

## Another great acquisition to lead the market

June 3<sup>rd</sup>, 2022 at 18:00

### M&A activity for further expansion

Svas Biosana Group is an Italian leading player in medical devices and consumables, acting as both manufacturer and distributor. The Group was founded in 1972 in Southern Italy by Mr. Perillo to provide medical devices in the area. Since '90s, the Company has started its growth path with a successful M&A track record: i) in 1985 it acquired Galenica Senese to enter the injectable solutions market; ii) in 1996, it bought Vincenzo Sorrentino & Figli, active in cotton derivatives for healthcare and cosmetics; iii) in 2004, it acquired Fabbrica Italiana di Medicazione; iv) in 2015, it entered the Balkans area through the purchase of Mark Medical, a distributor of medical devices and drugs in Slovenia, Croatia, Serbia and Bosnia; v) in 2019, it bought back the minority stake held by Atlante private equity fund. As of today, Svas Biosana has a clear and focused M&A strategy for further national and international expansion, as demonstrated by the last acquisition of Bormia Group.

### Significant growth in 2021 despite a complex scenario

Nonetheless Covid-19 impact, surge in raw materials costs and inflationary pressures, the Company reported its best results ever, reaching €81.1mln of revenues and achieving an EBITDA margin of 13.1%. The results were driven mainly by Mark Medical, which rose 16.8% yoy driven by its strong expansion in the Balkans, further strengthened by the last acquisition in 2022. All the business lines reported an increase except for Medical: however, the decrease was due to the normalization of the demand for Covid-related products, with sales still rising from €7.5mln in 2019 to €8.6mln in 2021.

### Strategic development and our 2022E-2024E estimates revision; 1Q22 on track

The Medical Devices Industry is expected to grow at a 6.3% CAGR21-27E, while the Medical Disposables is projected at 9.4% CAGR21-26E. The rise in both industries is driven by: i) aging population; ii) rising chronic diseases; iii) expansion of medical technologies; iv) increasing role in disease prevention; v) growing hospitalization infections. Svas Biosana is set to expand its business further with a growth strategy based on three key pillars: i) external growth through M&A; ii) development of new-generation products; iii) expansion of production capacity. In our 2022-2024 estimates revision, we included Bormia acquisition from June 2022: we now expect higher revenue at €106.7mln in 2024E (+9.6% CAGR21-24E) with an increasing weight of Mark Medical, reaching 39% of revenues. Margins are expected to improve more than previously estimated, with an EBITDA at €16.3mln (vs previous €15mln) or 15.3% margin, thanks to production processes optimization and products innovation. We forecast an improvement in Operating NWC at 38.6% of revenues in 2024 (vs 40.8% in our old estimates) and higher Fixed Assets at €40.9mln (vs previous €36mln) driven by stronger Capex. Finally, we expect adjusted net debt at €13.8mln in 2024 (vs previous €8.5mln) due to higher external and internal investments. Our estimates are validated by positive 1Q22 results, with revenues growing 12.1% yoy mainly driven by a +25.6% sales growth from Mark Medical, confirming our assumptions of an increasing revenue share from this segment.

### Valuation: 12-month Target Price at €20.5; BUY confirmed

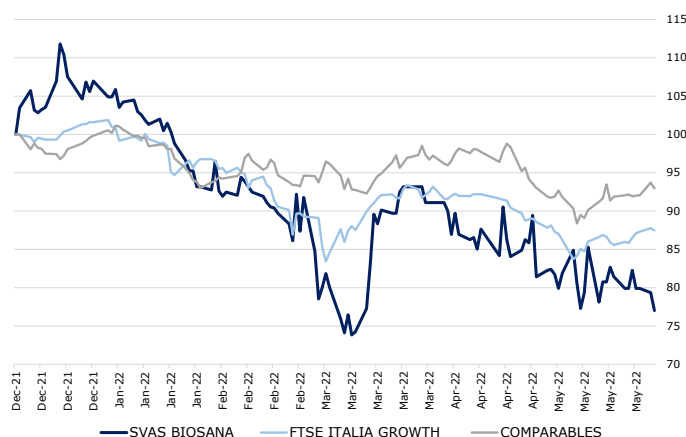
As there are no listed companies that can be considered as good as "comparables" to Svas Biosana, for significant differences in terms of business model and company size, we decided to set our valuation as the weighted-average of DCF fair value (2/3) and market multiples (1/3), confirming our 12-month Target Price at €20.5/share. Given the significant potential upside on Svas Biosana's price, we confirm our BUY recommendation.



<b>Target price</b>	<b>€ 20.5</b>			
<b>Recommendation</b>	<b>BUY</b>			
Price as of June 3 <sup>rd</sup> , 2022	€ 11.6			
Number of shares (mln)	5.6			
Market capitalization (€ mln)	€ 66.1			
Market segment	Euronext Growth			
<b>Performance</b>	<b>from IPO</b>			
Absolute	-7%			
Max / Min	15.9/10.8			
Average daily volumes ('000)	7,209			
(€/mln)	2021	2022E	2023E	2024E
<b>Revenues</b>	<b>81.1</b>	<b>93.4</b>	<b>99.9</b>	<b>106.7</b>
yoy change (%)	7%	15%	7%	7%
<b>EBITDA</b>	<b>10.6</b>	<b>12.1</b>	<b>14.8</b>	<b>16.3</b>
margin (%)	13.1%	12.9%	14.9%	15.3%
<b>EBIT</b>	<b>5.8</b>	<b>7.6</b>	<b>10.2</b>	<b>11.3</b>
margin (%)	7.1%	8.2%	10.3%	10.6%
<b>Net income</b>	<b>3.2</b>	<b>5.1</b>	<b>6.7</b>	<b>7.5</b>
margin (%)	3.9%	5.5%	6.7%	7.1%
<b>Adj Net Debt/(cash)</b>	<b>20.0</b>	<b>20.8</b>	<b>17.3</b>	<b>13.8</b>
Shareholders' Equity	51.0	56.1	62.8	68.3
Capex	3.7	4.2	4.5	4.8
<b>Free Cash Flow</b>	<b>3.7</b>	<b>1.7</b>	<b>5.4</b>	<b>6.7</b>

Source: Banca Profilo estimates and elaborations, Company data.

### Normalized performance (since IPO)



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## SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Multinational Company</li> <li>• Well diversified portfolio</li> <li>• Focus on innovation and R&amp;D</li> <li>• Distinctive Know-How</li> <li>• Dense commercial network</li> <li>• Resilience to global recession</li> <li>• Long-lasting client relationships</li> <li>• Distribution sites close to end-customer</li> <li>• Successful M&amp;A track record</li> <li>• Products customization</li> <li>• High quality offer</li> <li>• Diversified and complementary product portfolio</li> <li>• Top end customers</li> </ul>	<ul style="list-style-type: none"> <li>• Italian revenues highly related to National Health System relationship</li> <li>• Revenues associated to tenders</li> <li>• High correlation between Medical Device industry and Covid-19 crisis</li> </ul>
OPPORTUNITY	THREATS
<ul style="list-style-type: none"> <li>• Strategically positioned to boost long term expansion</li> <li>• Growth through M&amp;A</li> <li>• Production capacity expansion</li> <li>• Logistics updates to reduce time to market</li> <li>• New product lines development</li> </ul>	<ul style="list-style-type: none"> <li>• Intensifying competition within large manufacturers</li> <li>• High growth rates could lead to cost management issues</li> <li>• Internalization of Svas' processes by its main customers</li> <li>• Cannibalization risk of products under Svas' brand and third-party brand</li> <li>• Substitute products competition</li> <li>• Maintaining high quality standard products</li> <li>• Price competition from countries with cheap labour force</li> <li>• High and persistent raw materials and energy costs</li> </ul>

## The reference market

*Svas Biosana: an Italian leading player in Medical Devices*

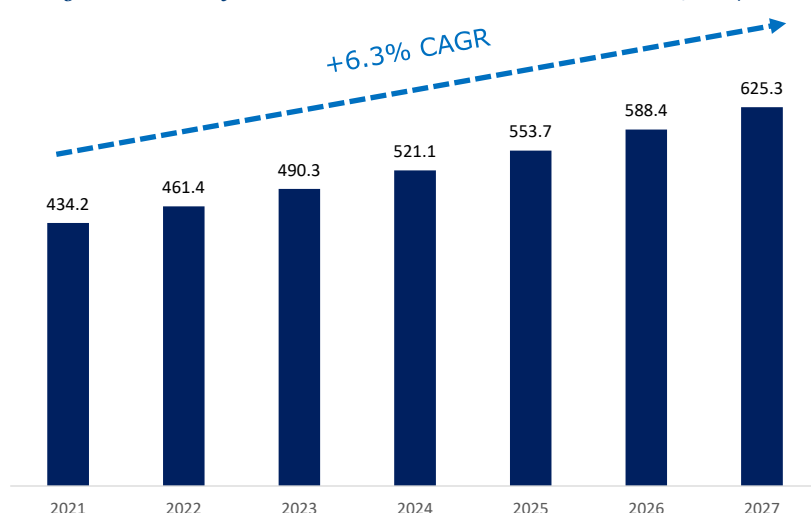
Svas Biosana Group is an Italian leading player in the Medical Devices and Consumables sector, acting both as a manufacturer and distributor. The Group was founded in Southern Italy in 1972 by Francesco Fausto Perillo with the aim of providing medical devices in the area. Today, the Group headquarter is in Somma Vesuviana (Naples) with three production plants located in Ottaviano (Naples) and Somma Vesuviana. Medical devices constitute the backbone of Svas Biosana's commercial offer. The Group registers more than 16,000 references with own and third parties' brands.

## The Global Medical Devices Industry

*Global medical devices market expected to grow at a 6.3% CAGR 21-27E*

In 2021, the Global Medical Devices market held a market value of \$434.2bn, with a business volume of around 66.5bn units sold. It is expected to reach a value of \$625.3bn in 2027, growing at a 6.3% CAGR, mainly driven by the increase in chronic diseases, such as arthritis, liver inflammation, cancer, renal diseases, diabetes chronic pain, sciatica, and other nervous disorders.

Figure 1: Value of Global Medical Devices market 2021-2027E (\$/bn)



Source: Banca Profilo elaborations on Research and Markets: Global Medical Device Market, 2021

*Asia Pacific region expected to be the fastest growing*

The North America region is expected to hold the largest market share owing to the increasing medical device innovations in the US and Canada. Furthermore, Asia Pacific region is estimated to be the fastest growing in the overall medical devices industry. The European region is predicted to grow at a steady rate owing to the rising product launches. The Middle East and Africa region is growing due to the increasing demand for cutting-edge advancements in medical devices.

Figure 2: Expected Medical Devices market growth by Region



Source: Mordor Intelligence

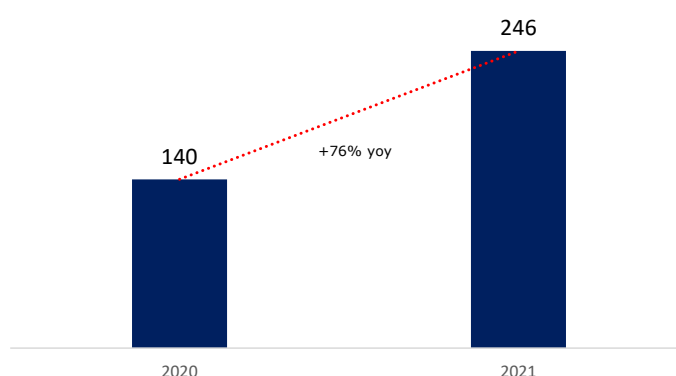
*The medical devices: a fragmented market*

This market is fragmented but with main Companies holding large market shares: for example, the main fifteen players accounted for 43.6% of total market in 2021 and they focus on strategies such as acquisitions, collaborations and new product developments to maintain their market positioning.

*Increasing volume of deals*

The M&A deal value in this sector grew by more than 75% in 2021, with 860 deals compared to 657 in 2020. In-vitro diagnostics, diagnostic imaging and dental devices were the top three sectors and recorded the highest deal value in 2021. The key regions in the M&A deal activity in the medical devices sector are North America, Europe, China, South & Central America, the Middle East & Africa and APAC Ex-China. All regions except South & Central America reported an increase in deal value as well as volume in 2021 compared to 2020. The biggest themes that are driving global M&A deals in the medical devices sector include artificial intelligence, wearable tech, the internet of things, 3D printing, remote patient monitoring and robotics.

*Figure 3: Global Medical Devices sector M&A deal value (\$/bn)*



Source: Banca Profilo elaborations on Global M&A Deals in 2021 – Top Themes in the Medical Devices Sector – Thematic Research, 2022

*The European market*

*European market at a 4.1% CAGR until 2027*

The European Medical Devices market is estimated to reach a value of \$171.2bn in 2027, growing at a 4.1% CAGR. Factors such as an increase in the number of healthcare institutions, rapid expansion in the older population, quick technical advancements and rising healthcare spending are accelerating the growth rate in the Region.

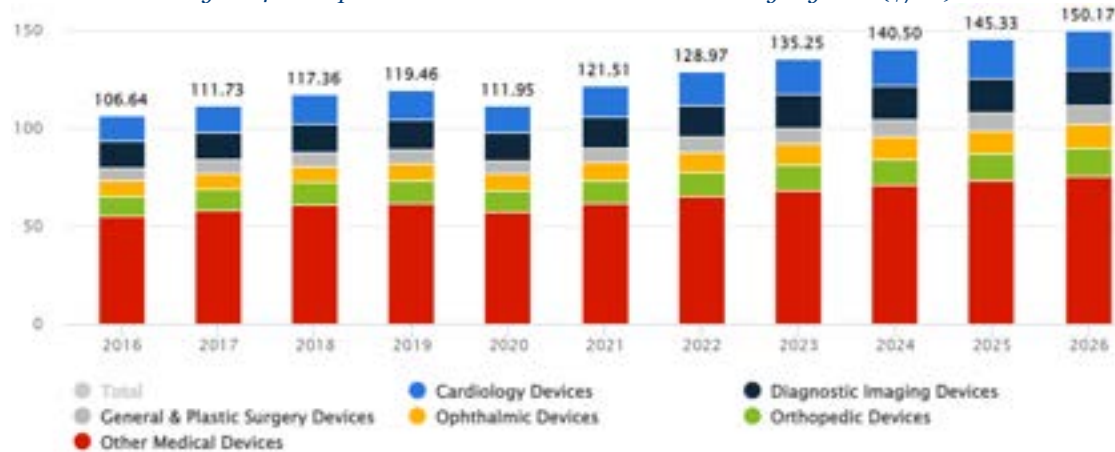
*Germany is expected to lead European market*

Germany is the main importer and exporter of medical devices and produces high-quality medical equipment: it is expected to lead the European market thanks to favourable government rules.

*Technological development will drive the Anesthesia segment*

Based on device type, the market has been segmented into orthopaedic devices, diagnostic imaging systems, endoscopy devices, ophthalmic devices, interventional cardiology devices, cardiac monitoring and cardiac rhythm management devices, respiratory care devices, ventilators, anaesthesia monitoring devices, dialysis devices and diabetic care devices. Technological advancements and the growth in the number of surgical procedures have driven the demand for anaesthesia monitoring devices in Europe. There is also a rapid growth in the market for targeted anaesthesia agent dosing to ensure patient safety using different evolving technologies, such as bispectral index monitoring and neuromuscular monitoring.

Figure 4: European Medical Devices market revenue by segment (\$/bn)



Source: Statista, IMF, OECD, WHO, Financial Statements of Key Players, National statistical offices

## The Italian market

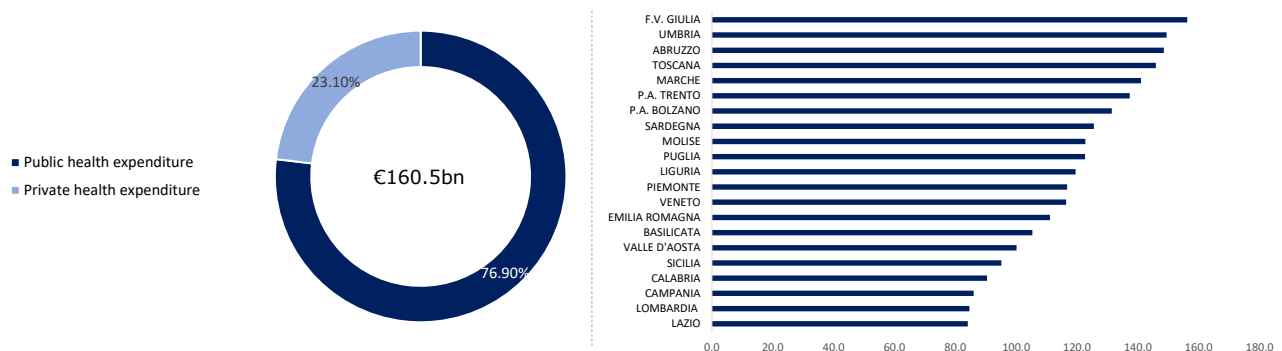
### Italian market worth €16.2bn

The Italian Medical Devices market is worth €16.2bn; it includes 4,546 companies and 112,534 employees. It is characterized by a strong prevalence of small and mid-sized companies (94% of the total).

### Public health expenditure increased by 8.3% in 2021

The public expenditure for medical devices accounts for 5.3% of total health expenditure; it increased by 8.3% yoy in 2021. Imports from China rose 15.1% yoy while exports to US declined by 123% yoy. Furthermore, despite some restraints on clinical trials due to the pandemic, €682.8mln were invested in R&D.

Figure 5: Italian healthcare expenditure



Source: Banca Profilo elaborations on Centro Studi Confindustria Dispositivi Medici

### Southern Italy is characterized by start-ups

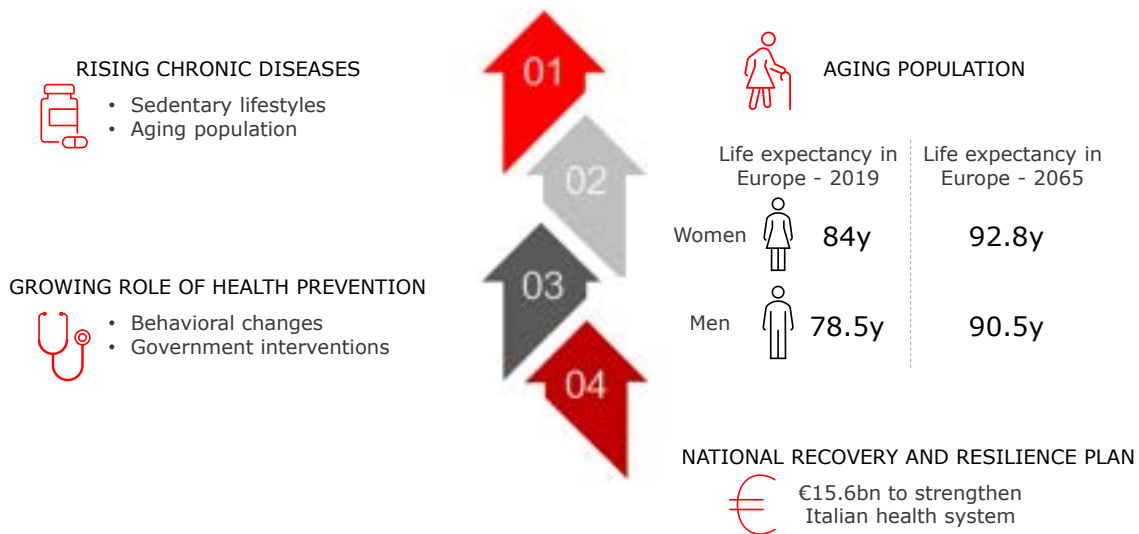
Northern Italy is the most representative area of the industry, where more than 80% of companies are based and most of revenues are generated. In the Center of Italy, small and large companies coexist, especially in Lazio and Toscana. Finally, in the South, where Svas Biosana is based, there is less concentration of large companies and a strong presence of start-ups.

## *Main market drivers*

- Rising chronic diseases* The increasing incidence of chronic diseases such as diabetes, cancer, liver diseases, kidney failure and other lifestyle illnesses such as obesity, fuels the preference for diagnostic and other clinical tests. According to the International Diabetes Federation (IDF), about 463mln people suffered from diabetes in 2019 or 9.3% of the global population: this figure is projected to reach 10.2% by 2030. Furthermore, the higher economic burden associated with longer hospital stays is pushing towards home care settings, increasing the demand for portable devices such as oximeters, heart rate and blood pressure monitors.
- Aging of global population* The rising elderly population indirectly stimulates demand for medical devices: according to the World Ageing Population report, in 2019 there were about 703mln above 65 years old people worldwide and this number is expected to more than double, reaching over 1.5bn by 2050. Most older people come from Eastern and Southeast Asia, followed by Europe and North America. Thus, healthcare and long-term care expenditures are expected to increase sharply, in particular for ophthalmic and orthopaedic devices due to the increasing incidence of impaired vision and hip fractures.
- Increasing role in disease prevention* Healthcare agencies are focusing on increasing the diagnosis and treatment rates through a growing number of awareness programs. This, along with the rising emphasis on fitness among adults, which stimulated demand for fitness trackers, will lead to an increase in the number of patients undergoing diagnosis and treatment.
- Expansion of medical technologies* In the wake of the pandemic, medical technologies such as wearables are becoming commonplace. The need to diagnose, treat and monitor patients without human contact has risen to contain the spread of Covid-19, resulting in increased applications of medical technologies which will enable medical professionals to remotely treat their patients. These technologies include the application of artificial intelligence (AI) in the care of people, wearable medical equipment, remote patient monitoring devices and electronic health records (EHR). These medical technological solutions allow for contactless monitoring of patients, either in their homes or in hospitals, which is essential in containing Covid-19. For example, by maintaining the EHRs of a patient, doctors and patients can avoid handling traditional paperwork which is passed through many individuals involved in the treatment and can easily view the data on their own devices.
- New public investments* The Italian National Recovery and Resilience Plan, with €15.6bn intended for the healthcare sector, will create more opportunities. The interventions are divided into two categories: the new designation of the territorial health care network and the innovation of hospital technological equipment.



Figure 6: Main market drivers



Source: Banca Profilo elaborations

## Medical Devices market restraints

### High cost of medical devices to limit market growth

Technological and design innovation have increased the price of medical devices. Some of the advanced devices are associated with other components such as chips, batteries and sensors, which require periodic replacement. For instance, in the US, the average cost of an insulin pump ranges from \$4,500 to \$6,500; along with this, the total per year cost of related accessories, which include batteries, syringes etc. is around \$1,500. This leads to a comparatively higher cost of ownership to the patient. Additionally, reimbursement for medical devices has also been a restricting factor in the adoption of these devices, especially in emerging countries.

### Challenges due to regulatory changes

Regulatory changes are likely to lead to higher costs for product developments and services to patients: these changes are related to consumer data protection such as the European Union's General Data Protection Regulation (GDPR) and changes to equipment approval procedures. The US Food and Drug Administration (FDA) has requested additional clinical data to support the claims of safety and efficacy of medical devices like endoscopy devices, increasing the time to process the premarket approval by over 55% over the last decade. The potential loss of revenues due to delays in product releases and additional costs incurred due to stringent approval processes puts a strain on investments for product development, slowing medical devices and equipment market growth.

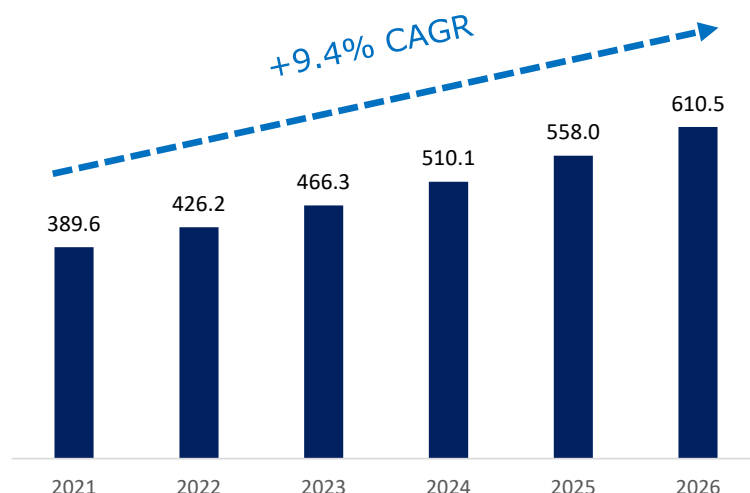
## Medical Disposables market

### Global Medical Disposable market: 9.4% CAGR 21-26E

Medical Disposables are considered the medical apparatus intended for one-time or temporary use. The primary reason for creating disposable devices is infection control. The Global Medical Disposable market was worth \$356.1bn in 2020 and it is expected to experiment a 9.4% CAGR 2021-2026E to \$610.5bn.



Figure 7: Value of Global Medical Disposable market 2021-2026E (\$/bn)



Source: Banca Profilo elaborations on Disposable Medical Supplies Market – Growth, Trends, Covid-19 impact, and Forecasts, Mordor Intelligence

**Asia Pacific will drive the market**

North America held the highest market share in the disposable medical supplies market due to the rising number of surgeries, advanced infrastructure and significant government investment in upgrading healthcare facilities and the rising prevalence of chronic diseases. Furthermore, a rise in the number of Covid-19 patients in this area has boosted the demand for medical supplies. According to a WHO report, there were 1,416,969 confirmed cases of Covid-19 in Canada as of 6<sup>th</sup> July 2021, with 26,360 deaths. Furthermore, because of the growing senior population and the rising prevalence of cardiovascular illnesses in Japan, China and India, Asia Pacific is predicted to increase at the quickest rate over the projection period: for example, public health expenditure in China rose by 15.2% yoy in 2021 reaching \$293bn.

Figure 8: Expected Medical Disposable market growth by Region



Source: Mordor Intelligence

*The increasing rate of hospitalizations and infections will boost demand for disposables*

Main growth drivers are:

- investment in technologically advanced platforms to improve safety and efficacy and sustain the intense competition;
- the increasing demand for disposables following Covid-19: for example, the WHO has appealed to industries and governments to increase the manufacturing of Personal Protective Equipment by 40% to meet the increasing global demand;
- increasing prevalence of chronic diseases such as diabetes and cardiovascular diseases;
- rising geriatric population across the globe;
- increasing surgical procedures;
- growing demand for disinfectants with an expected 5.1% CAGR19-27E driven by an increase in the number of hospital-acquired infections (HAIs) and by increasing contagious virus-related diseases.

*A moderately competitive market*

The Disposable market's primary strategies include product launches, M&A, joint ventures, and R&D activities.

The Disposable market is moderately competitive and consists of several major players which currently have a dominant positioning. However, there are many small as well as medium-sized manufacturers involved in the market, which are desegregated across the value chain.

*Figure 9: Medical Disposables key players by market category*



Source: Banca Profilo elaborations on BMI Research – Worldwide Medical Devices Forecasts, December 2017

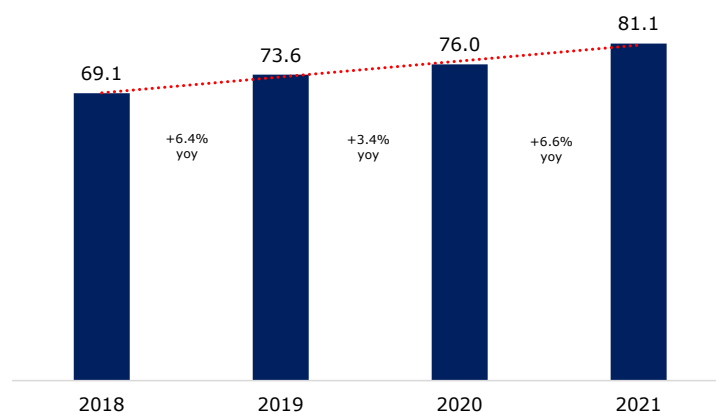
## Historical operating and financial performance

### Main operating and financial data FY21

*Revenues increased by 17% from 2018 to 2021*

From 2018 to 2021, Svas Biosana's revenues grew from €69.1m to €81.1m, registering a 5.8% average yearly increase. Despite the continuing difficulties generated by the pandemic, revenues rose by 6.6% yoy in 2021, mainly driven by Mark Medical which turnover rose by 16.8% yoy.

Figure 10: Revenue evolution 2018-2021 (€/mln)



Source: Banca Profilo elaborations on Company data

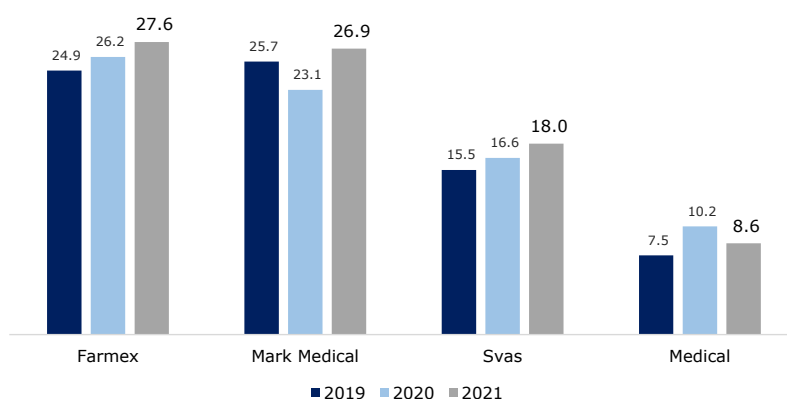
*Results held back by the current context but still growing*

Altogether, 2021 results were marginally lower than our expectations, delivering revenues of €81.1m vs our estimate at €81.9, and an EBITDA of €10.6m vs our projection at €11.3m, due to higher raw materials costs (55% of revenues vs our forecast at 53%). EBIT margin was flat at 7%, some 200bps lower than our estimate due to higher D&A, as well as Group net profit which reached €3.2m or €1.1m lower than our projection.

*Mark Medical drags revenues upwards reaching 33% of sales*

Farmex and Mark Medical generated most (34% and 33% respectively) of Group revenues in 2021: however, the two segments showed a different performance, with Farmex growing 5.4% yoy, maintaining its share of 34%, and Mark Medical rising 16.8% yoy, with incidence growing from 30% to 33% of Group sales. Svas' business line also marked an increase of 2.8% yoy to €18m or 22% of revenues; Medical was the only unit to show a decline in revenues (-15.5% yoy) to €8.6m due to the normalization of demand for Covid-related products, but still rising from €7.5m reported in 2019.

Figure 11: Revenue breakdown by business unit 2019-2021 (€/mln)

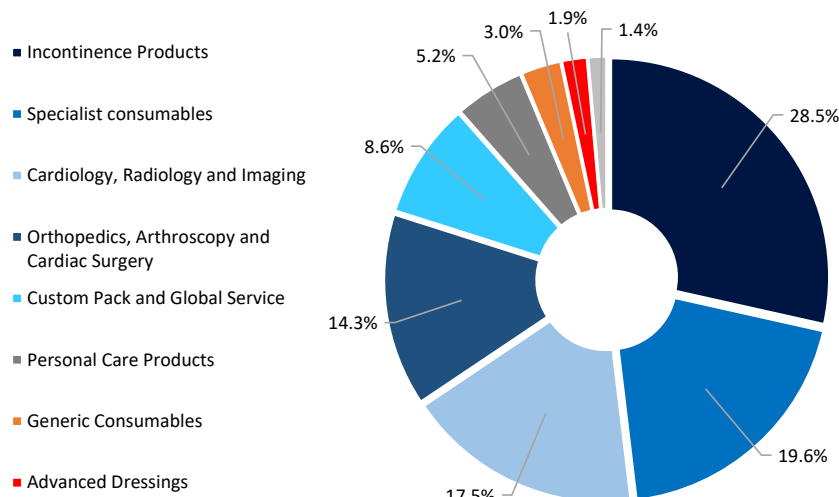


Source: Banca Profilo elaborations on Company data

*A diversified and complementary product portfolio*

As regards to Company's product portfolio, which is very diversified, Incontinence Products represent the largest share with 28.5% of revenues, in line with 2020, followed by Specialist Consumables with 19.6% of shares, increasing from 18.5% of last year, and Advanced Medical Devices for Cardiology, Radiology and Imaging at 17.5% of sales from 15.2% in 2020. Custom Pack, one of the Group's most characteristic product and with greater marginality, accounts for 8.6% of revenues, compared to 11.2% of the previous year.

*Figure 12: 2021 Revenue breakdown by product*

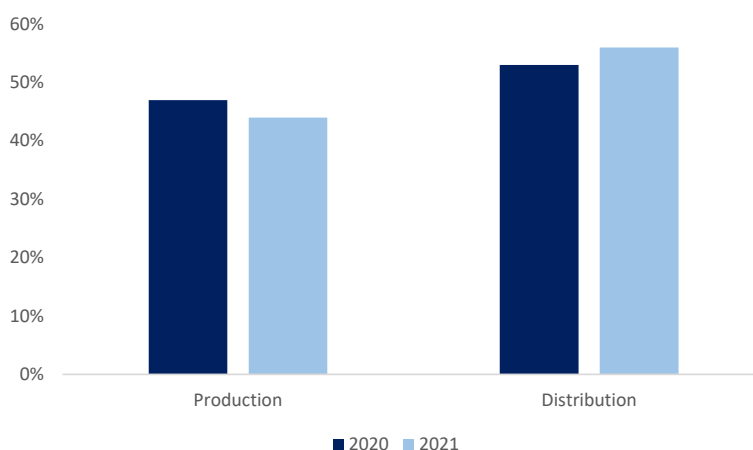


Source: Banca Profilo elaborations on Company data

*Exclusive distributor in the Balkans area*

Svas Biosana's revenue is divided between production and distribution, at 44% and 56% of sales respectively, whereas in 2020 they were at 47% and 53% respectively. As regards the latter, the Company is the exclusive distributor for the market leading producers in the Balkans area.

*Figure 13: Revenue breakdown by type of business*

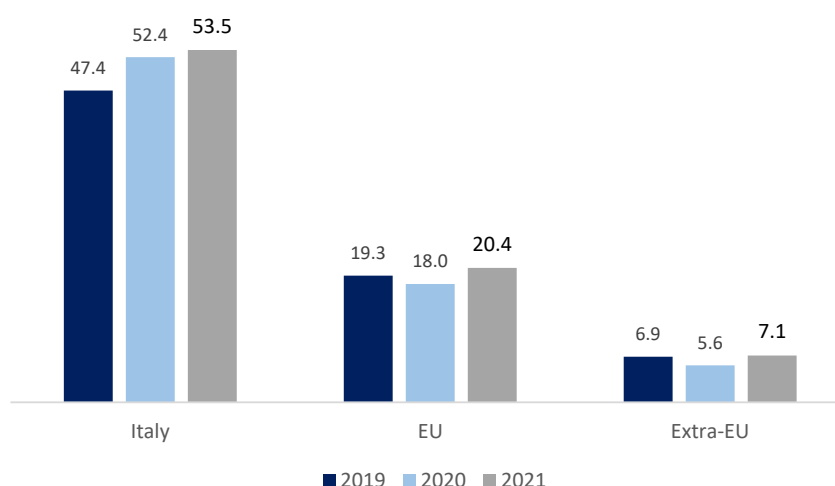


Source: Banca Profilo elaborations on Company data

*34% of revenues came from abroad in 2021 vs 31% in 2020*

Most of revenues come from Italy where in 2021 were equal to €53.5mIn (+2.1% yoy), followed by other countries within the European Union where they rose by 13.3% yoy, especially in the Balkan area where the Group has a strong presence, further strengthened by the last M&A operation in 2022. Finally, 8.7% of revenues came from extra-EU countries, growing by 26.7% yoy to €7.1mIn.

Figure 14: Revenue breakdown by geographic area

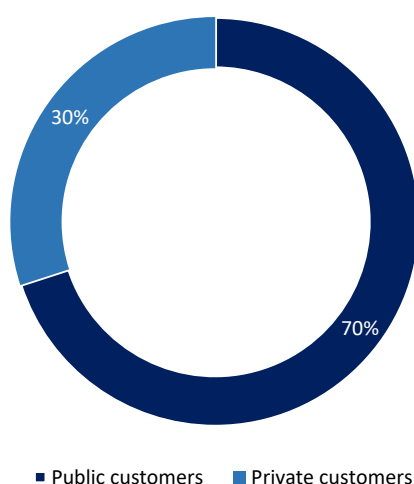


Source: Banca Profilo elaborations on Company data

*Customer base unchanged compared to 2020*

Customer base is divided between Public customers and Private customers, with a share of about 70% and 30% of revenues respectively, unchanged with respect to 2020: this is due to the fact that the Company has a strong presence in countries where private healthcare almost does not exist. The Company serves different type of customers, such as hospitals, nursing homes, pharmaceutical wholesalers and Large-Scale Distribution.

Figure 15: Revenue breakdown by type of customer

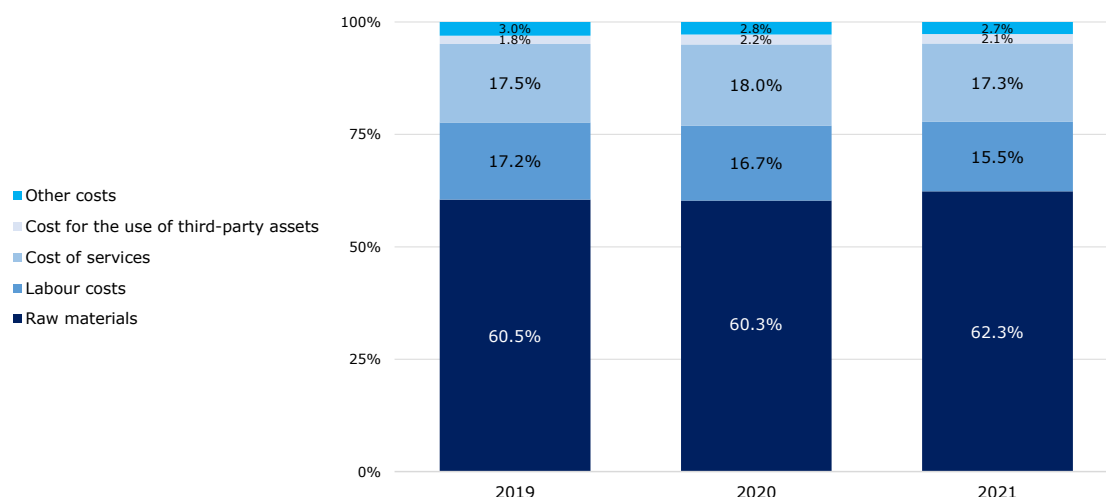


Source: Banca Profilo elaborations on Company data

*Production process optimization mitigated the increase in raw materials costs*

Svas Biosana's costs structure basically has not changed over the years: in 2021, raw materials costs increased their share of total costs to 62.3% from 60.3% in 2020, reaching €44.2mIn. The global surge in commodity prices has been partially offset by savings deriving from production processes optimization.

Figure 16: Costs structure 2019-2021



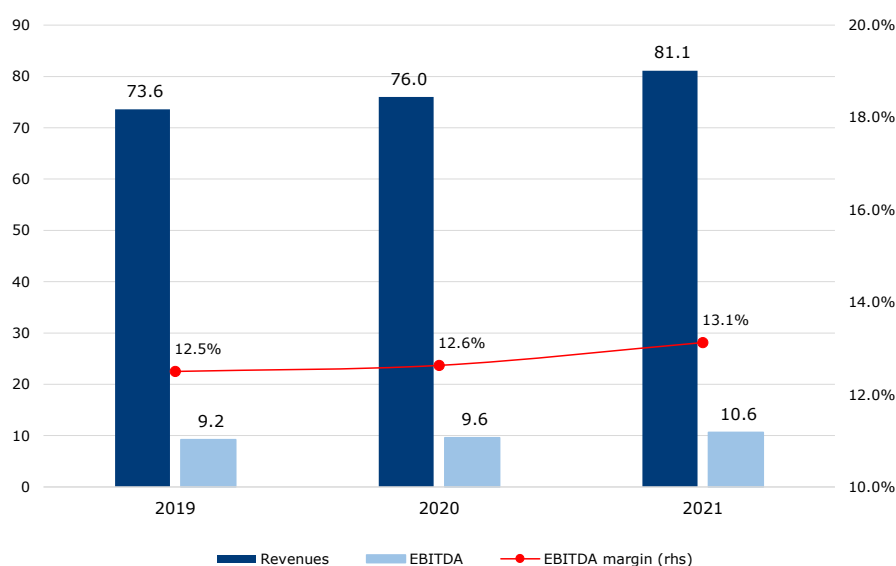
Source: Banca Profilo elaborations on Company data

**A valuable EBITDA margin at 13.1%**

Despite the increase in raw materials costs and the normalization of demand for Covid-related products, EBITDA rose by 10.4% yoy to €10.6mln in 2021 with margin improving from 12.6% to 13.1%, despite an increase in 2H21 in the cost of cellulose from \$700,000/ton to \$900,000/ton, a surge in container rental from €2,000 to €18,000 and a 68% rise in the cost of energy.

The improvement, which is mainly due to revenue growth and optimization of production process, could have been greater in the absence of global uncertainties.

Figure 17: EBITDA (€/mln) and EBITDA margin (%) trend

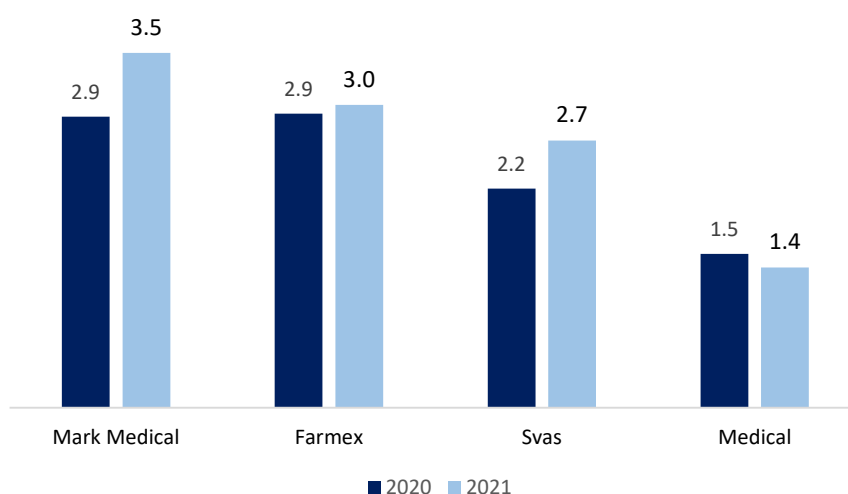


Source: Banca Profilo elaborations on Company data

**Medical business unit drives marginality up**

Despite the normalization of demand for Covid-related products, Medical business line kept leading marginality with an EBITDA equal to €1.4mln or 16.3% margin, improving by 120bps over 2020, thanks to the profitability of Custom packs. Mark Medical had the highest EBITDA at €3.5mln with 13.2% margin, increasing from 12.6% in 2020. Svas segment also improved, going from a margin of 13.2% in 2020 to 14.8% in 2021. Finally, Farmex was the only unit to show a slight decrease in profitability, declining from 11.2% to 11%.

Figure 18: EBITDA breakdown by business line (€/mln)

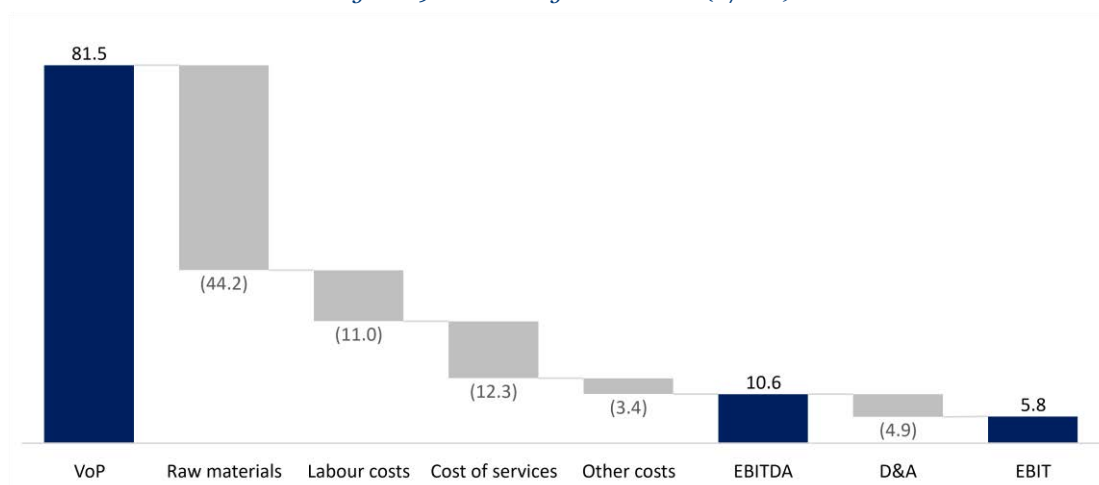


Source: Banca Profilo elaborations on Company data

**EBIT +13.3% yoy**

EBIT increased to €5.8mln from €5.1mln in 2020 (+13.3% yoy), with a margin improving to 7.1% from 6.7%, thanks to EBITDA growth more than offsetting rising D&A (from €4.5mln in 2020 to €4.9mln in 2021).

Figure 19: 2021 margins structure (€/mln)



Source: Banca Profilo elaborations on Company data

**Group net income to €3.2mln from €2.5mln**

Finally, Group net income rose by 25.7% yoy to €3.2mln, thanks to the higher margins achieved and the slightly lower financial expenses, which amounted to €1.8mln from €1.9mln in 2020.



*Table 1: Svas Biosana's Profit & Loss 2019-2021*

			2021	
Profit & Loss (€/mln)	2019	2020	old estimates	actual
<b>Revenues</b>	<b>73.6</b>	<b>76.0</b>	<b>81.9</b>	<b>81.1</b>
yoy	6.4%	2.3%	7.7%	6.6%
Farmex	24.9	26.2	27.3	27.6
yoy	0.7%	5.1%	4.5%	5.4%
% on revenues	34%	34%	33%	34%
Svas	16.3	17.5	18.3	18.0
yoy	6.6%	7.3%	4.5%	2.8%
% on revenues	22%	23%	22%	22%
Medical	7.5	10.2	10.7	8.6
yoy	6.1%	36.6%	5.5%	-15.5%
% on revenues	10%	13%	13%	11%
Mark Medical	25.7	23.1	26.5	26.9
yoy	11.5%	-10.4%	15.0%	16.8%
% on revenues	35%	30%	32%	33%
Other revenues	1.4	1.7	1.3	0.4
% on revenues	2%	2%	2%	1%
<b>Value of production</b>	<b>75.0</b>	<b>77.7</b>	<b>83.2</b>	<b>81.5</b>
<b>External costs</b>	<b>(52.5)</b>	<b>(54.8)</b>	<b>(58.2)</b>	<b>(58.0)</b>
Costs and changes in raw, ancillary and consumable materials and goods	(39.8)	(41.1)	(43.4)	(44.2)
% on revenues	0.5	54%	53%	55%
Costs of services	(11.5)	(12.3)	(13.2)	(12.3)
% on revenues	16%	16%	16%	15%
Costs for the use of third party assets	(1.2)	(1.5)	(1.6)	(1.5)
% on revenues	2%	2%	2%	2%
<b>Value added</b>	<b>22.5</b>	<b>22.9</b>	<b>24.9</b>	<b>23.5</b>
% on revenues	31%	30%	30%	29%
Labour costs	(11.3)	(11.4)	(11.6)	(11.0)
% on revenues	15%	15%	14%	14%
Other operating expenses	(2.0)	(1.9)	(2.1)	(1.9)
	3%	3%	3%	2%
<b>EBITDA</b>	<b>9.2</b>	<b>9.6</b>	<b>11.3</b>	<b>10.6</b>
margin	12.5%	12.6%	13.8%	13.1%
D&A	(4.0)	(4.5)	(4.0)	(4.9)
yoy	5.5%	11.7%	-11.8%	8.8%
Provision for risks	-	-	-	-
<b>EBIT</b>	<b>5.2</b>	<b>5.1</b>	<b>7.4</b>	<b>5.8</b>
margin	7%	6.7%	9.0%	7.1%
<b>EBT</b>	<b>3.2</b>	<b>3.2</b>	<b>5.5</b>	<b>4.0</b>
margin	4%	4.2%	6.7%	5.0%
Taxes	(0.7)	(0.7)	(1.2)	(0.9)
<b>Net profit</b>	<b>2.5</b>	<b>2.5</b>	<b>4.3</b>	<b>3.2</b>
margin	3%	3.3%	5.2%	3.9%
yoy	29.8%	1.2%	69.3%	25.7%
Minorities	0.0	0.0	0.0	0.0
% minorities	0%	0%	0%	0%
<b>Group Net profit</b>	<b>2.5</b>	<b>2.5</b>	<b>4.3</b>	<b>3.2</b>

Source: Banca Profilo elaborations on Company data

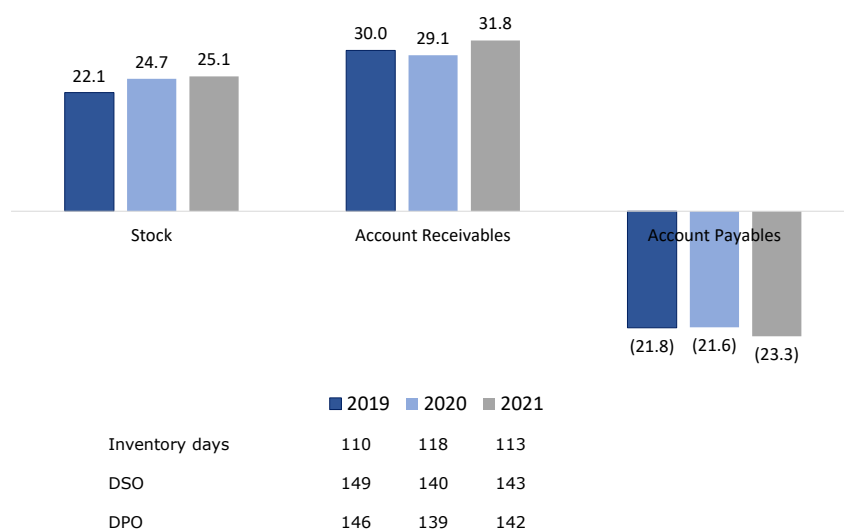
**Balance Sheet:**  
business expansion and  
products improvement  
to boost growth

On the Balance Sheet side, at the end of 2021 the Company showed €36.5mIn of Fixed Assets (+4% yoy), below our estimate at €39.5mIn, including Tangible Capex of €2.6mIn and Intangible Capex of €3.3mIn (of which €2.2mIn coming from IPO costs capitalization). Structural Total Capex were €3.7mIn, above our forecast at €3mIn, mainly driven by: i) the modernization of plants; ii) production capacity expansion in the sites in Somma Vesuviana and Ottaviano; iii) product development related to Personal Protective Equipment and wound caring.

**Increasing ONWC to  
support growth**

Operating Net Working Capital increased from €32.1mIn in 2020 to €33.6mIn in 2021 (in line with our estimates), reducing its weight on revenues from 42.2% to 41.5%

Figure 20: Operating Net Working Capital 2019-2021 (€/mIn)

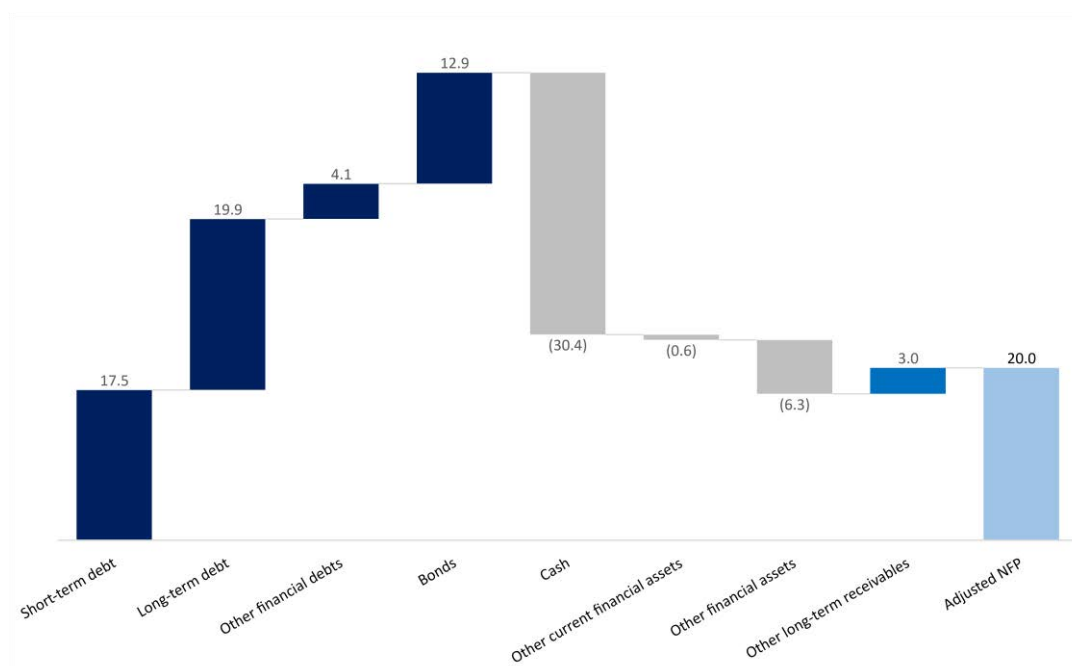


Source: Banca Profilo elaborations on Company data

**Net debt halved at the  
end of 2021**

At the end of 2021, adjusted net debt fell from €39.9mIn in 2020 to €20mIn, more than our previous estimates of €21.6mIn thanks to the IPO proceeds and cash flow generation of €2.5mIn.

Figure 21: 2021 adjusted net financial position (€/mIn)



Source: Banca Profilo elaborations and estimates on Company data

Table 2: Svas Biosana's Balance Sheet (€/mln)

Balance Sheet (€/mln)	2019	2020	2021	
			old estimates	actual
Stock	22.1	24.7	25.3	25.1
Accounts receivables	30.0	29.1	33.6	31.8
Accounts payables	(21.8)	(21.6)	(25.4)	(23.3)
<b>Operating Net Working Capital</b>	<b>30.3</b>	<b>32.1</b>	<b>33.6</b>	<b>33.6</b>
Other current asset and liabilities	(1.7)	(0.2)	(0.2)	0.1
<b>Net Working Capital</b>	<b>28.6</b>	<b>31.9</b>	<b>33.4</b>	<b>33.7</b>
Intangibles	7.1	9.2	13.6	10.7
Tangibles	26.7	25.8	25.8	25.6
Financials	0.1	0.1	0.1	0.2
<b>Fixed Asset</b>	<b>33.9</b>	<b>35.1</b>	<b>39.5</b>	<b>36.5</b>
Funds	(2.2)	(2.3)	(2.1)	(2.2)
Other asset and liabilities	(0.2)	(0.2)	(0.2)	(0.1)
<b>Net Invested Capital</b>	<b>60.1</b>	<b>64.6</b>	<b>70.6</b>	<b>68.0</b>
<b>Equity</b>	<b>22.8</b>	<b>27.7</b>	<b>52.0</b>	<b>51.0</b>
<b>Net debt (cash)</b>	<b>37.3</b>	<b>36.9</b>	<b>18.6</b>	<b>17.0</b>
Other long-term receivables	3.1	3.0	3.0	3.0
<b>Adjusted Net debt (cash)</b>	<b>40.5</b>	<b>39.9</b>	<b>21.6</b>	<b>20.0</b>
<b>Liabilities</b>	<b>60.1</b>	<b>64.6</b>	<b>70.6</b>	<b>68.0</b>

Source: Banca Profilo elaborations and estimates on Company data

**Free Cash Flow 2021 at €3.7mln**

Given an Operating Cash Flow of €8.9mln and Capex of €3.7mln (excluding IPO costs), the Free Cash Flow stood at €3.7mln, lower compared to our estimates of €4.7mln due to narrower margins, following the current global uncertainties, and the higher Capex to support business growth.

Table 3: Svas Biosana's Free Cash Flow 2019-2021 (€/mln)

Free Cash Flow (€/mln)	2019	2020	2021	
			old estimates	actual
EBIT	5.2	5.1	7.4	5.8
taxes	(1.6)	(1.5)	(2.2)	(1.7)
<b>NOPAT</b>	<b>3.6</b>	<b>3.6</b>	<b>5.2</b>	<b>4.0</b>
D&A	4.0	4.5	4.0	4.9
<b>Operating cash flow</b>	<b>7.6</b>	<b>8.0</b>	<b>9.1</b>	<b>8.9</b>
Operating Net Working Capital change	(3.0)	(1.8)	(1.4)	(1.5)
Other funds	0.3	0.1	0.0	(0.0)
Capex	(0.6)	1.9	(3.0)	(3.7)
<b>FCF</b>	<b>4.3</b>	<b>8.2</b>	<b>4.7</b>	<b>3.7</b>

Source: Banca Profilo elaborations and estimates on Company data

## **2022-2024 Strategy and financial estimates**

### *Corporate strategies and ongoing projects*

#### *Expanding product range; M&A opportunities*

For the next years, Svas Biosana's Group is set to expand its business further, through M&A and the expansion of its products range.

The Company's growth strategy is based on the following key pillars:

- External growth through acquisitions in order to strengthen the actual network, services and customer base in the neighbouring area;
- Development of cost synergies and economies of scale through M&A activity;
- Expansion of its production capacity;
- Development of new product lines in order to reach a larger share of customers;
- Catching the wave of growth in elderly population and the increasing incidence of chronic diseases dynamics;
- Exploiting the growing role of health prevention;
- Catching new resources coming from the Italian National Recovery and Resilience Plan;
- Upgrading logistics in order to reduce the time to market.

The Company is currently focusing on new projects:

- The development of the Incontinence business, especially for adult diapers and Pet products;
- Expansion of Medical Gel portfolio, including edible gels, which are used in many applications;
- New pain therapy products;
- Evolution of Custom packs.

Overall, there is a continuous demand for new products in the Medical Devices market and the Company will try to catch this demand by updating its products in order to achieve higher marginality.

### *M&A strategy update*

#### *Svas Biosana leading Medical Devices market in the Balkans*

In May 2022, the Company has started the acquisition of Bormia Group, which should be closed within the end of June, for a total amount of €4.8mIn entirely financed with equity. Bormia is a distributor of Specialist Medical Devices from leading US and European manufacturers in the fields of cardiac surgery, anaesthesia and intensive care, endovascular procedures and neuroradiology, for primary public and private customers of Slovenian, Croatian, Serbian and Bosnian health systems. Thanks to the acquisition, Svas Biosana becomes leader in the supply of Medical Devices in the Balkans, further strengthening its competitive positioning in the area. The synergy lies in the merger between the products distributed by Bormia and Svas Biosana's commercial network in Serbia and Bosnia.

#### *A small but profitable company*

Bormia reported in 2021 revenues for €11mIn, growing 26.4% yoy, and an EBITDA of €1.25mIn, rising 11% yoy, with a margin of 11.4%, while net profit amounted to €0.89mIn, increasing by 9.3% yoy. Finally, the Company, which has 20 employees, presented a net cash position of about €0.97mIn. Furthermore, in 1Q22 the Company is increasing its revenue by €1mIn, with an expected EBITDA margin at 12%.

### *Another successful M&A deal: Bormia acquired at 3.1x EBITDA*

Svas signed the agreement to purchase 75% of the capital of Bormia, whereas the remaining 25% are Bormia own shares: thus, the amount paid for the acquisition, which is equal to €4.8mln, further reduced by Bormia's net cash position of €0.96mln, will guarantee the control of 100% of the capital. Therefore, the value of the deal is equal to 3.1x EBITDA: this further highlights Company's ability to make successful M&A operations.

### *New targets*

For the future, Svas is aiming at acquiring a medical consumable company based in the North of Italy or in Europe, mainly in Spain, Portugal, France and Germany, in line with the general project which provides a mix between production and distribution business.

## *Our 2022E-2024E estimates revision*

### *Focus on 2022E: external growth boosts revenue and ONWC up but global scenario holds marginality back*

Following FY21 results slightly lower than our expectations due to a complex global scenario, we firstly revised our FY22 estimates. In our new estimates, we also considered the recent acquisition which we assume will be consolidated from June 2022. Marginality was revised downwards because of the persisting issues in raw materials prices, in the cost of services and inflation. On the Balance Sheet, we considered a higher Operating NWC and Fixed assets following the acquisition and the internal investments. We end up with a halve in 2022E Free Cash Flow.

### *Mark Medical business line is expected to boost revenues*

In details, we expect 2022E revenue at €93.4mln vs €87.1mln in our old estimates (€87 without the acquisition): since Bormia operates in the Balkans, we considered the additional turnover in Mark Medical business line, which is now seen at €36mln compared to €28.6mln of our old estimates or a weight of 39% on revenues compared to 33% of our previous forecasts; consequently, the other business lines are expected to slightly reduce their weights. Furthermore, we expect a slightly higher turnover for Farmex, from €28.7mln of old estimates to €28.9mln thanks to the development of the Incontinence business, but lower revenues for Svas and Medical business lines, from €19.4mln and €11.4mln respectively to €19.2mln and €9.3mln: however, we expect for Svas a higher increase yoy, from 6% of previous estimates to 6.5%, driven by the development of new gel products; for Medical segment, the lower turnover is due to the normalization of the demand for Covid-related products, but we expect a growth of 8% yoy (6% in our previous estimates) driven by the development of Custom packs.

### *Margins will be impacted by the increase in raw materials and cost of services*

Following the surge in commodity prices, we still expect for 2022E raw materials costs at 55% of revenues reaching €50.9mln (€47.4mln without the acquisition), compared to €46.2mln or 53% of revenues in our old estimates. We also expect cost of services at 16% of revenues vs 15% in 2021 due to the persistent high container rental which showed a +800% rise yoy. As for labour costs, we considered a slightly increase from €12.5mln of old estimates to €13.1mln considering new 20 employers from Bormia and an inflationary adjustment for wages in the Balkans area. Therefore, we now see EBITDA at €12.1mln (€10.3mln without the acquisition) or 12.9% margin compared to 14.2% in previous forecasts and 13.1% achieved in 2021.

Finally, Net profit is expected at €5.1mln (€3.4mln without the acquisition) vs €4.6mln in our previous estimates.

### *Strong investments to support business growth*

In 2022, we expect a lower Free Cash Flow following i) the decrease in margins; ii) the consolidation of Bormia in the Group's Balance Sheet and iii) the cash out of the acquisition: in fact, Operating NWC is now seen at €37.7mln (€35.1mln without acquisition) vs €36.8mln of previous estimates and €33.6mln in 2021. Fixed assets are also expected to increase at €38.7mln (unchanged with respect to the acquisition due to the few assets owned by Bormia) compared to €37mln in previous forecasts, driven by higher Capex.

Finally, adjusted net financial position is seen at €20.8mln, higher than €17.5mln of our old projections due to the last M&A transaction entirely self-financed.

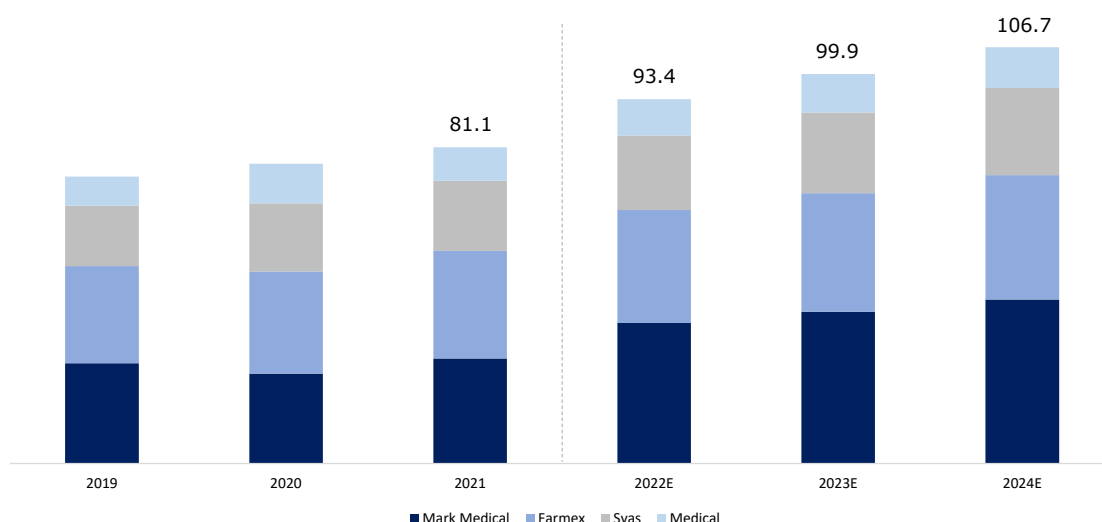
### *Estimates revision for 2023E-2024E: strong business expansion*

Following our estimates revision on 2022E, we updated our projections for 2023-2024. We now expect higher revenue boosted by the last acquisition, with margins recovering from 2022E decline and improving thanks to the optimization of the production process and the new products development. On the Balance Sheet, we forecast an optimization in Operating NWC management and higher Fixed assets due to stronger Capex to support business growth.

### *Revenues expected to grow at a 9.6% CAGR 21-24E*

In details, we expect higher revenue following the acquisition reaching €106.7mln in 2024 vs €99.4mln of our old estimates, with Mark Medical giving the best contribution with 39% of revenues (34% in our old estimates): the other business lines are expected to reduce their weight on revenues but in any case growing from the current levels. We assumed growth rate unchanged from previous estimates: Farmex is seen at 30% of revenues in 2024 from 32% of previous estimates, rising 5% yoy; Svas is expected at 21% of revenues from 21% in our old forecasts, growing 8% yoy; finally, Medical will weigh 10% on revenues from 13% of old estimates, increasing 6% yoy. Overall, we expect revenues to grow at a 9.6% CAGR 21-24E compared to 6.7% in our previous estimates, driven by: i) new products development; ii) M&A strategy and iii) production process optimization.

*Figure 22: Revenue trend 2019-2024E (€/mln)*

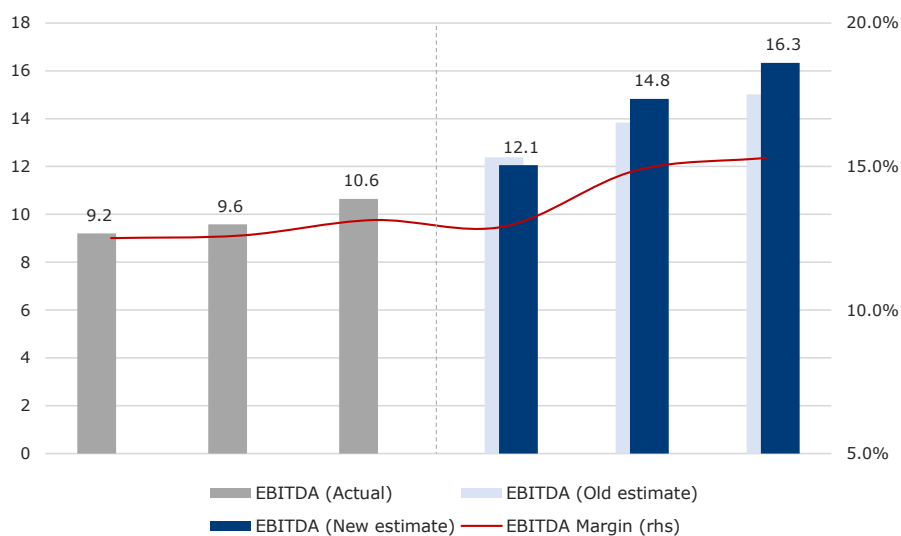


Source: Banca Profilo elaborations and estimates on Company data

### *A strong improvement for margins*

Margins are expected to improve more than previously estimated, thanks to the optimization of the production process and the continuous update of new products which guarantee a higher marginality. Raw materials and cost of services are projected at 52% and 16% respectively in 2024, unchanged from our old estimates, while labour costs are seen at €15.2mln or 14% on revenues, slightly lower than our previous estimates at 15% due to the expansion in the Balkans area. Thanks to the strong increase in revenues, EBITDA is now expected at €16.3mln in 2024 vs €15mln in our old forecasts, with margin improving to 15.3% from 15.1%, registering an overall +15.3% CAGR 21-24E compared to a +9.9% of our old projections.

Figure 23: EBITDA (€/mln) and EBITDA margin (%) trend 2019-2024E



Source: Banca Profilo elaborations and estimates on Company data

Finally, net profit is expected at €7.5mln compared to €6.1mln of our old estimates, with margin improving by 100bps from 6.1% to 7.1%, reporting a +33.7% CAGR21-24E vs +12.6% of our old projections. As for the dividends, we assumed that the Company will start to pay its shareholders from 2023 with a 30% payout ratio, while in 2022 it will continue its buyback programme.



Table 4: Svas Biosana's Profit & Loss 2021-2024E (€/mln)

		2021		2022E		2023E		2024E	
Profit & Loss (€/mln)		old estimates	actual	old	new	old	new	old	new
<b>Revenues</b>		<b>81.9</b>	<b>81.1</b>	<b>87.1</b>	<b>93.4</b>	<b>93.1</b>	<b>99.9</b>	<b>99.4</b>	<b>106.7</b>
	yoy	7.7%	6.6%	6.4%	15.2%	6.8%	6.9%	6.9%	6.9%
	Farmex	27.3	27.6	28.7	28.9	30.1	30.4	31.6	31.9
	yoy	4.5%	5.4%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	% on revenues	33%	34%	33%	31%	32%	30%	32%	30%
	Svas	18.3	18.0	19.4	19.2	20.9	20.7	22.6	22.3
	yoy	4.5%	2.8%	6.0%	6.5%	8.0%	8.0%	8.0%	8.0%
	% on revenues	22%	22%	22%	21%	22%	21%	23%	21%
	Medical	10.7	8.6	11.4	9.3	12.1	9.8	12.8	10.4
	yoy	5.5%	-15.5%	6.0%	8.0%	6.0%	6.0%	6.0%	6.0%
	% on revenues	13%	11%	13%	10%	13%	10%	13%	10%
	Mark Medical	26.5	26.9	28.6	36.0	30.9	38.9	33.4	42.0
	yoy	15.0%	16.8%	8.0%	33.8%	8.0%	8.0%	8.0%	8.0%
	% on revenues	32%	33%	33%	39%	33%	39%	34%	39%
Other revenues		1.3	0.4	1.4	0.5	1.5	0.5	1.6	0.6
% on revenues		2%	1%	2%	1%	2%	1%	2%	1%
<b>Value of production</b>		<b>83.2</b>	<b>81.5</b>	<b>88.5</b>	<b>93.9</b>	<b>94.5</b>	<b>100.4</b>	<b>101.0</b>	<b>107.3</b>
<b>External costs</b>		<b>(58.2)</b>	<b>(58.0)</b>	<b>(61.4)</b>	<b>(67.5)</b>	<b>(64.8)</b>	<b>(70.1)</b>	<b>(68.8)</b>	<b>(73.8)</b>
Costs and changes in raw, ancillary and consumable materials and goods		(43.4)	(44.2)	(46.2)	(50.9)	(48.9)	(52.9)	(51.7)	(55.5)
% on revenues		53%	55%	53%	55%	53%	53%	52%	52%
Costs of services		(13.2)	(12.3)	(13.8)	(14.9)	(14.4)	(15.5)	(15.4)	(16.5)
% on revenues		16%	15%	16%	16%	16%	16%	16%	16%
Costs for the use of third party assets		(1.6)	(1.5)	(1.5)	(1.7)	(1.5)	(1.7)	(1.7)	(1.7)
% on revenues		2%	2%	2%	2%	2%	2%	2%	2%
<b>Value added</b>		<b>24.9</b>	<b>23.5</b>	<b>27.1</b>	<b>26.4</b>	<b>29.7</b>	<b>30.3</b>	<b>32.2</b>	<b>33.6</b>
% on revenues		30%	29%	31%	28%	32%	30%	32%	31%
Labour costs		(11.6)	(11.0)	(12.5)	(13.1)	(13.5)	(13.5)	(14.7)	(15.2)
% on revenues		14%	14%	14%	14%	15%	13%	15%	14%
Other operating expenses		(2.1)	(1.9)	(2.2)	(2.0)	(2.3)	(2.0)	(2.5)	(2.0)
% on revenues		3%	2%	3%	2%	3%	2%	3%	2%
<b>EBITDA</b>		<b>11.3</b>	<b>10.6</b>	<b>12.4</b>	<b>12.1</b>	<b>13.8</b>	<b>14.8</b>	<b>15.0</b>	<b>16.3</b>
margin		13.8%	13.1%	14.2%	12.9%	14.9%	14.9%	15.1%	15.3%
D&A		(4.0)	(4.9)	(4.5)	(4.4)	(5.0)	(4.6)	(5.3)	(5.0)
yoy		-11.8%	8.8%	14.2%	-9.6%	10.6%	4.2%	6.4%	8.5%
Provision for risks		-	-	-	-	-	-	-	-
<b>EBIT</b>		<b>7.4</b>	<b>5.8</b>	<b>7.9</b>	<b>7.6</b>	<b>8.8</b>	<b>10.2</b>	<b>9.7</b>	<b>11.3</b>
margin		9.0%	7.1%	9.0%	8.2%	9.5%	10.3%	9.8%	10.6%
<b>EBT</b>		<b>5.5</b>	<b>4.0</b>	<b>6.0</b>	<b>5.9</b>	<b>7.0</b>	<b>8.5</b>	<b>7.8</b>	<b>9.6</b>
margin		6.7%	5.0%	6.9%	6.3%	7.5%	8.5%	7.9%	9.0%
Taxes		(1.2)	(0.9)	(1.3)	(1.3)	(1.6)	(1.8)	(1.7)	(2.0)
<b>Net profit</b>		<b>4.3</b>	<b>3.2</b>	<b>4.6</b>	<b>5.1</b>	<b>5.4</b>	<b>6.7</b>	<b>6.1</b>	<b>7.5</b>
margin		5.2%	3.9%	5.3%	5.5%	5.8%	6.7%	6.1%	7.1%
yoy		69.3%	25.7%	9.1%	62.6%	16.3%	29.9%	12.5%	13.1%
Minorities		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% minorities		0%	0%	0%	0%	0%	0%	0%	0%
<b>Group Net profit</b>		<b>4.3</b>	<b>3.2</b>	<b>4.6</b>	<b>5.1</b>	<b>5.4</b>	<b>6.7</b>	<b>6.1</b>	<b>7.5</b>

Source: Banca Profilo elaborations and estimates on Company data

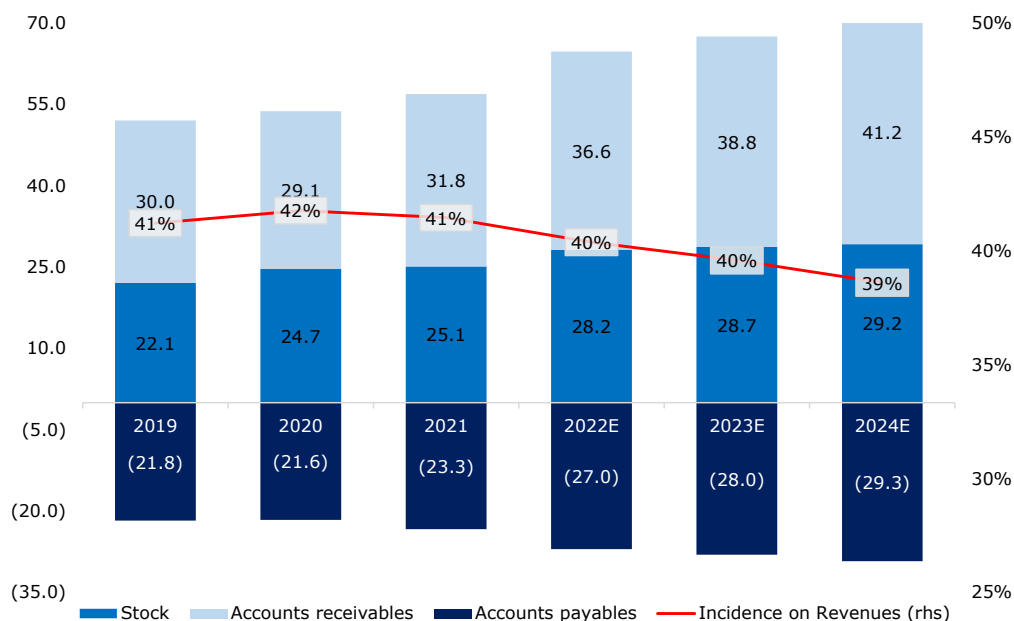
*Operating NWC improving at 38.6% of revenues*

Following the acquisition, we estimate a higher Operating NWC at €41.2mln in 2024 compared to €40.6mln in our old estimates, but with a decreasing weight on revenues at 38.6% vs 40.8% of our previous forecasts thanks to an improved cash collection capacity under 5 months.

## Strong investments to expand business

Fixed assets are expected to reach €40.9m in 2024, higher than previous estimated (€36m) driven by higher Capex: in fact, beyond the yearly average of €3m, which is hardly compressible due to the plant maintenance, the Company is expected to invest an additional €6m in the next four years in order to further expand its business.

Figure 24: Operating Net Working Capital projections 2019-2024E (€/m)



Source: Banca Profilo elaborations and estimates on Company data

Finally, we expect adjusted net debt at €13.8m in 2024 compared to €8.5m of previous estimates, due to the higher investments both for external and internal growth.

Table 5: Svas Biosana's Balance sheet 2021-2024E (€/m)

Balance sheet (€/m)	2021		2022E		2023E		2024E	
	old estimates	actual	old	new	old	new	old	new
Stock	25.3	25.1	26.3	28.2	26.8	28.7	27.2	29.2
Accounts receivables	33.6	31.8	35.8	36.6	38.2	38.8	40.9	41.2
Accounts payables	(25.4)	(23.3)	(25.3)	(27.0)	(26.1)	(28.0)	(27.5)	(29.3)
<b>Operating Net Working Capital</b>	<b>33.6</b>	<b>33.6</b>	<b>36.8</b>	<b>37.7</b>	<b>38.9</b>	<b>39.5</b>	<b>40.6</b>	<b>41.2</b>
Other current asset and liabilities	(0.2)	0.1	(0.2)	0.1	(0.2)	0.1	(0.2)	0.1
<b>Net Working Capital</b>	<b>33.4</b>	<b>33.7</b>	<b>36.6</b>	<b>37.9</b>	<b>38.7</b>	<b>39.6</b>	<b>40.4</b>	<b>41.3</b>
Intangibles	13.6	10.7	10.8	11.8	9.9	11.8	9.0	11.7
Tangibles	25.8	25.6	26.1	26.8	26.4	28.2	26.9	29.0
Financials	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2
<b>Fixed Asset</b>	<b>39.5</b>	<b>36.5</b>	<b>37.0</b>	<b>38.7</b>	<b>36.4</b>	<b>40.2</b>	<b>36.0</b>	<b>40.9</b>
Funds	(2.1)	(2.2)	(2.3)	(2.6)	(2.5)	(2.7)	(2.7)	(3.0)
Other asset and liabilities	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)	(0.1)
<b>Net Invested Capital</b>	<b>70.6</b>	<b>68.0</b>	<b>71.1</b>	<b>73.9</b>	<b>72.5</b>	<b>77.1</b>	<b>73.6</b>	<b>79.1</b>
<b>Equity</b>	<b>52.0</b>	<b>51.0</b>	<b>56.6</b>	<b>56.1</b>	<b>62.0</b>	<b>62.8</b>	<b>68.1</b>	<b>68.3</b>
<b>Net debt (cash)</b>	<b>18.6</b>	<b>17.0</b>	<b>14.5</b>	<b>17.8</b>	<b>10.5</b>	<b>14.3</b>	<b>5.5</b>	<b>10.8</b>
Other long-term receivables	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Adjusted Net debt (cash)</b>	<b>21.6</b>	<b>20.0</b>	<b>17.5</b>	<b>20.8</b>	<b>13.5</b>	<b>17.3</b>	<b>8.5</b>	<b>13.8</b>
<b>Liabilities</b>	<b>70.6</b>	<b>68.0</b>	<b>71.1</b>	<b>73.9</b>	<b>72.5</b>	<b>77.1</b>	<b>73.6</b>	<b>79.1</b>

Source: Banca Profilo elaborations and estimates on Company data

### €13.8mln of cumulated FCFs in 2022E-2024E

According to our P&L and Balance Sheet estimates revision, for the period 2022E-2024E we end up with €13.8mln of cumulated Free Cash Flows, compared to our old estimates of €16mln, including €13.8mln of cumulated Capex and €7.6mln of Operating NWC needs (vs previous €10.8mln and €7mln respectively).

Table 6: Svas Biosana's FCFs 2021-2024E (€/mln)

Free Cash Flow (€/mln)	2021		2022E		2023E		2024E	
	old estimates	actual	old	new	old	new	old	new
EBIT	7.4	5.8	7.9	7.6	8.8	10.2	9.7	11.3
taxes	(2.2)	(1.7)	(2.4)	(2.3)	(2.7)	(3.1)	(2.9)	(3.4)
<b>NOPAT</b>	<b>5.2</b>	<b>4.0</b>	<b>5.5</b>	<b>5.4</b>	<b>6.2</b>	<b>7.2</b>	<b>6.8</b>	<b>7.9</b>
D&A	4.0	4.9	4.5	4.4	5.0	4.6	5.3	5.0
<b>Operating cash flow</b>	<b>9.1</b>	<b>8.9</b>	<b>10.0</b>	<b>9.8</b>	<b>11.2</b>	<b>11.8</b>	<b>12.1</b>	<b>12.9</b>
Operating Net Working Capital change	(1.4)	(1.5)	(3.2)	(4.1)	(2.1)	(1.8)	(1.7)	(1.7)
Other funds	0.0	(0.0)	0.2	0.4	0.2	0.1	0.2	0.3
Capex	(3.0)	(3.7)	(3.3)	(4.3)	(3.5)	(4.6)	(4.0)	(4.9)
<b>FCF</b>	<b>4.7</b>	<b>3.7</b>	<b>3.7</b>	<b>1.7</b>	<b>5.8</b>	<b>5.4</b>	<b>6.6</b>	<b>6.7</b>

Source: Banca Profilo elaborations and estimates on Company data

## Main risks

Downside risks to our estimates can be related to:

- Intensifying competition within large manufacturers;
- High growth rates could lead to cost management issues;
- Internalization of Svas Biosana's processes by its main customers;
- Cannibalization of products under Svas Biosana's brand and third-party brand;
- Substitute products competition;
- Covid-19 backlash;
- Price competition from countries with cheap labour;
- Revenues associated to tenders;
- Italian revenues highly related to National Health System relationship;
- Maintaining high quality standards of products;
- High and persistent raw materials and energy costs;
- Inflationary pressures on prices and wages

Figure 25: Svas Biosana's risks matrix

IMPACT	Very high					
	High					
	Medium	Cost management issues with M&A	Substitute product competition	Revenues highly related to National Health System relationship	High and persistent raw materials and energy costs	
	Medium-low	Cannibalization of products	Covid-19 backlash	Price competition from countries with cheap labour	Inflationary pressures	
	Low					
	Potential impact on the business vs likelihood of occurrence	Low	Medium-low	Medium	High	Very high
			LIKELIHOOD			

Source: Banca Profilo elaborations and estimates

## Valuation

### DCF method and market multiples

Given Svas Biosana's cash generating business model, a DCF method well adapts as a valuation approach. Furthermore, we have selected a sample of listed international companies "comparables" to Svas Biosana, in order to suggest an appropriate sample for the relative valuation through market multiples.

### DCF valuation

#### DCF assumptions: €13.8mln of cumulated FCFs

To run a DCF model, we would use our projections of FCFs for the 2022E-24E explicit period: €13.8mln of cumulated FCFs compared to €16mln of our previous estimates. This change is mainly due to the lower FCF expected in 2022E (€1.7mln vs €3.7mln of our old forecasts) following the strong increase in Operating NWC and Capex due to the greater investments made to support business growth.

### WACC at 7.3%

We would use a WACC of 7.3% (unchanged from our previous report) derived from:

- risk free rate at 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days) with an estimated increase in interest rates;
- market risk premium equal to 5.5%;
- beta of 1.5, coming from the average of chosen listed peers;
- target Debt-to-Equity structure, with 50% weight of Equity.

### €6.7mIn as Terminal Value cash flow

To assess the Terminal Value, we used what we consider a perpetually sustainable Free Cash Flow of €6.7mIn (vs our previous €6.6mIn), given by the Free Cash Flow of 2024E as we expect the Company to optimize its production processes and to normalize its internal investments. Finally, we assumed a 2% perpetual growth rate (unchanged).

To get to the Equity valuation, we would consider the adjusted net debt as of the end of 2021, equal to €20mIn, which includes the IPO proceeds.

*Table 7: WACC calculation*

WACC Calculation	
cost of debt	5.3%
tax rate	35%
<b>KD</b>	<b>3.4%</b>
risk free rate (30Y) (Bloomberg projections)	3.0%
equity risk premium	5.5%
beta	1.5
<b>KE</b>	<b>11.2%</b>
perpetual growth rate	2%
<b>WACC</b>	<b>7.3%</b>

*Source: Banca Profilo estimates and elaborations*

### DCF valuation: €16.7/share

The DCF method leads us to an Enterprise Value of €113.6mIn and to an Equity Value of €93.5mIn, or €16.7/share.

## Svas Biosana's competitive arena

### Svas: main player in the South of Italy

The main Italian medical devices companies are not well distributed in the Country. There is a strong players concentration in the North of Italy: for instance, 8 Companies representing the sample of Italian comparables that we have selected are located in the North, whereas 4 in Central Italy and 2 in Southern Italy, one of which is Svas Biosana.

Thus, the Company has a strategical position in the South of Italy operating as main player.

Figure 26: Main Italian medical devices companies



Source: Company data

*Svas Biosana: a unique business model in Italy*

Following Svas Biosana wide portfolio products, we selected the companies that are comparable at least for one business unit. However, no Italian player is considered strictly similar to Svas Biosana's business model.

Figure 27: Main Italian medical devices companies' activity

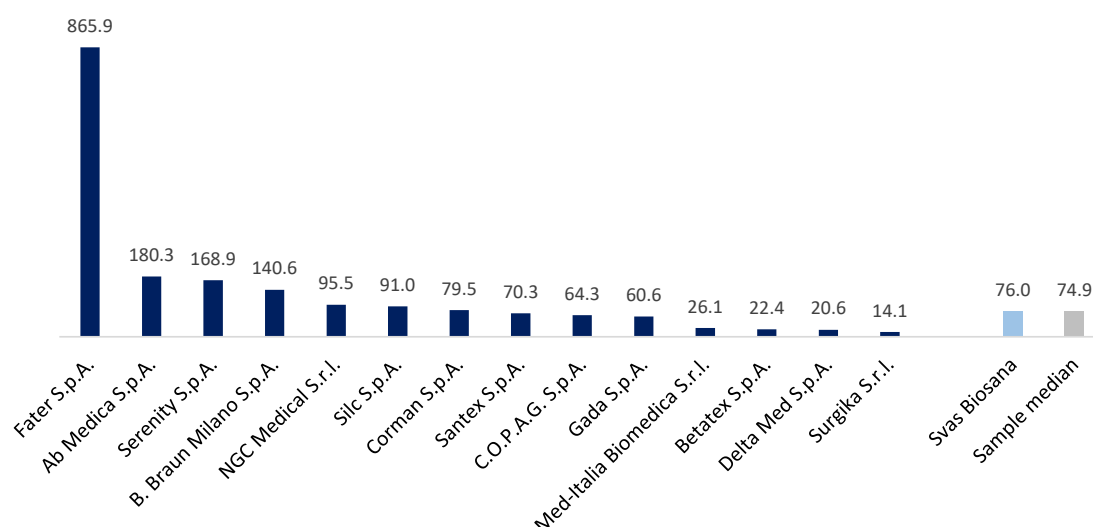
Company	Headquarter	Distribution	Incontinence Aids & Cotton products	Custom Pack	Intravenous solutions
Fater S.p.A.	Pescara				
Ab Medica S.p.A.	Milano				
Serenity S.p.A.	Chieti				
B. Braun Milano S.p.A.	Milano				
NGC Medical S.r.l.	Como				
Silc S.p.A.	Cremona				
Corman S.p.A.	Milano				
Santex S.p.A.	Milano				
C.O.P.A.G. S.p.A.	Roma				
Gada S.p.A.	Roma				
Med-Italia Biomedica S	Genova				
Betatex S.p.A.	Perugia				
Delta Med S.p.A.	Viadana				
Surgika S.r.l.	Arezzo				

Source: Banca Profilo elaborations

*Svas Biosana's revenue in line with the Italian sample*

For 2021, there are no data available for the Italian sample. However, in 2020 the sample reported a median value for revenue at €74.9mIn, slightly lower than Svas Biosana.

Figure 28: Main Italian medical devices companies' FY20 revenue (€/mln)

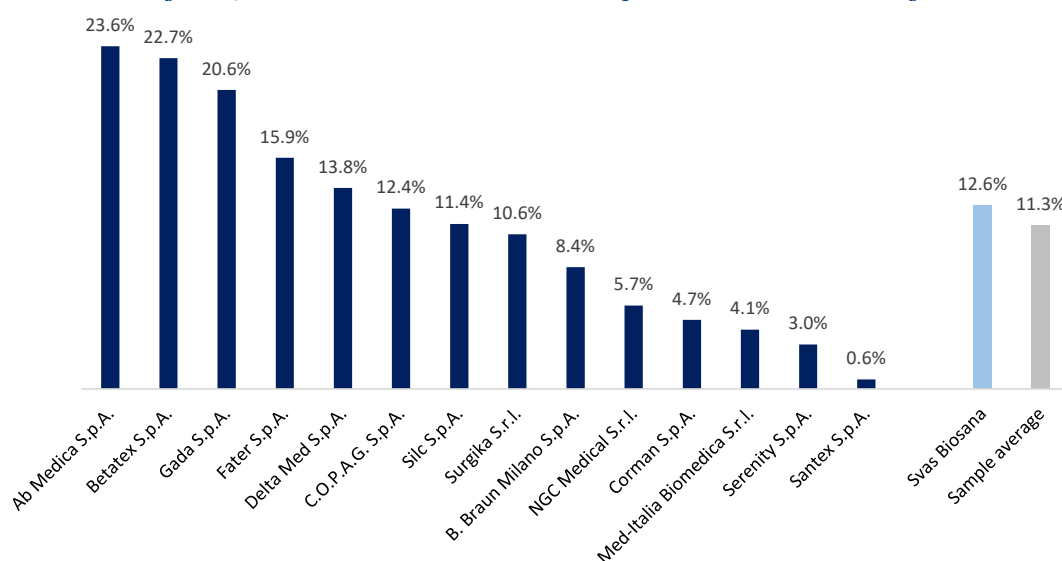


Source: Banca Profilo elaborations on companies' data

**EBITDA margin above the average**

As regards to FY20 EBITDA margin, the sample reported an average value of 11.3%, whereas Svas Biosana reported a higher margin equal to 12.6%.

Figure 29: Main Italian medical devices companies' FY20 EBITDA margin



Source: Banca Profilo elaborations on companies' data

**Sample of listed comparables**

**A sample of 12 listed companies**

As no one of the main Italian Competitors are listed, we decided to select a different sample of listed companies that could be considered Svas Biosana's comparables to build our multiple valuation analysis.

However, there are no listed companies that can be considered as good as "comparables" to Svas Biosana, for significant differences in terms of business model and company size. To build our sample, we firstly conducted a comparative analysis based on three main macro-categories: business model, product range and positioning and company size. Secondly, we concentrated on growth prospects,



cash generation and debt leverage. Based on these results, we selected the twelve “comparables” to Svas Biosana: GVS (Italy), Cardinal Health Inc (US), Integra LifeSciences Holding Corp (US), Shandong Weigao Group Medical Polymer (Hong Kong), Terumo Corp (Japan), Teleflex Inc (US), Coloplast (Denmark), ConvaTec Group Plc (UK), Becton, Dickinson and Co. (US), Stryker Corp (US), Ontex (Belgium), Medtronic Plc (US).

*Table 8: Svas Biosana's competitive arena*

Similarity with SVAS	Company	Country	Currency	Sales 2021 (€/mln)	EBITDA 2021 (€/mln)	Medical Devices	Medical Disposables
60%	GVS S.p.A.	Italy	EUR	338	114	x	x
60%	Cardinal Health Inc	US	USD	162,467	2,599	x	x
60%	Integra LifeSciences Holding Corporation	US	USD	1,542	401	x	x
60%	Shandong Weigao Group Medical Polymer	Hong Kong	HKD	13,152	3,788	x	x
55%	Terumo Corporation	Japan	JPY	613,842	152,847	x	x
55%	Teleflex Inc	US	USD	2,810	795	x	x
53%	Coloplast A/S Class B	Denmark	DKK	19,426	7,149	x	x
50%	ConvaTec Group Plc	UK	GBP	2,038	426		x
50%	Becton, Dickinson and Co.	US	USD	20,248	5,487	x	x
45%	Stryker Corporation	US	USD	17,108	4,311	x	x
40%	Ontex	Belgium	EUR	2,026	174	x	x
35%	Medtronic Plc	US	USD	30,177	8,208	x	x

Source: Banca Profilo elaborations on Factset data

**GVS (ITA)**  
FY21: sales €338mln;  
EBITDA margin 33.7%

The GVS Group is one of the world's leading manufacturers of filter solutions for applications in the Healthcare & Life Sciences, Energy & Mobility and Health & Safety sectors. In addition to the corporate office in Bologna, GVS currently has 15 plants in Italy, United Kingdom, Brazil, United States, China, Mexico, Romania and Puerto Rico and 18 sales offices located across the world.

**Medtronic (US)**  
FY21: sales \$30.1bn;  
EBITDA margin 27.2%

Medtronic Plc is a medical technology company which engages in the development, manufacture, distribution and sale of device-based medical therapies and services. It operates through the following segments: Cardiac and Vascular Group; Minimally Invasive Technologies Group; Restorative Therapies Group and Diabetes Group. The Cardiac and Vascular Group segment consists of products for the diagnosis, treatment, and management of cardiac rhythm disorders and cardiovascular disease. The Minimally Invasive Technologies Group segment focuses on respiratory system, gastrointestinal tract, renal system, lungs, pelvic region, kidneys and obesity diseases. The Restorative Therapies Group segment comprises of neurostimulation therapies and drug delivery systems for the treatment of chronic pain, as well as areas of the spine and brain, along with pelvic health and conditions of the ear, nose and throat. The Diabetes Group segment offers insulin

pumps, continuous glucose monitoring systems and insulin pump consumables. The company was founded in 1949 and is headquartered in Dublin, Ireland.

*Coloplast (DEN): FY21 sales DKK19.4bn; EBITDA margin 36.8%*

Coloplast develops, manufactures and markets medical products. It operates through the following segments: Chronic Care, Interventional Urology and Wound & Skin Care. The Chronic Care segment covers the sale of ostomy care products and continence care products. The Interventional Urology segment covers the sale of urological products, including disposable products. The Wound & Skin Care segment covers the sale of wound and skin care products. The company was founded by Aage Louis-Hansen and Johanne Louise-Hansen in 1954 and is headquartered in Humlebaek, Denmark.

*ConvaTec (UK) FY21: sales GBP2bn; EBITDA margin 20.9%*

ConvaTec Group operates as holding company which engages in medical business. Its activities include development, manufacture and sales of medical products and technologies related to therapies for the management of chronic conditions, including products used for advanced chronic and acute wound care, ostomy care and management, continence and critical care and infusion devices used in the treatment of diabetes and other conditions. The company was incorporated in 1978 and is headquartered in Reading, the United Kingdom.

*Stryker Corporation (US) FY21: sales \$17.1bn; EBITDA margin 25.2%*

Stryker engages in the provision of medical technology products and services. It operates through the following segments: Orthopaedics, MedSurg, and Neurotechnology & Spine. The Orthopaedics segment provides reconstructive and trauma implant systems. The MedSurg segment deals with surgical equipment and navigation systems, endoscopy, patient handling and reprocessed medical devices. The Neurotechnology & Spine segment pertains to spinal implants and neurovascular products. The company was founded by Homer H. Stryker in 1941 and is headquartered in Kalamazoo, MI.

*Becton, Dickinson & Co (US) FY21: sales \$20.2bn; EBITDA margin 27.1%*

Becton, Dickinson & Co. is a medical technology company. The firm engages in the development, manufacture and sale of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, physicians, life science researchers, clinical laboratories, the pharmaceutical industry and the general public. It operates through the following segments: BD Medical, BD Life Sciences and BD Interventional. The BD Medical segment produces medical technologies and devices that are used to help improve healthcare delivery. The BD Life Sciences segment provides products for the safe collection and transport of diagnostics specimens and instruments and reagent systems to detect infectious diseases, healthcare-associated infections and cancers. The BD Interventional segment offers vascular, urology, oncology and surgical specialty products to hospitals, individual healthcare professionals, extended care facilities, alternate site facilities and patients via Homecare business. The company was founded by Maxwell W. Becton and Fairleigh S. Dickinson in 1897 and is headquartered in Franklin Lakes, NJ.

*Cardinal Health (US) FY21: sales \$162.4bn; EBITDA margin at 1.6%*

Cardinal Health is a healthcare services and products company which engages in the provision of customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. It also provides medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency. The firm operates through the following segments: Pharmaceutical and Medical. The Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products. The Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical, and laboratory products. Cardinal Health was founded by Robert D. Walter in 1971 and is headquartered in Dublin, OH.

*Terumo Corporation (JP)*

Terumo engages in the manufacturing and sale of medical products and equipment. It operates through the following segments: Cardiac and Vascular Company, General Hospital Company and Blood Management Company. The Cardiac and Vascular Company segment offers services and treatments including cardiac and

*FY21: sales  
JPY613.8bn; EBITDA  
margin 24.7%*

vascular surgery and interventional therapies performed inside blood vessels. The General Hospital Company segment provides infusion and closed anticancer drug infusion systems, measuring devices system with communication functions, diabetes management, adhesion barrier and peritoneal dialysis. The Blood Management Company segment offers a combination of apheresis collections, manual and automated whole blood processing and pathogen reduction. The company was founded by Shibasaburo Kitasato on September 17, 1921 and is headquartered in Tokyo, Japan.

*Teleflex (US)  
FY21: sales \$2.8bn;  
EBITDA margin 28.3%*

Teleflex provides medical technology products which enables healthcare providers to improve patient outcomes and enhance patient and provider safety. The firm designs, develops, manufactures and supplies single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications. It operates through the following business segments: Americas, EMEA (Europe, the Middle East and Africa), Asia (Asia Pacific) and OEM. The Americas segment engages in the sales of interventional urology products. The EMEA engages in the sales of urology products. The Asia segment designs, manufactures and distributes medical devices primarily used in critical care, surgical applications and cardiac care and generally serves hospitals and healthcare providers. The OEM segment designs, manufactures and supplies devices and instruments for other medical device manufacturers. The company was founded in 1943 and is headquartered in Wayne, PA.

*Integra LifeSciences  
(US)  
FY21: sales \$1.5bn;  
EBITDA margin 26%*

Integra LifeSciences Holdings engages in the manufacture and sale of medical instruments, devices and equipment. It operates through the Codman Specialty Surgical and Orthopaedics and Tissue Technologies segments. The Codman Specialty Surgical segment refers to the company's neurosurgery business, which sells a full line of products for neurosurgery and neuro critical care such as tissue ablation equipment, dural repair products, cerebral spinal fluid management devices, intracranial monitoring equipment and cranial stabilization equipment and precision tools and instruments business, which sells instrument patterns and surgical and lighting products to hospitals, surgery centers and dental, podiatry and veterinary offices. The Orthopaedics and Tissue Technologies segment includes offerings such as skin and wound repair, bone and joint fixation implants in the upper and lower extremities, bone grafts and nerve and tendon repair. The company was founded by Richard E. Caruso in 1989 and is headquartered in Princeton, NJ.

*Shandong Weigao  
Group Medical Polymer  
(HK)  
FY21: sales  
HK\$13.1bn;  
EBITDA margin 28.8%*

Shandong Weigao Group Medical Polymer engages in the research and development, production and sale of medical devices. It operates through the following segments: Medical Device Products, Orthopaedic Products, Interventional Products, Pharma Packaging Products and Others. The Medical Device Products segment produces and sells clinical care, wound management, medical testing, anaesthesia and surgical related products and consumables. The Orthopaedic Products segment focuses on the provision of orthopaedic products. The Interventional Products segment comprises of tumour and blood vessel interventional instruments. The Pharma Packaging Products includes pre-filled syringes and flushing syringes, The Blood Management Products segment consists of blood collection, storage, separation and sterilization products. The Other segment pertains to the finance lease and factoring business. The company was founded in 1988 and is headquartered in Weihai, China.

*Ontex (BEL)  
FY21: sales €2bn  
EBITDA margin 8.6%*

Ontex Group is an international personal hygiene group. It offers products for baby care, feminine care and adult care and is the partner of choice for consumers, retailers and institutional and private healthcare providers. Ontex's commercial activities are organized in three Divisions: Europe, which is predominantly focused on providing retailers with their own brands; Americas, Middle East Africa and Asia, which is predominantly focused on local Ontex brands and Healthcare, which

focuses on Ontex adult incontinence brands in institutional channels. The company was founded in 1979 and is headquartered in Aalst, Belgium.

**Svas Biosana competitive advantages**

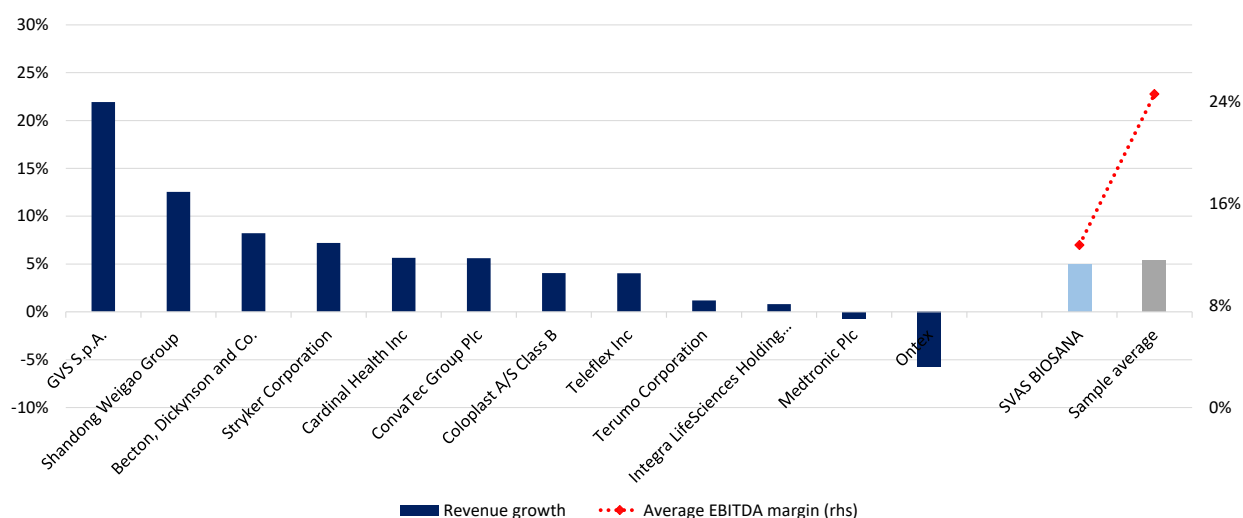
Svas Biosana, to strengthen its market positioning both on Medical Devices and Medical Disposables, leverages on distinctive know-how, high flexibility to meet customer needs, optimal price/quality ratio, high technological content, direct contact with hospital teams and M&A.

**Benchmarking analysis**

**Revenue growth in line with its competitive arena**

Our benchmarking analysis shows that Svas Biosana reported a revenue growth for the period 2019-2021 in line with the sample average, while the average EBITDA margin was lower and still has room to grow.

**Figure 30: Svas Biosana's competitive arena 2019-2021 revenue growth (€/mln) and average EBITDA margin (%)**

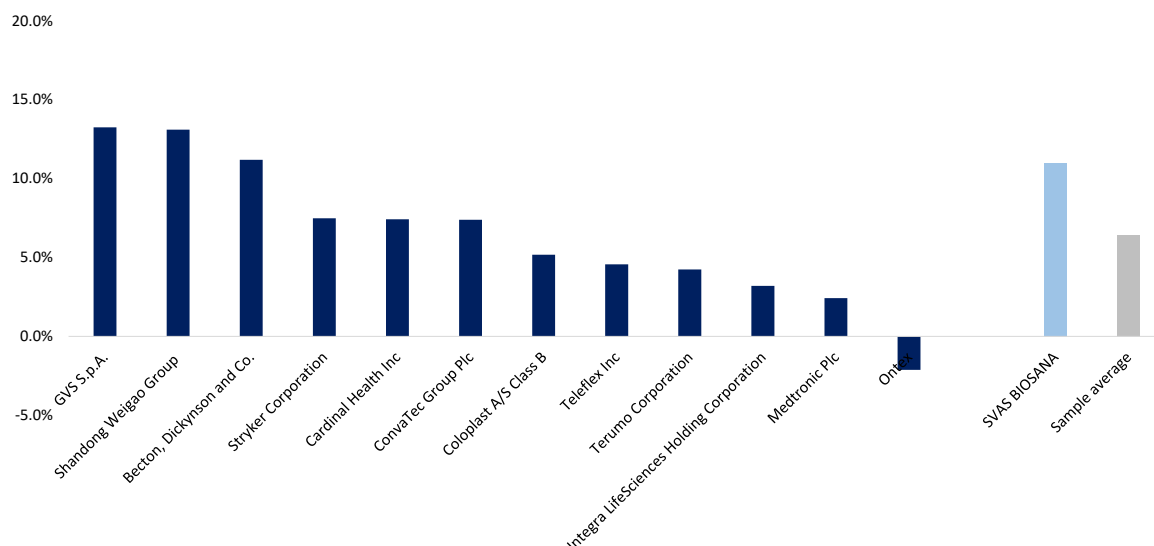


Source: Banca Profilo elaborations on Factset data

**Average revenue growth consensus at +6.4% CAGR 2021-2023E**

In details, in terms of revenues, consensus sees an average +6.4% CAGR for 2021-2023E, whereas we estimate for Svas Biosana a +11% increase.

**Figure 31: Svas Biosana's competitive arena revenue growth (2021-2023E CAGR)**



Source: Banca Profilo elaborations on Factset data

### An above average sales growth for Svas Biosana

In terms of sales growth, consensus estimate an average increase of 6.5% yoy in 2022E, a slightly lower growth in 2023E at +6.1% yoy and a +6.7% in 2024E. For Svas Biosana, we estimated a slightly higher than average increase in 2023E and 2024E, both at +6.9%, and a stronger increase in 2022E at +15.2% (+7.3% without the acquisition) thanks to the last M&A deal.

Table 9: Sample sales growth consensus

Company	Sales growth (as of May 30th)				
	2020	2021	2022E	2023E	2024E
GVS S.p.A	59.7%	-6.9%	9.7%	9.3%	7.7%
Medtronic Plc	1.3%	4.7%	2.5%	3.6%	5.7%
Coloplast A/S Class B	3.9%	7.4%	14.0%	10.0%	8.3%
ConvaTec Group Plc	-4.2%	13.4%	4.9%	2.6%	4.5%
Stryker Corporation	-3.6%	19.2%	7.7%	7.2%	6.5%
Becton, Dickinson and Company	4.0%	10.8%	-5.0%	4.4%	5.4%
Cardinal Health, Inc.	6.0%	7.9%	6.9%	4.5%	5.2%
Terumo Corporation	-0.2%	10.1%	11.0%	7.1%	7.1%
Teleflex Incorporated	-2.2%	10.7%	2.9%	6.1%	6.3%
Integra LifeSciences Holdings Corporation	-9.6%	12.4%	3.3%	5.2%	5.0%
Shandong Weigao Group Medical Polymer Co. Ltd. Class H	18.8%	20.4%	9.2%	13.0%	15.6%
Ontex Group N.V.	-8.5%	-2.9%	10.8%	0.3%	2.9%
<b>Mean</b>	<b>5.4%</b>	<b>8.9%</b>	<b>6.5%</b>	<b>6.1%</b>	<b>6.7%</b>
<b>Svas Biosana</b>	<b>3.4%</b>	<b>6.6%</b>	<b>15.2%</b>	<b>6.9%</b>	<b>6.9%</b>

Source: Banca Profilo estimates and elaborations on Factset

### A stronger increase in margins for Svas Biosana

In terms of EBITDA margin, we forecast a lower value in 2022E-2024E, reaching 15.3% in 2024 compared to a sample average of 25.1%, but with a stronger growth yoy. However, margins are hardly comparable due to the different company size of some of its peers.

Table 10: Sample sales growth consensus

Company	EBITDA margin (as of May 30th)				
	2020	2021	2022E	2023E	2024E
GVS S.p.A	38.8%	31.6%	28.5%	28.4%	29.0%
Medtronic Plc	27.7%	29.8%	30.9%	31.1%	32.7%
Coloplast A/S Class B	36.3%	36.3%	35.2%	35.6%	35.7%
ConvaTec Group Plc	22.3%	22.6%	22.2%	23.6%	23.8%
Stryker Corporation	26.8%	27.8%	27.0%	28.0%	28.4%
Becton, Dickinson and Company	28.0%	27.8%	26.8%	27.5%	28.9%
Cardinal Health, Inc.	1.7%	1.5%	1.4%	1.4%	1.4%
Terumo Corporation	25.1%	24.8%	25.4%	26.7%	27.0%
Teleflex Incorporated	27.6%	30.5%	30.5%	31.3%	32.1%
Integra LifeSciences Holdings Corporation	24.4%	26.0%	26.1%	27.1%	28.1%
Shandong Weigao Group Medical Polymer Co.	27.1%	27.9%	26.4%	25.4%	23.7%
Ontex Group N.V.	11.3%	8.5%	6.0%	8.1%	10.2%
<b>Mean</b>	<b>24.8%</b>	<b>24.6%</b>	<b>23.9%</b>	<b>24.5%</b>	<b>25.1%</b>
<b>Svas Biosana</b>	<b>12.6%</b>	<b>13.1%</b>	<b>12.9%</b>	<b>14.9%</b>	<b>15.3%</b>

Source: Banca Profilo estimates and elaborations on Factset

## Relative market multiples valuation

### EV/EBITDA 2022E at 14.4x

In order to assess our relative market multiples valuation, we chose the mean EV/EBITDA 2022E, which is at 14.4x (as of May, the 30<sup>th</sup>).

Table 11: Sample EV/EBITDA

Company	EV / EBITDA (as of May 30th)				
	2020	2021	2022E	2023E	2024E
GVS S.p.A	9.7x	12.8x	12.9x	11.9x	10.8x
Medtronic Plc	18.1x	16.0x	15.1x	14.5x	13.0x
Coloplast A/S Class B	24.1x	22.5x	20.3x	18.3x	16.8x
ConvaTec Group Plc	16.5x	14.4x	14.0x	12.8x	12.2x
Stryker Corporation	25.8x	20.8x	19.9x	17.9x	16.5x
Becton, Dickinson and Company	17.5x	15.9x	17.4x	16.3x	14.7x
Cardinal Health, Inc.	6.8x	7.3x	7.3x	6.9x	6.4x
Terumo Corporation	20.5x	18.8x	16.6x	14.7x	13.6x
Teleflex Incorporated	21.4x	17.5x	17.0x	15.6x	14.3x
Integra LifeSciences Holdings Corporation	18.0x	15.1x	14.5x	13.3x	12.2x
Shandong Weigao Group Medical Polymer Co. Ltd. Class H	9.2x	7.4x	7.2x	6.6x	6.1x
Ontex Group N.V.	5.8x	7.9x	10.1x	7.5x	5.8x
<b>Mean</b>	<b>16.1x</b>	<b>14.7x</b>	<b>14.4x</b>	<b>13.0x</b>	<b>11.9x</b>
<b>Median</b>	<b>17.8x</b>	<b>15.5x</b>	<b>14.8x</b>	<b>13.9x</b>	<b>12.6x</b>

Source: Banca Profilo estimates and elaborations on Factset

*Market multiples valuation: €27.3/share*

We used the expected EBITDA in 2022E, which is seen at €12.1mln. This leads to an Equity Value of €153.1mln or €27.3/share.

Table 12: Market multiples valuation

Relative Valuation on 2022E market multiples	
<b>EV/EBITDA</b>	<b>EBITDA</b>
<b>2022E</b>	<b>2022E</b>
14.4x	12.1x
<b>ENTERPRISE VALUE</b>	<b>Adj. NET DEBT FY21</b>
173.1	20.0
<b>EQUITY VALUE</b>	
153.1	
<b>Price per share</b>	<b>€ 27.3</b>

Source: Banca Profilo estimates and elaborations on Factset

*TP at €20.5/share; BUY confirmed*

As there are no listed companies that can be considered as good as “comparables” to Svas Biosana, for significant differences in terms of business model and company size, we decided to set our Target Price as the weighted-average of DCF fair value (2/3) and relative market multiples (1/3). The valuation leads us to a 12-month Target Price of €20.5/share, unchanged vs our previous report in December.

Given the significant potential upside on Svas’ closing price, we confirm our BUY recommendation.

## Shareholders’ structure after IPO

*Svas Biosana listed at €12.5/share on 9<sup>th</sup> December*

Svas Biosana was listed on the Euronext Growth of the Milan Stock Exchange on December the 9<sup>th</sup> 2021 at €12.5/share. The share capital is represented by 5,600,000 shares with a floating of 32.7%.

Perillo’s Family owns the remaining 64.7% of the Group, whereas the remaining 2.6% are Svas Biosana’s own shares.



### Buyback programme

In the period from May the 16<sup>th</sup> to 20<sup>th</sup>, the Company continued with its buyback programme, as approved by its shareholders in November 2021, purchasing 2,103 own shares at an average gross price of about €11.7/share and a total value of some €24,584.

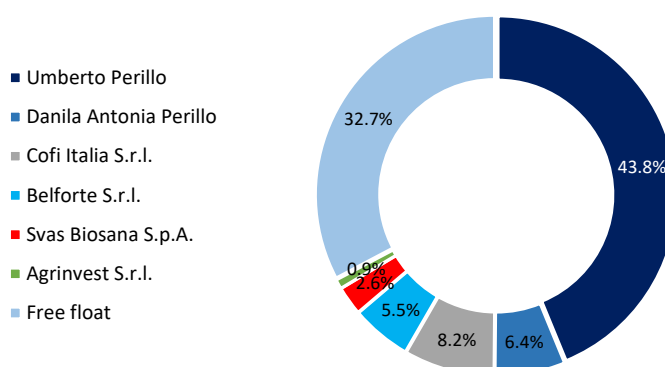
### 36 months lock up period

Shareholders have a 36 months lock up period from IPO.

### Warrant distribution

At the IPO, the Company issued 1 free warrant each 2 shares. The conversion ratio is 1:1; the strike price is set at +15% from IPO price in the first exercise period (July 2022), +30% from IPO price in the 2<sup>nd</sup> exercise period (July 2023), +60% from the IPO price in the 3<sup>rd</sup> exercise period (July 2024).

Figure 32: Shareholders' structure post IPO



Source: Banca Profilo elaborations on Company data

### Use of proceeds: 70% M&A to support external growth

The Company cashed in €20mIn from the IPO, net of IPO expenses.

The IPO proceeds will be used for M&A and internal investments:

- 70% of IPO proceeds will be used for potential acquisitions and partnerships for external growth to strengthen current distribution network, services and customer base in the neighbouring area. Moreover, the M&A activity will support the development of cost synergies and economies of scale;
- 30% of IPO proceeds for investments in new production plants to increase the production capacity and in new production lines to reach a larger share of customers.

The Company has already a clear M&A strategy for further national and international expansion: the first target, namely the Eastern Bormia, has been acquired in 2022 with the aim of becoming leader in the supply of Medical Devices in the Balkans, further strengthening Svas' competitive positioning in this area.

The second target will be in Western Europe, whereas the third one in Northern Italy: these last two have the purpose of acquiring a distribution company with a commercial structure with proximity to the end customer.

### 26% of IPO proceeds already used

Since the IPO, the Group have already used €4.8mIn (24% of IPO proceeds) to acquire Bormia, while €400,000 (2% of IPO proceeds) were used to expand the Incontinence business in Somma Vesuviana: further €6mIn (30% of IPO proceeds) are expected to be used for internal investments in the next four years, in particular to expand Medical Gel portfolio and Pain Therapy products.



## APPENDIX

### History

*Since the '90s a successful M&A track record*

Svas Biosana Group is an Italian leading player in the Medical Devices and Consumables, acting as both a manufacturer and distributor.

The Group was founded in Southern Italy in 1972 by Francesco Fausto Perillo with the aim of providing medical devices in the area. Since then, Svas Biosana has started its growth path.

Svas has a long track record in M&A:

- in 1985 it acquired Galenica Senese to start the production of injectable solutions;
- in the '90s it acquired Vincenzo Sorrentino & Figli and started the production of cotton derivatives, used in health care and cosmetics;
- in 2004, it acquired Fabbrica Italiana di Medicazione (FIM);
- in 2015 it entered the Balkan area through the acquisition of Mark Medical, a leading distributor of medical devices and drugs in Slovenia, Croatia, Serbia, Bosnia & Herzegovina;

*Figure 33: Svas Biosana's timeline*



Source: Company data

### Structure

*The Group includes: Svas Biosana, Mark Medical, e.Medical and Biotech*

The Group includes:

- Svas Biosana: production and distribution of incontinence aids, cotton wool and personal care products, procedural packs (so called custom packs), dressings, surgical instruments, as well as numerous other medical devices. It comprises three business lines: i) Svas; ii) Farmex and iii) Medical. In 2021, Svas Biosana reported €54.2mIn sales.
- Mark Medical distributes medical items and medical health devices supplied by top world producers exclusively in the Balkan Area (Croatia, Serbia and Bosnia Herzegovina). Mark Medical is present in each of these countries through subsidiaries dedicated to distribution and local assistance. In 2021, Mark Medical Group reported €26.9mIn sales.
- e.Medical: promotion and sale of medical devices and medical equipment;
- Biotech, which manages the Group's e-commerce platforms and mainly sells absorbent mats for animals online.

Figure 34: Group structure



Source: Company data

*Svas Biosana: Italian and Eastern Europe presence*

The Headquarter is in Somma Vesuviana (Naples), whereas the R&D facility is in Ottaviano (Naples).

Svas Biosana can count on three production plants:

- Somma Vesuviana (Naples) – 12.200 sqm:
  - Plant 1 (Via Trentola 7): under construction
  - Plant 2 (Via Colle 104)
- Ottaviano (Naples) – 8.100 sqm.

Moreover, the Group includes five warehouses located in Eastern Europe, to support Mark Medical activity:

- Belgrade (Serbia) – 250 sqm;
- Sarajevo (Bosnia H.) – 540 sqm;
- Zagabria (Croatia) – 270 sqm;
- Sezana (Slovenia) – 680 sqm;
- Gorizia (Italy) – 2.510 sqm.

Figure 35: Group's plants and facilities



Source: Company data

## People

*Svas Biosana: more than 360 employees around Europe*

At the end of 2021, Svas Biosana employed 368 people. The Company has 1 Director per Business Line, whereas Mark Medical has 4 Directors per Country. In Svas Biosana the Product Specialists are teams with high technical knowledge of products, which main goal is to support the Sales teams. Whereas in Mark Medical, the sales team is made of Product Specialists, with a dedicated team for each region and Business Line.

*Figure 36: Svas Biosana's team structure*



Source: Company data

*High technical knowledge of medical devices*

A qualified commercial structure with a longstanding experience in surgery, a deep industry knowledge, together with close relationships with medical operators set high entry barriers.

*Direct presence inside the hospital structures*

Svas personnel is constantly in touch with the hospital team and participates to surgery interventions to give a real time support to the customers. Hospital presence becomes a strong barrier to entry and allows to anticipate market needs and trends.

*Figure 37: Svas Biosana's commercial structure*



Source: Company data

## Svas Biosana: business model

### 4 business units

*Farmex: incontinence aids*

*Svas: consumables*

*Medical: medical packs*

*Mark Medical:*

*advanced medical devices*

Svas business model comprises 4 business units:

- Farmex (Svas Biosana): production and sale of incontinence aids, traditional dressing, cotton wool and personal care products (34% of 2021 turnover);
- Svas (Svas Biosana): distribution of consumables addressed to a vast range of medical and surgical situations (23% of 2021 revenues);
- Medical (Svas Biosana): production and sale of procedural packs, medical devices for surgical infusion and suction, medical drapes, advanced dressings and lubricating gels for urology (11% of 2021 sales);
- Mark Medical: export of advanced medical devices in foreign countries (Slovenia, Croatia, Serbia, Bosnia and Herzegovina) (34% of 2021 revenues).

Figure 38: Svas Biosana's business snapshot



Source: Company data

## Svas Biosana's value chain

### Strong focus on Research & Development

Svas Biosana's value chain starts from R&D and ends with after sales.

R&D plays a key role. This activity is divided in two main departments: i) Chemical and ii) Microbiologic. Svas Biosana has a holistic approach due to its incessant interaction with key managers and technical staff in order to generate new ideas and assess market dynamics.

R&D area is the cornerstone of Svas product development. The Company registered over 30 brands and 2 patents.

Figure 39: Svas Biosana's value chain



Source: Company data

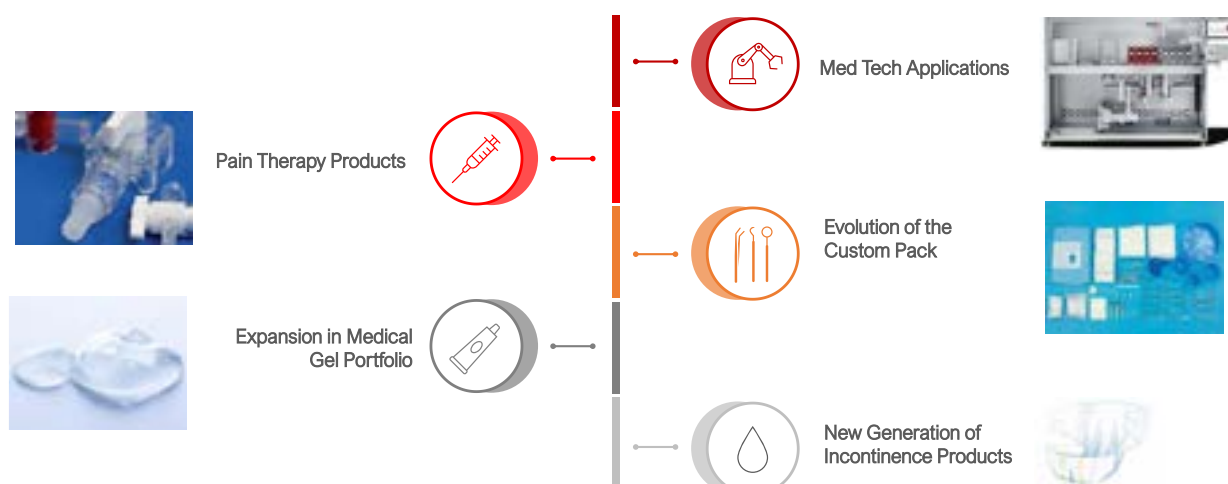


**Product milestones**

The Company shows some product development milestones in the following:

- Med Tech Applications with the introduction of robotic equipment dedicated to drug transfusion;
- Pain Therapy Products with needles and infusion systems to significantly reduce perceived pain for the patient;
- Custom Pack with planned evolution to a more specialized and customized product;
- Medical Gel Portfolio with the development of a new segment of medical gels;
- Incontinence with product evolution towards more transpiration and lightness.

*Figure 40: Svas Biosana's Product Development Milestones*



Source: Banca Profilo elaborations on Company data

**Production and distribution**

Production involves Farmex and Medical business units, whereas Svas and Mark Medical are distributors.

**After sales**

After sales activity plays an important role for all business units. The Group guarantees direct after-sales assistance to its customers. The customer support is also enriched through training activities, seminars and events aimed at updating and sensitizing customers on new products or services.

*Figure 41: Svas Biosana's supply chain*



Source: Company data

*Farmex*

*Farmex: 34% of FY21 Group's revenues*

Farmex is dedicated to the production and sale of incontinence aids, traditional dressing, cotton wool and products for personal care and well-being. In 2021 it generated 34% of Group revenues at €27.6mIn, of which 28.5% coming from incontinence products and the rest from Personal Care products.

*Incontinence products: from adult diapers to animals' absorbent mats*

The Incontinence line includes adult diapers (panty or shaped), rectangular diapers, reusable mesh panties and absorbent crossbars.

The line includes AIR DERMO products, a result of constant research and development aimed at meeting the new needs of patients suffering from incontinence problems. The new breathable outer coating represents an innovative solution which, in addition to ensuring air circulation, thus preventing the onset of skin complications, also guarantees a more comfortable fit thanks to its softness. In addition, a special emollient lotion is applied to the layer in contact with the skin, which has soothing effects on the most sensitive skin.

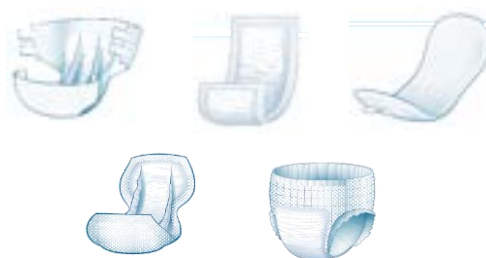
In addition to products for elderly population, the Group is also involved in the production of absorbent mats dedicated to animals. Their purpose is to protect and keep clean the areas in which animals usually stay.

*Figure 42: Incontinence products*



Incontinence Aids

- Adult Diapers;
- Shaped Adult Diapers;
- Rectangular Pads;
- Light Incontinence (Lady/Man);
- Stretch Briefs;
- Absorbent mats for animals.



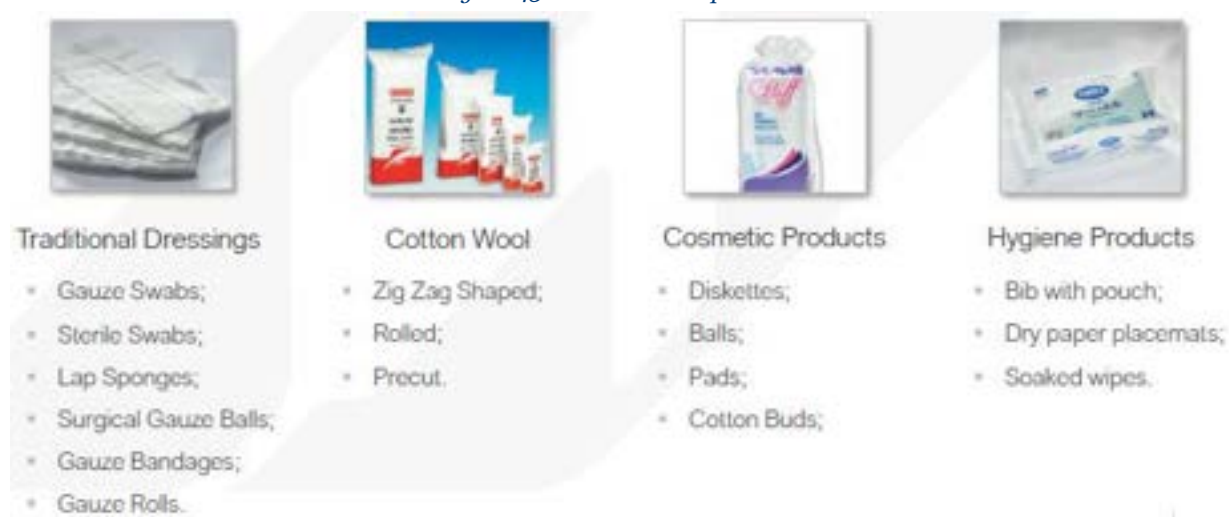
*Source: Banca Profilo elaborations on Company data*

*Personal Care: from gauzes to cosmetic and hygiene products*

The Personal Care products are mainly related to:

- traditional dressings, including gauzes used for different types of dressings made of 100% pure cotton wool of first quality and regular weaving. Each fiber has a flattened tubular shape, thick and rounded walls and consists exclusively of typical cotton fibers about 4 cm long. Gauze dressings include, inter alia, hydrophilic gauze rolls, folded hydrophilic gauze compresses (with and without barium thread), hydrophilic gauze bandages (hemmed and unhemmed), round hydrophilic gauze pad with elastic (with and without barium thread) and eye tablets;
- Cotton Wool, Cosmetic and Hygiene Products. Cotton is used as a barrier for the compression and absorption of exudates, for the cleansing of external wounds and for injection therapy. The range also includes products intended for personal hygiene, care and well-being such as wads, face cleansing pads and cotton sticks. The Group offers a wide range of plasters and bandages including, inter alia, transparent hypoallergenic micro-perforated plasters, plasters on white canvas or silk, adhesive extensible plasters, elastic bandages, synthetic bandages in white polyester for immobilization, elastic bandages with zinc oxide paste, elastic bandages with permanent strong compression, pinstripe sheets, four-layer pinstripe splints, splints for finger immobilization.

Figure 43: Personal care products



Source: Banca Profilo elaborations on Company data

## Svas

*Svas represents 22% of 2021 Group sales*

Svas is dedicated to the distribution of consumable products, to be applied in a vast range of medical and surgical situations. In 2021 this unit reported €18mIn of sales (22% of Group sales), with an EBITDA margin at 14.8%.

Sales breakdown shows an 81% coming from Specialist Consumables and the remaining to Generic Consumables.

*Specialist Consumables: a wide range of products from diabetic care devices to advanced medications*

Specialist Consumables include:

- Specialist devices such as non-stick gel and film, radiofrequency system with dedicated electrodes for the treatment of disc and sacral pathologies, hernia nets, biopsy needles, venous strippers, elastomeric pumps, needles and systems for analgesic therapy, systems for respiratory assistance and high flow oxygen therapy, pulse oximetry systems and drainage and fluid collection systems;
- Advanced Medications, comprising amorphous gel in tubes, impregnated dressings (with amorphous gel or amorphous gel with adhesive), polyurethane foam dressings and hydrocolloids of various types;
- Devices for Anaesthesia with a wide range of products such as pulse oximetry sensors, huber needles, implantable ports, humidifiers and related accessories, humidification chambers, breathing circuits for ventilation, circuits and accessories for oxygen therapy, humidifiers with integrated flow generator, oral hygiene swabs, wet shampoo cap;
- Peritoneal Dialysis Products, which allow blood purification within patient's body, avoiding extracorporeal circulation. The peritoneal dialysis procedure requires a connection system with the outside, which must be implanted in the body in a preliminary manner with respect to dialysis exchanges. A small "catheter" is used which, once inserted into the abdomen, allows the introduction of the dialysis solution before treatment and the consequent withdrawal of the same at the end of the operation. Svas products allow this kind of procedure to be performed by the patient autonomously at his own home. This category includes the following solutions available in single bag and twig bag: solution for DP with lactate buffer and low calcium, solution for DP with lactate buffer, solution for DP with lactate and potassium buffer, solution for DP with bicarbonate / lactate buffer and pH physiological, Icodextrin 7.5% and Amino Acids 1.1%. This product category also includes trolleys, software and accessories for teledialysis & video communication, skin emergency kit, bag change kit, basic set change kit and daily bag change kit;

- Laparoscopic Instruments used in this kind of surgical operation performed in the abdominal area with the execution of small incisions without opening the abdominal wall. Laparoscopic instruments incorporate a camera in order to clearly follow the operation. The Group offers trocars (devices to be placed through the abdomen that allow the entry of other instruments or the escape of gases / fluids from the organs) and surgical sutures;
- Drug transfer devices such as chemotherapy drugs, antiviral drugs, bioengineered drugs, and some hormones which can be a source of risk to healthcare professionals. Transfer devices equipped with filters, gowns, gloves, masks and laminar flow hoods have the function of reducing this risk. For this product category, the Group offers the system EQUALSHIELD, which guarantees safe transfer thanks to the pressure equalization that effectively prevents the release of drugs, vapors and aerosols. This system, managed by the Group by a distributive concession, is able to protect healthcare workers from dangerous exposures and to preserve the sterility of the drug, thus preventing the introduction and proliferation of microorganisms inside. Drug;
- Hemostatic Devices of different types, such as:
  - CURACEL: is a sterile absorbable hemostat in regenerated and oxidized cellulose;
  - CURACEL High Density: it is a sterile absorbable hemostatic in regenerated and oxidized high density cellulose for endoscopic procedures;
  - CURACEL Fibrillary: it is a sterile absorbable hemostat in regenerated and oxidized cellulose, a fibrillar structure of seven individually usable layers, for surgical procedures where greater ductility and flexibility are required;
  - CURASPON: is a resorbable local hemostatic consisting of purified gelatin with uniform porosity and high absorption capacity and is available in plates, sheets, cylinders, cubes and powder.
- Diabetes Care, which includes a range of glucometers and test strips for measuring blood glucose, lancets and finger prickers, as well as a complete range of needles compatible with all insulin pens on the market

*Figure 44: Special consumables products*



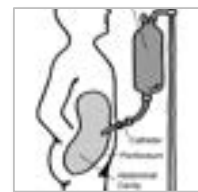
Specialist Devices



Advanced Medications



Devices for Anesthesia



Peritoneal Dialysis Products



Laparoscopic Instruments



Drug Transfer Devices



Hemostatic Devices



Diabetes Care

Source: Banca Profilo elaborations on Company data

**Generic Consumables:**  
 Personal protective equipment;  
 Infusion line;

Generic Consumables include:

- Personal protective equipment, which are devices intended to be worn and kept by a worker in order to protect himself against potential risks (chemical and / or biological) that could threaten his safety or health. The range of personal protective equipment includes, inter alia, filtering facepiece,



*Surgical Instrument & Containers;  
Equipment & Furnishing*

- footwear, anti-fog goggles, overalls, anti-fog visor, nitrile gloves without powder, cyto micro-rough nitrile gloves, protective gowns against infectious agents, FFP2, FFP3 masks, filter masks for community use;
- Infusion Lines, which are used by nursing and medical personnel for either infusion or intravenous administration of drugs. Intravascular access devices include peripheral venous catheters (CVP), central venous catheters (CVC) and arterial catheters and are commonly used in the treatment of acute and chronic patients;
  - Surgical Instruments & Containers, including a wide range of high-quality surgical instruments for gynecology, obstetrics, ophthalmology, maxillofacial surgery, orthopedics and traumatology, high frequency surgery, laparoscopy, neurosurgery, hand surgery, plastic surgery, cardiac surgery, as well as containers for the sterilization process;
  - Equipment & Furnishing, which uses the Group's engineering skills in design and construction of hospitals, in the supply of electro-medical equipment and related maintenance and technical assistance. The purpose of this division is to offer adequate advice to the multiple needs of a constantly evolving market, providing an ever-wider range of technologically advanced services and products using qualified personnel. The following products are included in this category: diagnostic equipment for intravenous access, patient transfer systems, multi-parameter monitors and pulse oximeters, infusion pumps, electrocardiographs, defibrillators, surgical lamps, blood banks and freezers, autoclaves, electrosurgical units and surgical aspirators, cardiotocographs, detectors fetal and vascular systems, pressure holters, macerators and biological disposal systems, rehabilitation equipment, energy systems, mattresses and anti-decubitus pillows.

*Figure 45: Generic consumables products*



Personal Protective Equipment



Infusion Lines



Surgical Instruments & Containers



Equipment & Furnishings

*Source: Banca Profilo elaborations on Company data*

**Medical**

*Medical represents  
11% of 2021 Group  
sales*

Medical is the business line dedicated to the production and sale of procedural packs, medical devices for surgical infusion and suction, medical drapes, advanced dressings and lubricating gels for urology. In 2021, Medical business line registered €8.6mIn of sales (11% of Group sales) with an EBITDA margin at 16.3%. Sales breakdown shows an 84% coming from Custom Packs & Global Services and the rest from Medical Devices & Advanced Dressings

*Custom Packs: an integrated system of medical products that increase the efficiency of surgery procedures*

The Custom Pack is an integrated system of medical appliances planned and carried out for use in specific surgery procedures. The Custom Pack can be used for the following applications: general surgery, cardiac surgery, hemodynamics and electrophysiology, orthopedics, urology, anesthesia and resuscitation, ophthalmology, dentistry, dialysis, gynecology, basic medication and first aid. The production and assembly phases of the Custom Pack are carried out in an ISO 7 clean room in accordance with the ISO 14644-1 standard, according to procedures and methods in compliance with European standards.

The advantages deriving from the use of the Custom Pack consist of: (i) reduction of the risk of contamination of the sterile field; (ii) ease of supply; (iii) traceability of the product used; (iv) efficiency of the operating field; and (v) simplified hospital warehouse management.

*Figure 46: Custom pack products*



Source: Banca Profilo elaborations on Company data

**Medical Devices & Advanced Dressings**

The segment related to Medical Devices & Advanced Dressings includes:

- Advanced Dressings:
  - "ATTIVA PLUS" is a natural solution that can be used for all types of skin. Thanks to its natural formulation, this product is indicated for alterations of the dermo-epidermal tissue that require an acceleration of the physiological process of tissue repair;
  - "ATTIVA GRAS" is a non-adherent sterile gauze consisting of hydrophilic oily gauze with paraffin. This non-adherent dressing is indicated for wounds of the dermal-epidermal tissue;
  - "Fylladerm" is available in two versions: (i) Fylladerm sterile non-adherent dressing is an evenly open weave cotton wool gauze impregnated with polyethylene glycol based ointment containing natural extracts which does not adhere to the skin lesion and ensures a easy removal in order not to damage the newly formed tissue; and (ii) Fylladerm healing cream based on natural extracts equipped with a precision applicator able to easily follow the lesion avoiding contact with it.
- Surgical Suction Systems, including various devices dedicated to the aspiration of liquids to be used during surgical operations, such as cannulas (with open tip, bulb tip, single or double angle and other types) and organic liquid collection systems (collection bags, rigid containers, powder thickeners for organic liquids and related accessories);
- Infusion and Drainage Devices, which can be used in infusion sets and infusers, in extensions and fittings, and in accessories for injectors. The lines of infusers and infusers feature standard and multi-connector sets, flow regulators, urology and arthroscopy sets and infusion stopcocks. The extensions are offered with male / female fittings, low and high pressure. Accessories include transfusion lines, fittings and extension lines. In addition to these products, there are also products dedicated to cardiothoracics, such as sets for thoracentesis / paracentesis, thoracic drainage systems and related accessories;
- Special Products such as:

- "Farmagel" is a sterile, water-soluble, lubricating gel suitable for all medical-diagnostic applications for which it is necessary to reduce friction between contact surfaces, facilitating their sliding.
- "Absorbent Pad "is an absorbent sheet used during operations in order to promote the absorption of liquids.
- Drapes specific for each surgical activity and customizable according to the specific needs of healthcare professionals.

*Figure 47: Medical Devices & Advanced Dressings*



*Source: Banca Profilo elaborations on Company data*

## *Mark Medical*

*Mark Medical weights 33% on Group sales*

Mark Medical specializes in the sale of advanced medical devices in the territories of foreign subsidiaries (Slovenia, Croatia, Serbia and Bosnia and Herzegovina). In the FY21, Mark Medical business line registered €26.9mln of sales (33% of Group sales) with an EBITDA margin at 13.2%.

The distribution activity carried out by Mark Medical is divided into the following five divisions organized according to the type of product:

- Radiology & Imaging;
- Orthopedics and Arthroscopy;
- Cardiac Surgery;
- Cardiology;
- Critical Care.

*Radiology & Imaging to facilitate the execution and interpretation of the examinations*

A wide range of diagnostic imaging solutions, contrast media, advanced contrast agent injection systems and devices designed to facilitate the execution and interpretation of the examinations included in the field of radiology and imaging diagnostic: X-rays, including computed tomography (CT), magnetic resonance imaging (MRI), ultrasound.

*Orthopedics and Arthroscopy: a wide range of devices used in the orthopedic surgery departments*

In the field of orthopedics and arthroscopy, a wide range of devices used in the departments of orthopedic surgery, traumatology, sports and occupational medicine are offered. In fact, orthopedic implants of the knees, hip, elbow, shoulder, foot, ankle, spine, hand and wrists are offered, for both the orthopedic and traumatology sectors. The product portfolio is completed with medical devices used in arthroscopy and minimally invasive orthopedic surgery procedures as well as sports medicine devices.

*Cardiac Surgery: valve therapy in patients suffering from heart failure and structural heart disease*

In the field of cardiac surgery, innovative technologies are offered for valve therapy in patients suffering from heart failure and structural heart disease, in particular heart valves (transcatheter heart valves and surgical technologies for valve replacements, such as valves and rings for aortic and mitral interventions) and solutions minimally invasive for valve surgery (soft tissue retractors, arterial and venous cannulas and catheters for aortic occlusion). The product portfolio is also completed with devices for extracorporeal circulation in cardiac surgery, as well as devices used in intensive care for respiratory support.

**Cardiology: solutions for the treatment of coronary artery disease and interventional cardiology**

The portfolio of products offers cutting-edge solutions for the treatment of coronary artery disease and interventional cardiology, which include drug eluting stents, coronary guide wires, balloon dilatation catheters and other products for minimally invasive treatment. The line also includes a wide range of products used in the treatment of peripheral arteries, such as minimally invasive peripheral stents, guide wires and catheters capable of recreating the flow in the blocked arteries of the legs, abdomen, arms and neck. Furthermore, non-invasive vascular therapeutic solutions are offered, such as shock therapy.

**Critical Care: wide range of products used in the anesthesia, urology, intensive care and critical patient management departments**

The Critical Care line includes a wide range of products used in the anesthesia, urology, intensive care and critical patient management departments. For example, handheld blood analyzers are marketed for rapid replacement of laboratory diagnostics; advanced endotracheal catheters and tubes capable of preventing bacterial colonization and promoting the prevention of the potential risk of infections; invasive venous and arterial pressure monitoring systems; arterial and venous port systems (catheters).

*Figure 48: Mark Medical products*



Source: Banca Profilo elaborations on Company data



## Svas Biosana "ID Card"

Recommendation  
**BUY**

Target Price  
**20.5 €**

Upside  
**77%**

### Company Overview

Svas Biosana Group is an Italian leading player in medical devices and consumables, acting as both manufacturer and distributor. The Group was founded in 1972 in Southern Italy by Francesco Fausto Perillo to provide medical devices in the area. Since '90s, the Company has started its growth path with a successful M&A track record: i) it acquired Galenica Senese to enter the injectable solutions market; ii) in 1996, it bought Vincenzo Sorrentino & Figli, active in cotton derivatives used in healthcare and cosmetics; iii) in 2004, it acquired Fabbrica Italiana di Medicazione; iv) in 2015, it entered the Balkans area through the purchase of Mark Medical, a distributor of medical devices and drugs in Slovenia, Croatia, Serbia and Bosnia; v) in 2019, it bought back the minority stake held by Atlante private equity fund. As of today, Svas Biosana has a clear and focused M&A strategy for further national and international expansion. Nonetheless Covid-19 impact, surge in raw materials costs and inflationary pressures, the Company reported its best results ever, reaching €81.1mln of revenues and achieving an EBITDA margin of 13.1%. The results were driven mainly by Mark Medical business line, which rose 16.8% yoy thanks to the strong expansion of the Company in the Balkans area during these years, further strengthened by the last acquisition in 2022. All the business lines reported an increase except for Medical: however, the decrease is due to the normalization of the demand for Covid-related products, with the segment still rising from €7.5mln reported in 2019 to €8.6mln in 2021. The Medical Devices Industry is expected to grow at a 6.3% CAGR21-27E, while the Medical Disposables is projected at 9.4% CAGR21-26E. The rise in both industries is driven by: i) aging population; ii) rising chronic diseases; iii) expansion of medical technologies; iv) increasing role in disease prevention; v) growing hospitalization infections. For the future, Svas Biosana is set to expand its business further with a growth strategy based on three key pillars: i) external growth through M&A; ii) development of new-generation products; iii) expansion of production capacity. In our 2022-2024 estimates revision, we considered the last acquisition from June 2022: we now expect higher revenue at €106.7mln in 2024E (+9.6% CAGR21-24E) but an increasing weight in Mark Medical business line, reaching 39% of revenues. Margins are expected to improve more than previously estimated, with an EBITDA at €16.3mln (vs €15mln of previous estimates) or 15.3% margin, thanks to the optimization of the production process and the continuous update of new products. We forecast an improvement in Operating NWC at 38.6% of revenues in 2024 (vs 40.8% in our old estimates) and higher Fixed assets at €40.9mln compared to €36mln of previous estimates driven by stronger Capex. Finally, we expect adjusted net debt at €13.8mln in 2024 compared to €8.5mln of previous forecasts due to higher external and internal investments. Our estimates are validated by positive 1Q22 results, mainly driven by a +25.6% in Mark Medical business line, confirming our expectations of a greater share in revenues from this segment. We decided to set our valuation as the weighted-average of DCF fair value (2/3) and market multiples (1/3), confirming our 12-month Target Price at €20.5/share. Given the significant potential upside on Svas Biosana's price, we confirm our BUY recommendation.

### SWOT Analysis

#### Strengths

- Multinational Company
- Well diversified portfolio
- Focus on innovation and R&D
- Distinctive Know-How
- Resilience to global recession
- Long-lasting client relationships
- Top end customers
- Distribution site close to its end-customer
- Successful M&A track record
- Products customization
- High quality offer
- Complementary products

#### Weaknesses

- Italian revenues highly related to National Health System relationship
- Revenues associated to tenders
- High correlation between Medical Device industry and Covid-19 crisis

#### Opportunities

- Strategically positioned to boost long term expansion
- Growth through M&A
- Production capacity expansion
- Logistics updates to reduce the time to market
- New product lines development

#### Threats

- Intensifying competition within large manufacturers
- High growth rates could lead to cost management issues
- Internalization of Svas process by its main customer
- Cannibalization risk of products under Svas Biosana's brand and Third-Party brand
- Substitute products competition
- Maintaining high quality standard products

### Main catalysts

- M&A deals to expand the offering range and build economies of scale
- Production capacity expansion
- Development of new-generation products

### Main risks

- Intensifying competition within large manufacturers
- High growth rates could lead to cost management issues
- Substitute products competition
- High correlation between Svas Biosana Industry and Covid-19 crisis
- Revenues associated to tenders
- Italian revenues highly related to National Health System relationship
- Maintaining high quality standards of products

## Svas Biosana "ID Card"

June the 3rd, 2022 - 18:00

Recommendation  
**BUY**

Target Price  
**20.5 €**

Upside  
**77%**

Main Financials					
(€/mln)	2020	2021	2022E	2023E	2024E
<b>Revenues</b>	<b>76.0</b>	<b>81.1</b>	<b>93.4</b>	<b>99.9</b>	<b>106.7</b>
yoy change		7%	15%	7%	7%
<b>Value of production</b>	<b>77.7</b>	<b>81.5</b>	<b>93.9</b>	<b>100.4</b>	<b>107.3</b>
yoy change		5%	15%	7%	7%
<b>EBITDA</b>	<b>9.6</b>	<b>10.6</b>	<b>12.1</b>	<b>14.8</b>	<b>16.3</b>
yoy change		11%	13%	23%	10%
margin (%)	13%	13%	13%	15%	15%
<b>EBIT</b>	<b>5.1</b>	<b>5.8</b>	<b>7.6</b>	<b>10.2</b>	<b>11.3</b>
margin (%)	7%	7%	8%	10%	11%
<b>EBT</b>	<b>3.2</b>	<b>4.0</b>	<b>5.9</b>	<b>8.5</b>	<b>9.6</b>
margin (%)	4%	5%	6%	8%	9%
<b>Net income</b>	<b>2.5</b>	<b>3.2</b>	<b>5.1</b>	<b>6.7</b>	<b>7.5</b>
margin (%)	3%	4%	6%	7%	7%
<b>Adjusted Net debt/(cash)</b>	<b>39.9</b>	<b>20.0</b>	<b>20.8</b>	<b>17.3</b>	<b>13.8</b>
Shareholders Equity	27.7	51.0	56.1	62.8	68.3
Changes in NOWC	32.1	33.6	37.7	39.5	41.2
Capex		(3.7)	(4.3)	(4.6)	(4.9)
Free Cash Flow		3.7	1.7	5.4	6.7

Breakdown by business unit					
(€/mln)	2020	2021	2022E	2023E	2024E
Farmex	26.2	27.6	28.9	30.4	31.9
Svas	17.5	18.0	19.2	20.7	22.3
Medical	10.2	8.6	9.3	9.8	10.4
Mark Medical	23.1	26.9	36.0	38.9	42.0

Solvability Ratios					
	2020	2021	2022E	2023E	2024E
Adj. Net Debt (cash)/Equity	1.4x	0.4x	0.4x	0.3x	0.2x
Adj. Net Debt (cash)/EBITDA	4.2x	1.9x	1.7x	1.2x	0.8x

Financial and Operative ratios					
	2020	2021	2022E	2023E	2024E
Tax rate	22%	21%	21%	21%	21%
ROE	9%	6%	9%	11%	11%
ROIC	13%	16%	23%	37%	44%
Days Inventory Outstanding	118	113	110	105	100
Days Sales Outstanding	140	143	143	142	141
Days Payables Outstanding	139	142	142	142	141
Fixed Asset Turnover ratio (FAT)	2.2	2.2	2.4	2.5	2.6
Capex/VoP		5%	5%	5%	5%
D&A/Capex		132%	103%	100%	102%

Source: FactSet, Banca Profilo estimates and elaborations

Company Description	
Company Sector	Medical Devices
Price (€)	11.6
Number of shares (mln)	5.6
Market Cap (€ mln)	62.8
Reference Index	FTSE ITALIA GROWTH
Main Shareholders	Perillo's Family
Main Shareholder stake	65%
Free Float	33%
Daily Average Volumes ('000)	0.0
Sample of comparables	GVS (Italy), Medtronic (US), Coloplast (Denmark), ConvaTec (UK), Stryker Corporation (US), Becton, Dickinson and Company (US), Cardinal Health (USA), Terumo Incorporated (US), Teleflex Incorporated (US), Integra LifeSciences (US), Shandong Weigao Group Medical Polymer (HK) and Ontex (BEL)

Data of peers			
	2021	2022E	2023E
Revenue Growth (yoy)	9%	6%	6%
EBITDA Margin	25%	24%	25%

Average data

Multiples of peers		
	2022E	2023E
Average EV/EBITDA	14.4x	13.0x
Median EV/EBITDA	14.8x	13.9x



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