

PUBLICATIONS

19 April 2022

SVAS BIOSANA

FY2021 (+)

(Company press release)

Beyon expectations

SVAS Biosana released its 2021 consolidated results that rose above expectations.

The company is specialized in the production and distribution of medical devices in Italy and Eastern Europe.

As already reported in the preliminary results, Sales went up by 6.6% to €81.1m, mainly driven by Mark Medical division (+18.4% yoy). The latter, which is the division responsible of distributing leading companies' products in Eastern Europe, is benefitting from an increasing demand in the Balkans regions, where the healthcare system is currently undergoing rapid development.

The increase in raw materials and energy prices was fully offset by three main factors: (i) Increased sales volumes, driven by the renewed increase in demand of advanced surgical devices in Eastern Europe, after the Covid's decline, (ii) major focus on more specialised, higher value-added and higher margin products and (iii) Increased efficiency thanks to new production machines, which minimized energy and material waste.

As a result, the 2021 EBITDA margin has increased to 13.1% (vs. 12.6% estimated) and 2021 EPS has increased to €0.56 (vs. €0.51 estimated).

The strong operating performance and the €20m raised with the IPO have reduced net leverage to 1.6x (as estimated).

The group has also launched an 18-month share buyback programme of up to €2m, to support the stock's growth.

Given this strong performance, we continue to be positive regarding the company's prospects. We believe that it will be able to further increase its sales volumes, thanks to the SVAS and Mark Medical divisions, which benefit from the strong reputation of the medical device brands they resell. We also believe that SVAS will continue to focus on specialised products (surgical kits, advanced medical devices), with high margins, which will allow it to fully offset the surge in raw material prices and keep the 2022 EBITDA margin at 2021's level. From 2023 onwards, with prices returning to normal, we expect the EBITDA margin to climb to approximately 14%.

Based on these assumptions, we have adjusted our 2022 EBITDA margin estimates to 13.2% (vs. 12.7%) and 2022 EPS to €0.68 (vs. €0.64).

Buy, TP of €16.4 (vs €16.1) - Simone Mieli : +33 1 78 95 71 67

Market Data

Industry	Medical devices
Share Price (€)	12.7
Market Cap (€M)	71.1
Market Segment	Euronext Growth Milan
Bloomberg	SVS-IM

Ownership structure

U. Perillo	43.8%
D. A. Perillo	6.3%
Floating	8.2%
Belforte Srl	5.5%
Floating	32.9%

€M (31/12)	2020	2021	2022e	2023e
Sales (€M)	76.0	81.1	87.0	92.3
<i>Growth</i>	3.4%	6.6%	7.3%	6.1%
EBIT	5.1	5.8	6.6	8.0
<i>Op. Margin(%)</i>	6.7%	7.1%	7.5%	8.7%
Net income	2.5	3.2	3.8	4.9
EPS €	0.63	0.56	0.68	0.87
<i>EPS growth</i>	1.2%	-10.1%	20.3%	28.3%
Dividend	0.00	0.00	0.00	0.00
<i>Yield (%)</i>	0.0%	0.0%	0.0%	0.0%
FCF	1.4	1.8	2.4	4.5
ROCE	6.4%	6.9%	7.7%	9.2%
EV/Sales (x)			1.0	1.0
VE/EBIT (x)			13.4	11.0
PE (x)			18.7	14.6
Net Debt	37.1	17.0	14.6	10.1
<i>Gearing</i>	134%	33%	27%	17%

Estimations TP ISalesP Midcap Midcap Partners estimates
* av. amort. Acquisitions

Upcoming event :

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1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests

Company	Conflict Type
PORTOBELLO	E,G
VIRBAC	NIL
AUBAY	G
KAUFMAN & BROAD	NIL
SVAS BIOSANA	G

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- B. The Issuer holds more than 5% of the total issued share capital of Midcap or any related legal entity;
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