



**REIG JOFRE**

PRICE **EUR2.50**  
VALUATION (UPSIDE) **EUR3.60 (+44%) ■ EUR5.00 (+100%)**

VALUATION RANGE	EPS 23e	EPS 24e
unchanged   ↗ 14%	↘ -9%	non material

# A new era

9 MAY 2023 at 05:55\*

**Francisco Ruiz**

(+34) 91 114 83 06  
francisco.ruiz@exanepnparibas.com

**Gonzalo De Cueto Moreno**

(+34) 91 114 83 05  
spanish-midcaps@exanepnparibas.com

*What's the story for Reig Jofre after disappointment with Janssen? We see a solid pharma business that will be boosted by increasing capacity utilisation in injectables, margin expansion and higher FCF generation, which will help speed up deleveraging.*

**Pharma Technologies will drive the growth in coming years**

After the disappointing outcome of the Janssen agreement, Reig is on the path to filling the new capacity (tripling the previous amount) with new products, which will help operating leverage. We expect capacity utilisation to move from the current 44% to >90% in 2025. Additionally, we see an opportunity in the low growth/margin business of antibiotics through price increases. We estimate a CAGR22-25 in sales of above 13%.

**Positive surprises on Consumer Healthcare**

While Speciality Pharma should maintain low single-digit growth (4% CAGR22-25) due to a relatively poor pipeline, Consumer Health has surprised positively in its recovery in recent years. We expect high single digit growth, more aligned with similar companies in the sector in Europe.

**Margin expansion and deleveraging**

With better capacity utilisation in Pharma Technologies, and a reversal of the inflation wave in 2022/23, we expect EBITDA margin to expand >400 bp between 2022 and 2025. Once the key investments (M&A and capacity increases) are finished, we should also see a big rebound in FCF generation, also helped by more normalised Capex than previously expected. We expect the company to reach net cash position by 2025.

**We update our estimates and valuation range**

EPS23 is adjusted on higher depreciation, but Net Debt is reduced 12% and 16% in 2023 and 2024 vs previous estimates on lower capex and WC. Our new valuation range is EUR3.6-EUR5.

Price (8 May 2023)	EUR2.50				Performance <sup>(1)</sup>	1w	1m	3m	12m
Market cap (EURm)	190				Absolute(%)	(1)	2	(6)	(14)
Free float (EURm)	40				Rel. Pharmaceuticals(%)	(3)	(2)	(13)	(20)
EV (EURm)	246				Rel. MSCI SMID(%)	NC	NC	NC	NC
3m avg volume (EURm)	0.0								
Refinitiv / Bloomberg	RJFE.MC / RJF SM								
Country / Sub Sector	Spain / Speciality Pharma								
Financials	12/22	12/23e	12/24e	12/25e	Valuation metrics <sup>(2)</sup>	12/22	12/23e	12/24e	12/25e
EPS, Adjusted (EUR)	0.18	0.21	0.31	0.41	P/E (x)	15.8	11.9	8.2	6.2
EPS, Company (EUR)	0.11	0.15	0.24	0.34	Net yield (%)	0.0	0.0	0.0	0.1
EPS - Refinitiv (EUR)	-	0.23	0.30	0.37	FCF yield (%)	1.2	6.3	9.8	14.7
Net dividend (EUR)	0.00	0.00	0.00	0.00	EV/Sales (x)	1.0	0.8	0.7	0.6
Sales (EURm)	271	297	325	351	EV/EBITDA (x)	10.3	7.3	5.3	3.8
EBITA, Adj. (EURm)	14.2	18.8	27.2	36.2	EV/EBITA (x)	19.8	13.1	8.3	5.4
Net profit, Adj.(EURm)	13.3	15.9	23.1	30.8	EV/CE (x)	1.2	1.1	1.0	0.9
ROCE (%)	5.2	6.9	9.9	13.3					
Net Debt/EBITDA, Adj. (x)	2.7	1.9	1.0	0.3					

All valuation metrics based on adjusted figures

Source: BNP Paribas Exane (estimates), Refinitiv (consensus) (1) In listing currency, with dividend reinvested (2) Yearly average price for FY ended 12/22

**SPONSORED RESEARCH (Not for Distribution in the US): Exane is receiving compensation from Reig Jofre to cover and produce research on the stock.\* Date and time (London Time) on which the investment recommendation was finalised. It may differ from the date and time of broad dissemination on the website. See Appendix (on p23) for Analyst Certification, Important Disclosures and Non-US Research Analyst disclosures.**

Price at 08 May 23: EUR2.50

Valuation range (EUR): 3.60 (+44%) | 5.00 (+100%)

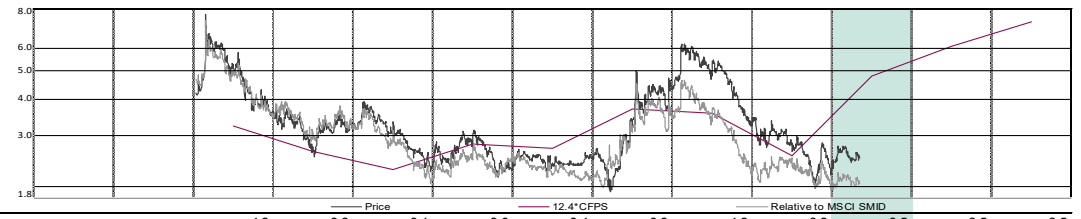
REIG JOFRE

Refinitiv / Bloomberg: RJFE.MC / RJF SM

Analyst: Francisco Ruiz (+34) 91 114 83 06

Specialty Pharma | Pharmaceuticals - Spain

Company Highlights		EURm	
Enterprise value		246	
Market capitalisation		190	
Free float		40	
3m average volume		0.0	
<b>Performance (*)</b>			
	1m	3m	12m
Absolute	2%	(6%)	(14%)
Rel. Sector	(2%)	(13%)	(20%)
Rel. MSCI SMD	NC	NC	NC
12m HiLo (EUR) : 3.15 -21% / 2.05 +22%			
<b>CAGR</b>			
	2016/2023	2023/2025	
EPS restated	9%	39%	
CFPS	9%	24%	



	4.8	3.2	3.1	2.6	2.4	3.3	4.8	2.8	2.5	2.5	2.5
	Dec. 15	Dec. 16	Dec. 17	Dec. 18	Dec. 19 <sup>1</sup>	Dec. 20	Dec. 21	Dec. 22	Dec. 23e	Dec. 24e	Dec. 25e
<b>PER SHARE DATA (EUR)</b>											
No of shares year end, basic, (m)	60.549	62.934	65.319	65.831	71.286	76.364	76.364	76.364	76.364	76.364	76.364
Avg no of shares, diluted, excl. treasury stocks (m)	60.549	62.934	65.319	65.539	70.896	75.816	75.816	75.816	75.816	75.816	75.816
EPS reported, Gaap	0.01	0.12	0.14	0.14	0.07	0.07	0.07	0.11	0.15	0.24	0.34
EPS company definition	0.01	0.12	0.14	0.14	0.07	0.07	0.07	0.11	0.15	0.24	0.34
EPS restated, fully diluted	0.16	0.12	0.13	0.07	0.08	0.13	0.11	0.18	0.21	0.31	0.41
% change	NS	(26.5%)	11.0%	(44.2%)	10.6%	57.2%	(9.9%)	55.1%	19.9%	45.1%	33.1%
Book value (BVPS) (a)	2.1	2.1	2.2	2.3	2.5	2.4	2.5	2.6	2.7	3.0	3.3
Net dividend	0.00	0.00	0.00	0.01	0.05	0.04	0.00	0.00	0.00	0.00	0.00
<b>STOCK MARKET RATIOS</b>											
P / E (P / EPS restated)	30.5x	27.4x	23.6x	36.2x	30.7x	26.3x	42.8x	15.6x	11.9x	8.2x	6.2x
P / E relative to MSCI SMD	173%	139%	128%	208%	190%	72%	288%	107%	86%	66%	56%
FCF yield	(0.1%)	(7.7%)	1.4%	(4.2%)	(14.0%)	1.4%	2.7%	1.2%	6.3%	9.8%	14.7%
P / BVPS	2.32x	1.51x	1.41x	1.14x	0.97x	1.36x	1.95x	1.08x	0.92x	0.84x	0.76x
Net yield	0.0%	0.0%	0.0%	0.2%	1.8%	1.2%	0.0%	0.0%	0.0%	0.0%	0.1%
Payout	0.0%	0.0%	0.6%	8.0%	56.3%	31.0%	0.5%	0.3%	0.4%	0.4%	0.5%
EV / Sales	1.89x	1.33x	1.25x	1.06x	1.23x	1.37x	1.89x	1.03x	0.83x	0.70x	0.56x
EV / Restated EBITDA (**)	17.6x	14.1x	13.7x	17.1x	15.1x	14.0x	18.5x	10.3x	7.3x	5.3x	3.8x
EV / Restated EBITA	22.5x	19.6x	20.6x	36.2x	35.4x	27.0x	35.7x	19.8x	13.1x	8.3x	5.4x
EV / NOPAT	28.3x	30.6x	24.2x	42.6x	41.7x	31.8x	42.0x	23.3x	15.4x	9.8x	6.4x
EV / OpFCF	NS	NS	42.2x	NS	NS	35.9x	29.0x	34.7x	12.9x	8.4x	5.2x
EV / Capital employed (incl. gross goodwill)	2.5x	1.7x	1.6x	1.4x	1.1x	1.4x	1.9x	1.2x	1.1x	1.0x	0.9x
<b>ENTERPRISE VALUE (EURm)</b>											
Market cap	296	215	210	192	246	316	446	280	246	226	197
+ Adjusted net debt (including lease liability)	12	19	14	22	81	76	82	75	63	44	17
+ Other liabilities and commitments	1	1	1	1	1	0	0	0	0	0	0
+ Revalued minority interests	0	0	0	0	0	0	0	0	0	0	0
- Revalued investments	10	2	1	2	3	3	4	5	7	8	10
<b>P &amp; L HIGHLIGHTS (EURm)</b>											
<b>Sales</b>	157	161	168	180	200	230	236	221	297	325	351
Restated EBITDA (b) (**)	17	15	15	11	16	23	24	27	34	43	52
Depreciation	(4)	(4)	(5)	(6)	(9)	(11)	(12)	(13)	(15)	(15)	(16)
Restated EBITA (b)	13	11	10	5	7	12	13	14	19	27	36
Reported operating profit (loss)	12	12	9	10	6	9	9	8	14	22	31
Net financial income (charges)	(1)	0	(1)	(1)	(1)	(3)	(3)	(1)	(2)	(2)	(2)
Affiliates	0	0	0	0	0	0	0	2	2	2	2
Other											
Tax	(2)	(4)	1	(0)	(0)	(1)	(1)	(1)	(2)	(3)	(5)
Minorities	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net attributable profit reported	9	8	9	9	5	6	5	8	12	19	26
Net attributable profit restated (c)	10	7	8	5	6	10	9	13	16	23	31
<b>CASH FLOW HIGHLIGHTS (EURm)</b>											
<b>EBITDA (reported) (**)</b>	17	16	16	16	20	27	27	30	37	46	55
EBITDA adjustment (b)	(0)	(0)	(0)	(5)	(3)	(4)	(3)	(2)	(3)	(3)	(3)
Other items	0	1	(1)	6	4	5	3	(6)	3	3	3
Change in WCR	(3)	(15)	9	(0)	(6)	(3)	(7)	(3)	(5)	(5)	(3)
Operating cash flow	14	1	23	17	14	25	20	18	31	40	51
Capex	(13)	(14)	(18)	(22)	(32)	(16)	(5)	(10)	(12)	(13)	(14)
Operating free cash flow (OpFCF)	1	(12)	5	(5)	(18)	9	15	8	19	27	38
Net financial items (d) + tax paid	(1)	(3)	(2)	(2)	(5)	(5)	(6)	(6)	(7)	(8)	(10)
Free cash flow	(0)	(15)	3	(7)	(23)	3	10	3	12	19	28
Net financial investments & acquisitions	4	0	9	1	(18)	(14)	(15)	(1)	0	0	0
Other	(17)	0	(0)	1	(10)	9	(8)	6	0	0	0
Capital increase (decrease)	(0)	(0)	(0)	(0)	24	(1)	(1)	(0)	0	0	0
Dividends paid	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Increase (decrease) in net financial debt	14	15	(11)	6	28	2	14	(7)	(12)	(19)	(28)
Cash flow, group share	16	13	12	15	15	23	22	16	29	37	45
<b>BALANCE SHEET HIGHLIGHTS (EURm)</b>											
Net operating assets	86	97	107	121	200	198	200	193	186	179	172
WCR	31	46	39	38	31	28	47	54	59	65	68
Restated capital employed, incl. gross goodwill	118	124	127	141	229	224	232	233	233	233	231
Shareholders' funds, group share	126	133	142	150	178	185	189	195	206	225	251
Minorities	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Provisions / Other liabilities	5	4	4	4	19	6	6	7	7	7	7
Net financial debt (cash)	14	29	18	24	53	55	69	62	50	32	4
<b>FINANCIAL RATIOS (%)</b>											
Sales (% change)	NC	2.7%	4.3%	7.4%	10.9%	14.9%	2.6%	14.8%	9.6%	9.2%	8.1%
Organic sales growth		2.7%	4.3%	7.4%	3.7%	7.4%	2.6%	14.8%	9.6%	9.2%	8.1%
Restated EBITA (% change)	NC	(16.7%)	(6.9%)	(47.9%)	30.9%	68.0%	7.0%	13.4%	32.4%	45.1%	33.1%
Restated attributable net profit (% change)	NC	(23.6%)	15.2%	(44.0%)	19.6%	68.1%	(9.9%)	55.1%	19.9%	45.1%	33.1%
Personnel costs / Sales	26.9%	28.5%	29.4%	28.9%	28.5%	28.9%	27.2%	26.0%	24.9%	23.5%	22.4%
Restated EBITDA margin (**)	10.7%	9.5%	9.1%	6.2%	8.1%	9.8%	10.2%	10.1%	11.3%	13.1%	14.7%
Restated EBITA margin	8.4%	6.8%	6.1%	2.9%	3.5%	5.1%	5.2%	6.3%	8.4%	10.3%	10.3%
Tax rate	20.5%	35.9%	NC	2.4%	6.9%	11.8%	12.3%	7.6%	15.0%	15.0%	15.0%
Net margin	6.1%	4.6%	5.0%	2.6%	2.8%	4.1%	3.6%	4.9%	5.4%	7.1%	8.8%
Capex / Sales	8.4%	8.5%	10.7%	12.1%	16.2%	7.1%	2.1%	3.6%	4.1%	4.0%	3.9%
OpFCF / Sales	0.6%	(7.7%)	3.0%	(2.6%)	(9.2%)	3.8%	6.5%	3.0%	6.4%	8.3%	10.7%
WCR / Sales	19.9%	28.4%	23.1%	21.0%	15.7%	12.4%	19.8%	20.0%	20.0%	20.0%	19.4%
Capital employed (excl. gdw. / intangibles) / Sales	38.2%	39.5%	39.9%	41.2%	56.5%	48.5%	52.8%	49.1%	46.9%	45.0%	43.1%
ROE	7.6%	5.5%	6.0%	3.2%	3.2%	5.2%	4.5%	6.8%	7.7%	10.3%	12.3%
Gearing	9%	14%	10%	15%	46%	41%	43%	38%	31%	20%	7%
EBITDA / Financial charges (**)	31.0x	11.1x	13.7x	14.4x	14.4x	25.4x	19.7x	26.0x	26.4x	33.5x	40.7x
Adjusted financial debt (A) + (B) / EBITDA (**)	0.7x	1.2x	0.9x	2.0x	5.0x	3.4x	3.4x	2.7x	1.9x	1.0x	0.3x
ROCE, excl. gdw. / intangibles	17.5%	11.0%	12.9%	6.1%	5.2%	8.9%	8.5%	9.1%	11.5%	15.8%	20.3%
ROCE, incl. gross goodwill	8.9%	5.7%	6.8%	3.2%	2.6%	4.4%	4.6%	5.2%	6.9%	9.9%	13.3%
WACC	8.4%	7.7%	8.7%	8.8%	8.5%	8.1%	7.7%	9.2%	9.7%	9.7%	9.7%

Latest Model update: 09 May, 23

(a) Intangibles: EUR99.87m, or EUR1 per share. (b) adjusted for capital gains/losses, exceptional restructuring charges, capitalized R&D; EBITA also adjusted for impairments and am. of intangibles from M&A (c) after EBITA adjustments and financial result/tax adjustments (d) including lease principal post IFRS 16 (\*) In listing currency, with div. reinvested, (\*\*) EBITDA rest IFRS 16, (1) First application of IFRS 16

## Contents

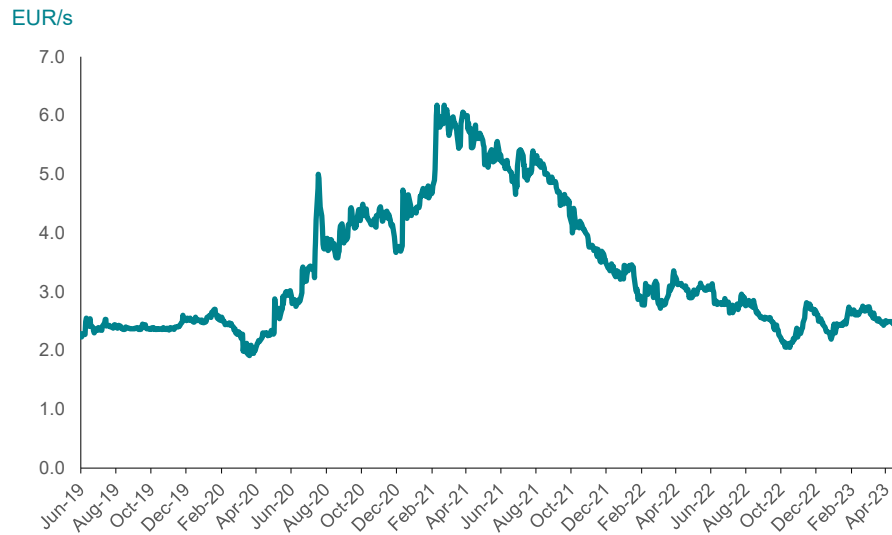
Valuation _____	4
Pharma tech: time for investment to bear fruit _____	8
Specialty pharma continues with stable growth _____	11
Consumer: Restoring the good mood post Pandemic _____	13
Sustainable growth and margin expansion _____	15
Appendix _____	18
Investment case, valuation and risks _____	22
Company profile and financial highlights _____	27

# Valuation

Reig Jofre's share price has suffered similarly to other stocks exposed positively to COVID, with ups and downs. Just after the first negative impact during the first months of the Pandemic, the market started to discount not only the defensive profile of the company but also the opportunity that could appear if: 1) the new capacity in injectables were to be on time and 2) the company finally signed with Janssen for the production of the vaccine.

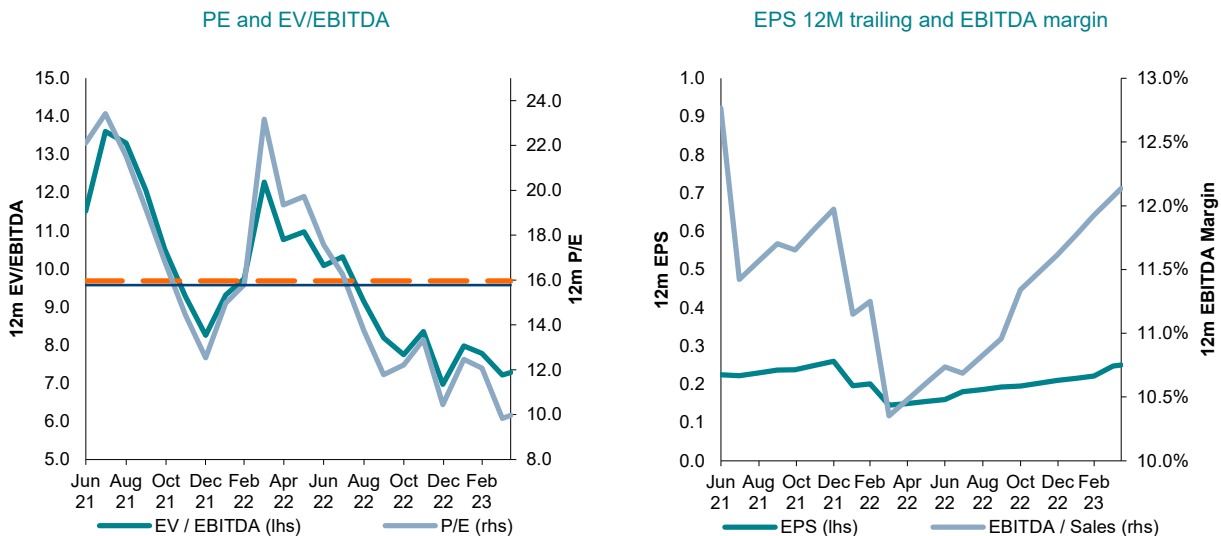
While both these two events did in fact happen, the problem was that the Janssen vaccine was not as successful as the mRNA ones. When the Janssen vaccine looked to be less effective than the mRNA ones (H1 21), the stock price moved from its historical peak above EUR6 to below EUR3. This has implied a de-rating in multiples, as the performance in terms of EPS and EBITDA margin was more resilient.

**Figure 1: Price performance reflecting the disappointment of Janssen vaccine**



Source: BNP Paribas Exane estimates

**Figure 2: De-rating as estimates were more resilient**



Source: BNP Paribas Exane estimates

The predictability of the company's business model supports the use of a DCF as a central case valuation. However, in our approach we also take into account the volatility that the P&L of the company could have as a result of different utilisation capacities in the injectable business. As a result, we propose two approaches, a DCF and a SOTP valuation.

In our DCF approach, we use descending top-line growth from 4% in 2026 to 2% in 2030 (a bit more conservative than in our previous assumption of 4% CAGR26-30) and an adj. EBITDA margin of 14.7% (15.6% reported versus 15.7% before). Our WACC also increased to 10% and our long-term growth rate is 1.0%.

**Figure 3: DCF model**

EURm

	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
<b>Sales</b>	<b>236.1</b>	<b>271.1</b>	<b>297.2</b>	<b>324.6</b>	<b>350.9</b>	<b>365.0</b>	<b>375.9</b>	<b>383.4</b>	<b>391.1</b>	<b>398.9</b>
Growth	2.6%	14.8%	9.6%	9.2%	8.1%	4.0%	3.0%	2.0%	2.0%	2.0%
<b>EBITDA Adj</b>	<b>24.1</b>	<b>27.3</b>	<b>33.5</b>	<b>42.5</b>	<b>51.6</b>	<b>53.7</b>	<b>55.3</b>	<b>56.4</b>	<b>57.5</b>	<b>58.7</b>
EBITDA margin	10.2%	10.1%	11.3%	13.1%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
<b>EBIT adj</b>	<b>12.5</b>	<b>14.2</b>	<b>18.8</b>	<b>27.2</b>	<b>36.2</b>	<b>37.5</b>	<b>38.7</b>	<b>39.4</b>	<b>40.2</b>	<b>41.0</b>
Ebit Margin	5.3%	5.2%	6.3%	8.4%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
Taxes	-1.5	-1.1	-2.8	-4.1	-5.4	-5.6	-5.8	-5.9	-6.0	-6.2
Tax rate	12%	8%	15%	15%	15%	15%	15%	15%	15%	15%
<b>NOPAT</b>	<b>11.0</b>	<b>13.1</b>	<b>15.9</b>	<b>23.1</b>	<b>30.8</b>	<b>31.9</b>	<b>32.9</b>	<b>33.5</b>	<b>34.2</b>	<b>34.9</b>
CAPEX	-5.0	-9.8	-12.2	-13.0	-13.8	-14.3	-14.8	-15.1	-15.4	-17.7
CAPEX / Sales	2.1%	3.6%	4.1%	4.0%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
D&A	11.7	13.2	14.9	15.5	15.5	16.2	16.6	17.0	17.3	17.7
D&A / Sales	5.0%	4.9%	5.0%	4.8%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
WC	-7.0	-3.3	-5.2	-5.5	-3.5	-3.6	-3.8	-3.8	-3.9	-4.0
WC / Sales	3.0%	1.2%	1.7%	1.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>FCF</b>	<b>10.6</b>	<b>13.3</b>	<b>13.5</b>	<b>20.1</b>	<b>29.0</b>	<b>30.1</b>	<b>31.0</b>	<b>31.6</b>	<b>32.2</b>	<b>30.9</b>

Source: Exane BNP Paribas estimates

On the EV adjustments, apart from including IFRS16 liabilities, multiplying the current P&L contribution by 6x, we include a small number of off-balance-sheet adjustments.

This leads to a valuation of EUR3.6/s.

**Figure 4: DCF valuation EUR3.6/s**

EURm

<b>Enterprise value</b>	329.3
(-) Adj Net debt 23e	40.4
(-) Lease Liability	22.9
(-) Provisions 23e	0.2
(-) Minorities 23e	0.0
(+) Investment	6.7
(+) Dividends 23e	0.1
<b>Equity value</b>	272.7
Number of shares	75.8
<b>Target price</b>	3.60

Source: Exane BNP Paribas estimates

We show a sensitivity analysis to different values of WACC and long-term growth.

**Figure 5: Sensitivity analysis of our valuation to WACC and long-term growth**  
EUR/s

		WACC (%)				
		8.0%	9.0%	10.0%	11.0%	12.0%
Perpetuity growth (%)	0.0%	4.3	3.7	3.3	2.9	2.6
	0.5%	4.5	3.9	3.4	3.0	2.7
	1.0%	4.8	4.1	3.6	3.1	2.8
	2.0%	5.4	4.5	3.9	3.4	3.0
	3.0%	6.3	5.1	4.3	3.7	3.2

Source: Exane BNP Paribas estimates

**SOTP Valuation: Theoretically deal but lacking information**

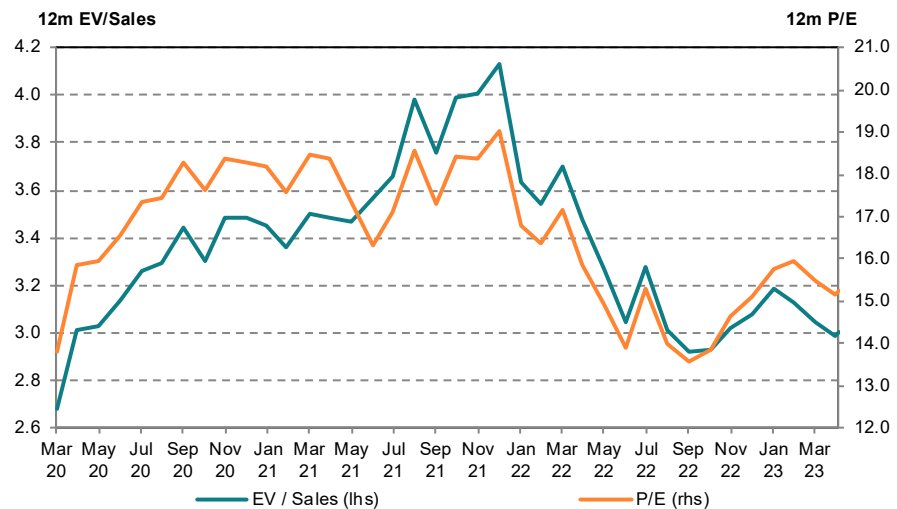
Despite the variety of Reig Jofre’s businesses, there are synergies between them, and combined they give a resiliency to the company as a whole. However, we would have preferred to value the businesses separately.

The lack of data – as the only metric we have for the different business units is sales – limits the scope of an SOTP valuation. Nonetheless, and using EV/sales multiples, we attempt to do one.

One prior factor to be taken into account is that the specialty pharma sector as a whole has suffered a de-rating in the past months of c.10% vs the average of the last 3 years, and more than 25% to the peak in January 2022.

**Figure 6: Specialty pharma derating**

Specialty Pharma



Source: BNP Paribas Exane, Factset Estimates, MSCI

For the specialty pharma business, we take the average EV/Sales multiples of the last 14 years of the companies we cover at BNPP Exane (Almirall, Euroapi, Ipsen, UCB, Merck, and ROVI), which points to 2.5x. Taking into account that: 1) the growth of this division for RJF, organically, has been in the low single digits, and 2) that the pipeline is limited and it is not as transformational as for some of the companies included in our peer group, we apply a discount of 30% from the average multiple.

For consumer products we have to be very cautious when selecting the peers, as many companies in this segment are not only producers but also online retailers. The multiples between the 2 businesses are clearly quite different. This is why we prefer to compare the consumer healthcare product to companies like Glanbia, which is more a producer than a distributor. We reference a combination of nutritional and beauty

consumer products, resulting in a target multiple of 0.6x sales after applying a 10% discount due to the lack of size and own distribution.

For the pharma technology, our discrepancy lies in the fact that we understand that the injectable business is a high-value-added business, while the rest of business, mainly antibiotics and other essential products, are less attractive. In order to value this division, we split it into 2: 1) the injectable business, which we value at the current multiple of CDMO players (3.5x EV/sales) minus a discount of 25% due to size, and the remaining business, where we apply 0.5x sales.

We reach an EV of EUR432m, which implies a valuation of EUR5.0/s.

### Figure 7: SOTP valuation

EURm

	Sales 2023	Multiple	EV
Pharma Tecnology	143.8	1.7	242
ow injectables	80.16	2.6	210
ow rest of product	63.6	0.5	32
Pharma Specialty	83.6	1.8	146
Consumer Products	69.8	0.6	44
<b>Total EV</b>			<b>432.5</b>
(-) Adj Net debt 23			40.4
(-) Lease Liability			22.9
(-) Provisions 23e			0.2
(-) Minorities 23e			0.0
(+) Investment			6.7
(+) Dividends 23e			0.1
Equity value			375.9
Number of shares			75.8
<b>Equity/share</b>			<b>5.0</b>

Source: Exane BNP Paribas estimates

## Pharma tech: time for investment to bear fruit

Reig Jofre has made large investments in the recent years in its pharma technology division. The company increased capacity in its antibiotics plant in Toledo in 2018 by c.33% and on the injectable plant in Barcelona in 2021 to 45 m vials from 15m previously. The failure of the agreement with Janssen, as the vaccine was not among the preferred ones, led to a slowdown in the increase of utilisation capacity, something that the company is actively working on now.

**Figure 8: The new line in Toledo in 2018 increased capacity by c.30% while Barcelona triple capacity in 2021**

Facility in Toledo



Injectable line in Barcelona plant



Source: Exane BNP Paribas estimates, Reig Jofre

### **Antibiotics: Could we see some price increases?**

The Antibiotics division has had a bumpy performance in the recent years. During COVID, and especially in 2021, antibiotic demand declined sharply due to the lack of infections (the use of masks helped on this). This slowdown was reversed in 2022, with sales similar to pre-Covid levels

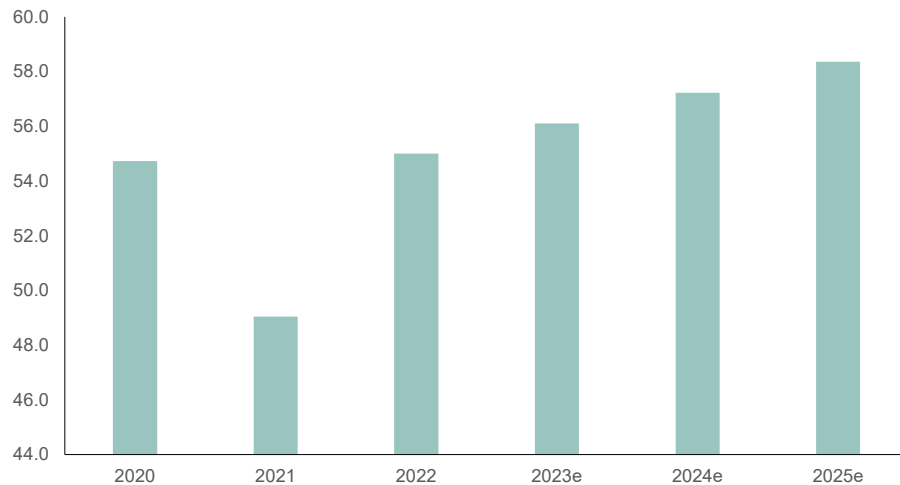
What are the drivers for the future? The antibiotics market is growing at c.2% per annum. Despite the recent increase in sales the company still has idle capacity to continue growing, as we estimate that utilisation is c.80%. Reig is also trying to boost the business not only manufacturing for third parties but also reinforcing the product developed by Reig, such as the two molecules launched recently (Anidulafungin and Micafungin). We assume that in terms of volumes, the division will be able to grow in line with the antibiotics industry at 2% CAGR.

There is an open discussion regarding the price of antibiotics. Although there is a minimum price for some drugs in Spain, antibiotics prices have not been updated in more than a decade. The current inflationary context is driving on the one hand a drop in margins, but on the other hand a scarcity of products given the fact that pharma companies prioritise higher margin products. We are not assuming this price increase will occur, but we do incorporate it into our sensitivity analysis.



**Figure 9: Antibiotics sales estimates, growing 2%**

EURm



Source: BNP Paribas Exane estimates

### ***The opportunity is in injectables***

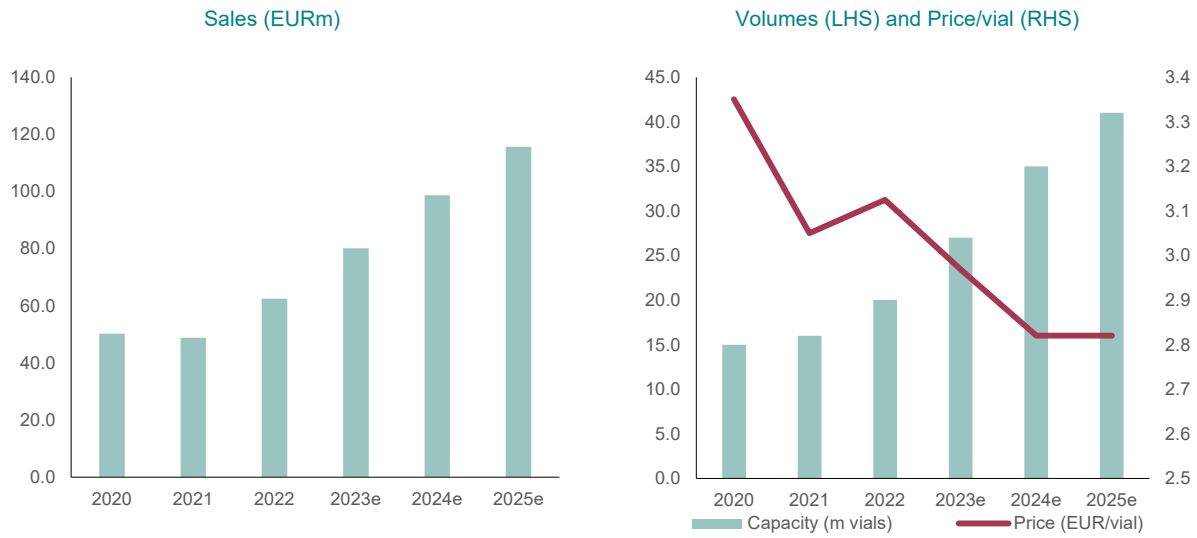
The company suffered from the fact that Janssen was unable to present to the market a successful vaccine against COVID. This delayed all the plans to fill the new capacity in the new plant in Barcelona as Reig “reserved” a big part of this capacity for the vaccine production. The company has not been precise in the compensation from Janssen, which mainly should be related to the refurbishing works that Reig had to do in order to adapt the facility to the new production. In any case, in the annual report the company commented that compensation has been aligned with the profitability that would have happened under normal manufacturing activity.

In 2022 the company started to fill the new capacity. We assume in our estimates that Reig already produced 20m vials of different products last year. We expect a progressive improvement in utilisation capacity from 44%e in 2022 to c.93% in 2025, reaching 41m vials.

The new capacity also incorporates state-of-the-art technologies, which allows quicker and more automatic processes that should help to significantly reduce the cost of manufacturing.

Although the technology of Reig is quite differential, we think that the CMO business is still digesting the “hangover” after Covid, which will imply some excess capacity in the industry. We assume that average price per vial will decline in the coming years. The company does not disclose margins by division, but we infer that the operating leverage of having more capacity utilisation together with a more cost-efficient technology will more than offset, in terms of margin, the lower price of the product.

**Figure 10: Injectable business**



Source: BNP Paribas Exane estimates, Reig Jofre

**Figure 11: breakdown of sales in pharma technologies division**

EURm

	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR 22-25
<b>Revenue</b>	97.4	99.5	111.7	104.2	125.0	143.8	163.4	181.5	13.2%
YoY (%)		6.0%	2.2%	12.3%	-6.7%	19.9%	15.0%	13.7%	11.1%
<i>Antibiotics</i>			54.7	49.0	55.0	56.1	57.2	58.4	2.0%
<i>Growth</i>					12.1%	2.0%	2.0%	2.0%	
<i>Injectables and lyophilized</i>			50.3	48.8	62.5	80.2	98.7	115.6	22.8%
<i>Growth</i>					-3%	28%	28%	23%	17%
<i>Other technologies</i>			6.7	6.4	7.5	7.5	7.5	7.5	0.0%
<i>Growth</i>					-5%	18%	0%	0%	
<i>Of which Antibiotics</i>			49%	47%	44%	39%	35%	32%	
<i>Of which Injectables</i>			45%	47%	50%	56%	60%	64%	
<i>Of which other technologies</i>			6%	6%	6%	5%	5%	4%	

Source: BNP Paribas Exane estimates

## Specialty pharma continues with stable growth

Specialty pharma is a business in which RJF has developed expertise in two main therapeutic areas: Dermatology and Osteoarticular. The majority of these products are proprietary to RJF, with a limited number of them licenced from other companies. While most of the products are already off-patent, the large majority still require a doctor's prescription.

Among the main products of the company, we would highlight: Complidermol (to control hair loss, both in men and women), Medebiotin (to strengthen nails and hair) and Synalar (to treat some skin inflammatory diseases). On the osteoarticular side, we would highlight Cartexan (symptomatic osteoarthritis treatment) and Droglican and Condrosan (osteoarthritis of joints). The company has launched two new products for nail treatment: Dexulac and Regenail and has another three products in the pipeline for dermatology.

**Figure 12: Some products of the specialty pharma division**



Source: BNP Paribas Exane estimates, Company Data

The specialty pharma division is the most domestically-oriented business unit of RJF, with 69% of sales in 2022 coming from Spain. During 2023, Osteoarticular performed better given the fact of lack of Derma new launches and the tougher comparison for Derma (vs Osteoarticular) in 2022.

The company is accelerating internationalisation, with its Polish subsidiary generating close to 10% of sales in 2022. Apart from that, the company will try to increase the activity of its Swedish subsidiary, which will be strengthened with the CMO agreement with STADA (which has also drained resources for the derma division) for the production of gel in cartridges.

Our assumptions in any case are conservative, given a limited pipeline. We assume a 4% CAGR22-25 in sales for the whole division, with Osteoarticular outgrowing the other divisions.

**Figure 13: Specialty pharma estimates**

EURm

	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR 22-25
<b>Revenue</b>	36.8	51.7	66.1	75.5	80.4	83.6	87.1	90.7	4.1%
YoY (%)	-3.0%	40%	28%	14%	6%	4%	4%	4%	
<i>Revenue Osteoarticular Growth</i>			29.1	32.7	48.2	50.7	53.2	55.8	5.0%
				12%	48%	5%	5%	5%	
<i>Revenue Dermatology Growth</i>			26.4	31.3	23.3	24.0	24.7	25.5	3.0%
				18%	-25%	3%	3%	3%	
<i>Revenue Other Specialties Growth</i>			10.6	11.6	8.8	9.0	9.2	9.3	2.0%
				10%	-24%	2%	2%	2%	
<i>Spain Growth</i>			46.9	52.1	55.4	56.6	57.7	58.8	2.0%
				11.1%	6.4%	2%	2%	2%	
<i>ROW Growth</i>			19.2	23.4	24.9	27.1	29.4	31.8	8.5%
				22.2%	6.4%	8.7%	8.5%	8.3%	

Source: BNP Paribas Exane estimates

## Consumer: Restoring the good mood post Pandemic

This division is a combination of different products with different usages. Health and Energy represent the majority of products, with 27% and 26% of sales in 2022. This division arose mainly as a result of the incorporation of Natraceutical in 2018. This is the reason the division has a higher percentage of sales outside Spain (75%), the majority of which are in the French market. The large majority of the products are sold under the Forte Farma brand, which is #1 in para pharmacies in France and #8 in the ranking of food supplements in France (vs #12 in 2017)

The main families of products are the following:

- **Weight control (19% of 2022 sales):** This includes products for weight loss, volume reduction and for appetite control and calorie intake. It has two leading brands: XtraSlim and Brulactive plus. The division has not recovered from the negative effect that COVID had on these types of products, and is still 10% below 2020 numbers.
- **Energy (26% of 2022 sales):** this sub-division includes products to combat fatigue, including those to boost energy levels. Among them we would highlight Vitalité 4G or Multivitamin 4G.
- **Health (27% of 2022 sales):** including nutrients to mitigate disorders and ailments, such as products that stimulate natural defences, menopause mitigation products and against loss of memory. Fortenuit is one of the most important products in this category.

The rest of the products are mainly included in different categories like Beauty (9% of sales), Respiratory products (9% of sales), Antiseptic and other OTC products (4% and 3% respectively).

Figure 14: Some products of the Consumer division



Source: BNP Paribas Exane estimates, Company Data

We were positively surprised by the evolution of this division in the last 2 years, as sales grew more than 25% compared to 2020. With a strong contribution from all divisions (except antiseptics, falling against extra COVID demand) but especially health, respiratory and beauty.

As a result of this, we increase our estimates for the coming years, with sales growth of above 6%, helped by health and energy, where we will probably see a slowdown in weight control, as a strategic decision of the company, given the tough competition in the segment. We continue to be cautious compared to the industry's expected growth, which is c.10%. Reig, through the Forté brand, has a good franchise but still lacks a blockbuster product and, in our opinion, better online penetration, which is currently only responsible for 10% of sales.

**Figure 15: Consumer ingredients**

EURm

	2018	2019	2020	2021	2022	2023e	2024e	2025e
<b>Revenue</b>	<b>46.3</b>	<b>49.0</b>	<b>52.2</b>	<b>56.39</b>	<b>65.72</b>	<b>69.89</b>	<b>74.25</b>	<b>78.92</b>
<b>YoY (%)</b>	<b>22.0%</b>	<b>5.8%</b>	<b>6.5%</b>	<b>8.0%</b>	<b>16.6%</b>	<b>6.4%</b>	<b>6.2%</b>	<b>6.3%</b>
<i>Revenue beauty</i>			4.70	5.1	6.6	6.8	7.0	7.2
<i>Growth</i>				8%	29%	3%	3%	3%
<i>Revenue Weight control</i>			13.57	11.9	12.5	13.8	15.0	16.3
<i>Growth</i>				-13%	5%	10%	9%	9%
<i>Revenue Energy</i>			14.09	15.2	17.1	17.8	18.5	19.2
<i>Growth</i>				8%	12%	4%	4%	4%
<i>Revenue OTC</i>			2.09	2.3	2.6	2.9	3.2	3.5
<i>Growth</i>				8%	16%	10%	10%	10%
<i>Revenue Respiratory products</i>			4.70	5.1	7.2	7.6	8.0	8.4
<i>Growth</i>				8%	42%	5%	5%	5%
<i>Revenue Antiseptic</i>			2.09	2.3	2.0	2.0	2.0	2.0
<i>Growth</i>				8%	-13%	0%	0%	0%
<i>Revenue Health</i>			10.96	14.6	17.7	19.2	20.7	22.3
<i>Growth</i>				33%	22%	8%	8%	8%
<b>% total sales</b>								
<i>Beauty</i>			9%	9.0%	10.0%	9.7%	9.4%	9.1%
<i>Weight control</i>			26%	21.0%	19.0%	19.7%	20.2%	20.7%
<i>Energy</i>			27%	27.0%	26.0%	25.4%	24.9%	24.3%
<i>OTC</i>			4%	4.0%	4.0%	4.1%	4.3%	4.4%
<i>Respiratory products</i>			9%	9.0%	11.0%	10.9%	10.7%	10.6%
<i>Antiseptic</i>			4%	4.0%	3.0%	2.8%	2.7%	2.5%
<i>Health</i>			21%	25.9%	27.0%	27.4%	27.9%	28.3%

Source: BNP Paribas Exane estimates

## Sustainable growth and margin expansion

We update our sales figures, given a better scenario for the antibiotics business than initially expected, which increases our total sales by 2% in 2023 and 6% in 2024. The lower margin of pharma technology together with some headwinds in labour costs during 2023, lead us to keep EBITA stable (margin -20 bps vs previous estimate).

The increase in utilisation capacity, more normalised inflation, both in labour costs and in COGS (lower API costs) would drive margin expansion in 2024.

After the strong investment cycle of the past years we expect CAPEX to be c.EUR12/EUR13m in the coming years. We have increased our D&A as our figures did not reflect the stronger capex in 2021 and 2022.

We have also reduced our estimates in working capital vs previously. A progressive filling of the utilisation capacity in injectables would imply no acceleration of working capital (as it was the case in our previous estimates). This has a positive impact on our Net Debt estimates. The debt maturities are practically all due in the coming 3 years, and 80% of the debt is fixed cost. The company has deleveraged quite rapidly.

**Figure 16: Change in estimates**

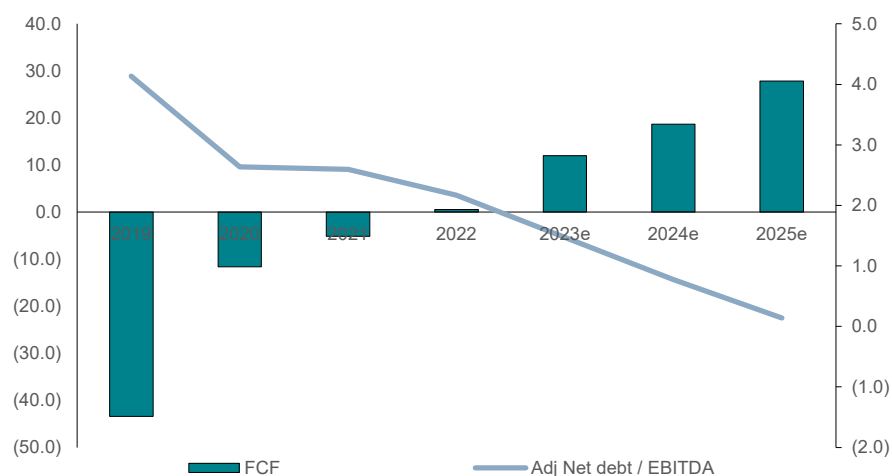
EURm

	2023 New	Old	Diff	2024 New	Old	Diff
Sales	297.2	292.3	1.7%	324.6	307.3	5.6%
Growth	9.6%	7.8%		9.2%	5.1%	
Pharma Technologies	143.8	138.8	3.6%	163.4	146.0	11.9%
Specialty Pharma	83.6	83.5	0.2%	87.1	86.7	0.4%
Consumer Healthcare	69.8	70.0	-0.4%	74.1	74.5	-0.5%
Reported EBITDA	36.6	36.7	-0.1%	45.7	43.8	4.3%
EBITDA mg	12.3%	12.5%		14.1%	14.2%	
Reported EBIT	13.7	15.6	-12.1%	21.9	21.9	0.2%
Adjusted NP	15.9	17.5	-9.1%	23.1	23.1	0.2%
Net Debt	63.0	72.2	-12.8%	44.4	53.0	-16.1%

Source: BNP Paribas Exane estimates

**Figure 17: Strong deleveraging**

EURm



Source: BNP Paribas Exane estimates

**What is the sensitivity to our estimates?**

We apply 3 different sensitivities of our central case scenario EBITDA.

- 1) Assuming increases in antibiotics prices of 5% or 10% (our central scenario is 0%)
- 2) Assuming different scenarios of utilisation capacity in the injectable business
- 3) Assuming different growth rates for the consumer health division.

**Figure 18: Sensitivity analysis of our EBITDA estimates to different assumptions of Antibiotics prices**

EURm

<b>Antibiotics Prices</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>0%</b>	33.5	42.5	51.6
<b>5%</b>	36.3	45.4	54.5
<b>10%</b>	39.1	48.3	57.5
<b>Var vs Central Case</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>0%</b>	0%	0%	0%
<b>5%</b>	8%	7%	6%
<b>10%</b>	17%	13%	11%

Source: BNP Paribas Exane estimates



**Figure 19: Sensitivity analysis of our EBITDA estimates to different assumptions of utilisation capacity in the injectable business**

EURm

<b>2023 / 2024 / 2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>50% / 65% / 80%</b>	31.1	37.1	46.9
<b>60% / 78% / 91%</b>	33.5	42.5	51.6
<b>65% / 85% / 95%</b>	35.4	44.9	52.5

<b>Var vs Central Case</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>50% / 65% / 80%</b>	-7.3%	-12.8%	-9.2%
<b>60% / 78% / 91%</b>	0.0%	0.0%	0.0%
<b>65% / 85% / 95%</b>	5.7%	5.5%	1.6%

Source: BNP Paribas Exane estimates

**Figure 20: Sensitivity analysis of our EBITDA estimates to different assumptions of CAGR in sales in the Consumer health business**

EURm

<b>CAGR22-25 Sales</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>5%</b>	33.5	42.4	51.3
<b>6%</b>	33.5	42.5	51.6
<b>8%</b>	33.7	42.8	52.1
<b>10%</b>	33.8	43.2	52.6

<b>Var vs Central Case</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>5%</b>	-0.3%	-0.4%	-0.6%
<b>6%</b>	0.0%	0.0%	0.0%
<b>8%</b>	0.4%	0.7%	0.9%
<b>10%</b>	0.9%	1.4%	1.9%

Source: BNP Paribas Exane estimates

## Appendix

**Figure 21: Sales breakdown**  
EURm

	2020	2021	2022	2023e	2024e	2025e	CAGR22-25
Total REVENUE	230.0	236.1	271.1	297.2	324.6	350.9	9.0%
Growth	14.9%	2.7%	14.8%	9.6%	9.2%	8.1%	
Organic Growth	7.4%	2.7%	14.8%	9.6%	9.2%	8.1%	
Pharmaceutical technologies	111.7	104.2	125.0	143.8	163.4	181.5	13.2%
Growth	12.3%	-6.7%	19.9%	15.0%	13.7%	11.1%	
Antibiotics	54.7	49.0	55.0	56.1	57.2	58.4	2.0%
Growth	0.0%	0.0%	12.1%	2.0%	2.0%	2.0%	
Injectables and Lyophilized	50.3	48.8	62.5	80.2	98.7	115.6	22.7%
Growth	0.0%	-2.9%	28.1%	28.3%	23.1%	17.1%	
Other technologies	6.7	6.4	7.5	7.5	7.5	7.5	0.0%
Growth	0.0%	-5.0%	17.8%	0.0%	0.0%	0.0%	
Specialty pharma	66.1	75.5	80.4	83.6	87.1	90.7	4.1%
Growth	27.9%	14.3%	6.4%	4.1%	4.1%	4.1%	
Revenue Osteoarticular	29.1	32.7	48.2	50.7	53.2	55.8	5.0%
Growth	0.0%	12.3%	47.7%	5.0%	5.0%	5.0%	
Revenue Dermatology	26.4	31.3	23.3	24.0	24.7	25.5	3.0%
Growth	0.0%	18.2%	-25.4%	3.0%	3.0%	3.0%	
Revenue Other Specialties	10.6	11.6	8.8	9.0	9.2	9.3	2.0%
Growth	0.0%	10.0%	-24.4%	2.0%	2.0%	2.0%	
Food Supplements and consumer healthcare	52.2	56.4	65.7	69.8	74.1	78.8	8.6%
YoY (%)	6.5%	8.0%	16.6%	6.1%	6.2%	6.3%	
Revenue beauty	4.7	5.1	6.6	6.8	7.0	7.2	3.0%
Growth	0.0%	8.1%	29.3%	3.0%	3.0%	3.0%	
Revenue Weight control	13.6	11.9	12.5	12.8	13.0	13.3	2.0%
Growth	0.0%	-12.6%	5.4%	2.0%	2.0%	2.0%	
Revenue Energy	14.1	15.2	17.1	18.6	20.3	22.1	9.0%
Growth	0.0%	8.2%	12.0%	9.0%	9.0%	9.0%	
Revenue OTC	2.1	2.3	2.6	2.8	2.9	3.0	5.0%
Growth	0.0%	8.2%	16.4%	5.0%	5.0%	5.0%	
Revenue Respiratory products	4.7	5.1	7.2	7.7	8.3	8.9	7.0%
Growth	0.0%	8.1%	42.3%	7.0%	7.0%	7.0%	
Revenue Antiseptic	2.1	2.3	2.0	2.0	2.0	2.0	0.0%
Growth	0.0%	8.2%	-12.8%	0.0%	0.0%	0.0%	
Revenue Health	11.0	14.6	17.7	19.2	20.7	22.3	8.0%
Growth	0.0%	33.2%	21.5%	8.0%	8.0%	8.0%	

Source: BNP Paribas Exane estimates

## Figure 22: P&L

EURm

P&L	2020	2021	2022	2023e	2024e	2025e	CAGR22-25
Revenue	230.1	236.1	271.1	297.2	324.6	350.9	
% total change	14.9%	2.6%	14.8%	9.6%	9.2%	8.1%	
COGS	-89.8	-91.5	-113.1	-123.0	-133.1	-142.1	
Gross margin	140.3	144.7	158.0	174.1	191.5	208.8	8.3%
% sales	61.0%	61.3%	58.3%	58.6%	59.0%	59.5%	
Other operating income	1.0	0.5	0.5	0.0	0.0	0.0	
Personnel expenses	-66.4	-64.2	-70.5	-74.0	-76.3	-78.6	3.4%
Other operating expenses	-52.0	-57.4	-60.7	-66.5	-72.7	-78.6	
EBITDA	26.5	27.2	30.4	36.6	45.7	54.7	15.6%
Adjusted EBITDA	22.6	24.1	27.3	33.5	42.5	51.6	17.9%
% margin	9.8%	10.2%	10.1%	11.3%	13.1%	14.7%	
Amortisation, depreciation and impairment los: impairments	-17.0 -0.4	-18.0 -0.4	-21.1 -1.0	-23.0 0.0	-23.9 0.0	-24.2 0.0	
EBIT	9.2	8.9	8.4	13.7	21.9	30.6	27.1%
Adjusted EBIT (Exane)	11.7	12.5	14.2	18.8	27.2	36.2	
% margin	5.1%	5.3%	5.2%	6.3%	8.4%	10.3%	
Net interest (expense)/income	-1.0	-0.9	-1.0	-1.3	-1.3	-1.3	
Share results of associates	0.1	0.1	1.6	1.6	1.6	1.6	
Profit Before Tax (PBT)	6.4	5.8	8.7	13.7	21.9	30.7	
Income tax	-0.8	-0.7	-0.7	-2.1	-3.3	-4.6	
Attributable net income	5.7	5.1	8.0	11.7	18.6	26.1	35.7%
Growth	14.8%	-10.2%	57.8%	45.5%	59.4%	39.8%	

Source: BNP Paribas Exane estimates

**Figure 23: Balance Sheet**

EURm

<b>Balance sheet</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
Goodwill	30.0	29.8	29.0	29.0	29.0	29.0
Right of use	20.9	16.7	16.7	16.7	16.7	16.7
Intangible assets	82.8	77.7	70.9	63.1	55.1	46.8
Property, plant and equipment	64.4	75.7	76.5	77.1	78.1	79.7
Investments in equity accounted investees	1.3	1.9	3.5	5.1	6.7	8.3
Non-current financial assets measured at fair v	1.2	1.2	1.2	1.2	1.2	1.2
Other non-current financial assets	0.9	0.4	0.4	0.4	0.4	0.4
Deferred tax assets	14.9	12.6	10.7	10.7	10.7	10.7
<b>Total non-current assets</b>	<b>216.4</b>	<b>216.1</b>	<b>208.9</b>	<b>203.4</b>	<b>197.9</b>	<b>192.8</b>
Current assets	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	0.6	4.7	2.3	2.3	2.3	2.3
Inventories	40.5	47.7	48.2	52.8	57.7	62.4
Trade and other receivables	42.6	44.4	49.8	54.6	59.6	62.5
Current tax assets	4.6	6.0	5.1	5.1	5.1	5.1
Cash and cash equivalents	11.6	5.1	6.5	18.4	36.9	64.6
Other current financial assets	0.8	1.0	0.4	0.4	0.4	0.4
Total current assets	100.7	108.8	112.3	133.6	162.1	197.4
<b>TOTAL ASSETS</b>	<b>317.2</b>	<b>325.0</b>	<b>321.2</b>	<b>337.0</b>	<b>360.0</b>	<b>390.2</b>
Equity	184.5	188.6	194.6	206.3	224.8	250.7
Minorities	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
<b>Equity and minorities</b>	<b>184.5</b>	<b>188.5</b>	<b>194.6</b>	<b>206.2</b>	<b>224.7</b>	<b>250.7</b>
<b>Non-current liabilities</b>						
Loans and borrowings	26.9	34.7	25.4	25.4	25.4	25.4
Provisions	0.3	0.2	0.2	0.2	0.2	0.2
Capital grants	2.4	3.1	3.7	3.7	3.7	3.7
Lease liability	15.9	14.4	12.0	12.0	12.0	12.0
Other financial liabilities	6.0	6.2	7.0	7.0	7.0	7.0
Derivative financial instrument	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	3.3	3.1	2.8	2.8	2.8	2.8
Other non current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total non-current liabilities</b>	<b>54.9</b>	<b>61.5</b>	<b>51.0</b>	<b>51.0</b>	<b>51.0</b>	<b>51.0</b>
<b>Current liabilities</b>						
Loans and borrowings	9.2	12.7	18.5	18.5	18.5	18.5
Current provisions	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other payables	40.6	41.9	44.0	48.2	52.6	56.9
Current tax liabilities	2.7	4.0	3.1	3.1	3.1	3.1
Other current liabilities	15.1	2.2	0.5	0.5	0.5	0.5
Other Financial liabilities	3.7	0.5	0.6	0.6	0.6	0.6
Short term derivatives instruments	1.4	8.0	3.5	3.5	3.5	3.5
Lease liabilities	5.0	5.6	5.3	5.3	5.3	5.3
<b>Total current liabilities</b>	<b>77.8</b>	<b>74.9</b>	<b>75.6</b>	<b>79.8</b>	<b>84.3</b>	<b>88.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>317.2</b>	<b>325.0</b>	<b>321.2</b>	<b>337.1</b>	<b>360.1</b>	<b>390.3</b>

Source: BNP Paribas Exane estimates

## Figure 24: Cash Flow Statement

EURm

CASH FLOW STATEMENT	2020	2021	2022	2023e	2024e	2025e
Profit before tax	6.4	5.8	8.7	13.7	21.9	30.7
Adjustments for non-cash items	21.6	21.7	12.4	22.7	23.5	23.9
<b>Gross Operating cash Flow</b>	<b>28.0</b>	<b>27.5</b>	<b>21.1</b>	<b>36.5</b>	<b>45.5</b>	<b>54.6</b>
<b>Changes in working capital</b>	<b>-2.9</b>	<b>-7.0</b>	<b>-3.3</b>	<b>-5.2</b>	<b>-5.5</b>	<b>-3.3</b>
Taxes paid	-1.6	-0.9	-0.9	-2.1	-3.3	-4.6
Cash interest received	0.0	0.0	0.1	0.1	0.1	0.1
Cash interest paid	-1.0	-0.9	-1.0	-1.3	-1.3	-1.3
<b>Cash-flow from operating activities</b>	<b>22.5</b>	<b>18.7</b>	<b>16.1</b>	<b>27.9</b>	<b>35.4</b>	<b>45.4</b>
CAPEX	-31.3	-20.0	-11.8	-12.2	-13.0	-13.8
o/w group associates	0.0	0.0	0.0	0.0	0.0	0.0
o/w intangible fixed assets	-4.1	-0.5	-0.2	-3.3	-3.3	-3.3
o/w financial assets	-0.4	-0.3	-0.2	0.0	0.0	0.0
o/w tangible fixed assets	-11.7	-19.2	-11.4	-8.9	-9.7	-10.5
o/w Business combinations	-15.0	-15.0	-2.0	0.0	0.0	0.0
Proceeds from disposal	0.6	0.3	0.9	0.0	0.0	0.0
other financial assets	0.2	0.0	0.0	0.0	0.0	0.0
<b>Cash-flow from investing activities</b>	<b>-30.7</b>	<b>-19.7</b>	<b>-10.9</b>	<b>-12.2</b>	<b>-13.0</b>	<b>-13.8</b>
Acquisition of treasury shares or issued capita	-0.6	-0.8	-0.4	0.0	0.0	0.0
Payments on dividends	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Lease payments	-2.8	-3.8	-3.8	-3.8	-3.8	-3.8
Financial liabilities (Paid)/ Received	8.3	14.3	0.0	0.0	0.0	0.0
Loans and financial lease received	19.4	22.9	0.0	0.0	0.0	0.0
Other financial liability received	1.4	6.6	0.0	0.0	0.0	0.0
Loans and lease payment	-11.7	-15.2	0.0	0.0	0.0	0.0
Other financial liability payment	-0.8	0.0	0.0	0.0	0.0	0.0
<b>Cash-flows from financing activities</b>	<b>4.8</b>	<b>9.7</b>	<b>-4.2</b>	<b>-3.8</b>	<b>-3.9</b>	<b>-3.9</b>
Effects of foreign exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Changes in cash and cash equivalents	-3.4	8.7	1.0	11.9	18.6	27.7

Source: BNP Paribas Exane estimates

## Investment case, valuation and risks

### Reig Jofre

#### **Investment case**

Reig Jofre is a Spanish pharma company, founded in 1929 by the Reig Jofre family. Listed since its reverse merger with Natraceutical (2015), RJF splits its activity into 3 divisions: pharma technologies (lyophilised injectables and manufacturing of antibiotics), specialty pharma (mainly derma and osteoarticular) and consumer and healthcare products. We expect 9% sales CAGR22-25e, with a strong contribution from the pharma technology division after the major investment plan. We expect margin expansion of c380bp by 2025e, supported by tapering investments, despite the lack of contribution of the Janssen vaccine.

#### **Valuation methodology**

We approach the valuation through multiple methods: A global DCF and a SOTP using different EV/sales multiples per each business

#### **Risks**

##### *To the upside:*

An acceleration of the increase in capacity utilisation will have a positive impact in sales and EBITDA. The possibility of seeing an increase in antibiotic prices would also be a strong catalyst.

##### *To the downside:*

A slower recovery in margin than initially expected due to lower utilisation rates or negative business mix will impact our mid-term estimates.

# DISCLOSURE APPENDIX

## Analyst Certification

I, Francisco Ruiz, (authors of or contributors to the report) hereby certify that all of the views expressed in this report accurately reflect my personal view(s) about the company or companies and securities discussed in this report. No part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views expressed in this research report.

## Non-US Research Analyst Disclosure

The research analysts at Exane SA (including its branches in the United Kingdom, the European Economic Area or Switzerland) named below were involved in preparing this research report. They are not associated persons of BNP Paribas Securities Corp. and thus they are not registered or qualified in the U.S. as research analysts with the Financial Industry Regulatory Authority (FINRA) or the New York Stock Exchange (NYSE). These non-U.S. analysts are not subject to FINRA Rule 2241 concerning communications with a subject company, public appearances and trading securities held by a research analyst account.

Francisco Ruiz      Exane SA Madrid  
branch

## BNP Paribas SA and Exane SA Affiliates Involved in Preparation of the Research Report

Exane SA is authorised by the Autorité de contrôle prudentiel et de résolution (“ACPR”) and regulated by the Autorité des Marchés Financiers (“AMF”) in France.

Exane SA branches based in the European Economic Area are authorized by the ACPR and regulated by the local relevant regulator.

Exane SA Geneva Branch is authorized and regulated by the Swiss Financial Market Supervisory Authority (“FINMA”)

Exane SA, London Branch is deemed authorised and regulated by the Financial Conduct Authority. Details of the Financial Services Contracts Regime, which allows EEA-based firms to operate in the UK for a limited period to carry on activities which are necessary for the performance of pre-existing contracts, are available on the Financial Conduct Authority’s website.

BNP Paribas Securities Corp. is regulated by FINRA (CRD# 15794) and the Securities and Exchange Commission in the United States.

## Research Analyst Compensation

The research analyst(s) responsible for the preparation of this report receive(s) compensation based upon various factors including overall firm revenues, which may include investment banking activities and/or sales and trading activities.

## Sponsored Research

The subject Company of this Research report has commissioned Exane to cover its stock and, consequently, Exane has received compensation from the Company for the preparation and dissemination of this research report.

## Research Analyst-Specific Disclosures

The research analyst(s) responsible for the preparation of this report (or members of their household) may have a relationship with the companies covered by this research report, as described in the numbered disclosures below. The table immediately below indicates which, if any, of these disclosures apply to the research analyst(s) responsible for preparation of this research report.

Research Analyst(s)	Companies	Disclosures
NONE		

1 – The research analyst(s) responsible for the preparation of this report or a member of his/her household has/have a financial interest in the securities of the subject company/ies, as indicated in the previous table.

2 – The research analyst(s) responsible for the preparation of this report or a member of his/her household serve(s) as an officer, director or advisory board member of the subject company/ies indicated in the previous table.

3 – The research analyst(s) responsible for the preparation of this report received compensation from the subject company/ies indicated in the previous table in the past twelve months.

## Exane-Specific Regulatory Disclosures

Exane SA (including Exane SA branches, based in the United Kingdom, in the European Economic Area and in Switzerland), (collectively, "Exane") has relationships with many companies. The numbered disclosures below identify relationships that Exane has with the company(ies) that are the subject of this research report and that must be disclosed under applicable rules.

Companies	Disclosures
Reig Jofre	6; 12; 13

- 1 – Exane beneficially owns 1% or more of a class of common equity securities of the subject company/ies.
- 2 – Exane managed or co-managed an offering of securities for the subject company/ies in the past 12 months.
- 3 – Exane received compensation for investment banking services from the subject company/ies in the past 12 months.
- 4 – Exane expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the next 3 months.
- 5 – Exane is a market maker and/or liquidity provider in the securities of the subject company/ies.
- 6 – Exane, received compensation for products and services other than investment banking services from the subject company/ies in the past 12 months.
- 7 – Exane had an investment banking, client relationship with the subject company/ies in the last 12 months.
- 8 – Exane had a non-investment banking securities services, client relationship with the subject company/ies in the last 12 months.
- 9 – Exane had a non-securities services, client relationship with the subject company/ies in the last 12 months.
- 10 – Exane beneficially owns at least 0.5% long or short position of the subject company/ies.
- 11 – Exane received compensation from a Private Equity firm to carry out a bespoke work related to the subject company/ies in the past 12 months.
- 12 – Exane received or expects to receive compensation for non-investment banking services from the subject company/ies in the past 12 months or in the next 3 months
- 13 – Sections of this report, with the research summary, target price and rating removed, have been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements.
- 14 – Following the presentation of sections of this report to this subject company, some conclusions were amended.
- 15 – A member for Exane senior management is a member of the Board of the issuer.

## BNP Paribas-related disclosures

BNP Paribas SA (including BNP Paribas SA branches and affiliates and BNP Paribas Securities Corp.), (collectively, "BNPP") has relationships with many companies. The numbered disclosures below identify relationships that BNPP has with the company(ies) that are the subject of this research report and that must be disclosed under applicable rules.

Companies	Disclosures
NONE	

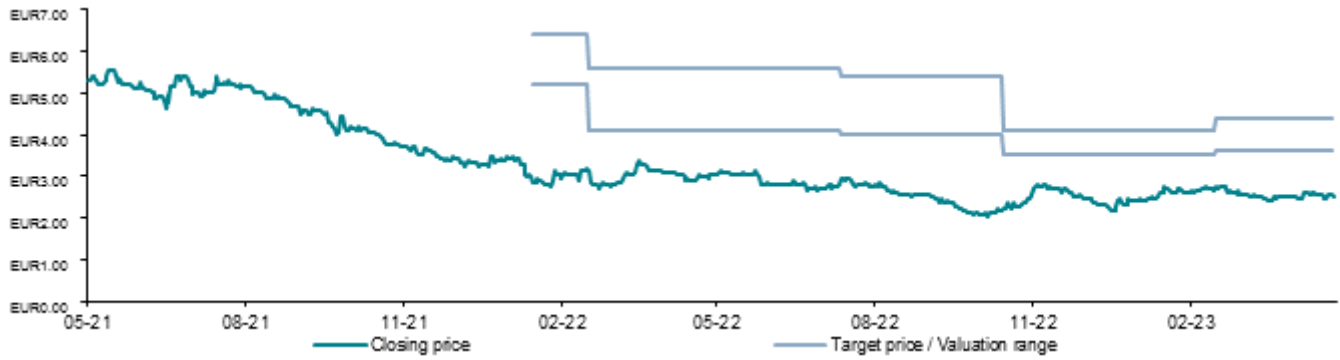
- 1 – BNPP beneficially owns 1% or more of a class of common equity securities of the subject company/ies.
- 2 – BNPP managed or co-managed an offering of securities for the subject company/ies in the past 12 months.
- 3 – BNPP received compensation for investment banking services from the subject company/ies in the past 12 months.
- 4 – BNPP expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the next 3 months.
- 5 – BNPP is a market maker and/or liquidity provider in the securities of the subject company/ies. BNPP is willing to sell to and/or buy from clients, the common equity of the subject company/ies on a principal basis.
- 6 – BNPP, received compensation for products and services other than investment banking services from the subject company/ies in the past 12 months.
- 7 – BNP Paribas Securities Corp. had an investment banking, client relationship with the subject company/ies in the last 12 months.
- 8 – BNP Paribas Securities Corp. had a non-investment banking securities services, client relationship with the subject company/ies in the last 12 months.
- 9 – BNP Paribas Securities Corp. had a non-securities services, client relationship with the subject company/ies in the last 12 months.
- 10 – BNPP beneficially owns at least 0.5% long or short position of the subject company/ies.
- 11 – BNPP received compensation from a Private Equity firm to carry out a bespoke work related to the subject company/ies in the past 12 months.
- 12 – Sections of this report, with the research summary, target price and rating removed, have been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements.
- 13 – Following the presentation of sections of this report to this subject company, some conclusions were amended.
- 14 – A member for BNPP senior management is a member of the Board of the issuer.



## Price and Ratings Chart

### Reig Jofre

Historical closing price & target price (as of 08/05/2023)



Source: BNP Paribas Exane

### Historical rating & target price changes

The latest company-specific disclosures, valuation methodologies and investment case risks for all other companies covered by this document are available on <http://cube.exane.com/compliance>.

**LONDON**

Branch of Exane SA  
10 Harewood Avenue  
London NW1 6AA  
UK  
Tel: (+44) 207 039 9400  
Fax: (+44) 207 039 9440

**PARIS**

Exane SA  
6 Rue Ménars  
75002 Paris  
France  
Tel: (+33) 1 44 95 40 00  
Fax: (+33) 1 44 95 40 01

**FRANKFURT**

Branch of Exane SA  
Senckenberganlage 19  
60325 Frankfurt  
Germany  
Tel: (+49) 69 42 72 97 300  
Fax: (+49) 69 42 72 97 301

**MADRID**

Branch of Exane SA  
Calle Emilio Vargas, 4  
28043 Madrid  
Spain  
Tel: (+34) 91 114 83 00  
Fax: (+34) 91 114 83 01

**MILAN**

Branch of Exane SA  
Diamante Tower  
Piazza Lina Bo Bardi 3  
20124 Milan  
Italy  
Tel: (+39) 02 89 63 17 13  
Fax: (+39) 02 89 63 17 01

**STOCKHOLM**

Branch of Exane SA  
Hovslagargatan 3  
111 48 Stockholm  
Sweden  
Tel: (+46) 8 5663 9820  
Fax: (+46) 8 5063 9751

**NEW YORK**

BNP Paribas Securities Corp.  
787 Seventh Avenue  
New York, NY 10017  
USA  
Tel: (+1) 212 841 2000

**SAN FRANCISCO**

BNP Paribas Securities Corp.  
201 Mission Street  
San Francisco, CA 94105  
USA  
Tel: (+1) 212 634 4975

*All Exane research documents are available to all clients simultaneously on the Exane website (<http://cube.exane.com>). Most published research is also available via third-party aggregators such as Bloomberg, Refinitiv, Factset and Capital IQ. Exane is not responsible for the redistribution of research by third-party aggregators.*

**Important notice: Please refer to our complete disclosure notice and conflict of interest policy available on <http://cube.exane.com/compliance>**

This research is produced by one or more of EXANE SA (including Exane SA branches, based in the United Kingdom, in the European Economic Area and in Switzerland) and BNP Paribas Securities Corp. EXANE SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR") and regulated by the Autorité des Marchés Financiers ("AMF"). Exane SA branches based in the European Economic Area are authorized by the ACPR and regulated by the local relevant regulator. Exane SA Geneva Branch is authorized and regulated by the Swiss Financial Market Supervisory Authority ("FINMA"). Exane SA, London Branch is deemed authorised and regulated by the Financial Conduct Authority. Details of the Financial Services Contracts Regime, which allows EEA-based firms to operate in the UK for a limited period to carry on activities which are necessary for the performance of pre-existing contracts, are available on the Financial Conduct Authority's website.

BNP Paribas Securities Corp. is registered and regulated by the Financial Industry Regulatory Authority ("FINRA") and the U.S. Securities and Exchange Commission. In accordance with the requirements of Financial Conduct Authority COBS 12.2.3R and associated guidance, of article 313-20 of the AMF Règlement Général, and of FINRA Rule 2241, Exane's policy for managing conflicts of interest in relation to investment research is published on Exane's web site ([cube.exane.com](http://cube.exane.com)). Exane also follows the guidelines described in the code of conduct of the Association Française des Entreprises d'Investissement ("AFEI") on managing conflicts of interest in the field of investment research. This code of conduct is available on Exane's web site (<http://cube.exane.com>).

This research is solely for the private information of the recipients. All information contained in this research report has been compiled from sources believed to be reliable. However, no representation or warranty, express or implied, is made with respect to the completeness or accuracy of its contents, and it is not to be relied upon as such. Opinions contained in this research report represent BNPP's and/or Exane's current opinions on the date of the report only. BNPP and/or Exane are not soliciting an action based upon it, and under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy.

While BNPP and/or Exane endeavour to update its research reports from time to time, there may be legal and/or other reasons why BNPP and/or Exane cannot do so and, accordingly, BNPP and/or Exane disclaim any obligation to do so.

This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on this report and BNPP and/or Exane accept no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

(i) this research is intended for general circulation; (ii) this research does not take into account the specific investment objectives, financial situation or particular needs of any particular person; and (iii) advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the research, before the person makes a commitment to purchase the investment product.

This report may not be reproduced, distributed or published by any recipient for any purpose. Any United States person wishing to obtain further information or to effect a transaction in any security discussed in this report should do so only through BNP Paribas Securities Corp., which has distributed this report in the United States and, subject to the above, accepts responsibility for its contents.

For Institutional and Accredited Investors in Singapore who receive this report, please contact BNP Paribas, acting through its Singapore Branch (company registration number: S71FC2142G; address: 10 Collyer Quay, 34/F Ocean Financial Centre, Singapore 049315; tel: (65) 6210 1288; fax: (65) 6210 1980) for all matters and queries relating to this report.

BNPP has acquired VERNER INVESTISSEMENTS, the parent company of Exane. VERNER INVESTISSEMENTS is wholly owned and controlled by BNPP, which holds 100% of the share capital and voting rights of VERNER INVESTISSEMENTS.

## Company description

Reig Jofre is a Spanish Pharmaceutical company founded in 1929. Currently, the family Reig Jofre controls 62.7% and manages the company. RJF is a pharmaceutical company dedicated to the research, development, manufacture and marketing of pharmaceutical products and food supplements. Reig Jofre has 4 development and production centres; 1 in Barcelona, 2 in Toledo (Spain) and 1 in Malmo (Sweden), direct sales in 8 countries and 155 business partners in more than 70 countries around the globe. Around 45% of 2021 sales are in Spain, and another 37% in EU. RJF was the result of a reverse merger in 2015 with the listed company Natraceutical.

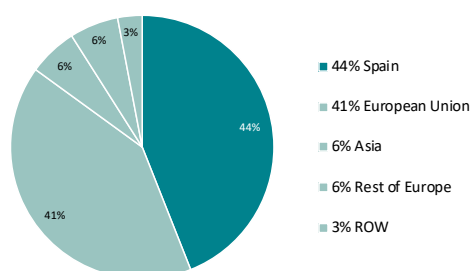
## Management

Ignasi Biosca Reig, CEO  
 Isabel Reig Lopez, Chairman  
 Roser Gomilla, CFO

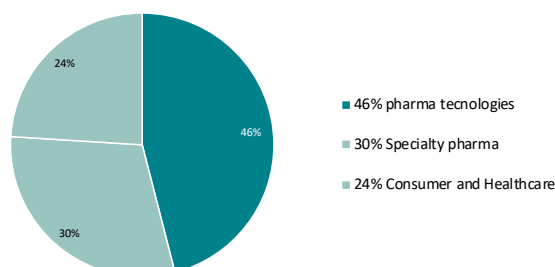
## Ownership structure

Reig Jofre Investments SL	62.7%
Kaizaharra Corporacion Empresarial SL	10.1%
Onchena, S.L.	5.5%

## 2022 sales by geography



## 2022 sales by product



## Analyst

Francisco Ruiz (+34) 91 114 83 06  
 francisco.ruiz@exanebnparribas.com

## Peer group YTD performance

Stock	Price (08 May 23)		YTD performance in EUR (%)	
			Abs.	Rel. Sector
Reig Jofre (SR)	EUR	2.50	15.6	4
Novartis (=)	CHF	93.7	15.6	4
UCB (+)	EUR	83.6	15.0	3
Evolus (+)	USD	8.9	14.9	3
Ipsen (=)	EUR	112.7	12.1	0.7
Sanofi (+)	EUR	100.3	11.6	0.2
AstraZeneca (+) *	p	11,922		(1)
GSK (=) *	p	1,462		(6)
Guerbet SA (SR)	EUR	17.0	0.5	(10)
Roche (+)	CHF	284.1	0.5	(10)
Almirall (=)	EUR	8.9	(1.5)	(12)
Merck KGaA (+)	EUR	161.4	(9.9)	(19)
AbbVie Inc (=)	USD	147.5	(10.7)	(20)
EUROAPI (+)	EUR	10.6	(23.3)	(31)
Organon & Co (+)	USD	21.8	(23.9)	(32)

\* Prices at 05 May 23

## Sector calendar

09 May 23	<b>Swedish Orphan</b> : AGM <b>Catalent Inc</b> : Q3 Earnings 2023 (12:00 CET) <b>Perrigo Company</b> : Q1 Results 2023 (12:00 CET) <b>Charles River L</b> : AGM (14:00 CET) <b>Exelixis Inc</b> : Q1 Earnings 2023 (22:00 CET) <b>Evolus</b> : EOLS US - Sales 2023 Q1 (22:30 CET) <b>Revance</b> : RVNC US - Results 2023 Q1 (22:30 CET)
10 May 23	<b>Rovi</b> : Q1 Results 2023 <b>H Lundbeck</b> : Q1 Results 2023 (07:45 CET) <b>Stryker Corp</b> : AGM (15:00 CET) <b>Genmab A/S</b> : Q1 Results 2023 (17:00 CET)
11 May 23	<b>EUROAPI</b> : AGM <b>Merck KGaA</b> : Q1 Results 2023 (07:00 CET) <b>Takeda Pharmace</b> : Annual Results 2022/23 (08:00 CET) <b>Charles River L</b> : Q1 Earnings 2023 (12:00 CET)
12 May 23	<b>Zimmer Holdings</b> : AGM (14:00 CET)
17 May 23	<b>Vertex Pharma</b> : AGM (15:00 CET)
19 May 23	<b>Amgen</b> : AGM (20:00 CET)
25 May 23	<b>Medtronic</b> : Q4 Results 2022/23 (12:45 CET) <b>Sanofi</b> : AGM (14:30 CET) <b>Illumina</b> : AGM (19:00 CET)
26 May 23	<b>Guerbet SA</b> : AGM
31 May 23	<b>Ipsen</b> : AGM <b>Exelixis Inc</b> : AGM (18:00 CET)
05 Jun. 23	<b>WuXi AppTec Co</b> : Ex & Div. Payment (0.80339CNY)
06 Jun. 23	<b>Davita</b> : AGM (18:00 CET)
09 Jun. 23	<b>Regeneron</b> : AGM (16:30 CET)
14 Jun. 23	<b>Biogen Idec</b> : AGM (15:00 CET)
15 Jun. 23	<b>Universal Displ</b> : AGM (16:00 CET)
19 Jun. 23	<b>Daiichi Sankyo</b> : AGM (03:00 CET)
20 Jun. 23	<b>Virbac</b> : AGM
18 Jul. 23	<b>Novartis</b> : Q2 Results 2023 (07:00 CET) <b>Swedish Orphan</b> : Q2 Results 2023 (08:00 CET) <b>Virbac</b> : Q2 Sales 2023 (17:45 CET)
20 Jul. 23	<b>Johnson &amp; Johns</b> : Q2 Earnings 2023 <b>Guerbet SA</b> : Q2 Revenues 2023 (17:45 CET)
21 Jul. 23	<b>Lonza</b> : H1 Results 2023 (07:00 CET)
24 Jul. 23	<b>Almirall</b> : H1 Results 2023

