Banca Profilo

Company Update

Bormia affirms Svas M&A skills

SVAS BIOSANA

October 14th, 2022 at 18:00

1H results above our estimates

The Company reported 1H22 (ex-Bormia) consolidated results: revenues rose by 13.6% to €43.8mln, supported by higher sale prices. Main highlight is Mark Medical robust turnover growth (+25% yoy to €16mln); other BUs also reported significant sales growth. The incidence of 1H21 revenues on FY21 was 48%. For the FY22 we expected *[Please refer to our Company Update on June, 6th 2022]* consolidated revenues of €87mln (+7% yoy): this means that the incidence of 1H22 revenues on expected FY22 revenues was 50% and they are some 5% above our projections. EBITDA was in line with previous year at €5.7mln, with EBITDA margin at 13%, some 2pp below 1H21, due to higher raw material and energy costs. However, 1H22 EBITDA margin was 1pp above our FY22 forecast. EBIT declined by 9.4% yoy to €3.4mln with margin of 7.1% (8.8% a year earlier). Net profit was €1.7mln, down from €2.0mln in 1H21. At the end of June 2022, ONWC jumped to €38.9mln from €35.4mln at the end of 2021, as the Company had to stockpile, with inventories rising to €28.5mln. Furthermore, trade receivables rose by 12% to €35.5mln. Other current asset and liabilities increased to €4.7mln, including €4.8mln Levante Holding HC credit, related to the acquisition of Bormia. Net debt moved from €17mln at the end of 2021 to €25.3mln at the end of June, due to Bormia acquisition and ONWC cash absorption.

2023-2024 revenues upward revision

We maintained our FY22E revenue forecasts, while we increased by 4% and 3% FY23E and FY24E respectively. This reflects Svas price increases in 2022 and higher revenue forecasts for the Mark Medical division, which includes the newly acquired Bormia (consolidated in 2H22). We kept FY22E EBITDA at 13% as it is aligned to its 1H22 and FY21 level, despite the effects of raw material costs. After 2022 we assumed progressive cost normalization, with EBITDA margin expected to approach 15% in 2024E, yet some 50bps below our previous expectations. Regarding the Balance Sheet projections, we revised ONWC towards a more conservative approach (+8% on average), with FY22E ONWC increasing from €37.7mln to €39.4mln primarily to reflect the planned stock piling. Our FY22E net debt now stands at €24.1mln (vs previous €17.8mln) and fully accounts for higher ONWC and Bormia acquisition cash out. Following the changes in our ONWC assumptions, net debt is now expected to decrease at a considerably lower pace compared, reaching €20.1mln in 2024E (vs previous €10.8mln).

Finally, our projections of FCFs for the 2022E-2025E explicit period show cumulated FCFs at €18.5mln (€9.4mln in the shorter 2022E-2024E explicit period vs previous €13.8mln). These changes are mainly due more conservative assumptions on Operating NWC change, mainly in 2022E.

Valuation: BUY confirmed; TP cut to €17

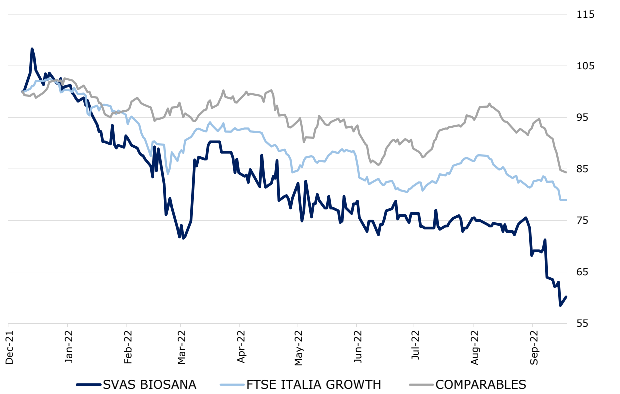
We confirm our BUY recommendation with a 12-month Target Price of €17/share computed as the weighted average between DCF and the relative market multiples valuation. Our DCF valuation decreased to €13/share vs previous €16.7, following lower FCFs and the effect of higher risk-free rate. Similarly, relative valuation fell to €24.5/share vs previous €27.3 due to lower FY23E EBITDA and larger debt. Svas trades at a discount due to lower marginality, with EV/EBITDA 23E of 4.9x vs peers' median of 11.2x.

Target Price (€)	**€17 (from €20.5)**
Recommendation	**BUY**
Company Profile	
Ticker	SVS IM (BBG), SVS-IT (FactSet)
Reference Industry	Health Care – Health Care Equipment and Supplies
Stock exchange	Italian Stock Exchange
Reference Index	FTSE Italia Small Cap
Market Data	
Last Closing Price	8.35€
Number of shares (mln)	5.6
Market cap. (mln)	45.3 €
Performance since IPO	
Absolute	-32.16%
Max / Min	16.2/8.3
Average daily volumes	4,700

(€mln)	2021	2022E	2023E	2024E
Total revenue	**81.1**	**93.4**	**103.7**	**109.9**
yoy (%)	*7%*	*15%*	*11%*	*6%*
EBITDA	**10.6**	**12.1**	**14.6**	**16.2**
margin (%)	*13%*	*13%*	*14%*	*15%*
EBIT	**5.8**	**7.7**	**9.9**	**11.2**
margin (%)	*7%*	*8%*	*10%*	*10%*
Net Income	**3.2**	**5.1**	**6.4**	**7.4**
margin (%)	*4%*	*6%*	*6%*	*7%*
Net Debt	**17.0**	**24.1**	**23.0**	**20.1**
Sh. Equity	**51.0**	**56.1**	**62.5**	**67.6**
Capex	**(3.7)**	**(4.3)**	**(4.6)**	**(5.1)**
FCFs	**3.7**	**0.0**	**3.1**	**6.3**

Source: Banca Profilo estimates and elaborations, Company data.

Normalized performance since IPO



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SWOT analysis

STRENGTHS	WEAKNESSES
• Multinational Company • Well diversified portfolio • Focus on innovation and R&D • Distinctive Know-How • Dense commercial network • Resilience to global recession • Long-lasting client relationships • Distribution sites close to end-customer • Successful M&A track record • Products customization • High quality offer • Diversified and complementary product portfolio • Top end customers	• Italian revenues highly related to National Health System relationship • Revenues associated to tenders • High correlation between Medical Device industry and Covid-19 crisis

OPPORTUNITY	THREATS
• Strategically positioned to boost long term expansion • Growth through M&A • Production capacity expansion • Logistics updates to reduce time to market • New product lines development	• Intensifying competition within large manufacturers • High growth rates could lead to cost management issues • Internalization of Svas' processes by its main customers • Cannibalization risk of products under Svas' brand and third-party brand • Substitute products competition • High and persistent raw materials and energy costs

1H22 results

Income Statement

1H22 revenues 5% above our estimates led by Mark Medical (+25% yoy)

The Company reported 1H22 (ex-Bormia) consolidated results: revenues rose by 13.6% to €43.8mln (€38.6mln in 1H21), supported by higher sale prices. The main highlight is Mark Medical robust turnover growth (+25% yoy to €16mln). The other BUs also reported significant sales growth: Medical 15% yoy to €4.5mln; Svas 11% yoy to €10mln and Farmex 6% yoy to €14mln (+6% yoy). Bormia Group, which was acquired in June and has been consolidated from July the 1st reported sales for €6.5mln, in line with our estimates. From a geographical standpoint 64% of revenue were from Italy (vs 66% in FY2021).

The incidence of 1H21 revenues on FY21 was 48%. For the FY22 we expected consolidated revenues of €87mln (+7% yoy): this means that the incidence of 1H22 revenues on expected FY22 revenues was 50%. Thus 1H22 revenues are some 5% above our projections.

EBITDA margin impacted by raw materials and energy costs; yet 1pp above our forecast

EBITDA was in line with previous year at €5.7mln, with EBITDA margin at 13%, some 2pp below 1H21, due to higher raw material and energy costs. However, 1H22 EBITDA margin is 1pp above our FY22 projections. EBIT declined by 9.4% yoy to €3.4mln with margin of 7.1% (8.8% a year earlier). Net profit was €1.7mln, down from €2.0mln in 1H21.

Table 1: Svas Biosana Profit & Loss 1H21-1H22

Profit & Loss (€/mln)	1H21	1H22
Revenues	**38.6**	**43.8**
yoy		*13.5%*
Farmex	13.2	14.0
yoy		*6.2%*
% on revenues	*34%*	*32%*
Svas	9.0	10.0
yoy		*11.1%*
% on revenues	*23%*	*23%*
Medical	3.9	4.5
yoy		*14.3%*
% on revenues	*10%*	*10%*
Mark Medical	12.8	16.0
yoy		*24.8%*
% on revenues	*33%*	*36%*
infra-group sales	-0.3	-0.7
Other revenues	0.8	2.3
Value of production	**39.3**	**46.1**
External costs	**(27.4)**	**(33.4)**
Costs and changes in materials	(20.8)	(25.9)
% on revenues	*54%*	*59%*
Costs of services	(5.8)	(6.7)
% on revenues	*15%*	*15%*
Costs for the use of third party assets	(0.8)	(0.8)
% on revenues	*2%*	*2%*
Value added	**11.9**	**12.7**
% on revenues	*31%*	*29%*
Labour costs	(5.6)	(5.8)
% on revenues	*14%*	*13%*
Other operating expenses	(0.6)	(1.2)
	2%	*3%*
EBITDA	**5.7**	**5.7**
margin	*14.9%*	*13.0%*
D&A	(2.3)	(2.6)
EBIT	**3.4**	**3.1**
margin	*8.9%*	*7.1%*
Net financial expenses	(0.8)	(0.8)
EBT	**2.6**	**2.3**
margin	*7%*	*5%*
Taxes	(0.7)	(0.6)
Net profit	**2.0**	**1.7**
Group Net profit	**2.0**	**1.7**

Source: Banca Profilo elaborations on Company data

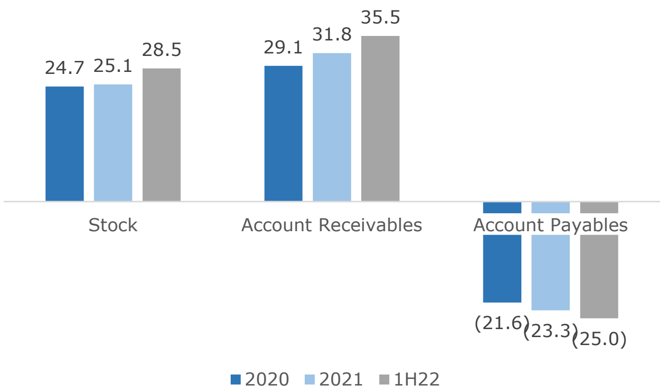
Balance Sheet

ONWC absorption and Bormia cash out lead to an increase in net debt

At the end of June 2022, ONWC jumped to €38.9mln from €35.4mln in December 2021, as the Company stockpiled to avoid procurement constraints and for raw materials cost hedging, with inventories rising to €28.5mln. Receivables increased by 12% to €35.5mln. Other current asset and liabilities increased to €4.7mln, including a €4.8mln credit of the Levante Holding HC, related to the acquisition of Bormia which will be consolidated at the end of 2022.

Net debt increased from €17mln at the end of 2021 to €25.3mln, due to Bormia acquisition and larger net working capital cash absorption.

Figure 1: NWC components 2020-1H22 (€, mln)



Source: Banca Profilo elaborations and estimates on Company data

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

Balance sheet (€/mln)	2020	2021	1H22
Stock	24.7	25.1	28.5
Accounts receivables	29.1	31.8	35.5
Accounts payables	(21.6)	(23.3)	(25.0)
Operating Net Working Capital	**32.1**	**33.6**	**38.9**
yoy	*5.9%*	*4.7%*	*9.9%*
% on revenues	*42.2%*	*41.5%*	*45.1%*
Other current asset and liabilities	(0.2)	0.1	4.7
Net Working Capital	**31.9**	**33.7**	**43.6**
Intangibles	9.2	10.7	10.7
Tangibles	25.8	25.6	25.9
Financials	0.1	0.2	0.1
Fixed Asset	**35.1**	**36.5**	**36.7**
Funds	(2.3)	(2.2)	(2.3)
Other asset and liabilities	(0.2)	(0.1)	(0.0)
Net Invested Capital	**64.6**	**68.0**	**78.0**
Equity	**27.7**	**51.0**	**52.7**
Share capital	14.7	20.6	20.6
Reserves	7.1	22.4	23.5
Accumulated profit/loss	3.4	4.8	6.9
Net profit	2.5	3.2	1.7
Minority share	0.0	0.0	0.0
Net debt (cash)	**36.9**	**17.0**	**25.3**
Adjusted Net debt (cash)	**39.9**	**20.0**	**25.3**
Liabilities	**64.6**	**68.0**	**78.0**

Source: Banca Profilo elaborations and estimates on Company data

Strategy and estimates

Corporate strategies

Svas Biosana leads the Medical Devices market in the Balkans

In June 2022, the Company acquired 75% (the rest being own shares) Bormia, for €4.8mln entirely financed with equity. Bormia is a distributor of Specialist Medical Devices by leading US and European manufacturers in the fields of cardiac surgery, anaesthesia and intensive care, endovascular procedures and neuroradiology, addressed to public and private customers of Slovenian, Croatian, Serbian and Bosnian health systems. Thanks to this 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

In 2021, Bormia reported revenues for €11mln, growing 26.4% yoy, and EBITDA of €1.25mln, (+11% yoy), or 11.4% margin. Net profit amounted to €0.89mln, increasing by 9.3% yoy. Finally, the Company, which has 20 employees, presented a net cash position of about €0.97mln. Furthermore, in 1H22 the Company reported revenues of €6.5mln.

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, and ensures the control of 100% of the capital. The value of the deal is equal to 3.1x EBITDA: this further highlights Company's ability to make successful M&A operations.

Further M&A to come

Svas is aiming at acquiring a medical consumable company based in the North of Italy or in Europe, looking for a mix between production and distribution business.

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.

2022-2024 estimates revision

Focus on 2022E: flat yoy sales

We maintained our FY22E revenue forecasts, while we increased FY23E and FY24E by 4% and 3% respectively. This reflects Svas price increases in 2022 and higher revenue forecasts for the Mark Medical division, which includes the newly acquired Bormia (consolidated in 2H22).

EBITDA margin to normalize after FY22

We kept our FY22E EBITDA margin at 13% as it is aligned to the 1H22 and FY21 level, despite the effects of raw material costs. We believe that SVAS should be able to defend from margin seasonality as it i) accelerated its focus on distribution, less impacted by higher input costs, ii) increased its selling prices. After 2022 we assumed progressive cost normalization, as in September Svas observed slight cost reduction across freight costs, cellulose and polymers. Compared to our previous research *[Please refer to our Company Update on June, 6th 2022]* we decreased our 22-23E EBITDA margin by 80bps and by 50bps respectively.

Table 3: Svas Biosana's Income Statement 2020-2024E (€/mln)

			2022E		2023E		2024E	
Profit & Loss (€/mln)	**2020**	**2021**	**old**	**new**	**old**	**new**	**old**	**new**
Revenues	**76.0**	**81.1**	**93.4**	**93.4**	**99.9**	**103.7**	**106.7**	**109.9**
yoy	*2.3%*	*6.6%*	*15.2%*	*15.1%*	*6.9%*	*11.1%*	*6.9%*	*6.0%*
Farmex	26.2	27.6	28.9	28.9	30.4	29.0	31.9	29.9
yoy	*5.1%*	*5.4%*	*5.0%*	*5.0%*	*5.0%*	*0.2%*	*5.0%*	*3.0%*
% on revenues	*34%*	*34%*	*31%*	*31%*	*30%*	*28%*	*30%*	*27%*
Svas	17.5	18.0	19.2	18.5	20.7	19.1	22.3	20.4
yoy	*7.3%*	*2.8%*	*6.5%*	*3.0%*	*8.0%*	*3.0%*	*8.0%*	*7.0%*
% on revenues	*23%*	*22%*	*21%*	*20%*	*21%*	*18%*	*21%*	*19%*
Medical	10.2	8.6	9.3	9.1	9.8	9.4	10.4	9.7
yoy	*36.6%*	*-15.5%*	*8.0%*	*6.0%*	*6.0%*	*3.0%*	*6.0%*	*3.5%*
% on revenues	*13%*	*11%*	*10%*	*10%*	*10%*	*9%*	*10%*	*9%*
Mark Medical	23.1	26.9	36.0	36.8	38.9	46.2	42.0	49.9
yoy	*-10.4%*	*16.8%*	*33.8%*	*36.5%*	*8.0%*	*25.7%*	*8.0%*	*8.0%*
% on revenues	*30%*	*33%*	*39%*	*39%*	*39%*	*45%*	*39%*	*45%*
Other revenues	1.7	0.4	0.5	0.5	0.5	0.6	0.6	0.6
% on revenues	*2%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Value of production	**77.7**	**81.5**	**93.9**	**93.9**	**100.4**	**104.2**	**107.3**	**110.5**
External costs	**(54.8)**	**(58.0)**	**(67.5)**	**(67.3)**	**(70.1)**	**(74.2)**	**(73.8)**	**(77.3)**
Costs and changes in raw, ancillary and consumable materials and goods	(41.1)	(44.2)	(50.9)	(51.2)	(52.9)	(56.0)	(55.5)	(58.2)
% on revenues	*54%*	*55%*	*55%*	*55%*	*53%*	*54%*	*52%*	*53%*
Costs of services	(12.3)	(12.3)	(14.9)	(14.3)	(15.5)	(16.4)	(16.5)	(17.2)
% on revenues	*16%*	*15%*	*16%*	*15%*	*16%*	*16%*	*16%*	*16%*
Costs for the use of third party assets	(1.5)	(1.5)	(1.7)	(1.8)	(1.7)	(1.8)	(1.7)	(1.8)
% on revenues	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Value added	**22.9**	**23.5**	**26.4**	**26.6**	**30.3**	**30.0**	**33.6**	**33.2**
% on revenues	*30%*	*29%*	*28%*	*28%*	*30%*	*29%*	*31%*	*30%*
Labour costs	(11.4)	(11.0)	(13.1)	(12.5)	(13.5)	(13.3)	(15.2)	(14.9)
% on revenues	*15%*	*14%*	*14%*	*13%*	*13%*	*13%*	*14%*	*14%*
Other operating expenses	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.1)	(2.0)	(2.1)
	3%	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
EBITDA	**9.6**	**10.6**	**12.1**	**12.1**	**14.8**	**14.6**	**16.3**	**16.2**
margin	*12.6%*	*13.1%*	*12.9%*	*13.0%*	*14.9%*	*14.1%*	*15.3%*	*14.8%*
D&A	(4.5)	(4.9)	(4.4)	(4.4)	(4.6)	(4.6)	(5.0)	(5.0)
yoy	*11.7%*	*8.8%*	*-9.6%*	*-9.5%*	*5.2%*	*5.1%*	*8.5%*	*8.8%*
EBIT	**5.1**	**5.8**	**7.6**	**7.7**	**10.2**	**9.9**	**11.3**	**11.2**
margin	*6.7%*	*7.1%*	*8.2%*	*8.3%*	*10.2%*	*9.6%*	*10.6%*	*10.2%*
EBT	**3.2**	**4.0**	**5.9**	**5.9**	**8.4**	**8.2**	**9.5**	**9.4**
margin	*4.2%*	*5.0%*	*6.3%*	*6.4%*	*8.4%*	*7.9%*	*8.9%*	*8.6%*
Taxes	(0.7)	(0.9)	(1.3)	(1.3)	(1.8)	(1.8)	(2.0)	(2.1)
Net profit	**2.5**	**3.2**	**5.1**	**5.1**	**6.6**	**6.4**	**7.5**	**7.4**
margin	*3.3%*	*3.9%*	*5.5%*	*5.5%*	*6.6%*	*6.2%*	*7.0%*	*6.7%*
yoy	*1.2%*	*25.7%*	*62.6%*	*62.7%*	*29.1%*	*24.1%*	*13.2%*	*15.3%*
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%*
Group Net profit	**2.5**	**3.2**	**5.1**	**5.1**	**6.6**	**6.4**	**7.5**	**7.4**

Source: Banca Profilo elaborations and estimates on Company data

A more conservative approach on ONWC

On the Balance sheet, we revised our ONWC towards a more conservative approach, which is now on average 8% above our previous estimates. For FY22E we increased ONWC from €37.7mln to €39.4mln primarily to reflect the planned stock piling to ensure smoother operations. After FY22, we expect an average 0.5pp yearly improvement in ONWC on VoP. This is primarily driven by inventories declining from 32% to 30% in FY24E and receivables from 40% to 38% in FY24E.

Our FY22E net debt now stands at €24.1mln (vs €17.8mln in our previous estimates) and fully accounts for higher ONWC and Bormia acquisition cash out. Following the changes in the ONWC assumptions, net debt is expected to decrease at a considerably lower pace compared to previous estimates, reaching €20.1mln in 2024E (vs €10.8mln in our previous Company Update).

Table 4: Svas Biosana's Balance Sheet 2020-2024E (€/mln)

			2022E		2023E		2024E	
Balance Sheet (€/mln)	**2020**	**2021**	**old**	**new**	**old**	**new**	**old**	**new**
Stock	24.7	25.1	28.2	30.4	28.7	33.2	29.2	34.0
Accounts receivables	29.1	31.8	36.6	36.8	38.8	40.3	41.2	41.9
Accounts payables	(21.6)	(23.3)	(27.0)	(27.9)	(28.0)	(30.2)	(29.3)	(30.7)
Operating Net Working Capital	**32.1**	**33.6**	**37.7**	**39.4**	**39.5**	**43.4**	**41.2**	**45.1**
Other current asset and liabilities	(0.2)	0.1	0.1	4.7	0.1	4.7	0.1	4.7
Net Working Capital	**31.9**	**33.7**	**37.9**	**44.0**	**39.6**	**48.1**	**41.3**	**49.8**
Intangibles	9.2	10.7	11.8	11.8	11.8	11.8	11.7	11.8
Tangibles	25.8	25.6	26.8	26.8	28.2	28.2	28.9	29.0
Financials	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fixed Asset	**35.1**	**36.5**	**38.7**	**38.7**	**40.1**	**40.1**	**40.8**	**41.0**
Funds	(2.3)	(2.2)	(2.6)	(2.5)	(2.7)	(2.7)	(3.0)	(2.9)
Other asset and liabilities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Invested Capital	**64.6**	**68.0**	**73.9**	**80.2**	**77.0**	**85.5**	**79.0**	**87.7**
Equity	**27.7**	**51.0**	**56.1**	**56.1**	**62.7**	**62.5**	**68.3**	**67.6**
Net debt (cash)	**36.9**	**17.0**	**17.8**	**24.1**	**14.3**	**23.0**	**10.8**	**20.1**
Other long-term receivables	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Adjusted Net debt (cash)	**39.9**	**20.0**	**20.8**	**27.1**	**17.3**	**26.0**	**13.8**	**23.1**
Liabilities	**64.6**	**68.0**	**73.9**	**80.2**	**77.0**	**85.5**	**79.0**	**87.7**

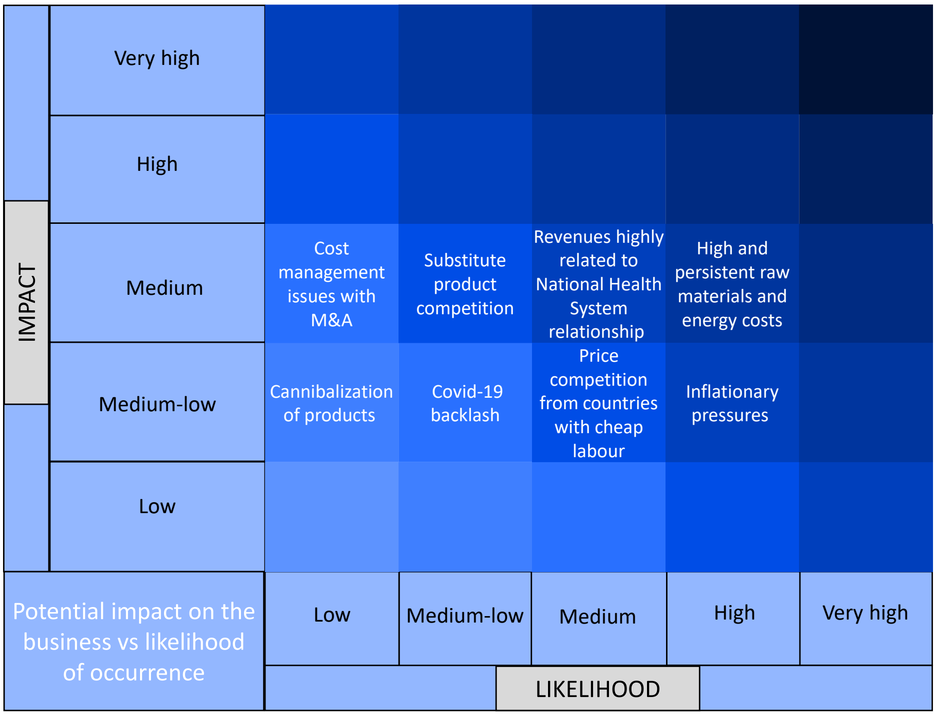
Source: Banca Profilo elaborations and estimates on Company data

Key risk

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



Source: Banca Profilo elaborations and estimates

Valuation

Valuation methods used and final output

DCF method and market multiples

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

DCF value at €13/sh

Since our previous Company Update (June 6th, 2022):

- we decreased by 32% on average FCF in the period between 2022E-2024E but we added the 2025E FCF of €9.1mln. Therefore cumulated FCFs are now 34% above our previous 2022-2024E estimates;
- we decreased TV by 8% to €6.2mln;
- we increased WACC to 7.5% from previous 7.3% mainly due to higher risk-free rate;
- we updated the Net Financial Position, which reached €25.3mln at the end of June 2022 (from €20mln at the end of December 2021)
- Beta declined to 1.3 from previous 1.5.

Our DCF model leads to an Equity Value of €72.6mln or €13/share, down from previous €16.7/share reflecting mainly higher risk-free rate which was only partially offset by a lower beta, lower TV only partially offset by higher cumulated FCFs.

Market multiples valuation: €24.5/share

In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2023E, which is at 11.2x (as of October 11th, 2022). We derived an implied Equity Value per share of €24.5 (vs previous €27.3). The decrease was primarily driven by the larger net debt position and the decline in FY23 EBITDA.

BUY confirmed;

12-month TP reduced to €17/share

Our weighted average of DCF and relative market multiples valuation brings our 12-month Target Price to €17.0/share, down by 17% vs our previous report. Given the significant upside on Svas closing price (as of October 14th, 2022), we confirm our BUY recommendation.

DCF Valuation

DCF assumptions: €18.5mln of cumulated FCFs in 2022E-2025E

To run a DCF Model, we use our projections of FCFs for the 2022E-2025E explicit period: €18.5mln of cumulated FCFs (€9.4mln in the shorter 2022E-2024E explicit period vs previous €13.8mln) or €4.6mln as yearly average. These changes are mainly due to the lower FCF expected following the strong increase in Operating NWC in 2022E.

7.5% WACC

We use a 7.5% WACC (from previous 7.3%) derived from:

- 4.5% Risk Free rate (vs previous 3%), as the 30Y Italian BTP 100-day yield moving average and our assumed interest rates path (+0.75bps vs previous +0.5bps);
- 5.5% market risk premium (unchanged);
- 1.3 beta (vs previous 1.5), coming from the average of chosen listed peers;
- 50% target Debt-to-Equity structure (vs previous 40%).

Table 5: WACC calculation

WACC Calculation	
Perpetual growth rate	2%
WACC	**7.5%**
Risk free rate (30Y)	4.5%
Equity risk premium	5.5%
Levered Beta	1.3
KE	**11.4%**
Cost of debt	5.3%
Tax rate	30%
KD	**3.7%**

Source: Banca Profilo estimates and elaborations

€6.2mln as Terminal Value cash flow

To assess the Terminal Value, we used what we consider a perpetually sustainable Free Cash Flow of €6.2mln (vs previous €6.7mln), given by the average of the FCFs in 2023E-2025E. Finally, we assumed a 2% perpetual growth rate (unchanged).

€25.3mln net debt at the end of June

To get to the Equity Valuation, we consider the adjusted net debt at the end of 1H22, equal to €25.3mln (vs previous €20mln at the end of December 2021).

DCF valuation: €13.0/share

The DCF method leads us to an Enterprise Value of €97.9mln and to an Equity Value of €72.6mln or €13.0/share.

Table 6: FCF forecasts FY22E-FY26E

DCF Valuation	2022E	2023E	2024E	2025E	TV
Free Cash Flows (€ mln)	**0.0**	**3.1**	**6.3**	**9.1**	**6.2**
years	1	2	3	4	
discount factor	0.93	0.86	0.80	0.75	
NPV Cash flows (€ mln)	0.0	2.7	5.1	6.8	
Sum of NPVs (€ mln)	0.0	2.7	7.8	14.6	
Terminal Value (€ mln)					111.4
NPV Terminal Value (€ mln)					83.3
Enterprise Value (€ mln)					97.9
Adjusted Net debt 1H22 (€ mln)					25.3
Equity Value (€ mln)					72.6
Number of shares					5.6
Price per share (€)					**13.0**

Source: Banca Profilo elaborations on companies' data

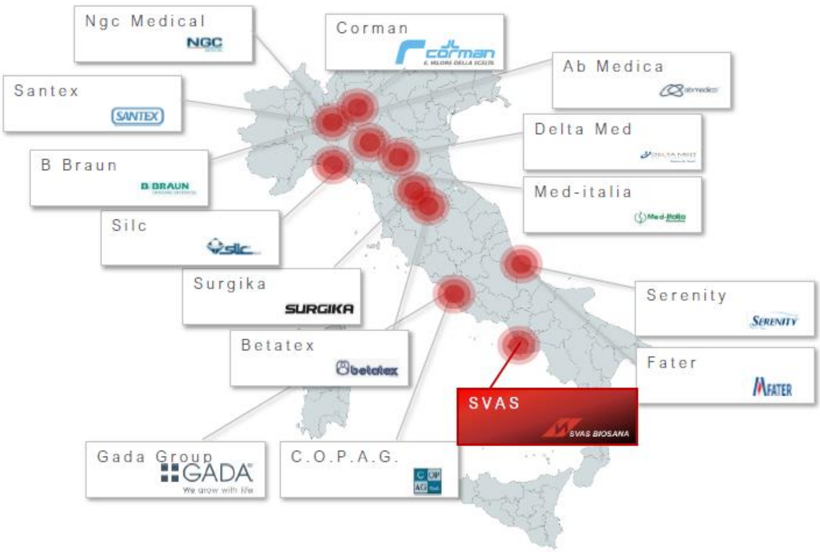
Svas competitive arena

Svas: main player in the South of Italy

Main Italian Medical Devices companies are mostly concentrated in the North of Italy: 8 Companies representing the sample of Italian comparable 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.

The Company has a strategic position in the South of Italy operating as main player.

Figure 2: 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 3: Main Italian medical devices companies' activity

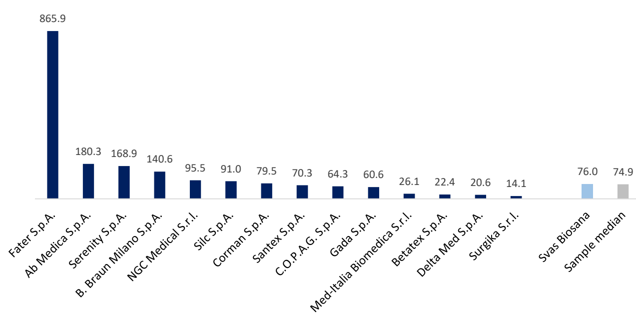
Company	Headquarter	Distribution	Incontinence Aids & Cotton products	Custom Pack	Intravenous solutions
Fater S.p.A.	Pescara		■		
Ab Medica S.p.A.	Milano	■		■	
Serenity S.p.A.	Chieti		■		
B. Braun Milano S.p.A.	Milano	■			■
NGC Medical S.r.l.	Como	■		■	
Silc S.p.A.	Cremona		■		
Corman S.p.A.	Milano		■		
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

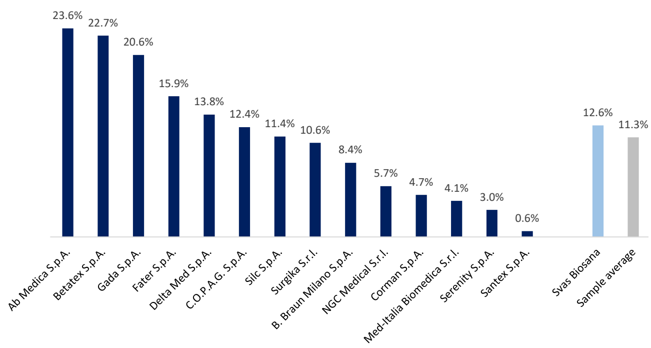
For 2021, there are no data available for the Italian sample. However, in 2020 the sample reported a median value for revenue at €74.9mln, slightly lower than Svas Biosana.

Figure 4: Main Italian medical devices companies' FY20 revenue (€/mln)



Source: Banca Profilo elaborations on companies' data

Figure 5: Main Italian medical devices companies' FY20 EBITDA margin



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%.

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 comparable to build our multiple valuation analysis.

We do not believe there are listed companies that can be considered as good as "comparable" 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 "comparable" 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, Dickynson and Co. (US), Stryker Corp (US), Ontex (Belgium), Medtronic Plc (US).

Figure 6: 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, Dickynson 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 GPB2bn; 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 centres, 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) FY21: sales JPY613.8bn; EBITDA margin 24.7%	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 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 centres 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.

Relative market multiples valuation

12 comparable to Svas Biosana for business similarity

We provide the updated multiples table, compared to our latest research *[Please refer to our Company Update on June, 6th 2022]*. Svas Biosana trades at a significant discount compared to its peers, partially explainable by its lower marginality.

Table 7: Sample benchmarking on sales growth and EBITDA margin

Company	Sales growth (as of…)					EBITDA margin (as of…)				
	2020	2021	2022E	2023E	2024E	2020	2021	2022E	2023E	2024E
GVS S.p.A	59.7%	-6.9%	13.1%	18.0%	6.8%	38.8%	31.6%	25.6%	26.7%	28.1%
Medtronic Plc	1.3%	4.7%	1.5%	2.7%	5.1%	27.7%	29.8%	30.7%	30.1%	32.0%
Coloplast A/S Class B	3.9%	7.6%	14.8%	10.4%	8.3%	36.3%	36.2%	34.7%	34.9%	35.3%
ConvaTec Group Plc	-4.2%	13.4%	19.4%	1.9%	5.5%	22.3%	22.8%	23.2%	24.3%	24.8%
Stryker Corporation	-3.6%	19.2%	7.0%	6.9%	6.8%	26.8%	27.8%	26.4%	26.7%	27.7%
Becton, Dickinson and Company	4.0%	11.0%	-4.7%	3.7%	6.3%	28.0%	27.5%	25.8%	27.7%	29.0%
Cardinal Health, Inc.	6.0%	8.9%	10.9%	7.2%	5.0%	1.7%	1.4%	1.2%	1.2%	1.3%
Terumo Corporation	-0.2%	10.1%	13.8%	8.6%	6.8%	25.1%	24.8%	25.0%	25.9%	26.6%
Teleflex Incorporated	-2.2%	10.7%	0.0%	5.1%	5.0%	27.6%	30.5%	29.5%	30.1%	31.2%
Integra LifeSciences Holdings Corporation	-9.6%	12.4%	0.9%	4.4%	4.5%	24.4%	26.0%	25.6%	26.8%	27.6%
Shandong Weigao Group Medical Polymer Co.	18.8%	20.4%	2.0%	13.6%	14.8%	27.1%	28.1%	24.6%	24.9%	23.3%
Ontex Group N.V.	-8.5%	-2.9%	-19.9%	7.2%	17.6%	11.3%	8.5%	6.9%	10.5%	10.6%
Mean	**5.4%**	**9.1%**	**4.9%**	**7.5%**	**7.7%**	**24.8%**	**24.6%**	**23.3%**	**24.2%**	**24.8%**
Svas Biosana	**3.4%**	**6.6%**	**15.2%**	**6.9%**	**6.9%**	**12.6%**	**13.1%**	**12.9%**	**14.9%**	**15.3%**

Source: Banca Profilo elaborations on Bloomberg data, as of October 11th, 2022

EV/EBITDA 2023 at 11.2x

In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2023E, which is at 11.2x (as of October 11th, 2022). Compared to our previous company update we shifted the multiple 1 year forward to 2023.

Table 8: Market multiple

Company	EV / EBITDA (as of…)				
	2020	2021	2022E	2023E	2024E
GVS S.p.A	7.3x	9.6x	10.5x	8.5x	7.6x
Medtronic Plc	15.5x	13.7x	13.1x	13.0x	11.7x
Coloplast A/S Class B	22.9x	21.3x	19.4x	17.4x	15.9x
ConvaTec Group Plc	16.0x	13.8x	11.4x	10.7x	9.9x
Stryker Corporation	23.3x	18.8x	18.5x	17.1x	15.5x
Becton, Dickinson and Company	15.6x	14.3x	16.0x	14.4x	12.9x
Cardinal Health, Inc.	7.8x	8.4x	8.8x	8.4x	7.6x
Terumo Corporation	20.8x	19.1x	16.7x	14.8x	13.5x
Teleflex Incorporated	14.8x	12.1x	12.5x	11.7x	10.7x
Integra LifeSciences Holdings Corporation	13.3x	11.1x	11.2x	10.2x	9.5x
Shandong Weigao Group Medical Polymer Co.	12.1x	9.7x	10.9x	9.5x	8.8x
Ontex Group N.V.	5.0x	6.9x	10.6x	6.5x	5.5x
Mean	**14.5x**	**13.2x**	**13.3x**	**11.8x**	**10.7x**
Median	**15.1x**	**12.9x**	**11.9x**	**11.2x**	**10.3x**

Source: Banca Profilo elaborations on Factset data, as of October 11th, 2022

Implicit share price from market multiple (FY23 EV/EBITDA) equal to €24.5

We applied Svas FY23E EBITDA of €14.6mln (down by 2% from our previous FY23E), and its Net Debt at the end of June of €25.3mln. We derived an implied Equity Value per share of €24.5 (vs previous €27.3). The decrease in implied price was primarily driven by larger net debt position and decline in FY23E EBITDA.

Table 9: Implicit price per share

Relative Valuation on 2022E market multiples	
EV/EBITDA	**EBITDA**
2023E	**2023E**
11.2x	14.6
ENTERPRISE VALUE	**Adj. NET DEBT 1H22**
162.7	25.3
EQUITY VALUE	
137.5	
Price per share	€ 24.5

Source: Banca Profilo elaborations on Factset data, as of October 11th, 2022

APPENDIX

SVAS overview and business model

Business model and activities

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 7: Svas Biosana's business snapshot

Source: Company data

Figure 8: Svas Biosana's supply chain

Source: Company data

Company History

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

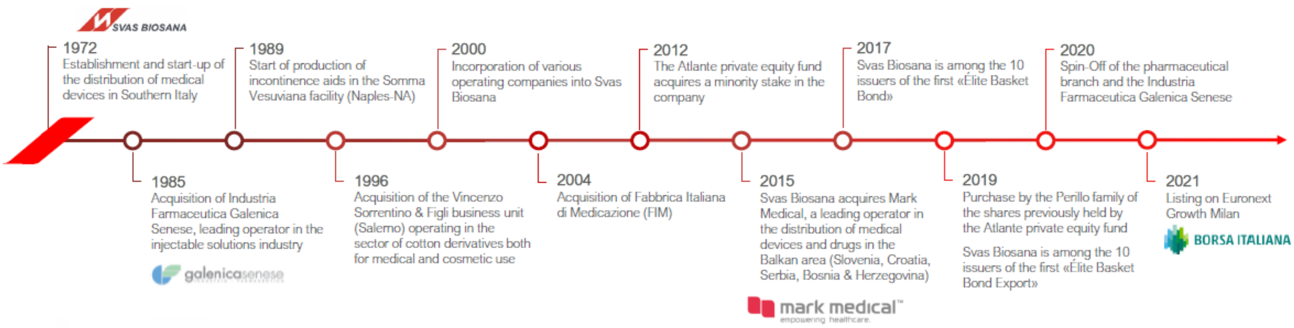
Svas Biosana Group is an Italian leading player in the Medical Devices and Consumables, acting as both a manufacturer and distributor.

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 9: Svas Biosana's timeline



Source: Company data

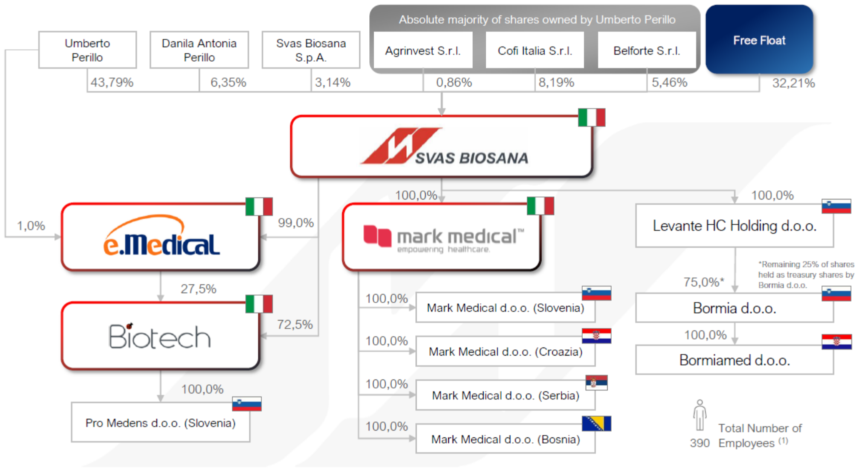
Group Structure

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 €54.2mln 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 €26.9mln 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 10: 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).

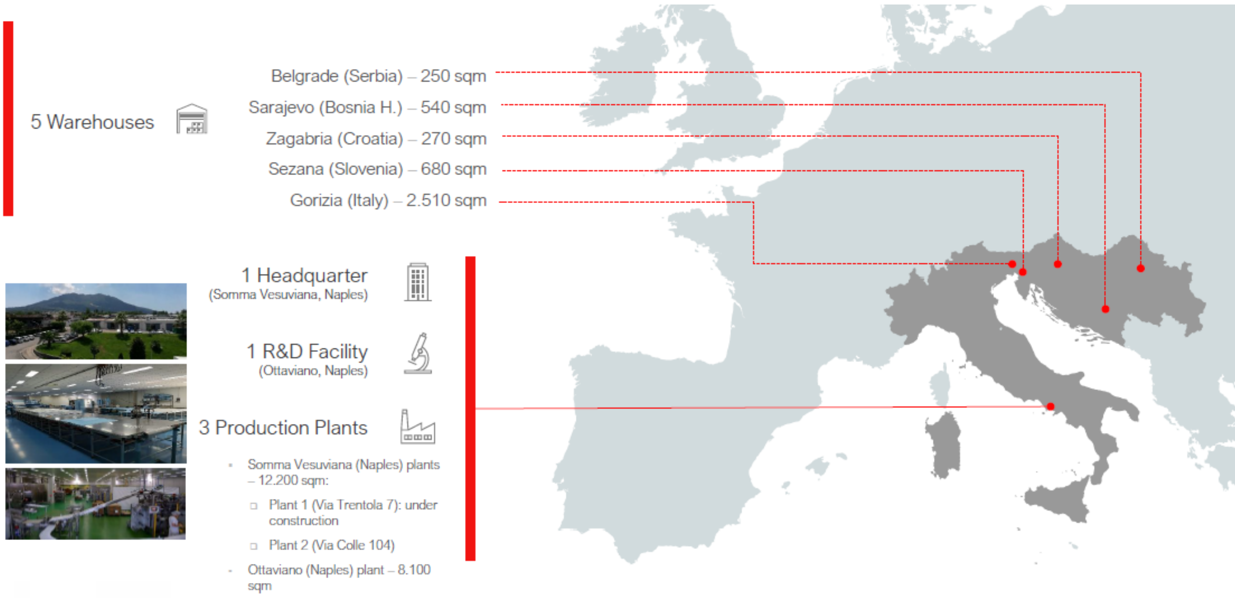
Svas Biosana can count on three production plants:

- 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 11: Group's plants and facilities



Source: Company data

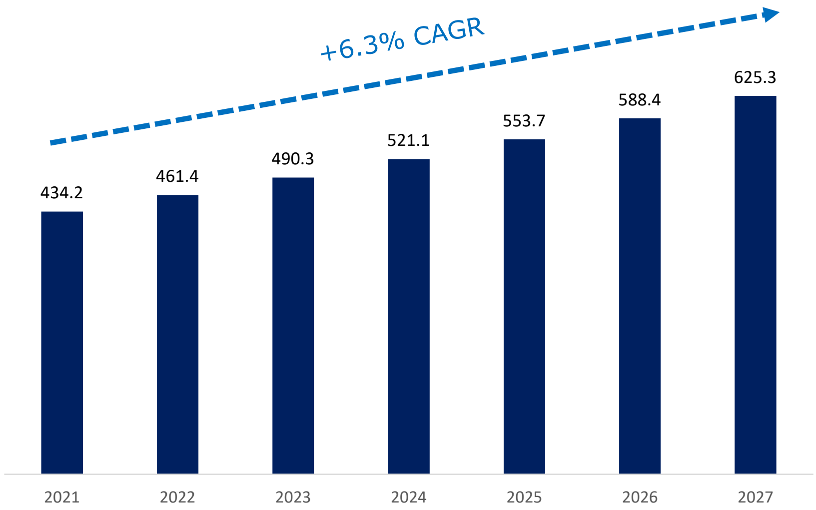
The reference market

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

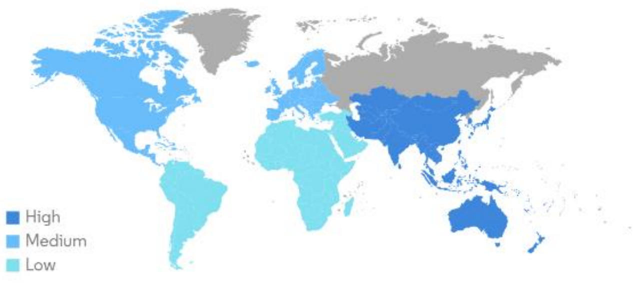


Source: Banca Profilo elaborations on Research and Markets: Global Medical Device Market, 2021

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 13: 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.

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.

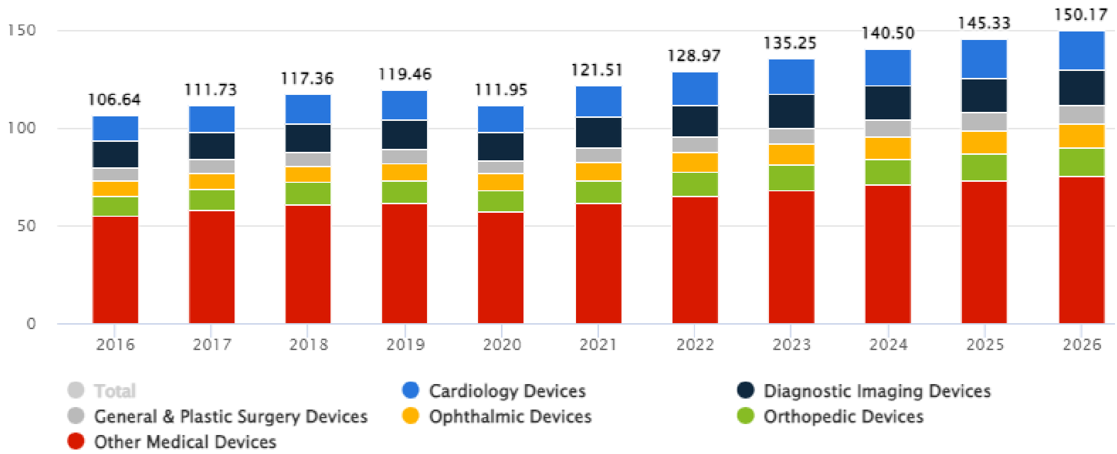
Germany is expected to lead European market

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 14: European Medical Devices market revenue by segment ($/bn)



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

The Italian market

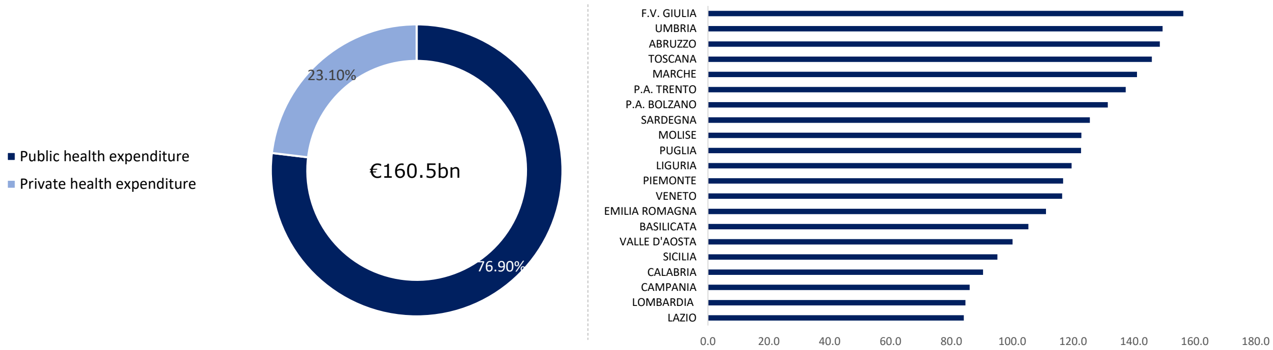
Italian market worth €16.2bn

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 15: Italian healthcare expenditure



Source: Banca Profilo elaborations on Centro Studi Confindustria Dispositivi Medici

Southern Italy is characterized by start-ups

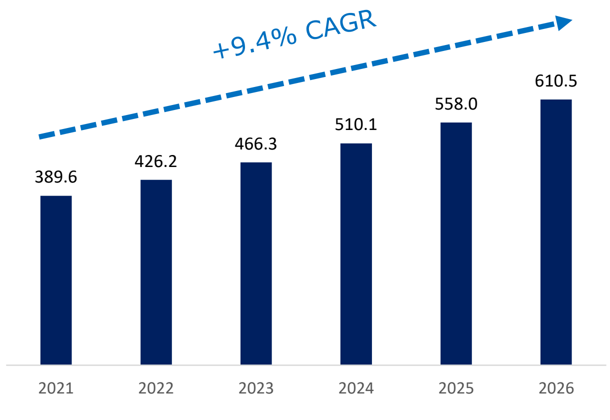
Northern Italy is the most representative area of the industry, where more than 80% of companies are based and most of revenues are generated.
In the Center of Italy, small and large companies coexist, especially in Lazio and Toscana.
Finally, in the South, where Svas Biosana is based, there is less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

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

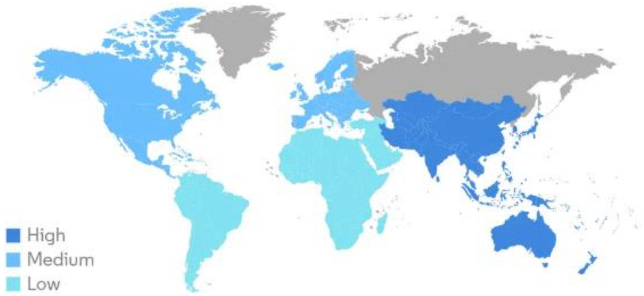


Source: Banca Profilo elaborations on Disposable Medical Supplies Market – Growth, Trends, Covid-19 impact, and Forecasts, Mordor Intelligence

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 6th 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 17: 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.

Figure 18: Medical Disposables key players by market category

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

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.

ESG Analysis

Sustainability Report

No published sustainability report	SVAS Biosana has not yet published its Sustainability Report. Nevertheless the company dedicates a page from its website to highlight its ESG stance. The Company has not yet published its Materiality Assessment, which would highlight the most relevant issues for the company and its stakeholders.

Environmental sustainability

Consumption and energy management

The Company is certified ISO 14001, which ensures SVAS employs an environmental management system. In practical terms, SVAS Biosana periodically evaluates and strives to improve the environmental performance by:

- optimizing the use of raw materials in the production process by reducing waste and plastics;
- monitoring and improving the efficiency of machineries to reduce the consumption of energy and liquid propane gas;
- reducing water consumption by carrying out periodical maintenance, using rainwater to water green areas and sensibilizing employees to avoid waste.

Quantifying the environmental footprint

SVAS Biosana periodically carries out a Life Cycle Assessment based on ISO 14025, ISO 14040 and ISO 14044 to measure the environmental footprint during its entire life cycle. To our knowledge, the company does not publish data related to its findings.

PEFC Certification

Medical devices produced by Farmex are certified 100% PEFC, which ensures cellulose is entirely sourced from forests managed in a sustainable way.

Social issues

Employees safety

SVAS Biosana is certified for the ISO 45001 standard which ensures the company takes adequate measures to ensure occupational health and safety, preventing employees from work-related accidents.

Gender equality

SVAS Biosana is committed to gender equality, following Constitutional rights. Moreover, the Company promotes communications and marketing activities aimed at disclosing gender equality, valuing diversity and supporting female empowerment.

Governance

SVAS Certifications

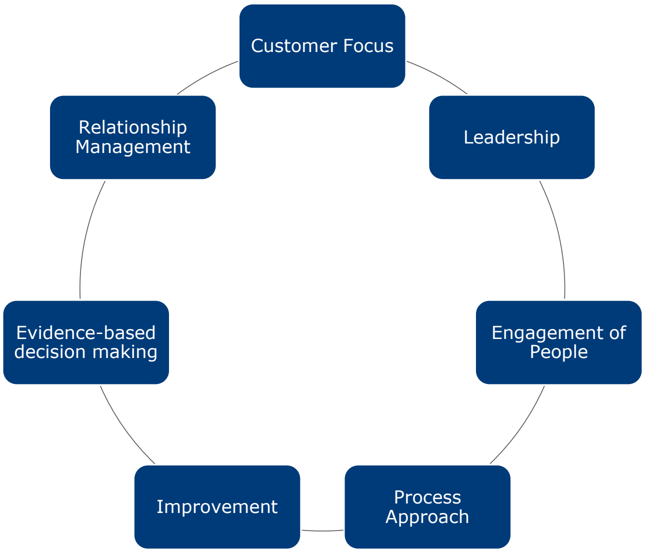
SVAS Biosana is certified to meet the following standards:

- ISO 9001, general quality management system;
- ISO 13485, quality management system for the medical devices industry;
- ISO 14001, environmental management guidance;
- ISO 45001, occupational health and safety management systems;
- ISO 27001, information security management system.

What are ISO standards?

ISO Standards are definitions on the best practices across sectors. A company can acquire the definition of a standard and follow it. Furthermore, a third party can certify that the company follows the standard, as in the case of SVAS Biosana.

Figure 19: ISO 9001 principles



Source: Banca Profilo elaborations on [ISO.com](ISO.com)

A Management system based on 7 principles

The company is certified for the ISO 9001 which promotes an organization oriented towards:

- Customer focus, which signals a commitment to quality;
- Leadership, conveying a clear vision and business strategy;
- Engagement of people, therefore applying the principles at all level of the organization;
- Process approach, adopting a culture based on adhering to established processes and therefore enabling business predictability;
- Improvement, such as establishing objectives, implementing procedures to identify opportunities and risks, reviewing and tracking the development of internal projects;
- Evidence-based decision making;
- Relationship management, determining and establishing relationships with key stakeholders.

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Svas Biosana "ID Card"

Recommendation	Target Price	Upside
BUY	**17.0 €**	**104%**

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.

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 Thirdy-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"

October 14, 2022 - 18:00

Recommendation	Target Price	Upside
BUY	17.0 €	104%

Main Financials

(€/mln)	2020	2021	2022E	2023E	2024E
Revenues	**76.0**	**81.1**	**93.4**	**103.7**	**109.9**
yoy change		*7%*	*15%*	*11%*	*6%*
Value of production	**77.7**	**81.5**	**93.9**	**104.2**	**110.5**
yoy change		*5%*	*15%*	*11%*	*6%*
EBITDA	**9.6**	**10.6**	**12.1**	**14.6**	**16.2**
yoy change		*11%*	*14%*	*20%*	*11%*
margin (%)	*13%*	*13%*	*13%*	*14%*	*15%*
EBIT	**5.1**	**5.8**	**7.7**	**9.9**	**11.2**
margin (%)	*7%*	*7%*	*8%*	*10%*	*10%*
EBT	**3.2**	**4.0**	**5.9**	**8.2**	**9.4**
margin (%)	*4%*	*5%*	*6%*	*8%*	*9%*
Net income	**2.5**	**3.2**	**5.1**	**6.4**	**7.4**
margin (%)	*3%*	*4%*	*6%*	*6%*	*7%*
Adjusted Net debt/(cash)	**39.9**	**20.0**	**27.1**	**26.0**	**23.1**
Shareholders Equity	27.7	51.0	56.1	62.5	67.6
Changes in NOWC	32.1	33.6	39.4	43.4	45.1
Capex		(3.7)	(4.3)	(4.6)	(5.1)
Free Cash Flow		3.7	0.0	3.1	6.3

Company Description

Company Sector	Medical Devices
Price (€)	8.5
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)	4,700
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)

Breakdown by business unit

(€/mln)	2020	2021	2022E	2023E	2024E
Farmex	26.2	27.6	28.9	29.0	29.9
Svas	17.5	18.0	18.5	19.1	20.4
Medical	10.2	8.6	9.1	9.4	9.7
Mark Medical	23.1	26.9	36.8	46.2	49.9

Data of peers

	2021	2022E	2023E
Revenue Growth (yoy)	*9%*	*5%*	*7%*
EBITDA Margin	*25%*	*23%*	*24%*

Average data

Solvency Ratios

	2020	2021	2022E	2023E	2024E
Adj. Net Debt (cash)/Equity	1.4x	0.4x	0.5x	0.4x	0.3x
Adj. Net Debt (cash)/EBITDA	4.2x	1.9x	2.2x	1.8x	1.4x

Multiples of peers

	2022E	2023E
Average EV/EBITDA	13.3x	11.8x
Median EV/EBITDA	11.9x	11.2x

Financial and Operative ratios

	2020	2021	2022E	2023E	2024E
Tax rate	*-22%*	*-21%*	*-22%*	*-22%*	*-22%*
ROE	*9%*	*6%*	*9%*	*10%*	*11%*
ROIC	*13%*	*16%*	*22%*	*33%*	*39%*
Days Inventory Outstanding	*118*	*113*	*119*	*117*	*113*
Days Sales Outstanding	*140*	*143*	*144*	*142*	*139*
Days Payables Outstanding	*139*	*142*	*147*	*144*	*141*
Fixed Asset Turnover ratio (FAT)	*2.2*	*2.2*	*2.4*	*2.6*	*2.7*
Capex/VoP		*5%*	*5%*	*4%*	*5%*
D&A/Capex		132%	103%	101%	99%

Source: FactSet, Banca Profilo estimates and elaborations

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ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").