

12/2023/GPW (37) May 1, 2023

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

BioMaxima

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Mikołaj Stępień

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Sector: Health Care & biotechnology

Bloomberg: BMX PW

Price: PLN 26.50

12M EFV: PLN 36.40 (→)

Market Cap: US\$ 26.5 m

Av. daily turnover: US\$ 0.03 m

12M range: PLN 18.14-31.05

Free float: 73%

BioMaxima

Recent events

1. The Company's financial results: April
2. Funding for a production line: January
3. Dividend proposal (DPS at PLN 0.50): April

Upcoming events

4. Release of consolidated 1Q23 financial results: May 30
5. Dividend payment: June
6. Completion of the production capacities expansion: 3Q22

4Q22 financial results review

4Q22 revenues/ EBITDA/ EBIT/ NI reached PLN 13.4/ 0.7/ 0.2/ 0.3 million. The Group's revenues were in line with our expectations, while the profitability was materially lower than we expected and EBIT reached merely PLN 170,000 which implies the EBIT margin at 1.3% vs 4.1% expected by us. We would like to note that the profit on sales was negative and stood at PLN 509,000 in 4Q22. 4Q22 low profitability stemmed from an inflationary growth of costs which was not incorporated in BioMaxima's price lists (the management claims this will be done in a few months). 4Q22 NI at PLN 311,000 was higher than EBIT due to high revenues on the financial activity. However, 4Q22 financials affected the record high FY22 results to a limited extent with FY22 revenues/ EBITDA/ EBIT/ NI at PLN 143.9/ 36.9/ 34.9/ 28.9 million.

Production capacity expansion

In the financial statement for FY22 BioMaxima informed about the completion of a new production facility and warehouse and office adaptation. At the moment, the Company awaits the final occupancy permit. Finally, in 3Q23 the expansion of production capacities in the existing building should be finished. We expect new production capacities to have a material impact on BioMaxima's financial results

Guide to adjusted profits

No factors necessitating adjustments.

Key data

IFRS consolidated		2021	2022	2023E	2024E
Sales	PLN m	79.1	143.9	56.1	73.7
EBITDA	PLN m	15.3	36.9	8.8	14.0
EBIT	PLN m	13.7	34.9	6.0	10.5
NI	PLN m	10.9	28.9	4.9	9.0
EPS	PLN	2.44	6.88	1.17	2.15
EPS yoy chg	%	29	182	-83	84
ND	PLN m	14.3	-7.1	-6.9	-12.9
P/E	x	10.8	3.8	20.8	11.3
P/CE	x	9.3	3.6	13.3	8.2
EV/EBITDA	x	8.6	2.8	10.8	6.3
EV/EBIT	x	9.6	3.0	15.7	8.4
DPS	PLN	0.25	0.45	0.50	0.17
Gross dividend yield	%	0.9	1.8	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

starting from 4Q23. Net cash at 2022-end reached PLN 7.1 million which is below our expectations at PLN 11.9 million, albeit this results from booking of a major part of capex related to the expansion in 2022.

Fig. 1. BioMaxima; Financial results

IFRS consolidated (PLN m)									Results vs forecasts	4Q22E	yoy chg	qoq chg			yoy chg
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22					2021	2022	
Sales	26.7	14.8	14.6	23.1	93.6	23.9	13.0	13.4	→	13.1	-42%	2%	79.1	143.9	82%
EBITDA	8.2	1.2	1.9	4.0	30.7	4.1	1.4	0.7	→	1.0	-82%	-50%	15.3	36.9	141%
EBITDA margin	30.7%	8.0%	13.2%	17.4%	32.8%	17.0%	10.8%	5.3%	-	8.0%	-	-	19.4%	25.6%	-
EBIT	7.8	0.8	1.5	3.5	30.2	3.6	0.9	0.2	↓	0.5	-95%	-81%	13.7	34.9	155%
EBIT margin	29.3%	5.6%	10.0%	15.3%	32.3%	14.9%	6.9%	1.3%	-	4.1%	-	-	17.3%	24.2%	-
Net profit	6.3	0.6	1.3	2.0	24.2	3.4	0.9	0.3	→	0.5	-84%	-67%	10.2	28.9	182%
Net profit margin	23.5%	4.3%	9.2%	8.7%	25.8%	14.4%	7.2%	2.3%	-	3.6%	-	-	13.0%	20.1%	-

Source: Company, DM BOŚ SA estimates

Financial forecasts

Valuation

Nominal differences between actual and expected 4Q22 results are relatively small, therefore we do not modify our financial forecasts. Our 12M EFV at PLN 36.40 per share 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. Acquisitions of companies compatible with the Company's operations
8. A potential takeover target
9. Successful restructuring of the Romanian subsidiary
10. Moderate efficacy of vaccines and drugs for Covid-19
11. Presence in all the fast growing IVD segments
12. Increasing recognition of the Company in Poland and abroad
13. High efficiency of tests
14. 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. 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	32	7	9	0	2
Percentage	44%	36%	8%	10%	0%	2%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	34	32	13	9	0	2
Percentage	38%	36%	14%	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 →
Sylwia Jaśkiewicz	-	-	-	01.05.2023	02.05.2023	26.30	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 May 2, 2023 at 7.35 a.m.
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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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