

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 3.0. This is a translation of the Polish analytical report.

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Sector: Health Care
Bloomberg code: BMX PW
Price: PLN 24.50
12M EFV: PLN 37.3 (→)

Market Cap: USD 26.5 m
Av. daily turnover: USD 0.05 m
12M range: 22.20-55.00 PLN
Free float: 73%

BioMaxima

Recommended action

We keep our 12M EFV at PLN 37.30 per share intact as well as we uphold our FY forecasts of revenues/ EBITDA/ EBIT/ NI at PLN 75.0/ 14.0/ 12.6/ 10.2 million (IFRS). We expect decent 3Q21 financials and assume that some decrease in the amount of tests for SARS-CoV-2 virus ordered was offset by a rebound in revenues of other business segments. We also expect a profit margin growth as the management signaled earlier the lack of any high one-off costs (which burdened 2Q21 results).

3Q21 financial results preview

The Company released their preliminary sales for 3Q21 which reached PLN 14.4 million (IFRS). We expect 3Q21 EBITDA/ EBIT/ NI at PLN 2.2/ 1.8/ 1.6 million. Though in 3Q21 the number of SARS-CoV-2 infections declined qoq, yet it did to a smaller degree than the number of the tests performed. We believe that due to the pandemic impact easing in 3Q21, the recovery was possible in the Company's other segments such as industrial microbiology and IVD. In our view, BioMaxima's profitability should be supported by a decline in one-off costs (especially vs 2Q21) as well as by advancing restructuring of the Romanian subsidiary.

Guide to adjusted profits

No factors necessitating adjustments.

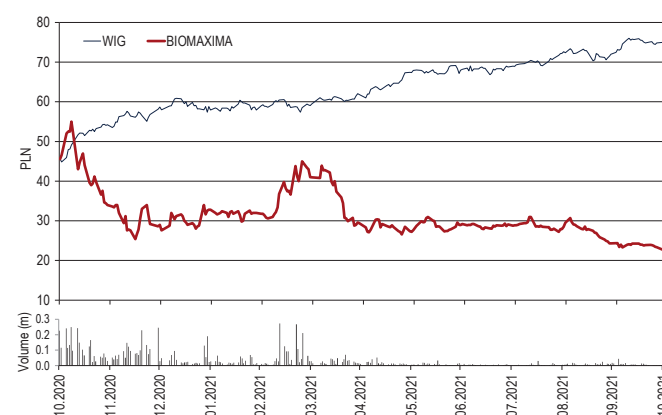
Key data

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	13.3	10.7	19.9	20.2
P/CE	x	12.4	9.4	15.8	15.0
EV/EBITDA	x	10.3	8.3	13.9	13.4
EV/EBIT	x	10.9	9.2	16.7	17.3
DPS	PLN	0.00	0.25	0.16	0.15
Gross dividend yield	%	0.0	1.0	0.7	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 BOS SA estimates.

Stock performance



Source: Bloomberg

Upcoming events

1. Release of 3Q21 financial results: November 15, 2021

Fig. 1. BioMaxima; 3Q21 financial results forecasts

(PLN m)	1Q20 IFRS	2Q20 IFRS	3Q20 PSR	4Q20 PSR	1Q21 IFRS	2Q21 IFRS	3Q21E IFRS
Sales	7.0	16.4	11.9	22.2	26.7	14.8	14.4
EBITDA	1.0	4.1	1.8	4.6	8.2	1.2	2.2
<i>EBITDA margin</i>	<i>13.6%</i>	<i>25.2%</i>	<i>15.2%</i>	<i>20.8%</i>	<i>30.7%</i>	<i>8.0%</i>	<i>15.3%</i>
EBIT	0.6	3.8	1.3	4.2	7.8	0.8	1.8
<i>EBIT margin</i>	<i>8.8%</i>	<i>23.2%</i>	<i>11.2%</i>	<i>18.7%</i>	<i>29.3%</i>	<i>5.6%</i>	<i>12.8%</i>
Pre-tax profit	0.1	3.6	1.4	4.1	7.6	0.8	1.8
<i>Pre-tax profit margin</i>	<i>1.3%</i>	<i>22.2%</i>	<i>11.4%</i>	<i>18.3%</i>	<i>28.6%</i>	<i>5.6%</i>	<i>12.5%</i>
Net profit	0.0	3.1	1.2	3.4	6.3	0.6	1.6
<i>Net profit margin</i>	<i>0.5%</i>	<i>18.6%</i>	<i>9.9%</i>	<i>15.3%</i>	<i>23.5%</i>	<i>4.3%</i>	<i>10.9%</i>

Source: Company, DM BOŚ SA

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
10. A potential takeover target
11. Successful restructuring of the Romanian subsidiary
12. Moderate efficacy of vaccines and drugs for Covid-19
13. Presence in all the fast growing IVD segments
14. Decreasing dependence of the sales mix on tests for SARS-CoV-2 virus

Risk factors

1. Dwindling demand related to the economic deterioration
2. The SARS-CoV-2 pandemic 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	50	23	5	9	0	2
Percentage	56%	26%	6%	10%	0%	2%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	37	32	9	9	0	2
Percentage	42%	36%	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	13	2	0	1	0	2
Percentage	72%	11%	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	9	5	1	1	0	2
Percentage	50%	28%	6%	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 -
Sylwia Jaśkiewicz	-	-	-	07.10.2021	07.10.2021	23.98	37.30 →
Sylwia Jaśkiewicz	-	-	-	04.11.2021	04.11.2021	23.20	37.30 →
Sylwia Jaśkiewicz	-	-	-	07.11.2021	08.11.2021	24.50	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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