

10/2023/GPW (32) April 20, 2023

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

BioMaxima

Recent events	2
Upcoming events	2
4Q22 financial results preview	2
Financial forecasts for 2023 and onwards	2
Valuation	3
Catalysts	4
Risk factors	4
Competitive advantages	4
Disclaimer	5

Analysts:
Sylvia Jaśkiewicz, CFA
Mikołaj Stępień

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Sector: Health Care & biotechnology
Bloomberg: BMX PW
Price: PLN 24.25
12M EFV: PLN 36.40 (→)

Market Cap: US\$ 24.1 m
Av. daily turnover: US\$ 0.03 m
12M range: PLN 18.14-31.05
Free float: 73%

BioMaxima

Recent events

- 3Q22 financial results: November 2022
- Funding for a production line: January 2023
- Dividend proposal (DPS at PLN 0.50): April 2023

Upcoming events

- Release of FY22 consolidated financial results: April 28
- Release of 1Q22 consolidated financial results: 3Q23 financial results: May 30
- Dividend payment: June

4Q22 financial results preview

We expect 4Q22 revenues to be lower yoy due to the high base effect (in 4Q21 the Company's results were supported by the agreement for a huge SARS-CoV-2 tests delivery). Currently, testing for SARS-CoV-2 contributes marginally to the Company's revenues (less than 3% in 3Q22). Similarly to the previous quarter, 4Q22 profitability should be affected by high inflation. At the moment BioMaxima is presumably making adjustments in the price lists to account for higher costs, which, in the management's opinion, may take one or two quarters. All in all, we forecast 4Q22 and FY22 revenues/ EBITDA/ EBIT/ NI to reach PLN 13.1/ 1.0/ 0.5/ 0.5 million and PLN 143.6/ 37.2/ 35.2/ 29.0 million, respectively.

Financial forecasts for 2023 and onwards

Sales. After the exceptional 2022 we do not expect subsequent big contracts for a SARS-CoV-2 tests delivery to follow and forecast the Company's recurring revenues at PLN 50-60 million annually (before launching a new production facility). Given some delay in the launch of new production capacities

Guide to adjusted profits

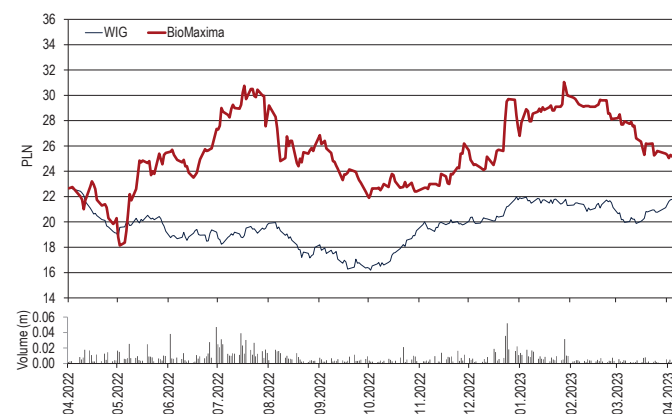
No factors necessitating adjustments.

Key data

IFRS consolidated		2021	2022E	2023E	2024E
Sales	PLN m	79.1	143.6	56.1	73.7
EBITDA	PLN m	15.3	37.2	8.8	14.0
EBIT	PLN m	13.7	35.2	6.0	10.5
NI	PLN m	10.9	29.0	4.9	9.0
EPS	PLN	2.44	6.94	1.17	2.15
EPS yoy chg	%	28.9	184.0	-83.2	84.4
ND	PLN m	14.3	-11.9	-6.9	-12.9
P/E	x	9.9	3.5	20.8	11.3
P/CE	x	8.6	3.3	13.3	8.2
EV/EBITDA	x	8.0	2.4	10.8	6.3
EV/EBIT	x	9.0	2.5	15.7	8.4
DPS	PLN	0.25	0.45	0.50	0.17
Gross dividend yield	%	1.0	2.0	2.1	0.7
No. of shares (eop)	m	4.5	4.2	4.2	4.2

Source: Company, DM BOŚ SA estimates

Stock performance



Source: Bloomberg

Fig. 1. BioMaxima; 4Q22 financial results preview

IFRS consolidated (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22E	yoy chg
Sales	7.0	16.4	14.4	23.4	26.7	14.8	14.6	23.1	93.6	23.9	13.0	13.1	-43%
EBITDA	1.0	4.1	1.7	5.1	8.2	1.2	1.9	4.0	30.7	4.1	1.4	1.0	-74%
EBITDA margin	13.6%	25.1%	11.6%	21.9%	30.7%	8.0%	13.2%	17.4%	32.8%	17.0%	10.8%	8.0%	-
EBIT	0.6	3.8	1.4	4.7	7.8	0.8	1.5	3.5	30.2	3.6	0.9	0.5	-85%
EBIT margin	8.8%	23.1%	9.4%	20.1%	29.3%	5.6%	10.0%	15.3%	32.3%	14.9%	6.9%	4.1%	-
Net profit	0.0	3.1	1.2	3.7	6.3	0.6	1.3	2.0	24.2	3.4	0.9	0.5	-76%
Net profit margin	0.5%	18.6%	8.3%	15.6%	23.5%	4.3%	9.2%	8.7%	25.8%	14.4%	7.2%	3.6%	-

Source: Company, DM BOŚ SA estimates

we assume that their contribution to revenues will be visible no sooner than from 4Q23. In result, we lower our FY23 sales forecast to PLN 56 million and assume that new production capacities will help increase the Company's sales to c. PLN 100 million in FY26.

Profitability. We believe FY23 margins will be under pressure from (i) higher costs (the price list adjustment corresponding to a costs increase may take one or two quarters) and (ii) possible one-off costs related to the launch of new production lines. We expect the EBIT margin to hit c. 11% this year while in the following years an increase in the share of own products in the sales mix with a growing scale of operations should support the Company's profitability and generally we assume slightly higher margins in the upcoming years vs our previous forecasts.

CAPEX. On the back of a purchase of a new production line announced in January (BioMaxima was granted a funding for 60% of the investment value) we raise FY23 capex forecast from PLN 10.4

million to PLN 12.5 million and the high inflation environment makes us slightly upgrade capex forecasts for the following years which results in the D&A forecast increase.

Net cash. In spite of high investments carried out this year we expect the Company's net cash to reach PLN 6.9 million eop considering the impact of a dividend proposal at PLN 0.50 per share which turned out lower than we expected (PLN 1.00 per share) and partial working capital release due to a lower sales forecast.

Valuation

The changes in our financial forecasts do not have any material impact on estimations of the Company's FCF in the definite forecast period which coupled with the lower RFR increases our DCF valuation of BioMaxima's equities. Due to lowering of 2023-25 forecasts the peer relative comparison is lower. The above mentioned factors offset each other and ultimately our 12M EFV for Biomaxima at PLN 36.40 stays intact.

Catalysts

1. Increase in demand for the Group's products unrelated to the pandemic
2. Increasing patients awareness
3. Production capacity expansion
4. Successful launch of new products
5. Exports development
6. Sale of drug tests related to new regulations
7. Need for diagnostics of unvaccinated Ukrainian migrants (SARS-CoV-2, measles, tuberculosis, poliomyelitis)
8. Acquisitions of companies compatible with the Company's operations
9. A potential takeover target
10. Successful restructuring of the Romanian subsidiary
11. Moderate efficacy of vaccines and drugs for Covid-19
12. Presence in all the fast growing IVD segments
13. Increasing recognition of the Company in Poland and abroad
14. High efficacy of the Company's tests in detection of Omicron
15. Spreading over time the changes in law (IVDR)

Risk factors

1. Dwindling demand related to the economic deterioration
2. Continuous inflationary pressure on margins
3. The SARS-CoV-2 pandemic development
4. Change in the health care systems priorities
5. Change in reimbursement policies and IVD funding
6. Change in cooperation terms with public bodies
7. Change in law (IVDR) (postponed for 3 years)
8. Entry of new solutions to the market
9. Growing competition
10. Intellectual property breach
11. Deterioration of products quality
12. Loss of key employees
13. Lack of qualified staff
14. Changes in the shareholding structure
15. 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	40	33	6	9	0	2
Percentage	44%	37%	7%	10%	0%	2%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	34	33	12	9	0	2
Percentage	38%	37%	13%	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	6	6	1	1	0	2
Percentage	38%	38%	6%	6%	0%	13%

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	6	3	4	1	0	2
Percentage	38%	19%	25%	6%	0%	13%

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 ↑
Sylwia Jaśkiewicz	-	-	-	20.06.2022	21.06.2022	24.25	37.10 ↓
Sylwia Jaśkiewicz	-	-	-	15.07.2022	15.07.2022	28.70	37.10 →
Sylwia Jaśkiewicz	-	-	-	16.08.2022	16.08.2022	28.30	37.10 →
Sylwia Jaśkiewicz	-	-	-	02.09.2022	02.09.2022	25.50	37.10 →
Sylwia Jaśkiewicz	-	-	-	07.09.2022	07.09.2022	25.85	37.10 →
Sylwia Jaśkiewicz	-	-	-	02.10.2022	03.10.2022	24.15	33.90 ↓
Sylwia Jaśkiewicz	-	-	-	07.10.2022	07.10.2022	23.10	33.90 →
Sylwia Jaśkiewicz	-	-	-	28.10.2022	28.10.2022	23.20	33.90 →
Sylwia Jaśkiewicz	-	-	-	10.11.2022	10.11.2022	22.40	33.90 →
Sylwia Jaśkiewicz	-	-	-	29.11.2022	29.11.2022	23.05	33.90 →
Sylwia Jaśkiewicz	-	-	-	30.11.2022	01.12.2022	23.00	36.40 ↑
Sylwia Jaśkiewicz	-	-	-	04.12.2022	05.12.2022	23.75	36.40 →
Sylwia Jaśkiewicz	-	-	-	13.01.2023	13.01.2023	27.85	36.40 →
Sylwia Jaśkiewicz	-	-	-	03.02.2023	03.02.2023	29.10	36.40 →
Sylwia Jaśkiewicz	-	-	-	10.03.2023	10.03.2023	28.15	36.40 →
Sylwia Jaśkiewicz	-	-	-	13.04.2023	13.04.2023	25.05	36.40 →
Sylwia Jaśkiewicz	-	-	-	20.04.2023	21.04.2023	24.25	36.40 →

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

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The production of the report was completed on April 21, 2023 at 7.35 a.m.
The report was distributed on April 21, 2023 at 7.45 a.m.

The report is an investment research within the meaning of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

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.

During the last 12 months DM BOŚ S.A. rendered brokerage 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.

Stockbrokers

Piotr Kalbarczyk
tel.: +48 (22) 504 32 43
p.kalbarczyk@bossa.pl

Research

Sobiesław Pająk, CFA
(Equity strategy, TMT)

Sylwia Jaśkiewicz, CFA
(Construction materials,
Consumer discretionary,
Health care & biotechnology)

Tomasz Rodak, CFA
(Consumer discretionary, Video games)

Łukasz Prokopiuk, CFA
(Chemicals, Mining, Oil & gas)

Michał Sobolewski, CFA, FRM
(Financials)

Jakub Viscardi
(Telco, Consumer staples & discretionary,
IT – hardware distribution, Utilities)

Maciej Wewiórski
(Residential construction,
Construction, Real estate)

Mikołaj Stępień
Junior Analyst

Michał Zamel
Associate

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**Dom Maklerski Banku Ochrony
Środowiska Spółka Akcyjna**
ul. Marszałkowska 78/80
00-517 Warszawa
www.bossa.pl
Information: (+48) 0 801 104 104