

UK – Food Processing

February 20, 2024

BUY

SPECULATIVE
RISK

Objective: €1.00

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

A new chapter – €1.00...!

- **Maintaining Investment Rating.** We are maintaining our BUY SPECULATIVE RISK on Rapid Nutrition PLC (ALRPD.PA) and our price objective of €1.00 per share.
- **Collaboration.** Wake Forest University of Health & Exercise Science has recently received \$17.1 million for The Osteoarthritis Prevention Study (TOPS) to conduct a clinical study on weight loss and exercise, and joint disease in women age 50 and older. Accordingly, Rapid Nutrition PLC is chosen as a partner to collaborate with TOPS. This collaboration should further enhance Rapid Nutrition PLC's brand value.
- Management will continue to focus on existing strategies which continue to foray into the Asian / Chinese markets. We see a strong possibility that management could establish a product distribution collaboration with both a physical store and / or with an e-commerce platform for the *SystemLS* brand to capture significant opportunities, i.e., enhance customer engagement, scale up the brand and launch innovative herbal products geared for the local markets. At present, however, the continuity of management's proven strategy of growth should be a priority for 2024 and beyond.
- **Market Size Expanding.** According to recent data from the Global Wellness Institute, the global wellness market is expected to reach a historic market size of \$6.6 trillion by the end of 2024, up by 8.6% from an estimated \$5.6 trillion at the end of 2023. We also expect Asia Pacific, Europe, and North America to continue to show strong growth throughout 2024, gaining 10.2%, 11.0%, and 12.0%, respectively.
- **Dominant Health-Style Value.** Long term, we believe the company is well positioned to capture growth as wellness continues to be a dominant health-style value.

Earnings/Share

	Mar.	Jun.	Sep.	Dec.	Year	P/E Ratio
2023E	\$-	\$-	\$-	\$-	\$-	N/Ax
2024E	-	-	-	-	0.07	N/Ax
2025E	-	-	-	-	0.08	N/Ax

Market Profile

52-Week Range	€0.05-4.50	EPS Growth Rate (3-Yrs)	N/A%
Avg. Volume (3 Month)	130,368	EBITDA Growth Rate (3-Yrs)	N/A%
Shares Outstanding	11,085 M	ROE (LTM)	N/A%
Market Capitalization	€1,108.5 M	Debt to Total Cap.	N/A%
Floating Market Cap.	€1,087.4 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	99.8%	Shares Short	---

ALRPD.PA: €0.10

N100: 1,441.72

CAC40: 7,795.22

ALASI*: 933.52

**Alternext All Share Index*

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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 19.8%.

Bottom line is adjusted to reflect the recent 1:1000 stock split on January 12, 2024.

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

	2021	2022	2023	2024	2025	2026	2027
Total Revenue	\$3,001.8	\$2,956.6	\$3,541.2	\$3,982.8	\$4,337.7	\$4,613.8	\$4,834.6
Gross Profit	1,956.3	2,149.8	2,018.5	2,270.2	2,472.5	2,629.9	2,755.7
EBITDA (Adj.)	361.3	855.5	779.1	876.2	954.3	1,015.0	1,063.6
Net Income	238.1	264.1	624.6	721.7	799.8	860.6	909.1
EPS	-	-	-	\$0.07	\$0.07	\$0.08	\$0.08
EBITDA per share	-	-	-	\$0.08	\$0.09	\$0.09	\$0.10
CFPS	-	-	-	\$0.08	\$0.09	\$0.09	\$0.10
Profit & Loss Statement							
Revenues	\$1,088.7	\$1,144.7	\$1,412.6	\$1,663.6	\$1,908.7	\$2,133.1	\$2,300.9
Closing Inventory	298.2	171.4	174.0	176.6	179.2	181.0	182.8
Total Revenue	\$3,001.8	\$2,956.6	\$3,541.2	\$3,982.8	\$4,337.7	\$4,613.8	\$4,834.6
Operating Expenses	1,045.5	806.8	1,522.7	1,712.6	1,865.2	1,983.9	2,078.9
Gross Profit	1,956.3	2,149.8	2,018.5	2,270.2	2,472.5	2,629.9	2,755.7
SG&A	1,594.9	1,294.3	1,239.4	1,394.0	1,518.2	1,614.8	1,692.1
EBITDA (Adj.)	\$361.3	\$855.5	\$779.1	\$876.2	\$954.3	\$1,015.0	\$1,063.6
EBIT	238.1	264.1	624.6	721.7	799.8	860.6	909.1
Net Int. Exp.	-	-	-	-	-	-	-
PBT	\$238.1	\$264.1	\$624.6	\$721.7	\$799.8	\$860.6	\$909.1
Income Tax	-	-	-	-	-	-	-
Net Inc. from Op.	\$238.1	\$264.1	\$624.6	\$721.7	\$799.8	\$860.6	\$909.1
Cash Flow							
Net Income	\$238.1	\$264.1	\$624.6	\$721.7	\$799.8	\$860.6	\$909.1
Other	(510.5)	(1,565.3)	(495.5)	(496.0)	(496.5)	(497.0)	(497.5)
Cash From Operations	(\$272.4)	(\$1,301.2)	\$129.1	\$225.7	\$303.3	\$363.5	\$411.6
Capital Expenditures	11.2	-	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)
Dividend	-	-	-	-	-	-	-
Free Cash Flow	(\$261.3)	(\$1,301.2)	\$114.1	\$210.7	\$288.3	\$348.5	\$396.6
Cash From Financing	(117.2)	1,459.8	(85.0)	(85.0)	(85.0)	3,138.0	3,138.0
Net Change in Cash	(\$378.5)	\$158.6	\$29.1	\$125.7	\$203.3	\$3,486.6	\$3,534.7
Balance Sheet							
Cash	\$77.5	\$236.1	\$265.2	\$390.9	\$594.2	\$3,564.1	\$3,770.8
Total Assets	305.1	999.7	236.8	863.5	1,578.3	1,578.3	(439.9)
Total Debt	730.1	(121.8)	(206.8)	(291.8)	(376.8)	(376.8)	(2,395.0)
Shareholders' Equity	(909.8)	(655.7)	(41.1)	670.6	1,470.4	1,470.4	1,470.4
Rate of Return							
BV/PS	-\$0.02	-\$1.90	-	\$0.06	\$0.13	\$0.13	\$0.13
Return on Average Equity	N/A	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	N/A
Return on Invested Capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operating Margins							
Gross Margin	65.2%	72.7%	57.0%	57.0%	57.0%	57.0%	57.0%
EBITDA Margin	12.0%	28.9%	22.0%	22.0%	22.0%	22.0%	22.0%
Operating Margin	6.9%	25.0%	17.6%	18.1%	18.4%	18.7%	18.8%

Source: Company data and The Zephyrin Group, Inc. (ZGI) estimates – Note Split adjusted 1:1000.



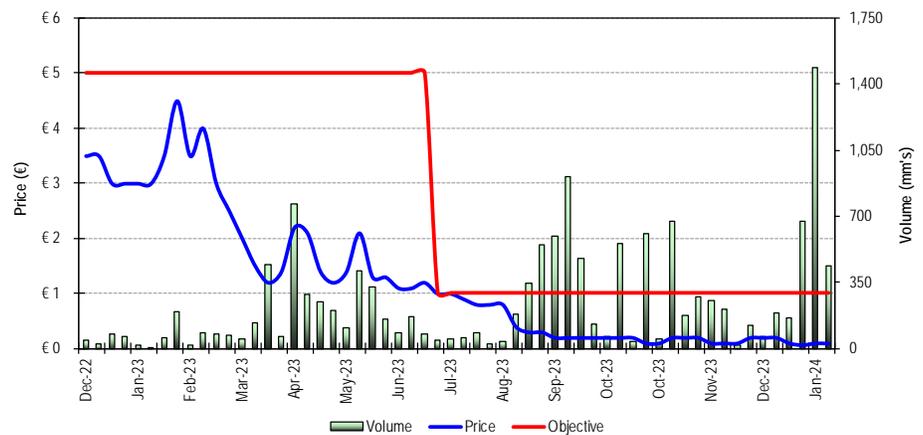
Company Description

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 *Split adjusted 1:1000

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...!



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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 = 14 (32.6%); Hold = 9 (20.9%); Sell = 7 (16.3%); Strong Sell = 1 (2.3%); Suspended = 12 (27.9%).

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