

# Cantourage Group SE

Health Care / Pharma - Germany



**Buy** (old: Buy)

21.11.2023

**EUR 11.00** (old: EUR 12.50)

## Continued strong growth in Q3; chg.

**Topic:** Cantourage reported Q3 figures with significant sales growth and notable EBITDA improvements. The planned abolishment of the narcotic drug status of medical cannabis in Q1 2024e should further drive patient numbers and sales growth going forward.

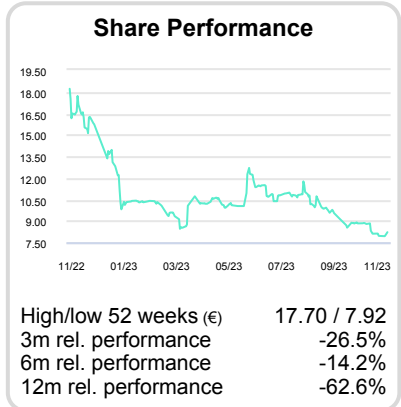
**Q3 sales grew by 79% yoy to € 6.1m** (9M: +85% yoy to € 17.2m). At the same time, **EBITDA came in at € -0.6m** (9M: € 0.4m EBITDA loss), a notable improvement compared to last year's figure (€ -1.2m). The discrepancy to our old Q3 estimates (€ 7.3m sales and EBITDA break-even) was driven by delays in the approval of new production facilities, which offer significantly higher throughput rates but also weaker demand at the beginning of the quarter.

The **confirmed FY23 guidance** (high double-digit percentage sales growth while reaching EBITDA break-even) points towards **continued strong growth as well as further significant EBITDA improvement during Q4**. Above all, this should be carried by the ongoing ramp-up, i.e. a gradually increasing number of fully onboarded cultivators having a product deployed at pharmacies.

**Regulatory tailwinds to materialize towards the end of Q1 2024e.** Medical cannabis is still a fairly young market in Germany (approved for therapeutic purposes since 2017), which still records low adoption rates amongst suitable patients, largely as a result of complex prescription processes that potential patients have to go through. With the "Cannabis Act", which should become effective towards the end of Q1 2024 (eNuW), this should materially change as getting a prescription for cannabis should become as easy as getting one for ibuprofen 600. Through this, medical cannabis could also become part and benefit from the German e-script universe, which just launched in July this year.

**Cantourage should be well prepared to benefit from this** thanks to its broad global supplier network with more than 60 grower partners, its own telemedicine platform, telecan°, and a growing distribution network across Europe. The company looks set to grow sales at a 59% CAGR (2022-25e) while at the same time reaching a high single-digit EBITDA margins thanks to the resulting operating leverage.

**Reiterate BUY with a new € 11 PT** (old: € 12.5) based on DCF.



### Market data

Share price (in €)	8.20
Market cap (in € m)	102.1
Number of shares (in m pcs)	12.5
Enterprise value (in € m)	104.7
Ø trading volume (6 months)	5,080

### Identifier

Bloomberg	HIGH GR
Reuters	HIGH.DE
WKN	A3DSV0
ISIN	DE000A3DSV01

### Key shareholders

Management & Founders	71.6%
Other institutional investors	12.7%
Free Float	15.7%

### Estimates changes

	2023e	2024e	2025e
Sales	-20%	-21%	-22%
EBIT	-175%	-52%	-32%
EPS	-175%	-52%	-32%

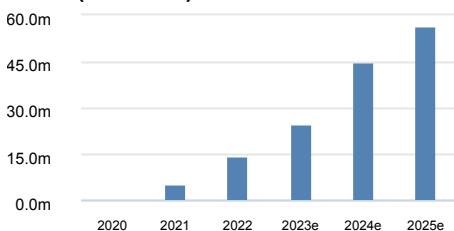
### Comment on changes

- We lower our FY23 sales estimates to account for delayed approval of the new production site

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	0.5	5.2	14.2	24.7	45.0	56.9
Sales growth	n.a.	884.2%	171.7%	74.3%	82.2%	26.4%
EBITDA	-0.6	-0.8	-2.0	0.2	2.0	4.9
Net debt (if net cash=0)	2.6	2.6	2.6	2.6	-1.9	-3.6
FCF	-1.2	-2.0	-3.3	-0.2	-0.1	1.7
Net Debt/EBITDA	-4.7	-3.2	-1.3	11.1	0.0	0.0
EPS pro forma	-0.05	-0.08	-0.18	-0.01	0.07	0.23
EBITDA margin	-104.7%	-15.8%	-14.1%	1.0%	4.5%	8.6%
ROCE	-44.4%	-14.0%	-17.9%	-1.0%	9.8%	26.1%
EV/sales	197.6	20.1	14.4	4.2	2.2	1.7
EV/EBITDA	-188.7	-127.1	-102.1	445.7	50.0	20.1
PER	-174.0	-105.5	-44.6	-752.3	109.6	36.1
Adjusted FCF yield	-0.6%	-0.9%	-1.1%	-0.1%	0.9%	2.9%

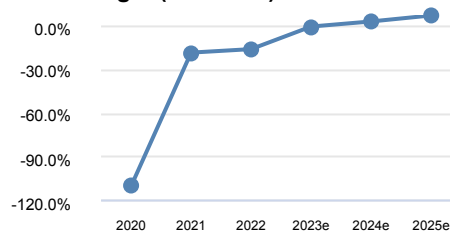
Source: Company data, NuWays, Close price as of 20.11.2023

### Sales (2020-25e)



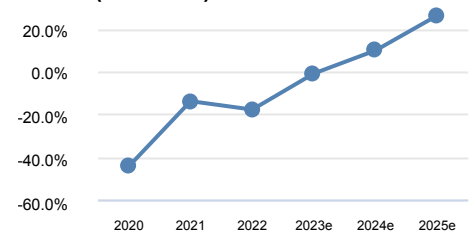
Source: NuWays Research

### EBIT margin (2020-25e)



Source: NuWays Research

### ROCE (2020-25e)



Source: NuWays Research

### Company description

Cantourage wants to revolutionize the German medical cannabis market for the benefit of patients. It enables cultivators from around the world to offer their products in Europe, one of the fastest growing cannabis markets in the world.

### Guidance

- 2023 sales: High double-digit percentage growth
- 2023 EBITDA: At least break-even

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Sales</b>	<b>0.5</b>	<b>5.2</b>	<b>14.2</b>	<b>24.7</b>	<b>45.0</b>	<b>56.9</b>
Sales growth	n.a.	884.2%	171.7%	74.3%	82.2%	26.4%
Cost of sales	0.4	3.4	10.6	17.0	29.7	35.8
<b>Gross profit</b>	<b>0.1</b>	<b>1.8</b>	<b>3.6</b>	<b>7.7</b>	<b>15.3</b>	<b>21.1</b>
Sales and marketing	0.0	0.0	0.0	0.0	0.2	0.3
General and administration	0.3	0.9	3.3	5.3	9.2	11.4
Research and development	0.0	0.0	0.7	1.2	2.3	2.8
Other operating income	0.0	0.0	0.1	0.1	0.2	0.3
Other operating expenses	0.3	1.7	1.7	1.1	1.8	2.0
<b>Total operating expenses</b>	<b>0.7</b>	<b>2.7</b>	<b>5.6</b>	<b>7.5</b>	<b>13.3</b>	<b>16.2</b>
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-2.0</b>	<b>0.2</b>	<b>2.0</b>	<b>4.9</b>
Depreciation	0.0	0.1	0.3	0.4	0.7	0.9
<b>EBITA</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-0.1</b>	<b>1.3</b>	<b>4.0</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-0.1</b>	<b>1.3</b>	<b>4.0</b>
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.0	0.0	0.0	0.0	0.0	0.0
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	0.0	0.0	0.0	0.0	0.0	0.0
<b>Recurring pretax income from continuing operations</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-0.1</b>	<b>1.3</b>	<b>4.0</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-0.1</b>	<b>1.3</b>	<b>4.0</b>
Income tax expense	0.0	0.0	0.0	0.0	0.4	1.2
<b>Net income from continuing operations</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-0.1</b>	<b>0.9</b>	<b>2.8</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-0.1</b>	<b>0.9</b>	<b>2.8</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-0.1</b>	<b>0.9</b>	<b>2.8</b>
Average number of shares	0.0	0.0	12.5	12.5	12.5	12.5
<b>EPS reported</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-0.18</b>	<b>-0.01</b>	<b>0.07</b>	<b>0.23</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Cost of sales	80.9%	64.9%	74.6%	68.8%	66.0%	62.9%
<b>Gross profit</b>	<b>19.1%</b>	<b>35.1%</b>	<b>25.4%</b>	<b>31.2%</b>	<b>34.0%</b>	<b>37.1%</b>
Sales and marketing	0.0%	0.0%	0.0%	0.0%	0.5%	0.5%
General and administration	64.7%	18.2%	23.0%	21.3%	20.5%	20.0%
Research and development	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%
Other operating income	0.0%	0.0%	0.5%	0.5%	0.5%	0.5%
Other operating expenses	59.1%	32.8%	12.0%	4.5%	4.0%	3.5%
<b>Total operating expenses</b>	<b>123.8%</b>	<b>50.9%</b>	<b>39.5%</b>	<b>30.2%</b>	<b>29.5%</b>	<b>28.5%</b>
<b>EBITDA</b>	<b>-104.7%</b>	<b>-15.8%</b>	<b>-14.1%</b>	<b>1.0%</b>	<b>4.5%</b>	<b>8.6%</b>
Depreciation	6.0%	2.8%	2.0%	1.5%	1.5%	1.5%
<b>EBITA</b>	<b>-110.8%</b>	<b>-18.6%</b>	<b>-16.1%</b>	<b>-0.5%</b>	<b>3.0%</b>	<b>7.1%</b>
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>-110.8%</b>	<b>-18.6%</b>	<b>-16.1%</b>	<b>-0.5%</b>	<b>3.0%</b>	<b>7.1%</b>
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Recurring pretax income from continuing operations</b>	<b>-110.8%</b>	<b>-18.6%</b>	<b>-16.1%</b>	<b>-0.5%</b>	<b>3.0%</b>	<b>7.1%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>-110.8%</b>	<b>-18.6%</b>	<b>-16.1%</b>	<b>-0.5%</b>	<b>3.0%</b>	<b>7.1%</b>
Tax rate	0.0%	0.0%	0.0%	0.0%	30.0%	30.0%
<b>Net income from continuing operations</b>	<b>-110.8%</b>	<b>-18.6%</b>	<b>-16.1%</b>	<b>-0.5%</b>	<b>2.1%</b>	<b>5.0%</b>
<b>Net income</b>	<b>-110.8%</b>	<b>-18.6%</b>	<b>-16.1%</b>	<b>-0.5%</b>	<b>2.1%</b>	<b>5.0%</b>
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>-110.8%</b>	<b>-18.6%</b>	<b>-16.1%</b>	<b>-0.5%</b>	<b>2.1%</b>	<b>5.0%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	0.1	8.3	8.3	8.3	8.3	8.3
Property, plant and equipment	0.1	0.4	2.2	3.7	5.3	6.7
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>FIXED ASSETS</b>	<b>0.2</b>	<b>8.7</b>	<b>10.5</b>	<b>12.0</b>	<b>13.6</b>	<b>15.0</b>
Inventories	0.5	1.1	1.8	2.1	3.8	4.7
Accounts receivable	0.1	1.3	1.9	2.0	3.7	4.7
Other assets and short-term financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Liquid assets	1.0	2.1	2.2	2.0	1.9	3.6
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>1.6</b>	<b>4.5</b>	<b>5.9</b>	<b>6.1</b>	<b>9.4</b>	<b>13.0</b>
<b>TOTAL ASSETS</b>	<b>1.8</b>	<b>13.1</b>	<b>16.4</b>	<b>18.1</b>	<b>22.9</b>	<b>28.0</b>

<b>SHAREHOLDERS EQUITY</b>	<b>1.6</b>	<b>11.9</b>	<b>13.0</b>	<b>12.8</b>	<b>13.8</b>	<b>16.6</b>
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	0.0	0.2	0.2	0.2	0.2	0.2
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.1	0.7	2.9	4.7	8.6	10.9
Advance payments received on orders	0.0	0.2	0.2	0.2	0.2	0.2
Other liabilities (incl. from lease and rental contracts)	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>0.1</b>	<b>0.9</b>	<b>3.1</b>	<b>4.9</b>	<b>8.8</b>	<b>11.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>1.8</b>	<b>13.1</b>	<b>16.4</b>	<b>18.1</b>	<b>22.9</b>	<b>28.0</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	7.3%	63.2%	50.5%	45.8%	36.1%	29.6%
Property, plant and equipment	3.8%	2.8%	13.5%	20.4%	23.0%	23.9%
Financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>FIXED ASSETS</b>	<b>11.1%</b>	<b>66.0%</b>	<b>64.0%</b>	<b>66.2%</b>	<b>59.2%</b>	<b>53.4%</b>
Inventories	25.8%	8.2%	10.8%	11.4%	16.4%	16.9%
Accounts receivable	8.2%	9.8%	11.8%	11.2%	16.2%	16.7%
Other assets and short-term financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquid assets	54.8%	15.9%	13.3%	11.1%	8.3%	12.9%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>88.9%</b>	<b>34.0%</b>	<b>36.0%</b>	<b>33.8%</b>	<b>40.8%</b>	<b>46.6%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>90.7%</b>	<b>90.6%</b>	<b>79.1%</b>	<b>71.0%</b>	<b>60.1%</b>	<b>59.2%</b>
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.2%	1.4%	1.1%	1.0%	0.8%	0.6%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	7.4%	5.5%	17.8%	26.2%	37.7%	38.9%
Advance payments received on orders	0.0%	1.2%	0.9%	0.9%	0.7%	0.5%
Other liabilities (incl. from lease and rental contracts)	1.0%	0.3%	0.2%	0.2%	0.1%	0.1%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>8.4%</b>	<b>6.9%</b>	<b>18.9%</b>	<b>27.2%</b>	<b>38.5%</b>	<b>39.6%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	-0.6	-1.0	-2.3	-0.1	0.9	2.8
Depreciation of fixed assets (incl. leases)	0.0	0.1	0.3	0.4	0.7	0.9
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities	-1.0	-1.7	-1.4	1.3	1.5	3.1
Increase/decrease in inventory	0.0	-0.6	-0.7	-0.3	-1.7	-1.0
Increase/decrease in accounts receivable	-0.6	-1.1	-0.7	-0.1	-1.7	-1.0
Increase/decrease in accounts payable	0.1	1.1	2.2	1.8	3.9	2.3
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-0.4	-0.7	0.8	1.4	0.5	0.3
<b>Cash flow from operating activities</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-1.2</b>	<b>1.7</b>	<b>2.1</b>	<b>4.0</b>
CAPEX	0.2	0.5	2.1	1.9	2.3	2.3
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-0.2</b>	<b>-0.5</b>	<b>-2.1</b>	<b>-1.9</b>	<b>-2.3</b>	<b>-2.3</b>
Cash flow before financing	-1.2	-2.0	-3.3	-0.2	-0.1	1.7
Increase/decrease in debt position	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	1.2	3.0	3.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>1.2</b>	<b>3.0</b>	<b>3.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	0.0	1.0	0.2	-0.2	-0.1	1.7
<b>Liquid assets at end of period</b>	<b>1.0</b>	<b>2.0</b>	<b>2.2</b>	<b>2.0</b>	<b>1.9</b>	<b>3.6</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	n.a.	884.2%	171.7%	74.3%	82.2%	26.4%
EBITDA growth	n.a.	48.5%	143.3%	-128.5%	753.8%	144.2%
EBIT growth	n.a.	64.9%	136.4%	-86.0%	-1080.4%	204.1%
EPS growth	n.a.	n.a.	n.a.	n.a.	-786.3%	204.1%
<b>Efficiency</b>						
Sales per employee	70.7	289.8	566.9	633.6	947.8	2,276.2
EBITDA per employee	n.a.	n.a.	n.a.	6.0	42.2	196.0
No. employees (average)	8	18	25	39	48	25
<b>Balance sheet analysis</b>						
Avg. working capital / sales	89.0%	14.4%	3.9%	1.4%	-0.8%	-2.2%
Inventory turnover (sales/inventory)	1.2	4.8	8.0	12.0	12.0	12.0
Accounts receivable turnover	100.5	89.9	50.0	30.0	30.0	30.0
Accounts payable turnover	111.9	77.5	75.0	70.0	70.0	70.0
<b>Cash flow analysis</b>						
Free cash flow	-1.2	-2.0	-3.3	-0.2	-0.1	1.7
Free cash flow/sales	-219.2%	-38.3%	-23.2%	-0.7%	-0.2%	3.0%
FCF / net profit	198.0%	206.6%	143.6%	124.2%	neg.	60.8%
Capex / sales	30.2%	9.3%	15.0%	7.5%	5.0%	4.0%
<b>Solvency</b>						
Net debt	2.6	2.6	2.6	2.6	-1.9	-3.6
Net Debt/EBITDA	-4.7	-3.2	-1.3	11.1	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Returns</b>						
ROCE	-44.4%	-14.0%	-17.9%	-1.0%	9.8%	26.1%
ROE	-36.5%	-8.2%	-17.6%	-1.1%	6.8%	17.1%
Adjusted FCF yield	-0.6%	-0.9%	-1.1%	-0.1%	0.9%	2.9%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	n.a.	n.a.	-0.18	-0.01	0.07	0.23
Average number of shares	0.0	0.0	12.5	12.5	12.5	12.5
<b>Valuation ratios</b>						
P/BV	63.5	8.6	7.9	8.0	7.4	6.2
EV/sales	197.6	20.1	14.4	4.2	2.2	1.7
EV/EBITDA	-188.7	-127.1	-102.1	445.7	50.0	20.1
EV/EBIT	-178.4	-108.2	-89.4	-771.5	75.3	24.3

Source: Company data, NuWays

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Company	Disclosures
Cantourage Group SE	2

### Historical target price and rating changes for Cantourage Group SE

Company	Date	Analyst	Rating	Target Price	Close
Cantourage Group SE	19.05.2023	Sandherr, Christian	Buy	EUR 12.00	EUR 9.91
	14.04.2023	Sandherr, Christian	Hold	EUR 12.00	EUR 10.04
	20.12.2022	Sandherr, Christian	Hold	EUR 18.00	EUR 15.80

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