

# Olainfarm AS

Profitability squeeze due to marketing costs, bad debt provision

OLF1R.RI

Health Care | Latvia

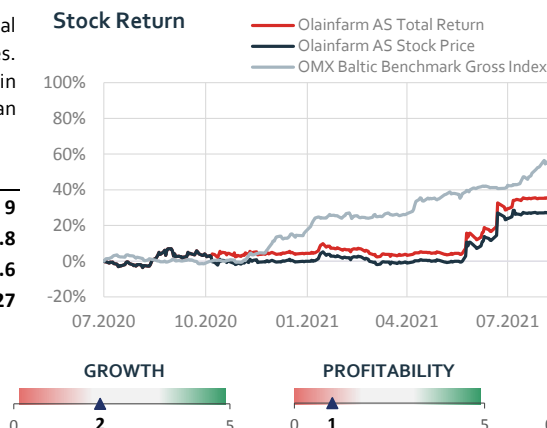
One of the largest pharmaceutical manufacturing companies in Baltic States. Company also owns a chain of pharmacies in Latvia, food supplement company and is an elastic medical product producer.

## Market data

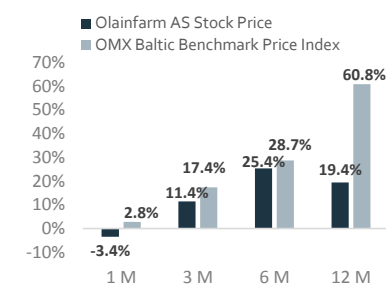
Price (€)	9
Market cap (mn €)	126.8
Free float (%)	23.6
Avg. daily volume - 30 days (mn €)	0.0027

## Alphinox Quantitative score

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



## Stock Price Performance

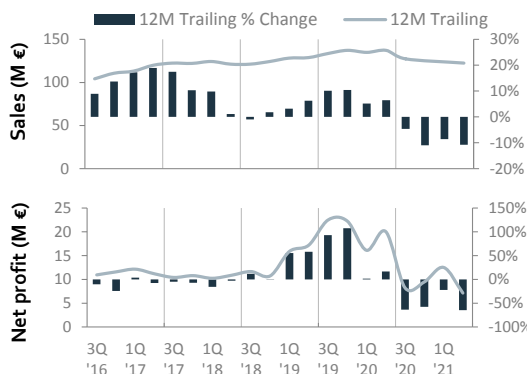


## Company Update

Latvian pharma company Olainfarm reported a moderate decline in 2Q'21 sales of 2.4% as it still feels the negative effects of the pandemic. Gross profit, however, demonstrated steeper decline of 12% mainly driven by higher marketing costs in Russia and Ukraine. The effect of marketing costs, coupled with bad debt provisions, have had a dramatic impact on OLFA's profitability - bottom line in 2Q'21 sank by 68%. However, the decline in company's Operating Cash Flows in comparison was less significant with 12% drop versus last year. Olainfarm continues to repay bank loans, making its already good balance sheet even more robust. At the same time, future development of the company is not completely clear and it even might be staggered due to constant changes in management and supervisory board.

## Growth

Sales	last Q	LTM	2020	2019
Company (M €)	33.2	122	137	124
Company	-2.4%	-11%	10%	1.8%
Sector*	15%	6.2%	3.4%	-0.4%
Baltic Market	14%	-1.0%	4.4%	2.4%

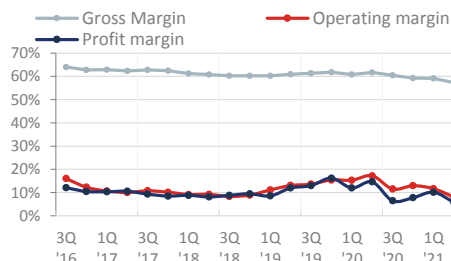
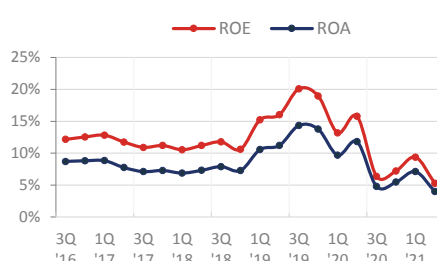


Profit	last Q	LTM	2020	2019
Company (M €)	2.5	7.1	22	11
Company	-68%	-64%	107%	-0.5%
Sector*	30%	22.1%	16%	-3.2%
Baltic Market	-2.0%	13.2%	-0.7%	-35%

Key performance indicators			
	2Q '21	2Q '20	LTM
Noofen	20%	19%	18%
	+5%		
Neiromidin	18%	18%	17%
	0%		
Furamag/Furasol group	15%	17%	16%
	-12%		

## Profitability

Last 12M	ROE	ROA	GM	OPM	PM
Company	5.3%	4.0%	57%	8.1%	5.8%
Sector*	-16%	-11%	47%	2.0%	1.2%
Baltic Market	9.3%	4.0%	24%	7.3%	6.6%
3y average	ROE	ROA	GM	OPM	PM
Company	13%	9.3%	61%	11%	10%
Sector*	-36%	-19%	50%	-8.9%	-9.5%
Baltic Market	5.3%	2.8%	21%	3.7%	3.2%

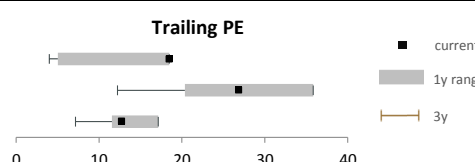


## Balance sheet & Cash flow

	last	Q-1	Q-2	Q-3	LTM	2020	2019		last	Q-1	Q-2	Q-3	LTM	2020	2019
Equity / Assets ratio	75%	76%	76%	74%	75%	75%	71%	Cash Flow to Debt	1.51	1.52	1.57	1.86	1.61	1.59	0.65
Debt / Equity ratio	11%	11%	14%	15%	13%	17%	23%	CAPEX / Sales	9.2%	6.2%	6.2%	7.5%	7.3%	-1.2%	7.2%
Cash ratio	0.85	0.86	0.96	1.02	0.92	0.56	0.07	FCF/OCF	66%	67%	74%	75%	71%	75%	55%

## Valuation

	Last	1y avg	3y avg		last	1y avg	3y avg	
P/E	18.5	11.8	8.08	P/B	0.98	0.84	0.86	Company
EV/EBITDA	6.35	4.44	4.49	P/CF	5.62	4.09	4.30	Sector
P/S	1.08	0.90	0.80	Dvd yield	1.8%	2.8%	2.7%	Market



\*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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