

**33/2021/GPW (122)** November 15, 2021

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 26.20  
**12M EFV:** PLN 37.3 (→)

**Market Cap:** USD 27.9 m  
**Av. daily turnover:** USD 0.06 m  
**12M range:** 22.20-55.00 PLN  
**Free float:** 73%

# BioMaxima

## Recommended action

We uphold our 12M EFV at PLN 37.3 per share and maintain our FY forecast of revenues/ EBITDA/ EBIT/ NI at PLN 75.0/ 14.0/ 12.6/ 10.2 million (IFRS). Just as we expected, the decline in sales of tests for SARS-Cov-2 was offset by good results of the two segments: microbiological and analytical.

## 3Q21 financial results review

In 3Q21 the Company's consolidated revenues reached PLN 14.6 million (up 1% yoy) while EBITDA/ EBIT/ NI arrived at PLN 1.9/ 1.5/ 1.3 million implying a 15%/ 8%/ 13% yoy growth. 3Q21 sales level was earlier signaled by the Company's management. The Company's profitability turned to be slightly lower than we expected. Despite this, after 3 quarters of the year our FY21 sales forecast was realized in 75%, while the realization of our FY21 EBITDA, EBIT and NI forecasts reached almost 80%. In 4Q21 another pandemic wave has hit both Poland and the world, which means that our FY21 forecast may prove to be conservative.

## Decreasing dependence on tests for SARS-Cov-2

The products for SARS-Cov-2 diagnostics had a materially smaller contribution in total revenues in 3Q21 than in 1H21, which can be related to a relatively mild pandemic course in Poland then. It is worth noting that in 1-3Q21 the sales of non-Covid-related products were record high, which enables the Company to make itself less dependent on the diagnostics connected with SARS-Cov-2. However, in the next quarters tests for SARS-Cov-2 should prevail as the important source of the Company's revenues and its profitability, especially in 4Q21, when a steep increase in infections is observed. We

## Guide to adjusted profits

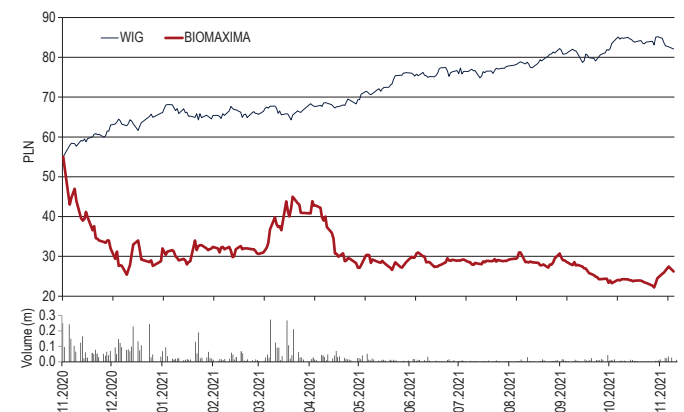
No factors necessitating adjustments.

## 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	5.5	4.1
P/E	x	14.3	11.5	21.2	21.6
P/CE	x	13.3	10.1	16.9	16.0
EV/EBITDA	x	10.9	8.8	16.5	15.8
EV/EBIT	x	11.5	9.8	19.8	20.1
DPS	PLN	0.00	0.25	0.17	0.16
Gross dividend yield	%	0.0	0.9	0.6	0.5
No. of shares (eop)*	m	4.3	4.5	4.5	4.5

\* a diluted number of shares since 2021  
Source: Company, DM BOŚ SA estimates.

## Stock performance



Source: Bloomberg

would like to remind you that in July Biomaxima had its tests entered into the EU common list of recommended COVID-19 rapid antigen tests. Besides, the restructuring effects in the Romanian subsidiary should allow this company to break even starting from 4Q21.

**Fig. 1. Biomaxima; 3Q21 results vs forecasts**

IFRS consolidated (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	Results vs forecasts	3Q21P	yoy chg	1-3Q20	1-3Q21	yoy chg
Sales	7.0	16.4	14.4	23.4	26.7	14.8	14.6	→	14.4	1%	37.9	56.0	48%
EBITDA	1.0	4.1	1.7	4.3	8.2	1.2	1.9	→	2.2	15%	6.8	11.3	67%
EBITDA margin	13.6%	25.2%	11.6%	18.4%	30.7%	8.0%	13.2%	-	15.3%	-	17.9%	20.2%	-
EBIT	0.6	3.8	1.4	4.7	7.8	0.8	1.5	→	1.8	8%	5.8	10.1	75%
EBIT margin	8.8%	23.2%	9.4%	20.0%	29.3%	5.6%	10.0%	-	12.8%	-	15.3%	18.1%	-
Pre-tax profit	0.1	3.6	1.4	4.9	7.6	0.8	1.5	→	1.8	6%	5.1	9.9	94%
Pre-tax profit margin	1.3%	22.2%	9.5%	20.9%	28.6%	5.6%	10.0%	-	12.5%	-	13.5%	17.7%	-
Net profit	0.0	3.1	1.2	3.7	6.3	0.6	1.3	→	1.6	13%	4.3	8.2	92%
Net profit margin	0.5%	18.6%	8.3%	15.6%	23.5%	4.3%	9.2%	-	10.9%	-	11.3%	14.7%	-

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** =  $\text{EBIT}/\text{sales}$   
**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

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### 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	36	33	9	9	0	2
Percentage	40%	37%	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**

<b>Analyst</b>	<b>Fundamental Recommendation</b>	<b>Relative Recommendation</b>	<b>Report date</b>	<b>Reiteration date</b>	<b>Distribution date</b>	<b>Price at issue/ reiteration*</b>	<b>EFV (12 months)</b>
<b>Biomaxima</b>							
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 →
Sylwia Jaśkiewicz	-	-	-	15.11.2021	16.11.2021	26.20	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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