

UK – Food Processing

November 3, 2023

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

## Mispriced – €1.00 per sh.!

- **Reiterating Investment Rating.** We are reiterating our BUY SPECULATIVE RISK on Rapid Nutrition PLC (ALRPD.PA) and we are raising our price objective to €1.00 from €0.10 per share based on fast revenue growth in 2023 and beyond. For the latest twelve months (LTM), total revenues are by approximately 66.0%. We note that the company's market expansion into China is moving ahead of our expectations. The company is gearing to showcase the *SystemLS* brand during the Double 11 sales via Alibaba Group Holdings, Inc. (9988.HK) T-Mall and both ByteDance Ltd. *TikTok* and *Douyin* e-commerce and livestream platforms. This is meaningful, and we expect this strategy to lead to strong market penetration in China, strong revenue growth, and strong acceptance among customers in China.
- **Market Expansion.** In another note, the company is expected to announce further plan to expand into Asia, especially into Japan and South Korea where the market size for herbal product is approximately \$12-15 billion annually.
- **Valuation.** Rapid Nutrition PLC (ALRPD.PA) currently trades at a substantial discount relative to the peer group. Given the expectations for faster revenue growth this year and beyond and based on the recent revenue growth of approximately 66.0% as of the latest twelve months (LTM); we believe a premium is warranted, hence our raised price objective to €1.00 per share from €0.10 per share.
- The company is mispriced and is now at a good entry point. We strongly view the current dilution from the recent conversion of convertible notes to shares as undemanding given the expected revenue growth, market expansion, and management strategy beyond 2023.

Earnings/Share	Mar.	Jun.	Sep.	Dec.	Year	P/E Ratio
	2022	\$-	\$-	\$-	\$-	\$0.002
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	3,693.3 MM	ROE (LTM)	N/A%
Market Capitalization	€0.4 M	Debt to Total Cap.	N/A%
Floating Market Cap.	€0.4 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: €0.0001

N100: 1,316.95

CAC40: 7,060.69

ALASI\*: 917.20

\*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% up from our previous estimates of 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	\$2,956.6	\$3,541.2	\$3,982.8	\$4,337.7	\$4,613.8
Gross Profit	1,956.3	2,149.8	2,018.5	2,270.2	2,472.5	2,629.9
EBITDA (Adj.)	361.3	855.5	779.1	876.2	954.3	1,015.0
Net Income	238.1	264.1	624.6	721.7	799.8	860.6
EPS	\$0.01	\$0.001	\$0.002	\$0.002	\$0.002	\$0.002
EBITDA per share	\$0.008	\$0.002	\$0.002	\$0.003	\$0.003	\$0.003
CFPS	\$0.009	\$0.001	\$0.002	\$0.003	\$0.003	\$0.003
<b>Profit &amp; Loss Statement</b>						
Revenues	\$1,088.7	\$1,144.7	\$1,412.6	\$1,663.6	\$1,908.7	\$2,133.1
Closing Inventory	298.2	171.4	174.0	176.6	179.2	181.0
Total Revenue	\$3,001.8	\$2,956.6	\$3,541.2	\$3,982.8	\$4,337.7	\$4,613.8
Operating Expenses	1,045.5	806.8	1,522.7	1,712.6	1,865.2	1,983.9
Gross Profit	1,956.3	2,149.8	2,018.5	2,270.2	2,472.5	2,629.9
SG&A	1,594.9	1,294.3	1,239.4	1,394.0	1,518.2	1,614.8
EBITDA (Adj.)	\$361.3	\$855.5	\$779.1	\$876.2	\$954.3	\$1,015.0
EBIT	238.1	264.1	624.6	721.7	799.8	860.6
Net Int. Exp.	-	-	-	-	-	-
PBT	\$238.1	\$264.1	\$624.6	\$721.7	\$799.8	\$860.6
Income Tax	-	-	-	-	-	-
Net Inc. from Op.	\$238.1	\$264.1	\$624.6	\$721.7	\$799.8	\$860.6
<b>Cash Flow</b>						
Net Income	\$238.1	\$264.1	\$624.6	\$721.7	\$799.8	\$860.6
Other	(510.5)	(1,565.3)	(495.5)	(496.0)	(496.5)	(497.0)
Cash From Operations	(\$272.4)	(\$1,301.2)	\$129.1	\$225.7	\$303.3	\$363.5
Capital Expenditures	11.2	-	(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
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	\$29.1	\$125.7	\$203.3	\$3,486.6
<b>Balance Sheet</b>						
Cash	\$77.5	\$236.1	\$265.2	\$390.9	\$594.2	\$3,564.1
Total Assets	305.1	999.7	236.8	863.5	1,578.3	1,578.3
Total Debt	730.1	(121.8)	(206.8)	(291.8)	(376.8)	(376.8)
Shareholders' Equity	(909.8)	(655.7)	(41.1)	670.6	1,470.4	1,470.4
<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%	72.7%	57.0%	57.0%	57.0%	57.0%
EBITDA Margin	12.0%	28.9%	22.0%	22.0%	22.0%	22.0%
Operating Margin	6.9%	25.0%	17.6%	18.1%	18.4%	18.7%

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



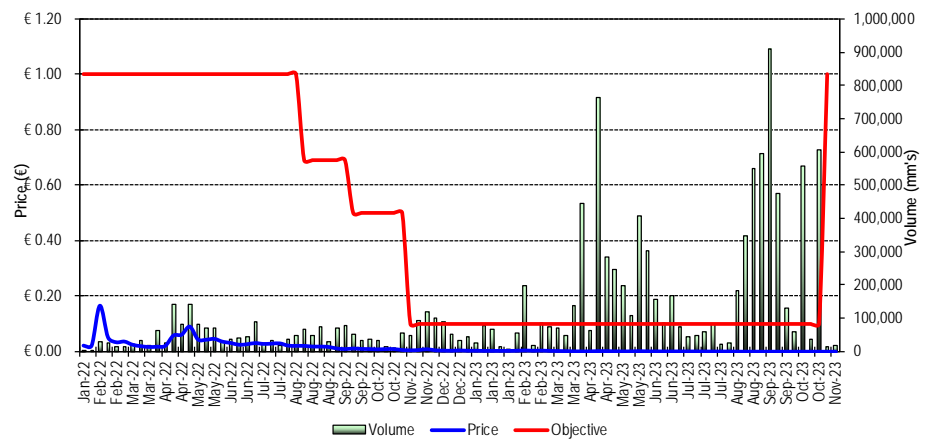
## Company Description

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...!



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

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