

UK – Food Processing

June 16, 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

Remain Optimistic-€1.00.!

- **Investment Rating and Price Objective.** We are maintaining our investment rating **BUY SPECULATIVE RISK** and our price objective of **€1.00 per share.**
- **Remain Optimistic.** We remain optimistic on the outlook of **Rapid Nutrition PLC brand offerings and the herbal & supplemental market.** In North America, Europe and Australia we expect inflation to impact prices and demand for herbal products. However, in Latin America and Africa, we expect demand for herbal products to gradually improve. In another note, the beach season is on the way in North America—**despite high inflation, we expect beach goes to purchase herbal supplemental products to maintain a healthy beach body.**
- The company is expanding its herbal/vegan portfolio of products that align with consumer trends, such as sustainability and plant based alternatives. This is an opportunity for the company to increase future revenues from the end of 2022. **We believe that the company has leverage technology, management know-hows more than others companies to optimize the brand which are increasingly important as digital influencers adoption and herbal products demand accelerates across the global health market.**
- **Accumulate on Weakness.** We recommend accumulate the shares on any potential weakness as the risk from COVID-19 pandemic and inflation threat should decline in 2023.

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

Market Profile

52-Week Range	€0.02-0.32	EPS Growth Rate (3-Yrs)	N/A%
Avg. Volume (3 Month)	13,044,330	EBITDA Growth Rate (3-Yrs)	N/A%
Shares Outstanding	159.8 MM	ROE (LTM)	N/A%
Market Capitalization	€4.2 MM	Debt to Total Cap.	N/A%
Floating Market Cap.	€2.9 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	95.0%	Shares Short	---

ALRPD.PA: €0.03

N100: 1,163.16

CAC40: 6,030.13

ALASI*: 1,084.15

**Alternext All Share Index*

Senior Equity Analyst

Lenny Zephyrin

info@zephyringroup.com

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



Model Update

Model Update

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

Exhibit 1. 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
EPS	\$0.01	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
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
Profit & Loss Statement						
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
EBITDA (Adj.)	\$361.3	\$898.0	\$983.7	\$1,065.8	\$1,128.8	\$1,171.0
EBIT	238.1	743.5	829.2	911.4	974.4	1,016.5
Net Int. Exp.	-	-	-	-	-	-
PBT	\$238.1	\$743.5	\$829.2	\$911.4	\$974.4	\$1,016.5
Income Tax	-	-	-	-	-	-
Net Inc. from Op.	\$238.1	\$743.5	\$829.2	\$911.4	\$974.4	\$1,016.5
Cash Flow						
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)
Cash From Operations	(\$3.6)	\$501.3	\$586.5	\$668.2	\$730.7	\$772.3
Capital Expenditures	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Dividend	-	-	-	-	-	-
Free Cash Flow	(\$13.6)	\$491.3	\$576.5	\$658.2	\$720.7	\$762.3
Cash From Financing	-	-	-	-	-	-
Net Change in Cash	(\$13.6)	\$491.3	\$576.5	\$658.2	\$720.7	\$762.3
Balance Sheet						
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	-	-	-	-	-	-
Rate of Return						
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
Operating Margins						
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



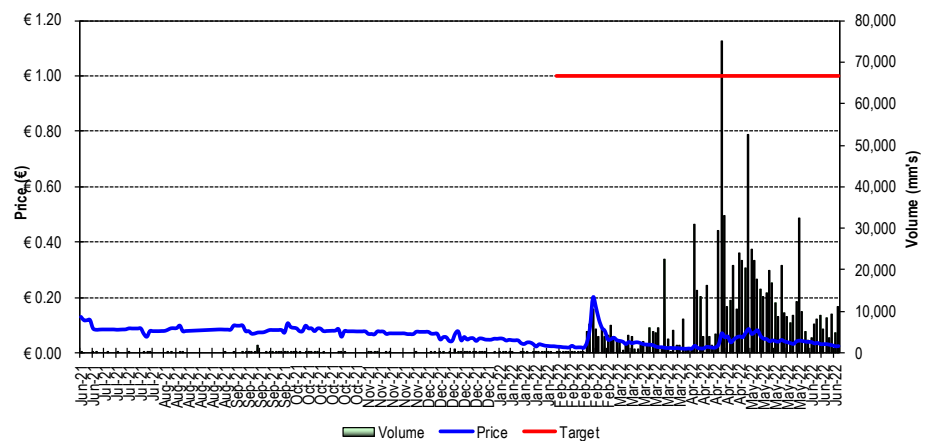
Company Description

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 2. 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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