

EQUITY - SPAIN

Sector: Personal Products

 Closing price: EUR 2.04 (1 Mar 2023)
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12m Results 2022
 Independent Equity Research

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Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We will have to lower our estimates

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Business description

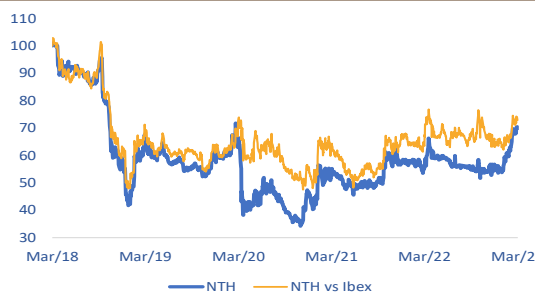
Naturhouse Health (NTH) is a small family group with headquarters in Madrid (Spain), specialising (c. 30 years) in nutrition and the re-education of eating habits (dietetics). With an international presence (c. 80% of revenue; France (34%), Italy (31%) and Poland (11%) being its core markets). It is managed and controlled by the founding family (77.6% of capital).

Market Data

Market Cap (Mn EUR and USD)	122.4	130.6
EV (Mn EUR and USD) ⁽²⁾	114.7	122.4
Shares Outstanding (Mn)	60.0	
-12m (Max/Med/Mín EUR)	2.06 / 1.69 / 1.51	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation ⁽³⁾	7.1	
Factset / Bloomberg	NTH-ES / NTH SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Mr. F. Revuelta & Family	77.8
Free Float	22.3

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	10.9	28.3	23.0	-30.2
vs Ibex 35	8.2	15.7	8.0	-27.0
vs Ibex Small Cap Index	8.6	12.2	16.2	-42.8
vs Eurostoxx 50	9.7	21.3	9.8	-43.7
vs Sector benchmark ⁽⁴⁾	11.2	32.5	31.4	-42.4

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Food & Beverage.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

2022: Worse than expected revenue (-9.3%). The challenge remains a return to growth

FALL IN 2022 REVENUE (EUR 52.6MN; -9.3% VS 2021) DUE TO THE CLOSURE OF CENTRES (-130 VS 2021). The reduction in points of sale has continued down to 1,556 (vs 1,686 in 2021, c.-8%) hitting NTH's ability to generate revenue. All geographies did poorly in 2022, especially: i) Spain (EUR 10.6Mn; -10.5% vs 2021 and -43 centres), Italy (EUR 15.2Mn; -9.4% vs 2021) and Poland (-15%) due to the war between Russia and Ukraine. The online business did well (5% of 2022 revenue; +1.1p.p. vs 2021) but did not compensate for the closure of centres. Sales per centre remain stable.

DESPITE THE CONTEXT, 2022 EBITDA MARGIN MAINTAINED AT 29.9%... NTH's vertical integration has allowed it to maintain a 2022 gross margin of >71.5% although higher operating costs (especially in supplies and transport) squeezed the 2022 EBITDA margin to 29.9% (-5.5p.p. vs 2021 EBITDA margin, an all-time high, as 100% of 2021 personnel were not reincorporated after Covid-19). As a result of lower revenue and higher costs, 2022 Rec. EBITDA was EUR 15.7Mn (-23.4% vs 2021).

... AND POSITIVE NP (EUR 9.6MN; AT LEVELS OF 2020), MAINTAINING A MAXIMUM PAY-OUT. Below EBITDA, the light costs structure: amortisation (EUR 1.4Mn), leases (0.9Mn) enabled NTH to obtain 2022 NP of EUR 9.6Mn, despite the decline in activity, and maintain its attractive dividend policy (EUR 18Mn paid out in dividends in 2022; EUR 12Mn charged to voluntary reserves and against 2021 results, and paid out in 2022, and two additional payments of EUR 3Mn each charged to voluntary reserves and against 2022 results, paid during the year; Total Dividend Yield: 14,7%). At the results presentation NTH announced the payment of an additional EUR 3Mn charged to earnings that will be paid in 2023e.

WORKING CAPITAL SQUEEZING CASH GENERATION (FCF 2022: EUR 5.1MN; -66%). The change in working capital was impacted in 2022 by a pending tax rebate of EUR 5.2Mn, limiting cash generation to EUR 5.1Mn in the year. NTH continues to have an enviable net cash position (EUR -10Mn; ex IFRS- 16) and especially interesting in a climate of rising rates.

WAITING FOR AN INDICATOR THAT ALLOWS NTH TO RETURN TO THE GROWTH PATH. NTH's 2022 revenues are a continuation of the trend seen in the last 6 years (-9.9% CAGR 2016-2022), leading us to downgrade our estimates for 2023e and following years. Looking at 2023e, revenue of EUR 55Mn (below that obtained in 2020: EUR 56.2Mn) and an EBITDA margin/Sales at c.30% (in line with 2022) would imply 2023e EBITDA of c. EUR 17Mn (vs EUR 15.6Mn in 2022). Numbers that after the good performance of the share price (+25% -3m), would today be trading at 6.8x 2023e EV/EBITDA and a 2023e PER of 12x. These multiples should be seen in the context of NTH: zero financial risk (net cash position) and low business risk (FCF generation of EUR 5.1Mn in 2022 despite the fall in revenue).

The restructuring of centres and points of sale (-805 -5y) means revenue levels of 2016-2017 are not currently viable. However, the only challenge facing NTH today is a return to revenue growth. This would automatically multiply the attractiveness of its (objective) valuation metrics: low multiples and a FCF Yield >10%. The catalyst can only be a reversal of the trend for revenue or an indicator that suggests this and that has yet to occur. For this reason, 1H23 results will be key.

Appendix 1. Results table

EUR Mn	12m22		12m22 Real		12m22 Real vs
	Real	12m21	vs 12m21	2022e	2022
Total Revenues	52.6	57.9	-9.3%	56.7	-7.2%
France	19.1	20.2	-5.3%	19.7	-3.2%
Spain	10.6	11.9	-10.6%	16.5	-35.4%
Italy	15.2	16.8	-9.4%	11.9	28.2%
Poland	5.9	6.9	-15.0%	6.6	-10.5%
ROW	1.6	1.8	-12.9%	1.7	-6.6%
Other income	0.2	0.3	-50.0%	0.4	-54.5%
Gross Mg.	37.7	41.6	-9.5%	40.4	-6.7%
<i>Gross Margin/Revenues</i>	<i>71.6%</i>	<i>71.8%</i>	<i>-0.2 p.p.</i>	<i>71.2%</i>	<i>0.4 p.p.</i>
Recurrent EBITDA	15.7	17.5	-10.0%	17.5	-10.0%
<i>Rec. EBITDA/Revenues</i>	<i>29.9%</i>	<i>30.1%</i>	<i>-0.2 p.p.</i>	<i>30.8%</i>	<i>-0.9 p.p.</i>
EBITDA	15.2	17.5	-13.3%	17.5	-13.3%
<i>EBITDA/Revenues</i>	<i>28.8%</i>	<i>30.1%</i>	<i>-1.3 p.p.</i>	<i>30.8%</i>	<i>-2.0 p.p.</i>
EBIT	12.9	15.4	-16.7%	15.4	-16.7%
PBT	13.1	16.3	-19.7%	16.3	-19.7%
NP	9.6	11.4	-15.8%	11.4	-15.8%
Nr. Of Centers	1,556	1,686	-130	1,608	-52
<i>Online Sales (%)</i>	<i>5.0%</i>	<i>2.3%</i>	<i>2.7 p.p.</i>	<i>5.6%</i>	<i>-0.6 p.p.</i>
Rec. FCF	5.1	15.0	-66%	11.9	-57%
Net Cash ¹	-10.0	-25.1	60%	-14.6	31.7%
Net Cash / EBITDA	-0.6 x	-1.2 x	0.6 x	-0.8 x	-0.2 x

(1) Note 1. Net Cash adjusted to strip out the impact of IFRS 16 (EUR 3.3Mn and EUR 2.2Mn in 2022 and 2021, respectively).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	122.4	
+ Minority Interests	0.1	12m Results 2022
+ Provisions & Other L/T Liabilities	2.7	12m Results 2022
+ Net financial debt	(10.0)	12m Results 2022
- Financial Investments	0.5	12m Results 2022
+/- Others		
Enterprise Value (EV)	114.7	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Mar-2023	n.a.	2.04	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
22-Sep-2022	n.a.	1.60	n.a.	n.a.	6m Results 2022 - Estimates downgrade	Luis Esteban Arribas
02-Mar-2022	n.a.	1.66	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
21-Sep-2021	n.a.	1.51	n.a.	n.a.	6m Results 2021	Alfredo Echevarría Otegui
22-Jun-2021	n.a.	1.45	n.a.	n.a.	3m Results 2021 - Estimates upgrade	Ana Isabel González García, CIIA
23-Apr-2021	n.a.	1.40	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

