	
ROE	-51.8%	-84.6%	13.7%	20.5%	22.4%	
ROCE	-21.4%	-23.7%	6.3%	10.0%	13.1%	

MARKET RATIOS	2017	2018	2019e	2020e	2021e
EV/Sales	2.89x	4.43x	2.38x	1.93x	1.56x
EV/EBITDA	-4.07x	-9.16x	13.32x	8.73x	6.42x
ROCE/WACC	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	-0.78x	-4.13x	21.99x	11.66x	8.28x
Adjusted P/E	-0.78x	-4.13x	21.99x	11.66x	8.28x
P/CF	-0.56x	-2.87x	-5.98x	14.41x	9.55x
P/BV	0.40x	3.49x	3.01x	2.39x	1.86x
FCF Yield	-41.5%	-18.6%	-6.8%	7.7%	10.3%

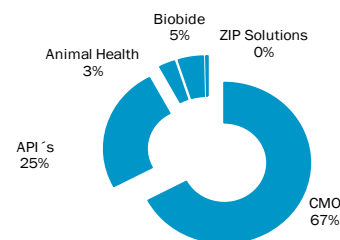
OPERATIONS DATA



SALES BY DIVISION 2018



SALES BY REGION 2018



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