

Olainfarm AS

OLF1R.RI

Weak top line trend continues, but forecast looks ok

Health Care | Latvia

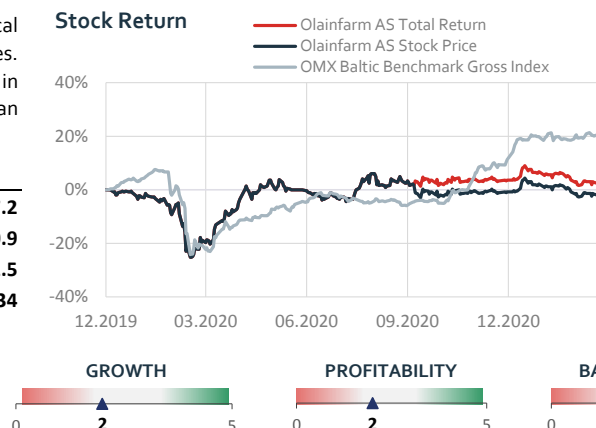
One of the largest pharmaceutical manufacturing companies in Baltic States. Company also owns a chain of pharmacies in Latvia, food supplement company and is an elastic medical product producer.

Market data

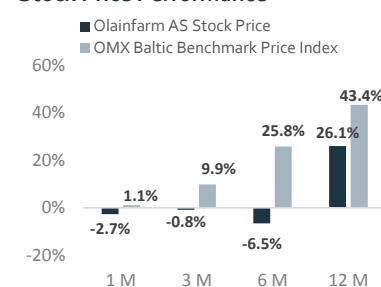
| | |
|------------------------------------|--------|
| Price (€) | 7.2 |
| Market cap (mn €) | 100.9 |
| Free float (%) | 32.5 |
| Avg. daily volume - 30 days (mn €) | 0.0034 |

Alphinox Quantitative score

Score displays Company's financial conditions, growth pace and valuation based on latest results and stock price



Stock Price Performance

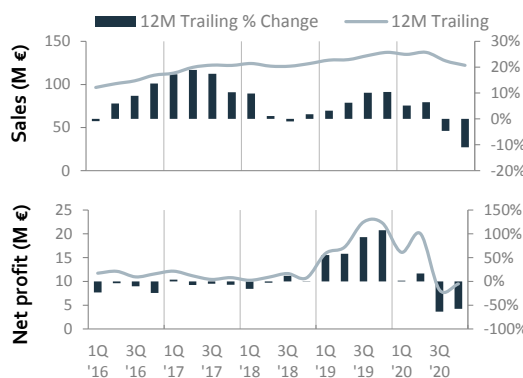


Company Update

As Olainfarm continued to feel headwinds because of the unfavourable environment, it posted 13% decline in 4Q'20 with several factors affecting the top-line. Among those were reduced marketing activities, decrease in purchasing power and tough comparables as last year turnover in the quarter was inflated by inventory built-up. Latvian pharma company also reported 20% decline in gross profit, but managed to substantially increase its profitability, reporting 42% growth in net income. Olainfarm forecasts 14% increase in net sales, but 10% decline in net income for 2021. The company also continues to invest in R&D and intends to increase this line of expense from 3% to 10% of sales. Olainfarm also plans to propose a dividend of EUR 0.17 per share, which translates into dividend yield of 2.3%.

Growth

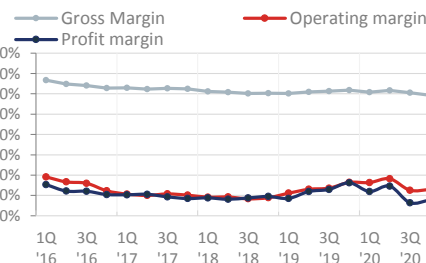
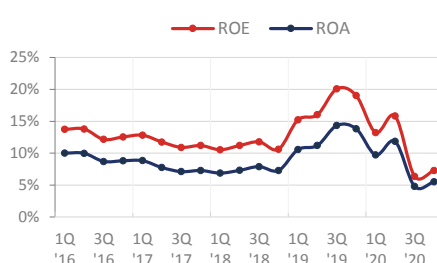
| Sales | last Q | LTM | 2019 | 2018 |
|---------------|--------|-------|-------|------|
| Company (M €) | 33.3 | 122 | 137 | 124 |
| Company | -13.5% | -11% | 10.4% | 1.8% |
| Sector* | 13.3% | 2.3% | -0.4% | 6.5% |
| Baltic Market | -9.8% | -7.1% | 4.6% | 7.7% |



| Top products, share | 2020 | 2019 | LTM |
|-----------------------|--------|------|-----|
| Noofen | 17% | 19% | 17% |
| | -2 bps | | |
| Neiromidin | 16% | 18% | 16% |
| | -2 bps | | |
| Furamag/Furasol group | 15% | 16% | 15% |
| | -1 bps | | |

Profitability

| Last 12M | ROE | ROA | GM | OPM | PM |
|---------------|------|------|-----|-------|------|
| Company | 7.3% | 5.5% | 59% | 13% | 7.8% |
| Sector* | -30% | -23% | 49% | -2.9% | -14% |
| Baltic Market | 8.5% | 3.5% | 26% | 4.4% | 3.8% |
| 3y average | ROE | ROA | GM | OPM | PM |
| Company | 13% | 9.2% | 61% | 11.0% | 10% |
| Sector* | -34% | -27% | 50% | -16% | -17% |
| Baltic Market | 5.5% | 2.9% | 21% | 2.9% | 2.2% |

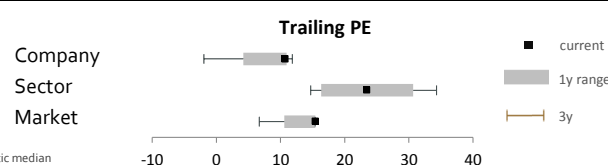


Balance sheet & Cash flow

| | last | Q-1 | Q-2 | Q-3 | LTM | 2019 | 2018 | | last | Q-1 | Q-2 | Q-3 | LTM | 2019 | 2018 |
|-----------------------|------|------|------|------|------|------|------|-------------------|------|------|------|------|------|------|------|
| Equity / Assets ratio | 76% | 74% | 77% | 75% | 76% | 76% | 71% | Cash Flow to Debt | 1.57 | 1.86 | 1.56 | 1.63 | 1.66 | 1.59 | 0.65 |
| Debt / Equity ratio | 14% | 15% | 14% | 16% | 15% | 17% | 23% | CAPEX / Sales | 6.3% | 7.5% | 6.3% | 5.9% | 6.5% | 0.0% | 7.2% |
| Cash ratio | 0.96 | 1.02 | 0.96 | 0.76 | 0.92 | 0.59 | 0.07 | FCF/OCF | 74% | 75% | 72% | 75% | 74% | 75% | 55% |

Valuation

| | Last | 1y avg | 3y avg | | last | 1y avg | 3y avg |
|-----------|------|--------|--------|-----------|------|--------|--------|
| P/E | 10.7 | 7.52 | 7.43 | P/B | 0.77 | 0.81 | 0.90 |
| EV/EBITDA | 3.81 | 3.40 | 4.81 | P/CF | 3.56 | 3.19 | 4.70 |
| P/S | 0.83 | 0.78 | 0.78 | Dvd yield | 2.4% | 4.0% | 2.8% |



*Sector: average of respective GICS sector companies from NASDAQ OMX Baltic and NASDAQ OMX Nordic small cap indices, Market: NASDAQ OMX Baltic median

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