

UK – Food Processing

June 14, 2023

BUY

SPECULATIVE  
RISK

Objective: €0.10

❖ Our discounted cash flow (DCF) analysis derives a fair value of €0.10/share using a weighted average cost of capital (WACC) of 9.5% and a terminal EBITDA multiple of 5.0x

**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

## Poised for positive growth!

- **Reiterating Investment Rating.** We are reiterating our BUY SPECULATIVE RISK on Rapid Nutrition PLC (ALRPD.PA) because we believe that the company's new branding for *SystemLS* trademark acceptance in China, along with reinvestment spending over the past two years, have set the stage for sustainable revenue growth, margin expansion, and market share expansion in Asia.
- **New Brand Identity.** Management highlighted a new brand identity for the *SystemLS* weight loss product and we approve. We applaud the new look, with the color combination of brown, green, and white represents a sustainable nutritional environment and an earthiness that customers are migrating towards to maintain a healthy lifestyle.
- **Underappreciated Revenue Growth.** With the company's organic revenue expected to grow post-COVID, and with the addition of Azurene (FY2H23), *SystemLS* branding, China (FY2H23), and the integration of the plant-based bundle acquisition, we are estimating a FY2023 revenue growth rate at 15.5%. We believe that ALRPD.PA's stock deserves to be placed in a higher valuation echelon among its peers, as in In FY2022, ALRPD.PA's total revenues declined only slightly by 2.7% – compared to Herbalife Ltd.'s (HLF: NYSE) 2022 revenues, which declined by 9.2%.
- **Positive Risk Re-Rating.** With the company's new brand strategy and current growth trajectory, there is a lot of room for positive risk re-ratings and some additional multiple valuation expansion as well, with the only downside risk to the company's growth being a decline in the global wellness market itself. **We note that the global wellness and the vegan market recovery is still underway, but it is unlikely to worsen.**

**Earnings/Share**

	Mar.	Jun.	Sep.	Dec.	Year	P/E Ratio
2022	\$-	\$-	\$-	\$-	\$0.002	N/Ax
2023E	-	-	-	-	0.002	N/Ax
2024E	-	-	-	-	0.002	N/Ax

**Market Profile**

52-Week Range	€0.00-0.04	EPS Growth Rate (3-Yrs)	N/A%
Avg. Volume (3 Month)	53,050,177	EBITDA Growth Rate (3-Yrs)	N/A%
Shares Outstanding	340.5 MM	ROE (LTM)	N/A%
Market Capitalization	€442.6 M	Debt to Total Cap.	N/A%
Floating Market Cap.	€434.2 M	Book Value Per Share	€0.06
Institutional Owner.	N/A%	Indicated Dividend/Yield	€0.00/0.0%
Insider Holdings	N/A%	Revenue (LTM)	\$A2,920 MM
Shares Float	98.1%	Shares Short	---

ALRPD.PA: €0.0013

N100: 1,361.51

CAC40: 7,290.80

ALASI\*: 1,085.35

*\*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 2023 and beyond should provide an exceptional outlook for the company. With the company's organic revenue expected to grow post-COVID, and with the addition of Azurene (FY2H23), *SystemLS* branding, China (FY2H23), and the integration of the plant-based bundle acquisition, we are estimating a FY2023 revenue growth rate at 15.5%.

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

	2021	2022	2023	2024	2025	2026
Total Revenue	\$3,001.8	\$2,920.0	\$3,372.7	\$3,690.8	\$3,938.8	\$4,096.2
Gross Profit	1,956.3	2,113.2	1,922.4	2,103.8	2,245.1	2,334.8
EBITDA (Adj.)	361.3	818.9	742.0	812.0	866.5	901.2
Net Income	238.1	227.5	587.5	657.5	712.1	746.7
EPS	\$0.01	\$0.001	\$0.002	\$0.002	\$0.002	\$0.002
EBITDA per share	\$0.008	\$0.002	\$0.002	\$0.002	\$0.003	\$0.003
CFPS	\$0.009	\$0.001	\$0.002	\$0.002	\$0.003	\$0.003
<b>Profit &amp; Loss Statement</b>						
Revenues	\$1,088.7	\$1,144.7	\$1,281.3	\$1,409.4	\$1,548.1	\$1,654.2
Closing Inventory	298.2	134.8	136.8	138.9	141.0	142.4
Total Revenue	\$3,001.8	\$2,920.0	\$3,372.7	\$3,690.8	\$3,938.8	\$4,096.2
Operating Expenses	1,045.5	806.8	1,450.3	1,587.1	1,693.7	1,761.4
Gross Profit	1,956.3	2,113.2	1,922.4	2,103.8	2,245.1	2,334.8
SG&A	1,594.9	1,294.3	1,180.4	1,291.8	1,378.6	1,433.7
EBITDA (Adj.)	\$361.3	\$818.9	\$742.0	\$812.0	\$866.5	\$901.2
EBIT	238.1	227.5	587.5	657.5	712.1	746.7
Net Int. Exp.	-	-	-	-	-	-
PBT	\$238.1	\$227.5	\$587.5	\$657.5	\$712.1	\$746.7
Income Tax	-	-	-	-	-	-
Net Inc. from Op.	\$238.1	\$227.5	\$587.5	\$657.5	\$712.1	\$746.7
<b>Cash Flow</b>						
Net Income	\$238.1	\$227.5	\$587.5	\$657.5	\$712.1	\$746.7
Other	(510.5)	(1,528.7)	(495.5)	(496.0)	(496.5)	(497.0)
Cash From Operations	(\$272.4)	(\$1,301.2)	\$92.0	\$161.5	\$215.5	\$249.7
Capital Expenditures	11.2	-	(15.0)	(15.0)	(15.0)	(15.0)
Dividend	-	-	-	-	-	-
Free Cash Flow	(\$261.3)	(\$1,301.2)	\$77.0	\$146.5	\$200.5	\$234.7
Cash From Financing	(117.2)	1,459.8	(85.0)	(85.0)	(85.0)	3,138.0
Net Change in Cash	(\$378.5)	\$158.6	(\$8.0)	\$61.5	\$115.5	\$3,372.7
<b>Balance Sheet</b>						
Cash	\$77.5	\$236.1	\$228.1	\$289.6	\$405.1	\$3,450.2
Total Assets	305.1	999.7	163.1	725.6	1,352.7	1,352.7
Total Debt	730.1	(121.8)	(206.8)	(291.8)	(376.8)	(376.8)
Shareholders' Equity	(909.8)	(692.3)	(114.8)	532.7	1,244.8	1,244.8
<b>Rate of Return</b>						
BV/PS	-\$0.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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%	72.4%	57.0%	57.0%	57.0%	57.0%
EBITDA Margin	12.0%	28.0%	22.0%	22.0%	22.0%	22.0%
Operating Margin	6.9%	24.0%	17.4%	17.8%	18.1%	18.2%

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



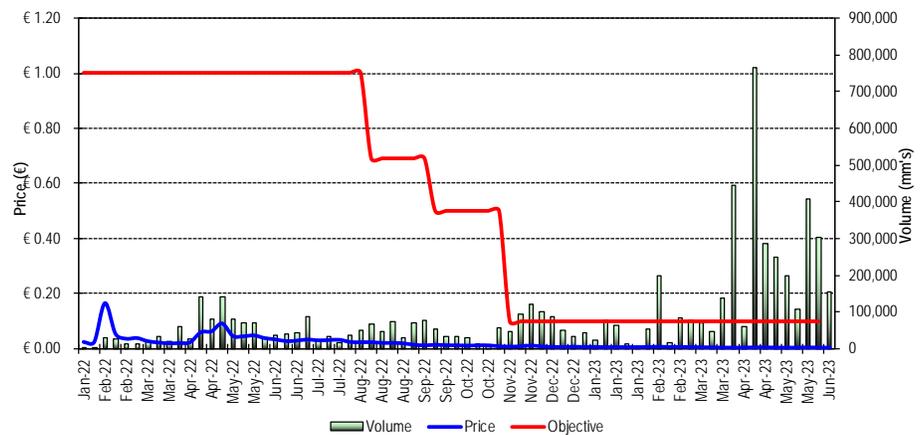
## Company Description

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 2022, direct sales accounted for approximately 37.9% 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: Industry data 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...!
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...!



## IMPORTANT GLOBAL DISCLAIMER:

This research is only an opinion and should not be construed as a suggestion. The opinion is provided without any kind of warranty.

**Rating System:** STRONG BUY – The stock, securities or shares are expected to achieve a total return of 20% or more over the next 12-18 months, or are expected to outperform its industry and the S&P 500. BUY – The stock, securities or shares are expected to achieve a total return of 15% or more over the next 12-18 months, or are expected to outperform its industry peers and the S&P 500. HOLD – The stock, securities or shares are expected to achieve a total return of 10% or less, or are expected to perform in-line with its industry peers and the S&P 500 over the next 12-18 months. SELL – The stock, securities or shares are expected to underperform its industry peers and the S&P 500 over the next 12-18 months. STRONG SELL – The stock, securities or shares are expected to underperform its industry peers and the S&P 500 over the next 6-12 months. SUSPENDED – The stock, securities or shares are temporarily suspended due to market events that made coverage impracticable.

**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 = 13 (30.2%); Hold = 8 (18.6%); Sell = 10 (23.3%); Strong Sell = 0 (0.0%); Suspended = 12 (27.9%).

All of the recommendation and views about the securities and companies in this report accurately reflect the personal views of the research analyst named on the cover of this report. In particular the report intended to promote the integrity of research including those designed to ensure the identification and avoidance of conflict of interest.

**Note:** A securities rating is not a recommendation to BUY, HOLD or SELL securities and may be subject to revision or withdrawal at any time. You acknowledge that the price of securities traded on the Public Regulated Securities Exchanges (i.e., NYSE, NASDAQ, AMEX, Canadian Securities Exchange, Euronext, SIX Swiss Exchange, Hong Kong Stock Exchange, Singapore Stock Exchange) are subject to investment risks, can and does fluctuate, and any individual security may experience upwards or downwards movements, and may even become valueless.

The Zephyrin Group, Inc. ("ZGI") is an independent global equity research company that is incorporated in the State of Delaware on November 2003. The above material has been prepared by ZGI for informational purposes only and should not be construed as an offer to sell or solicitation of an offer to purchase or subscribe for any investment. The information and opinions contained in this report have been compiled or arrived at by ZGI in good faith from sources believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute ZGI's judgment as of the date of this report and are subject to change without notice. ZGI makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of ZGI only and are subject to change without notice. ZGI does not provide an analysis of a company's financial position; financial position and all information should be verified with the "mentioned company" investor relations department. Information about publicly listed companies and other investor resources can be found at the Securities & Exchange Commission website [www.sec.gov](http://www.sec.gov). We are not registered investment advisors, or broker/dealers or members of any financial regulatory bodies, and therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The information contained herein is not to be regarded as advice to make any particular investment. In receiving this material, each recipient represents, warrants and acknowledges that it has taken, or will take, appropriate steps to: obtain such independent legal, tax, accounting and other professional advice as may be appropriate prior to taking any action in relation to any companies mentioned; form its own independent judgment regarding the risks and rewards associated with any action or inaction relating to any companies mentioned. The information contained herein contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and as defined in the Private Securities Litigation of 1995, including statements regarding expected continual growth of featured company. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance may be forward looking statements. Forward looking statement are based on expectations, estimates, and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated.

©Copyright 2023 The Zephyrin Group, Inc. ("ZGI"). All rights reserved. This report contains information, text, proprietary information, images, logos and/or other material that is the intellectual property of The Zephyrin Group, Inc. Website: [www.zephiringroup.com](http://www.zephiringroup.com) - [www.zephiringroup.com](http://www.zephiringroup.com) 中国 - For questions or comments about this report, e-mail us at: [info@zephiringroup.com](mailto:info@zephiringroup.com)

This report may not be reproduced, distributed or published in electronic, paper or other form for any purpose without the prior written consent of The Zephyrin Group, Inc. Recipients ("YOU") agree to use this research publication solely for their own non-commercial use and benefit, and not for resale or not redistribute or not transfer or recreate the report or any data/information contained in the research publication. Furthermore, recipients may not use any of the trademarks, trade names, service marks, copyrights, or logos of ZGI in any manner which creates the impression that such items belong to and or associated with the recipients. Recipients acknowledge that they have no ownership rights in and or to any such items. No Group Company accepts any liability whatsoever for any direct, indirect or consequential loss arising from any inaccuracy herein or from any use of this report or its contents. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. ZGI accepts no liability whatsoever for the actions of third parties. ZGI makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of, or in connection with, any such referenced website. Accessing third party portal or website is at your own risk. This publication is made available through Thomson One Analytics [www.thomsononeim.com](http://www.thomsononeim.com) First Call research direct portal. This publication is available through Thomson Research Investtext <http://research.thomsonib.com> an Institutional research portal. This publication is made available through FactSet Research Systems Inc. [www.factset.com](http://www.factset.com) a research portal provider. This publication is also made available through S&P Capital IQ [www.capitaliq.com](http://www.capitaliq.com) a research portal provider. This publication is also made available through ResearchPool [www.researchpool.com](http://www.researchpool.com) a research portal provider. Additional information regarding this research publication will be furnished upon request. If this research report is distributed by a financial institution, that financial institution is solely responsible for its distribution. Clients of that institution should contact that institution to affect a transaction in the securities mentioned in this research report or if they require further information. The distribution of this research may be restricted by law in certain jurisdictions. Persons who receive this research publication must inform themselves about and observe all relevant restrictions.

**Canada.** Recipients must comply with all applicable laws and regulations of Canada, including any prohibitions on speculative transactions and currency arbitrage trading. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. No action has been taken by ZGI or any affiliate which would permit services of distribution or re-distribution of this document in Canada. Accordingly, the products and services of such entities are not being offered or sold within Canada by means of this document or any other document.

**People's Republic of China ("PRC").** Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and currency arbitrage trading. No action has been taken by ZGI or any affiliate which would permit services of distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. **Hong Kong.** Recipients must comply with all applicable laws and regulations of the Hong Kong Monetary Authority to conduct Type I (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong. This report is for distribution only to professional investors within the meaning of Part I of Schedule I to the Securities and Futures Ordinance of Hong Kong (Cap. 571, Laws of Hong Kong) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person. If in doubt about the contents of this publication, you should obtain independent professional advice.

**Other Jurisdictions.** The distribution of this research in other jurisdictions may be restricted by law and persons into whose possession this research comes should inform themselves about and observe any such restrictions. By accepting this research' the recipient agrees to be bound by the foregoing instructions.

If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. ZGI do not accept any liability as a result of electronic transmission of this publication.

ZGI adheres to the CFA Institute (formerly Association for Investment Management & Research) Research Objective Standards guideline.

This report is intended solely for distribution to the professional investment community within the meaning of Rule 15a-6 of the U.S. Securities and Exchange Commission under the Securities Act of 1934. ZGI or any officers, directors does not hold any equity positions in any company or companies mentioned in this report.