

UK – Food Processing

August 30, 2022

BUY

SPECULATIVE  
RISK

Objective: €1.00

❖ Our discounted cash flow (DCF) analysis derives a fair value of €1.00/share using a weighted average cost of capital (WACC) of 9.5% and a terminal EBITDA multiple of 8.0x

**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

## It's all about September..!

- **Investment Rating and Price Objective.** Our investment thesis on Rapid Nutrition PLC (ALRPD.PA – BUY SPECULATIVE; PO €1.00/shr.), remains unchanged. We believe the latter part of 2022 will again show strong market movement, with ALRPD.PA as a key beneficiary of a better-than-expected herbal supplemental products recovery.
- **September Bloodbath.** The CAC 40 Index has fallen by an average of 1.7% in September since 1991, the worst performance of any month according to our analysis. Nevertheless April, October, November and December are among the best-performing months of the year. **We believe that this September will not disappoint, with expected losses in sight. We recommend patience as we expect the market to recover after the expected September bloodbath.**

ALRPD.PA: €0.02

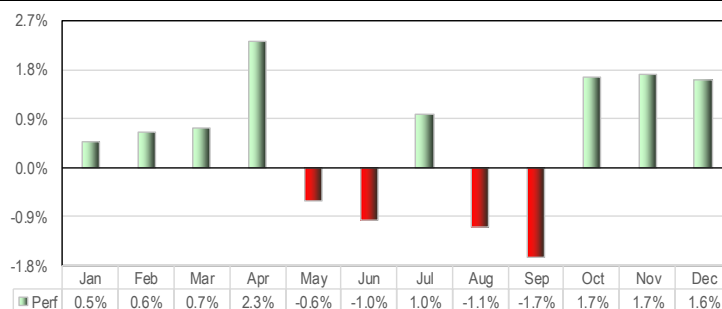
N100: 1,223.17

CAC40: 6,222.28

ALASI\*: 1,108.57

\*Alternext All Share Index

Exhibit 1. CAC 40 Index Average Performance by Month Since 1991



Source: The Zephirin Group, Inc. (ZGI) research

Earnings/Share	Mar.	Jun.	Sep.	Dec.	Year	P/E Ratio
	2021	\$-	\$-	\$-	\$-	\$0.01
2022E	-	-	-	-	0.02	N/Ax
2023E	-	-	-	-	0.02	N/Ax

**Market Profile**

52-Week Range	€0.01-0.32	EPS Growth Rate (3-Yrs)	N/A%
Avg. Volume (3 Month)	8,867,056	EBITDA Growth Rate (3-Yrs)	N/A%
Shares Outstanding	246.7 MM	ROE (LTM)	N/A%
Market Capitalization	€6.5 MM	Debt to Total Cap.	N/A%
Floating Market Cap.	€4.5 MM	Book Value Per Share	€0.06
Institutional Owner.	N/A%	Indicated Dividend/Yield	€0.00/0.0%
Insider Holdings	N/A%	Revenue (LTM)	\$A3,002 MM
Shares Float	97.4%	Shares Short	---

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

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# Model Update

## Model Update

We view 2022 and beyond should provide an exceptional outlook for the company.

### Exhibit 2. Rapid Nutrition PLC Financial Summary (in A\$ AUD = M {Thousands})

	2021	2022	2023	2024	2025	2026
Total Revenue	\$3,001.8	\$3,741.5	\$4,471.3	\$4,844.7	\$5,131.1	\$5,322.6
Gross Profit	1,956.3	2,394.5	2,548.6	2,761.5	2,924.7	3,033.9
EBITDA (Adj.)	361.3	898.0	983.7	1,065.8	1,128.8	1,171.0
Net Income	238.1	743.5	829.2	911.4	974.4	1,016.5
<b>EPS</b>	<b>\$0.01</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.02</b>
EBITDA per share	\$0.01	\$0.02	\$0.02	\$0.02	\$0.03	\$0.03
CFPS	\$0.01	\$0.02	\$0.02	\$0.02	\$0.03	\$0.03
<b>Profit &amp; Loss Statement</b>						
Revenues	\$1,088.7	\$1,162.4	\$1,260.0	\$1,385.9	\$1,510.3	\$1,601.2
Closing Inventory	298.2	302.7	307.3	311.9	316.5	319.7
Total Revenue	\$3,001.8	\$3,741.5	\$4,471.3	\$4,844.7	\$5,131.1	\$5,322.6
Operating Expenses	1,045.5	1,346.9	1,922.6	2,083.2	2,206.4	2,288.7
Gross Profit	1,956.3	2,394.5	2,548.6	2,761.5	2,924.7	3,033.9
SG&A	1,594.9	1,496.6	1,564.9	1,695.6	1,795.9	1,862.9
<b>EBITDA (Adj.)</b>	<b>\$361.3</b>	<b>\$898.0</b>	<b>\$983.7</b>	<b>\$1,065.8</b>	<b>\$1,128.8</b>	<b>\$1,171.0</b>
EBIT	238.1	743.5	829.2	911.4	974.4	1,016.5
Net Int. Exp.	-	-	-	-	-	-
<b>PBT</b>	<b>\$238.1</b>	<b>\$743.5</b>	<b>\$829.2</b>	<b>\$911.4</b>	<b>\$974.4</b>	<b>\$1,016.5</b>
Income Tax	-	-	-	-	-	-
<b>Net Inc. from Op.</b>	<b>\$238.1</b>	<b>\$743.5</b>	<b>\$829.2</b>	<b>\$911.4</b>	<b>\$974.4</b>	<b>\$1,016.5</b>
<b>Cash Flow</b>						
Net Income	\$238.1	\$743.5	\$829.2	\$911.4	\$974.4	\$1,016.5
Other	(241.6)	(242.1)	(242.6)	(243.1)	(243.6)	(244.1)
<b>Cash From Operations</b>	<b>(\$3.6)</b>	<b>\$501.3</b>	<b>\$586.5</b>	<b>\$668.2</b>	<b>\$730.7</b>	<b>\$772.3</b>
Capital Expenditures	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Dividend	-	-	-	-	-	-
<b>Free Cash Flow</b>	<b>(\$13.6)</b>	<b>\$491.3</b>	<b>\$576.5</b>	<b>\$658.2</b>	<b>\$720.7</b>	<b>\$762.3</b>
Cash From Financing	-	-	-	-	-	-
<b>Net Change in Cash</b>	<b>(\$13.6)</b>	<b>\$491.3</b>	<b>\$576.5</b>	<b>\$658.2</b>	<b>\$720.7</b>	<b>\$762.3</b>
<b>Balance Sheet</b>						
Cash	\$77.5	\$568.8	\$1,145.4	\$1,803.6	\$2,524.3	\$839.9
Total Assets	2,619.9	2,876.5	3,695.7	4,597.0	5,571.4	5,571.4
Total Debt	2,118.2	1,641.4	1,641.4	1,641.4	1,641.4	1,641.4
Shareholders' Equity	(909.8)	(176.3)	642.9	1,544.2	2,518.6	2,518.6
Debt/Cap	175.3%	112.0%	71.9%	51.5%	39.5%	39.5%
Debt/EBITDA	1.5x	0.5x	1.7x	0.4x	0.4x	0.4x
EBITDA/Interest Paid	-	-	-	-	-	-
<b>Rate of Return</b>						
BV/PS	-\$0.02	\$0.00	\$0.01	\$0.03	\$0.06	\$0.06
Return on Average Equity	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
Return on Invested Capital	N/A	N/A	N/A	N/A	N/A	N/A
<b>Operating Margins</b>						
Gross Margin	65.2%	64.0%	57.0%	57.0%	57.0%	57.0%
EBITDA Margin	12.0%	24.0%	22.0%	22.0%	22.0%	22.0%
Operating Margin	6.9%	19.9%	18.5%	18.8%	19.0%	19.1%

Source: Company data and The Zephyrin Group, Inc. (ZGI) estimates



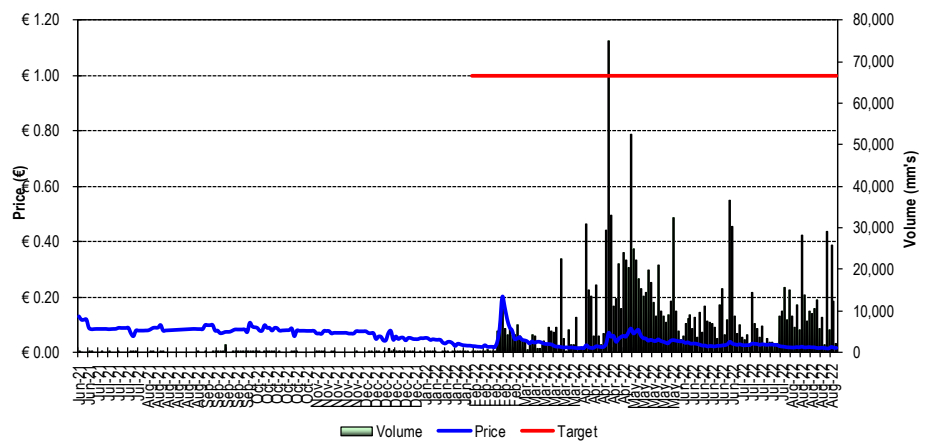
## Company Description

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 2021, direct sales accounted for approximately 43.4% 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 3. Rapid Nutrition PLC Rating Price Volume Chart**



Source: Company data, MSNMoney Central and The Zephyrin Group, Inc. (ZGI) research

Date	Price	Target	Rating	Notable Reports
09-Feb-22	€0.03	€1.00	Buy SR	Emerging Growth – €1.00...!



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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 = 10 (24.4%); Hold = 9 (22.0%); Sell = 10 (24.4%); Strong Sell = 0 (0.0%), Suspended = 12 (29.3%).

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