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Sector: Health Care
Bloomberg code: BMX PW
Price: PLN 30.70
12M EFV: PLN 37.3 (-)

Market Cap: USD 38.8 m
Av. daily turnover: USD 0.05 m
12M range: 25.40-55.00 PLN
Free float: 73%

BioMaxima

BioMaxima is a Polish producer of preparations and equipment for laboratory diagnostics. The Company is also a distributor of products of renowned global diagnostics companies such as Nova Biomedical or Accelerate Diagnostics. For several years the Company has been implementing the strategy of increasing the share of more profitable own products in total sales. BioMaxima supplies over 2,000 diagnostic laboratories in Poland as well as it exports its products to 60 countries on four continents.

In Poland the IVD (*in vitro* diagnostics) expenditure per capita averages EUR 10 which is significantly less than in CEE countries such as: Lithuania, Latvia, Estonia, Slovakia (>EUR 14), and below the EU average (EUR 20). This implies a vast room for the IVD market development in Poland to be driven by growing importance of the research in prevention and treatment. Moreover, the CEE industrial microbiology market growth rate should be double-digit driven mainly by (i) the requirement of the food industry to adjust to EU regulations and (ii) growing concerns about the food safety. The global IVD market growth is estimated at c. 4.5% per annum.

Operating in the microbiology and analytics segment, BioMaxima is likely to grow faster than the IVD market. The Company has been carrying out the investments that are about to almost double the production capacity. They are aimed at the Company's offer expansion with MIC susceptibility gradient tests and reagents for molecular diagnostics as well as at the increase in the production volume of rapid immunochromatographic tests and microbiologic matrix. Simultaneously the Company mulls over acquisitions to strengthen its position in the market segment it has been already operating.

We believe the Group's financials in the subsequent years should be supported by: (i) demand related to the SARS-CoV-2 pandemic, albeit to a smaller degree

Guide to adjusted profits

No factors necessitating adjustments.

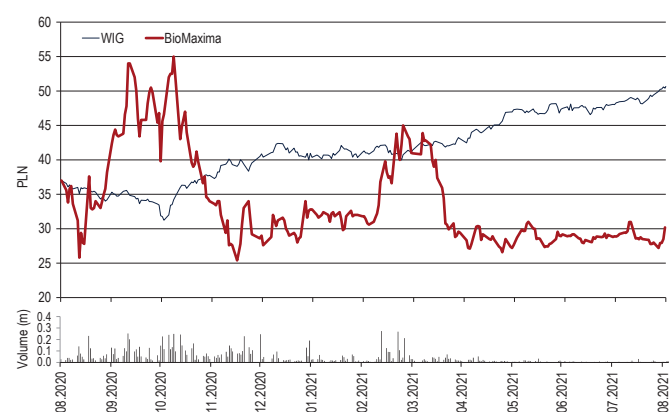
Key data

IFRS consolidated		2020	2021E	2022E	2023E
Sales	PLN m	61.3	75.0	58.7	69.6
EBITDA	PLN m	11.1	14.0	8.3	8.5
EBIT	PLN m	10.5	12.6	6.9	6.6
NI	PLN m	7.9	10.2	5.5	5.4
EPS	PLN	1.84	2.28	1.24	1.22
EPS yoy chg	%	n.m.	24	-45	-2
ND	PLN m	8.0	6.6	5.9	4.7
P/E	x	16.7	13.5	24.7	25.3
P/C	x	15.5	11.8	19.6	18.7
EV/EBITDA	x	12.7	10.3	17.2	16.6
EV/EBIT	x	13.4	11.4	20.8	21.3
DPS	PLN	0.00	0.25	0.16	0.15
Gross dividend yield	%	0.0	0.8	0.5	0.5
No. of shares (eop)*	m	4.3	4.5	4.5	4.5

* A number of fully diluted shares from 2021

Source: Company, DM BOŚ SA estimates.

Stock performance



Source: Bloomberg

Upcoming events

1. Release of 3Q21 financial results: November 15

than before, (ii) orders from new clients acquired in Indonesia, Cyprus, Greece etc. during the pandemic, (iii) IVD popularization among medical doctors and patients, and (iv) offer expansion (towards the industrial turf as well). We would expect the significant improvement in the years 2023-24, which is after the additional production capacity has been launched.

We value the Company via 2 methods; DCF FCFF approach and peer-relative comparison based on EV/EBITDA, EV/EBIT and P/E multiples for the IVD companies, and obtain 12M EFV assessment at PLN 37.3 per share.

Catalysts

1. Favorable reimbursement regulations
2. The SARS-CoV-2 becomes endemic
3. Increase in demand for the Group's products unrelated to the pandemic
4. Increasing patients awareness
5. Production capacity expansion
6. Successful launch of new products
7. Exports development
8. Acquisitions of companies compatible with the Company's operations
9. Transition to the WSE main floor

Risk factors

1. Dwindling demand related to the economic deterioration
2. The SARS-CoV-2 development
3. Change in the healthcare systems priorities
4. Change in reimbursement policies and IVD funding
5. Change in cooperation terms with public bodies
6. Change in law (IVDR)
7. Entry of new solutions to the market
8. Growing competition
9. Intellectual property breach
10. Deterioration of products quality
11. Loss of key employees
12. Lack of qualified staff
13. Changes in the shareholding structure
14. FX rates

Competitive advantages

1. European brand (vital for exports)
2. Attractive products prices as compared to global players
3. Well established market position in Poland
4. Important sales relationships outside Poland
5. Broad product offer (over 3,000 indexes)
6. Own production technologies
7. Focus on globally known and implemented technologies

BASIC DEFINITIONS

A/R turnover (in days) = $365/(\text{sales}/\text{average A/R})$
Inventory turnover (in days) = $365/(\text{COGS}/\text{average inventory})$
A/P turnover (in days) = $365/(\text{COGS}/\text{average A/P})$
Current ratio = $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$
Quick ratio = $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$
Interest coverage = $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$
Gross margin = $\text{gross profit on sales}/\text{sales}$
EBITDA margin = $\text{EBITDA}/\text{sales}$
EBIT margin = EBIT/sales
Pre-tax margin = $\text{pre-tax profit}/\text{sales}$
Net margin = $\text{net profit}/\text{sales}$
ROE = $\text{net profit}/\text{average equity}$
ROA = $(\text{net income} + \text{interest payable})/\text{average assets}$
EV = $\text{market capitalization} + \text{interest bearing debt} - \text{cash and equivalents}$
EPS = $\text{net profit}/\text{no. of shares outstanding}$
CE = $\text{net profit} + \text{depreciation}$
Dividend yield (gross) = $\text{pre-tax DPS}/\text{stock market price}$
Cash sales = $\text{accrual sales corrected for the change in A/R}$
Cash operating expenses = $\text{accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes}$

DM BOŚ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:

Buy – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;
Hold – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;
Sell – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:

Overweight – expected to perform better than the benchmark (WIG) over the next quarter in relative terms
Neutral – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms
Underweight – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŚ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.

Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

Distribution of DM BOŚ's current recommendations

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	51	22	5	9	0	2
Percentage	57%	25%	6%	10%	0%	2%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	41	28	9	9	0	2
Percentage	46%	31%	10%	10%	0%	2%

Banks

Net Interest Margin (NIM) = $\text{net interest income}/\text{average assets}$
Non interest income = $\text{fees\&commissions} + \text{result on financial operations (trading gains)} + \text{FX gains}$
Interest Spread = $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$
Cost/Income = $(\text{general costs} + \text{depreciation})/(\text{profit on banking activity} + \text{other net operating income})$
ROE = $\text{net profit}/\text{average equity}$
ROA = $\text{net income}/\text{average assets}$
Non performing loans (NPL) = loans in 'basket 3' category
NPL coverage ratio = $\text{loan loss provisions}/\text{NPL}$
Net provision charge = $\text{provisions created} - \text{provisions released}$

DM BOŚ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

Distribution of DM BOŚ's current recommendations for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	11	4	0	1	0	2
Percentage	61%	22%	0%	6%	0%	11%

Distribution of DM BOŚ's current market relative recommended weightings for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	7	6	2	1	0	2
Percentage	39%	33%	11%	6%	0%	11%

Recommendation tracker

Analyst	Fundamental Recommendation	Relative Recommendation	Report date	Reiteration date	Distribution date	Price at issue/ reiteration*	EFV (12 months)
Biomaxima							
Sylwia Jaśkiewicz	Not rated	Not rated	06.09.2021	-	07.09.2021	30.70	37.30 -

** prices at issue/reiteration are the closing prices at the report or reiteration date*

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The report was not shown to the analyzed company before the distribution of the report.

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