

UK – Food Processing

May 30, 2024

BUY

SPECULATIVE
RISK

Objective: €1.00

Positives —

- ❖ Good industry outlook
- ❖ Good management
- ❖ Strong brand presence
- ❖ Strong client relationship

Negatives —

- ❖ Low market penetration
- ❖ Inflation
- ❖ Competition risk
- ❖ Limited pricing power

Rapid Nutrition PLC

Brand value enhance - €1!

- **Maintaining Investment Rating.** We are reiterating our BUY SPECULATIVE RISK on Rapid Nutrition PLC (ALRPD.PA) and our price objective of €1.00 per share.
- **Plant Based.** 2024 is off to a good start as we are seeing the benefits of the acquisition the company did 2 years ago. The Plant-Based Bundle acquisition, which was acquired 2 years ago for approximately \$500.0k, is a win-win for the company. The segment generated \$976.8k in total revenue in 2023, equating to approximately 59.0% of total revenues. We believe that management's strong commitment to plant-based technology should continue to strengthen revenues in 2024 and beyond, enhancing Rapid Nutrition PLC's brand value.
- **North America (NA).** Solid performance in NA, as the U.S. accounted for approximately 59.0% of total revenues in 2023, up from 16.3% in 2022. According to industry data, the plant-based market value in the U.S. is approximately \$8.1 billion in 2022, and we forecast a compound annual growth rate (CAGR) of 7.7% from 2022 to 2027. We see consumers in the U.S. becoming more health-conscious and gradually migrating to plant-based dietary products. We believe that the company's U.S. segment can grow in the range of 8-10% (conservative) per annum from 2023.
- **Australia.** This segment accounted for approximately 14.2% of total revenues, down from a high of 46% in 2021. We expect management to continue to diversify outside the Australian market as the slow recovery of tourism is negatively impacting the wellness market. The rest of the world should continue to grow, especially in Southeast Asia.
- **Debt Ratio.** We applaud management for lowering total debt to \$194.9k from \$356.9k at the end of 2023, equating to a debt-to-cap ratio of 51.9%, down from 76.7%. By our estimates, management is on track to achieve a debt-to-cap ratio in the range of 47.0%-37.0% by 2024-2026, enhancing market confidence, liquidity, and valuation.

Earnings/Share	Mar.	Jun.	Sep.	Dec.	Year	P/E Ratio
	2023	\$-	\$-	\$-	\$-	\$-
2024E	-	-	-	-	-	N/Ax
2025E	-	-	-	-	-	N/Ax

Market Profile

52-Week Range	€0.05-2.50	EPS Growth Rate (3-Yrs)	N/A%
Avg. Volume (3 Month)	872,722	EBITDA Growth Rate (3-Yrs)	N/A%
Shares Outstanding	17,923 M	ROE (LTM)	N/A%
Market Capitalization	€1,105.8 M	Debt to Total Cap.	51.9%
Floating Market Cap.	€1,105.8 M	Book Value Per Share	€0.04
Institutional Owner.	12.9%	Indicated Dividend/Yield	€0.00/0.0%
Insider Holdings	N/A%	Revenue (LTM)	\$A1,953 MM
Shares Float	100.0%	Shares Short	---

Please refer to the global disclaimer of this research at the end of document.

ALRPD.PA: €0.06

N100: 1,527.51

CAC40: 7,935.03

ALASI*: 949.34

**Alternext All Share Index*

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Model Update

Model Update

The Plant-Based Bundle acquisition, which was acquired 2 years ago for approximately \$500.0k, is a win-win for the company. The segment generated \$976.8k in total revenue in 2023, equating to approximately 59.0% of total revenues. We believe that management's strong commitment to plant-based technology should continue to strengthen revenues in 2024 and beyond, enhancing Rapid Nutrition PLC's brand value.

Exhibit 1. Rapid Nutrition PLC Financial Summary (in A\$ AUD = M {Thousands})

	2021	2022	2023	2024	2025	2026	2027
Total Revenue	\$3,001.8	\$2,956.6	\$1,655.3	\$1,767.4	\$1,898.2	\$2,110.6	\$2,279.4
Gross Profit	1,956.3	2,113.2	380.3	865.3	929.3	1,033.3	1,116.0
EBITDA (Adj.)	361.3	(244.5)	(1,904.7)	(548.6)	(494.3)	(444.1)	(365.7)
Net Income	238.1	(8,797.3)	(2,015.4)	(659.3)	(605.0)	(554.8)	(476.3)
EPS	-	-	-	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
EBITDA per share	-	-	-	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
CFPS	-	-	-	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Profit & Loss Statement							
Health & Supplemental Products	-	-	\$678.5	\$712.4	\$769.4	\$846.3	\$914.0
Plant Based	-	-	976.8	1,055.0	1,128.8	1,264.3	1,365.4
Closing Inventory	-	-	-	-	-	-	-
Total Revenue	\$3,001.8	\$2,956.6	\$1,655.3	\$1,767.4	\$1,898.2	\$2,110.6	\$2,279.4
Operating Expenses	1,045.5	843.4	1,275.0	902.1	968.9	1,077.3	1,163.5
Gross Profit	1,956.3	2,113.2	380.3	865.3	929.3	1,033.3	1,116.0
SG&A	1,594.9	2,357.7	2,285.0	1,413.9	1,423.6	1,477.4	1,481.6
EBITDA (Adj.)	\$361.3	(\$244.5)	(\$1,904.7)	(\$548.6)	(\$494.3)	(\$444.1)	(\$365.7)
EBIT	238.1	(8,797.3)	(2,015.4)	(659.3)	(605.0)	(554.8)	(476.3)
Net Int. Exp.	-	-	-	-	-	-	-
PBT	\$238.1	(\$8,797.3)	(\$2,015.4)	(\$659.3)	(\$605.0)	(\$554.8)	(\$476.3)
Income Tax	-	-	-	-	-	-	-
Net Inc. from Op.	\$238.1	(\$8,797.3)	(\$2,015.4)	(\$659.3)	(\$605.0)	(\$554.8)	(\$476.3)
Cash Flow							
Net Income	\$238.1	(\$8,797.3)	(\$2,015.4)	(\$659.3)	(\$605.0)	(\$554.8)	(\$476.3)
Other	(510.5)	7,496.1	463.4	244.2	243.7	243.2	242.7
Cash From Operations	(\$272.4)	(\$1,301.2)	(\$1,552.0)	(\$415.1)	(\$361.3)	(\$311.6)	(\$233.7)
Capital Expenditures	11.2	-	-	0.0	0.0	0.0	0.0
Dividend	-	-	-	-	-	-	-
Free Cash Flow	(\$261.3)	(\$1,301.2)	(\$1,552.0)	(\$415.1)	(\$361.3)	(\$311.6)	(\$233.7)
Cash From Financing	(117.2)	1,459.8	1,803.8	(25.0)	(25.0)	(25.0)	(25.0)
Net Change in Cash	(\$378.5)	\$158.6	\$251.8	(\$440.1)	(\$386.3)	(\$336.6)	(\$258.7)
Balance Sheet							
Cash	\$77.5	\$236.1	\$487.9	\$47.8	(\$338.5)	(\$259.1)	(\$22.5)
Total Assets	305.1	588.3	918.3	905.3	892.3	892.3	892.3
Total Debt	730.1	356.0	194.9	169.9	144.9	144.9	144.9
Shareholders' Equity	(909.8)	107.9	180.4	192.4	204.4	204.4	204.4
Debt/Cap	-	76.7%	51.9%	46.9%	41.5%	37.0%	31.7%
Debt/EBITDA	-	-	-	-	-	-	-
EBITDA/Interest Paid	-	-	-	-	-	-	-
Rate of Return							
BV/PS	-€ 13.05	€ 0.13	€ 0.02	€ 0.02	€ 0.02	€ 0.02	€ 0.02
Return on Average Equity	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Return on Average Assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Return on Invested Capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operating Margins							
Gross Margin	65.2%	71.5%	23.0%	49.0%	49.0%	49.0%	49.0%
EBITDA Margin	12.0%	-8.3%	-115.1%	-31.0%	-26.0%	-21.0%	-16.0%

Source: Company data and The Zephyrin Group, Inc. (ZGI) estimates – Note Split adjusted 1:1000.



Peers Analysis Tracker

Despite the company's low market valuation compared to Herbalife Ltd. (HLF – Not Rated) €947.7 million, Nu Skin Enterprises, Inc. (NUS – Not Rated) €599.0 million, Shineco, Inc. (SISI – Not Rated) €9.8 million, and The Beauty Health Co. (SKIN – Not Rated) €258.4 million, we believe Rapid Nutrition PLC claims a niche position within the health, herbal and wellness sector. The company's strategy of diversifying into North America (US) should be quite successful with growing brand awareness and consumer demand; accordingly, the company should see market valuation improving in 2024.

Market valuation is improving...

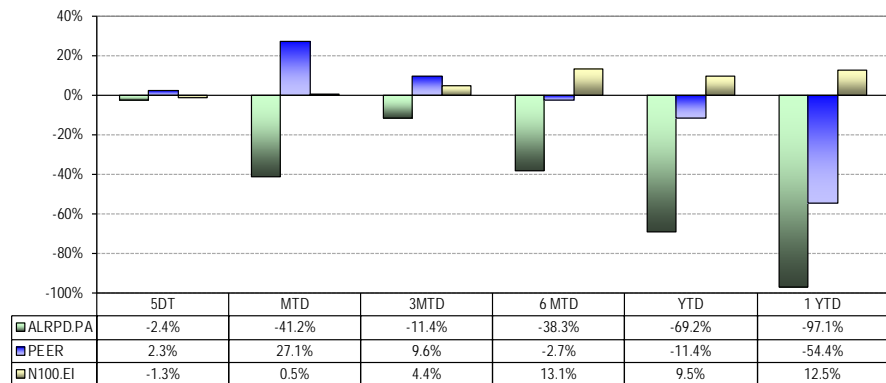
Exhibit 2. Rapid Nutrition PLC Peer Current Capitalization Analysis (€Millions)*

Ticker	ALRPD	SISI	NUS	SKIN	HLF
Current Share Price	€ 0.06	€ 0.75	€ 12.06	€ 2.09	€ 9.48
Shares Outstanding	17.9	6.4	49.7	123.6	100.0
Market Capitalization	€ 1.1	€ 4.8	€ 599.0	€ 258.4	€ 947.7
- Cash & Short Term Investments	0.3	0.5	213.3	411.1	368.3
+ Total Debt	0.1	27.8	622.6	632.3	2,411.4
Total Enterprise Value (TEV)	€ 0.9	€ 32.1	€ 1,008.3	€ 479.6	€ 2,990.8
Book Value of Common Equity	0.1	33.3	749.1	58.5	(958.4)
+ Pref. Equity Min Int	-	9.9	-	-	-
+ Total Debt	0.1	27.8	622.6	632.3	2,411.4
Total Capital	€ 0.2	€ 71.0	€ 1,371.7	€ 690.8	€ 1,453.0
Share Statistics					
Float	17.9	5.9	48.9	63.7	74.7
% Held by Insiders	35.6%	8.3%	1.5%	9.7%	1.4%
% Held by Institutions	13.0%	0.9%	79.9%	55.9%	76.8%
% Float	100.0%	91.8%	98.5%	51.5%	74.7%

*Prices as of May 29, 2024. Peers: Herbalife Ltd. (HLF – Not Rated), Nu Skin Enterprises, Inc. (NUS – Not Rated), Shineco, Inc. (SISI – Not Rated), and The Beauty Health Co. (SKIN – Not Rated) \$1 = €0.92; 1AUD = €0.61. Source: Company data and The Zephyrin Group, Inc. (ZGI) research

YTD, ALRPD.PA shares are down by 97.1% vs. the peer group that is down by 54.4% and the Euronext Index that is up by 9.5%.

Exhibit 3. Rapid Nutrition PLC To-date Performance Tracker



Note: N100 = Euronext 100 Index; Peers = HLF, NUS, SISI & SKIN. Source: Industry Data & The Zephyrin Group, Inc. (ZGI) research



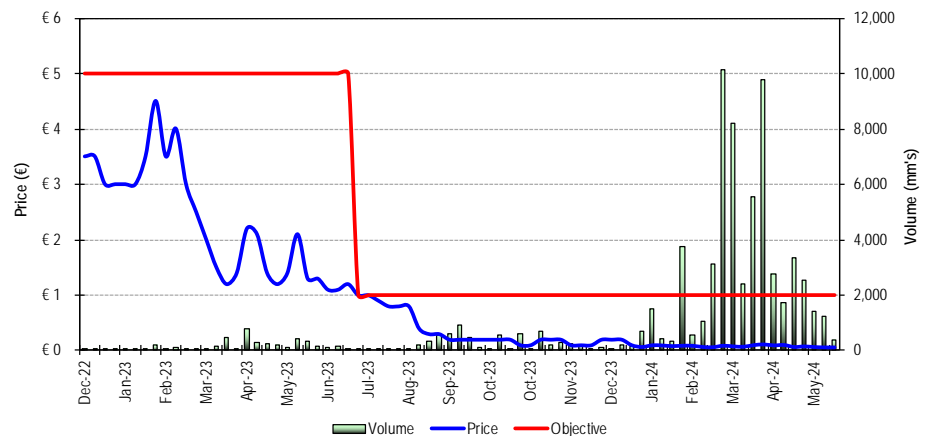
Company Description

Rapid Nutrition PLC, a natural healthcare company, researches, develops, and produces a range of science-based health and wellness products in the United Kingdom, Australia, the United States, and the rest of Europe. The company offers scientific-based health food supplements under the *Leisa's Secret* and *SystemLS'* brands. The company also provides oral anti-viral therapy products to combat flu and common cold under the name *Azurene*. In addition, the company offers online fitness streaming services under the name *DICED* which is currently available in approximately 54 countries. As of the end of 2023, Plant Based accounted for approximately 59.0% of total revenues and Health & Supplemental Products accounted for approximately 41.0% of total revenues. The company distributes its products in the United Kingdom, Australia, the United States, Brazil, France, Italy, Switzerland, Saudi Arabia, Ghana, South Korea, Jamaica, and in the Caribbean. The company Australian subsidiaries (Rapid Nutrition Pty Ltd.) was incorporated in 2001. The U.K parent company was incorporated in 2012 and is based in London, the United Kingdom.

Risk

Risk to our investment conclusion and price objectives include: 1- a sharp decline of the global economy, 2- adverse consumer behavior change, 3- lower than expected market expansion, 4- liquidity and 5- high dependence on one market.

Exhibit 4. Rapid Nutrition PLC Rating Price Volume Chart*



Source: Industry data and The Zephyrin Group, Inc. (ZGI) research *Split adjusted 1:1000

Date	Price	Target	Rating	Notable Reports
09-Feb-22	€0.03	€1.00	Buy SR	Emerging Growth – €1.00...!
06-May-22	€0.07	--	--	The right path – €1.00...!
16-Jun-22	€0.03	--	--	Remain Optimistic – €1.00...!
30-Aug-22	€0.02	--	--	It's all about September...!



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Risk Rating: LOW RISK (LR) – Return of 0-10%; MEDIUM RISK (MR) – Return of 0-20%; HIGH RISK (HR) – Return of 0-30% and SPECULATIVE RISK (SR) – Return of 0-50%. **Distribution of Rating:** Strong Buy = 0 (0.0%); Buy = 16 (35.6%); Hold = 10 (22.2%); Sell = 6 (13.3%); Strong Sell = 1 (2.2%), Suspended = 12 (26.7%).

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