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This is an excerpt from the Polish version of DM BOŚ SA's research report.

BioMaxima

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Sector: Health Care & biotechnology
Bloomberg code: BMX PW
Price: PLN 24.65
12M EFV: PLN 37.60 (↑)

Market Cap: USD 25.8 m
Av. daily turnover: USD 0.07 m
12M range: PLN 18.14-39.00
Free float: 73%

1Q22 results summary

Biomaxima's 1Q22 financials were record high on the back of a PLN 94.8 million contract for a delivery of SARS-CoV-2 tests signed in January and fulfilled in 85% in the discussed quarter. Revenues at PLN 93.6 million (up 2.5x yoy) are in line with our expectations. The profitability, though, beat our expectations; EBITDA/ EBIT/ NI at PLN 30.7/ 30.2/ 24.2 million was c. 30% higher than we assumed, and up c. 2.8x yoy. Moreover, EBITDA/ EBIT/ NI in 1Q22 exceeded even our FY22 forecasts by PLN 29.5/ 27.8/ 22.8 million. Due to CFOs at PLN 28.5 million, the Company had PLN 14.7 million of net cash as of the March-end vs PLN 13.2 million of net debt at the 2021-end.

Financial forecasts update

To account for very good 1Q22 results we raise our FY forecasts of the Company's revenues/ EBITDA/ EBIT/ NI to PLN 162.5/ 43.3/ 41.3/ 33.4 million. The current high net cash should translate into lower financial costs in the future which we include in our new NI forecasts for the subsequent years.

Valuation

FY22 financial forecasts upgrade and rising market prices of the peers had a favorable impact on our valuation for BioMaxima. In consequence, our 12M EFV constituting an average of the outcomes of the DCF valuation and peer-relative valuation rises to PLN 37.60.

Recent news

In 1Q22 the sale of the Company's products for the diffusion-disk method (Antibiotic Susceptibility Testing – AST) applied to determine drug-susceptibility surged by 70% yoy. Though these products have not a significant share in the sales mix (below 2% in 2021), the Company

Guide to adjusted profits

No factors necessitating adjustments.

Key data

IFRS consolidated		2021	2022E	2023E	2024E
Sales	PLN m	79,1	162,5	78,8	91,4
EBITDA	PLN m	15,3	43,3	10,1	15,6
EBIT	PLN m	13,7	41,3	7,7	13,1
NI	PLN m	10,2	33,4	7,7	12,3
EPS	PLN	2,30	7,49	1,73	2,77
EPS yoy chg	%	25	226	-77	60
ND	PLN m	0,0	-16,2	-15,5	-23,5
P/E	x	10,7	3,3	14,3	8,9
P/C	x	9,2	3,1	10,9	7,4
EV/EBITDA	x	7,2	2,2	9,4	5,5
EV/EBIT	x	8,1	2,3	12,2	6,6
DPS	PLN	0,25	0,45	1,12	0,26
Gross dividend yield	%	1,0	1,8	4,5	1,1
No. of shares (eop)	m	4,5	4,5	4,5	4,5

Source: Company, DM BOŚ SA estimates.

Stock performance



Source: Bloomberg

Upcoming events

1. Ex-dividend day (DPS at PLN 0.45): June 9
2. General Shareholders Assembly: June 13
3. Dividend payment: June 23
4. Release of consolidated 1H22 financial results: 2022 September 30
5. Release of consolidated 3Q22 financial results: 2022 November 28

announced a production capacity increase of AST disc systems from 3Q22 (even before the new production facility becomes operational which is planned for 1Q23). BioMaxima is the only producer of this assortment in Poland and one of few producers in the world.

Fig. 1. Biomaxima; 1Q22 results

IFRS consolidated (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	Results vs forecasts	1Q22E	yoy chg
Sales	7.0	16.4	14.4	23.4	26.7	14.8	14.4	23.3	93.6	→	93.4	251%
EBITDA	1.0	4.1	1.7	5.1	8.2	1.2	1.7	4.2	30.7	↑	23.9	275%
EBITDA margin	13.6%	25.1%	11.6%	21.9%	30.7%	8.0%	11.9%	18.2%	32.8%	-	25.5%	-
EBIT	0.6	3.8	1.4	4.7	7.8	0.8	1.2	3.8	30.2	↑	23.4	286%
EBIT margin	8.8%	23.1%	9.4%	20.1%	29.3%	5.6%	8.6%	16.1%	32.3%	-	25.0%	-
Net profit	0.0	3.1	1.2	3.7	6.3	0.6	1.1	2.2	24.2	↑	18.8	286%
Net profit margin	0.5%	18.6%	8.3%	15.6%	23.5%	4.3%	7.8%	9.5%	25.8%	-	20.1%	-

Source: Company, DM BOŚ SA

The Company applied to the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products for a registration of Biomaxima's 2 own tests for monkeypox: Monkeypox Ag Rapid Test and MPXV Real Time PCR LAB-KIT genetic test.

Catalysts

1. The SARS-CoV-2 becomes endemic
2. Increasing outlays on health care within the National Recovery Plan
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. Unvaccinated Ukrainian immigrants diagnostics (e.g. SARS-CoV-2, tuberculosis, measles, polio)
9. Acquisitions of companies compatible with the Company's operations
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. Increasing recognition of the Company in Poland and abroad
15. High efficacy of the Company's tests in detection of Omicron
16. Spreading over time the changes in law (IVDR)

Risk factors

1. Dwindling demand related to the economic deterioration
2. The SARS-CoV-2 pandemic development
3. Change in the health care systems priorities
4. Change in reimbursement policies and IVD funding
5. Change in cooperation terms with public bodies
6. Change in law (IVDR) (postponed for 3 years)
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	45	27	4	9	0	2
Percentage	52%	31%	5%	10%	0%	2%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	38	32	6	9	0	2
Percentage	44%	37%	7%	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	9	5	0	1	0	2
Percentage	53%	29%	0%	6%	0%	12%

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	4	1	1	0	2
Percentage	53%	24%	6%	6%	0%	12%

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 →
Sylwia Jaśkiewicz	-	-	-	15.11.2021	16.11.2021	26.20	37.30 →
Sylwia Jaśkiewicz	-	-	-	05.12.2021	06.12.2021	25.96	37.30 →
Sylwia Jaśkiewicz	-	-	-	16.01.2022	17.01.2022	34.40	37.30 →
Sylwia Jaśkiewicz	-	-	-	04.02.2022	04.02.2022	31.98	41.40 ↑
Sylwia Jaśkiewicz	-	-	-	07.02.2022	07.02.2022	30.50	41.40 →
Sylwia Jaśkiewicz	-	-	-	28.02.2022	28.02.2022	24.78	41.40 →
Sylwia Jaśkiewicz	-	-	-	14.04.2022	14.04.2022	22.75	41.40 →
Sylwia Jaśkiewicz	-	-	-	01.05.2022	02.05.2022	21.75	41.40 →
Sylwia Jaśkiewicz	-	-	-	19.05.2022	20.05.2022	22.20	34.60 ↓
Sylwia Jaśkiewicz	-	-	-	26.05.2022	26.05.2022	24.70	34.60 →
Sylwia Jaśkiewicz	-	-	-	30.05.2022	31.05.2022	24.65	37.60 ↑

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

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This report constitutes a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest. This report is for information purposes only.

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During the last 12 months DM BOŚ S.A. rendered investment services on behalf of BioMaxima pursuant to the agreement signed and received a remuneration by virtue of this.

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

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