

UK – Food Processing

May 6, 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

The right path – €1.00...!

- **Investment Rating and Price Objective.** We are reiterating our investment rating **BUY SPECULATIVE RISK** and our price objective of **€1.00 per share.**
- **The Right Path.** The company recently announced the intent to acquire a European plant-based brand with operations in the U.S. that should incrementally add to 2H revenues. **This acquisition should expand the company's portfolio of products that align with consumer trends and increased focus on Rapid Nutrition PLC' brand marketing. Further, this is an important acquisition as plant-based brand influencer adoption accelerated across Europe and the U.S.** The acquisition is expected to close on towards the end of Q2.
- **Model Update.** For 2022, we are forecasting total revenues of \$3,741.5, an EBITDA of \$898.0K with an EBITDA margin of 24%. This compared to our previous estimates of total revenues of \$2,252.3, an EBITDA of \$473.0K with an EBITDA margin of 19%.

ALRPD.PA: €0.07

N100: 1,219.91

CAC40: 6,368.40

ALASI*: 1,196.03

**Alternext All Share Index*

| Earnings/Share | Mar. | Jun. | Sep. | Dec. | Year | P/E Ratio |
|----------------|------|------|------|------|------|-----------|
| | 2021 | \$- | \$- | \$- | \$- | \$0.01 |
| 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) | 9,080,837 | EBITDA Growth Rate (3-Yrs) | N/A% |
| Shares Outstanding | 159.8 MM | ROE (LTM) | N/A% |
| Market Capitalization | €11.2 MM | Debt to Total Cap. | N/A% |
| Floating Market Cap. | €7.7 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 | 69.2% | Shares Short | --- |

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

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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



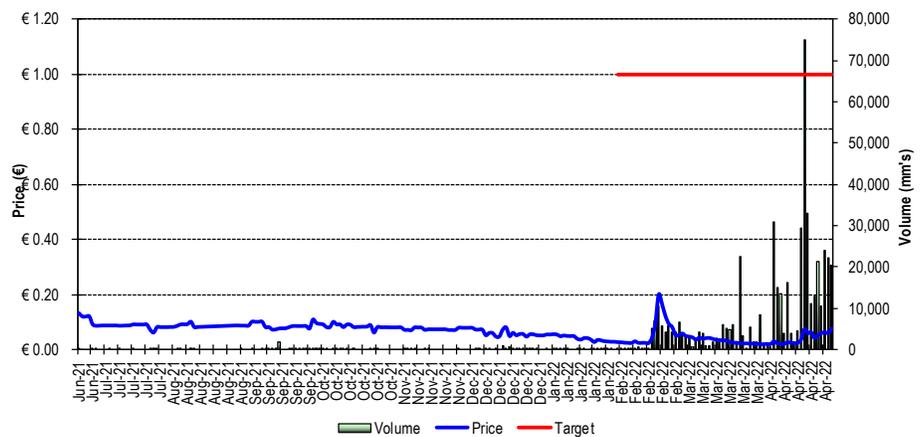
Company Description

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 June 2021, direct sales accounted for approximately 68.1% 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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