

Stronger revenues ahead, margins pressure still not eased



May 11th, 2023 at 18:00

FY22 above our estimates

FY22 Revenue figures were released in February with sales at €97.2m (+20% yoy, +7% like-for-like, 4% above our estimates). Turnover breakdown by BU (including €1.7m infra-group sales) showed: Farmex +7% yoy to €29.6m (vs est. €28.9m); Svas +12% yoy to €20.7m (vs est. €18.5m); Medical +8% yoy to €9.2m (vs est. €9.1m) and Mark Medical +20% yoy to €32.8m (vs est. €30.2m). Finally, Bormia's 2H22 sales were €6.6m (vs est. €6.6m), up by 19% yoy on a pro-quota basis (FY22 vs FY21 before consolidation). Assuming Bormia was consolidated on 1st January 2022, pro-forma revenues were €103.7m in 2022. The contribution of each division to revenues was in line with our expectations.

EBITDA increased by 12% yoy to €11.9m (-2% below our estimates), while the margin contracted by 1pp to 12% (~1pp below our estimates), due to higher raw materials costs. EBIT increased by 8% yoy to €6.3m (-19% below our estimates) with margin at 6% (~2pp below our estimates, -0.7pp yoy), also due to €0.3m provision against the risk related to the Payback institution set for the medical devices sector, activated retroactively in 2022 for the period 2015/2018. Net income was up by 13% at €3.6m (-23% below our estimates).

FY23E to surpass the €100m threshold

Our updated revenue forecasts for FY23-24E point to a 14% and 5% growth respectively to €110.6m and 115.6m, (up from €103.7m and €109.9m), due to higher expected volumes and pricing. On an organic basis, FY23E is seen growing at 7%. We kept the weight of each division in line with our previous estimates. We reduced our EBITDA margin assumption which is now seen at 12.7% in FY23E (-1.4pp vs previous) in FY23, 13.8% in FY24E (-0.9pp vs previous) and 15% in FY25E, as Svas recorded a peak in its raw material cost during 2H22. We expect minor improvements in raw material cost weight during 1H23, while a reversion towards FY21 levels is seen beyond 2H23, sustaining the margin expansion. We fine-tuned other costs by aligning them to FY22 levels. We also decreased our EBIT margin assumptions due to higher D&A costs as we increased our capex estimates. Moreover, for FY23E we included a €0.2m provision which should cover the risks related to the Payback institution for the medical devices sector. Overall, we estimate an EBIT Margin of 7% in FY23E (-2.3pp vs previous), 9% in FY24E (-1.2pp vs previous) and 10% in FY25E.

Valuation: BUY confirmed; TP confirmed at €17

We kept unchanged our 12-month Target Price at €17. Our Target Price is the weighted average between DCF (65%) and relative market multiples (35%) valuation. We increased our DCF valuation to €13.9/sh as higher FCFs in FY23-26E (+15%) and higher TV offset the increase in the risk free rate. For the market multiples valuation, we considered the EV/EBITDA 2023 of 13.3x, to which we apply a 20% discount as Svas is less exposed to the production of advanced medical devices compared to some peers. This leads us to an Equity Value of €22.7/sh. Svas Biosana trades at a discount vs comparable due to lower marginality and reduced exposure to the production of advanced medical devices. Given the significant potential upside vs current Svas price, we confirm our BUY recommendation.

Target Price (€) **€17**
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 8.3€
 Number of shares (mln) 5.6
 Market cap. (mln) 46.5 €

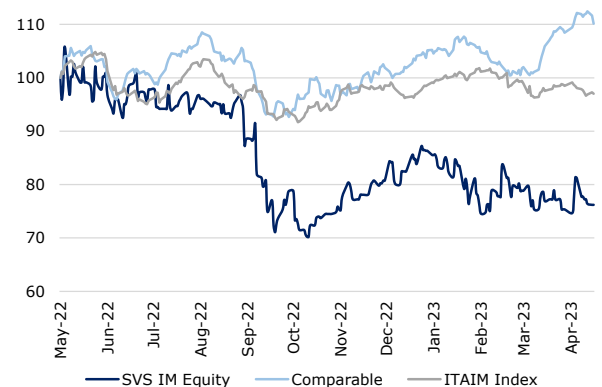
Performance since IPO

Absolute -25.9%
 Max / Min 12.36/8.2
 Average daily volumes 3,377

(€m)	2021	2022	2023E	2024E	2025E
Revenues	81.1	97.2	110.6	115.6	120.9
yoy (%)	7%	20%	14%	5%	4%
EBITDA	10.6	11.9	14.0	16.0	18.1
margin (%)	13%	12%	13%	14%	15%
EBIT	5.8	6.3	8.1	10.4	12.6
margin (%)	7%	6%	7%	9%	10%
Net Income	3.2	3.6	4.6	6.3	8.1
margin (%)	4%	4%	4%	5%	7%
Net Debt	12.5	21.7	22.3	19.4	15.7
Sh. Equity	51.0	54.5	59.1	63.8	69.7

Source: Banca Profilo estimates and elaborations, Company data.

1Y Rebased performance



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SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 • Retroactive regulations aimed at containing public health expenditure

FY22 results

Income Statement

FY22 revenues above our estimates

FY22 Revenue figures were released in February with sales at €97.2mIn (+20% yoy, +7% like-for-like, 4% above our estimates). Turnover breakdown by BU (including €1.7mIn infra-group sales) showed: Farmex +7% yoy to €29.6mIn (vs est. €28.9mIn); Svas +12% yoy to €20.7mIn (vs est. €18.5mIn); Medical +8% yoy to €9.2mIn (vs est. €9.1mIn) and Mark Medical +20% yoy to €32.8mIn (vs est. €30.2mIn). Finally, Bormia's 2H22 sales were €6.6mIn (vs est. €6.6mIn), up by 19% yoy on a pro-quota basis (FY22 vs FY21 before consolidation). Assuming Bormia was consolidated on 1st January 2022, pro-forma revenues were €103.7mIn in 2022. The contribution of each division to revenues was in line with our expectations. From a geographical standpoint revenues in Italy were 60%, while 40% were from other countries; by activity Production accounted for 39% of sales while distribution for 61%. Finally, public customers were 70% of sales while private customers were 30%.

Figure 1: Revenue breakdown FY20-22 (€, mln)

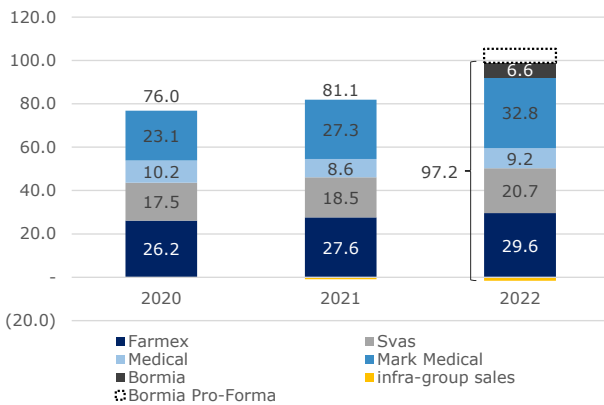
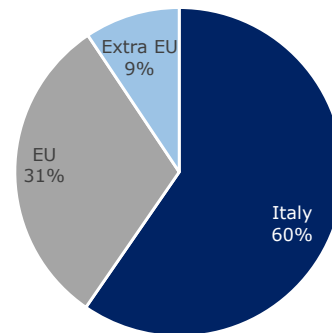


Figure 2: Revenue breakdown by region FY22 (€, mln)



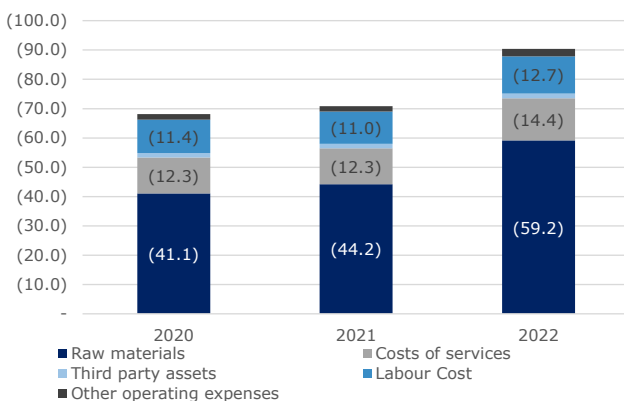
Source: Banca Profilo elaborations on Company data

Source: Banca Profilo elaborations on Company data

FY22 EBITDA affected by substantial material cost increases

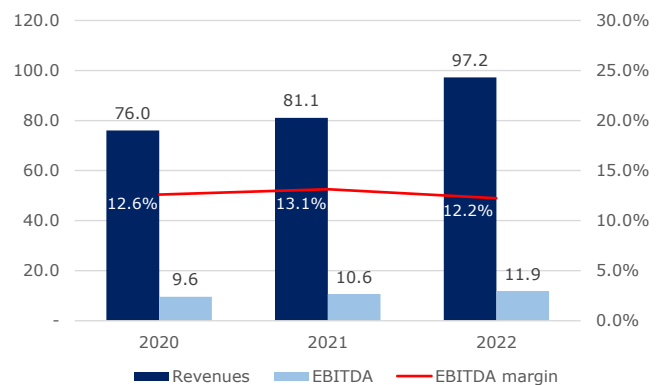
EBITDA increased by 12% yoy to €11.9mIn (-2% below our estimates), while the margin contracted by 1pp to 12% (~1pp below our estimates), due to higher external costs (77% of revenue, +2.5pp yoy). Raw materials costs were substantially above our estimates, increasing by 34% yoy in 2022, reaching €59.2mIn with a weight of 61% on revenues (+6pp yoy). All other costs weight were in line with FY21, with labour slightly improving to 13% (-0.6pp yoy).

Figure 3: Revenue, EBITDA and margin FY20-22 (€, mln)



Source: Banca Profilo elaborations on Company data

Figure 4: Revenue, EBITDA and margin FY20-22 (€, mln)



Source: Banca Profilo elaborations on Company data

FY22 EBIT margin at 6.4% following €300k provision

EBIT increased by 8% yoy to €6.3m (18% below our estimates) while the margin was 6% (~2pp below our estimates, -0.7pp yoy), on the back of higher costs but also due to a provision of €0.3m against the risk related to the Payback institution for the medical devices sector, activated retroactively in 2022 for the period 2015/2018. Net income was up by 13% at €3.6m (23% below our estimates). The Company noted that the year was challenging due to higher input material costs and complications in relation to supply chain, nevertheless Svas Biosana was able to increase the top line and the bottom line.

Table 1: Svas Biosana Profit & Loss 2020-22

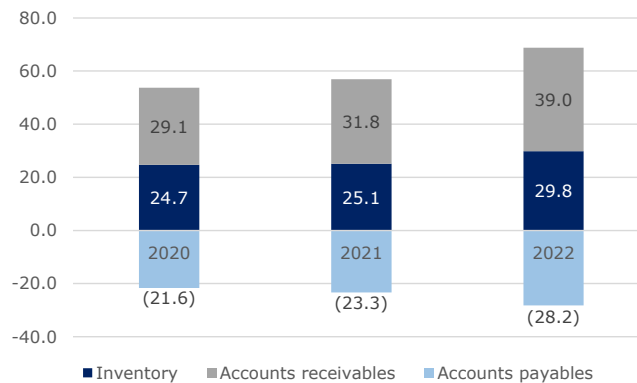
Profit & Loss (€ mln)		2020	2021	2022
Farmex		26.2	27.6	29.6
	yoy	5%	5%	7%
	% on revenues	34%	34%	30%
Svas		17.5	18.5	20.7
	yoy	7.3%	5.8%	12%
	% on revenues	23%	23%	21%
Medical		10.2	8.6	9.2
	yoy	37%	-16%	8%
	% on revenues	13%	11%	9%
Mark Medical		23.1	27.3	32.8
	yoy	-10%	18%	20%
	% on revenues	30%	34%	34%
Bormia				6.6
	yoy			0%
	% on revenues			7%
infra-group sales		-	(0.9)	(1.7)
Revenues		76.0	81.1	97.2
	yoy	3%	7%	20%
o/w Other income		1.2	1.0	2.3
	% on revenues	1.6%	1.2%	2.4%
Value of production		77.3	82.1	99.5
Costs and changes in raw, ancillary and consumable materials and goods		(41.1)	(44.2)	(59.2)
	% on revenues	54%	55%	61%
Costs of services		(12.3)	(12.3)	(14.4)
	% on revenues	16%	15%	15%
Costs for the use of third party assets		(1.5)	(1.5)	(1.6)
	% on revenues	2%	2%	2%
o/w Changes in inventories		0.4	(0.5)	2.8
	% on revenues	1%	-1%	3%
Other operating expenses		(1.9)	(1.9)	(2.5)
	% on revenues	3%	2%	3%
External costs		(56.3)	(60.4)	(74.9)
Value added		19.7	20.7	22.3
	% on revenues	26%	26%	23%
Labour Cost		(11.4)	(11.0)	(12.7)
	% on revenues	15%	14%	13%
EBITDA		9.6	10.6	11.9
	% on revenues	13%	13%	12%
	yoy	4%	11%	12%
D&A		(4.5)	(4.9)	(5.6)
	% on revenues	6%	6%	6%
	yoy	12%	9%	16%
	Amortization	(1.3)	(1.8)	(1.8)
	Depreciation	(2.7)	(2.8)	(3.0)
	Provision and Write off	(0.5)	(0.3)	(0.9)
o/w Provision		-	-	(0.3)
EBIT		5.1	5.8	6.3
	margin	7%	7%	6%
	yoy	-2%	13%	8%
Net financial expenses		(1.9)	(1.8)	(1.6)
	Cost of debt	-6%	-5%	-4%
EBT		3.2	4.0	4.7
	margin	4%	5%	5%
	yoy	-1%	25%	16%
Taxes		(0.7)	(0.9)	(1.1)
	Tax rate	-22%	-21%	-23%
Net profit		2.5	3.2	3.6
	margin	3%	4%	4%
	yoy	1%	26%	13%
	Minorities	0.0	0.0	0.0
	% minorities	0%	0%	0%
Group Net profit		2.5	3.2	3.6

Source: Banca Profilo elaborations on Company data

Balance Sheet
ONWC absorption

At the end of December 2022, ONWC increased to €40.6m from €33.6m in December 2021, the main driver was considerably quicker payment time, with payables days declining to 132 (-10 days yoy). Inventory increased to €29.8m from €25.1m at the end of 2021 following stockpiling to avoid procurement constraints and for raw materials cost hedging, even though inventory days remained stable yoy. Receivables increased by 23% yoy to €39m, with days sales outstanding increasing by 3 to 146.

Figure 5: NWC components FY20-22 (€, mln)



Source: Banca Profilo elaborations on Company data

Bormia cash out lead to an increase in net debt

Net debt increased to €21.7m from €17.0m in 2021, due to the cash out for the acquisition of Bormia (€4.8m).

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

Balance sheet (€/mln)	2020	2021	2022
Inventory	24.7	25.1	29.8
% on Sales	32%	31%	31%
Inventory days	118	113	112
Accounts receivables	29.1	31.8	39.0
% on Sales	38%	39%	40%
DSO	140	143	146
Accounts payables	(21.6)	(23.3)	(28.2)
% on costs	38%	39%	36%
DPO	139	142	132
Costs	(56.7)	(59.9)	(77.7)
Operating Net Working Capital	32.1	33.6	40.6
% on revenues	42%	41%	42%
Other current asset and liabilities	(0.2)	0.1	0.4
Net Working Capital	31.9	33.7	41.0
Intangibles	9.2	10.7	11.0
Tangibles	25.8	25.6	26.2
Financials	0.1	0.2	0.2
Fixed Asset	35.1	36.5	37.5
Provision for risk and Chargers	(0.3)	(0.2)	(0.2)
Pensions	(1.9)	(2.0)	(1.9)
Other asset and liabilities	(0.2)	(0.1)	(0.1)
Net Invested Capital	64.6	68.0	76.2
Share capital	14.7	20.6	20.6
Reserves	7.1	22.4	23.5
Accumulated profit/loss	3.4	4.8	6.8
Net profit	2.5	3.2	3.6
Minority share	0.0	0.0	0.0
Equity	27.7	51.0	54.5
Net debt (cash)	36.9	17.0	21.7
Liabilities	64.6	68.0	76.2

Source: Banca Profilo elaborations on Company data

1Q23 results

Farmex and Mark Medical revenue growth led 1Q23 results

Svas released its 1Q23 trading update on 9th May, revenues increased by 24% yoy (+8% like-for-like) to €26.4mln. The sales divisional breakdown (including €0.2mln infra-group sales) is as follows: Farmex increased by 17% to €8.2mln, Svas decreased by 14% to €4.3mln, Medical increased by 10% to €2.2mln and Mark Medical increased by 15% to €8.6mln. Finally, Bormia's 1Q23 sales were €3.3mln. Farmex accounted for 31% of revenues, while Svas was 16%, Medical 8%, Mark Medical 32% and Bormia 12%.

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.

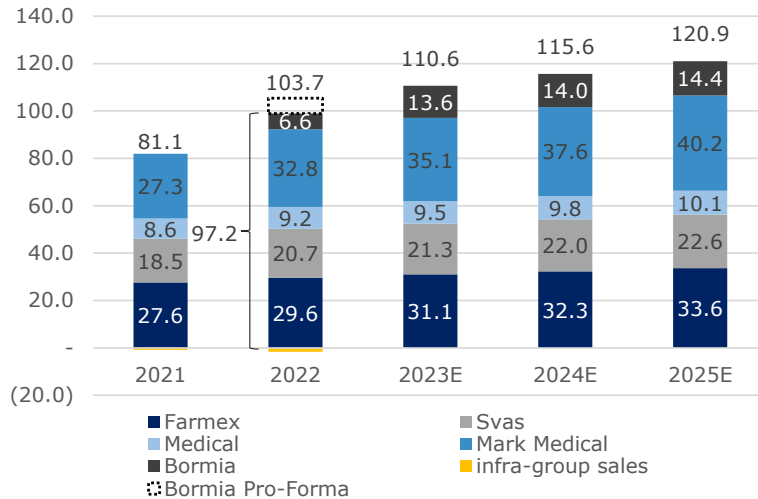
Overall, there is a continuous demand for new products in the Medical Devices market and the Company will try to catch this demand by updating its products in order to achieve higher marginality.

2023-2025 estimates revision

2023E revenues safely above €100mln

Our updated revenue forecasts for FY23-24E point to a 14% and 5% growth respectively, (up from €103.7mln and €109.9mln), due to higher expected volumes and pricing. On an organic basis, FY23E is expected to grow at 7%. We kept the weight of each division in line with our previous estimates.

Figure 6: Revenue breakdown FY21-25E (€, mln)

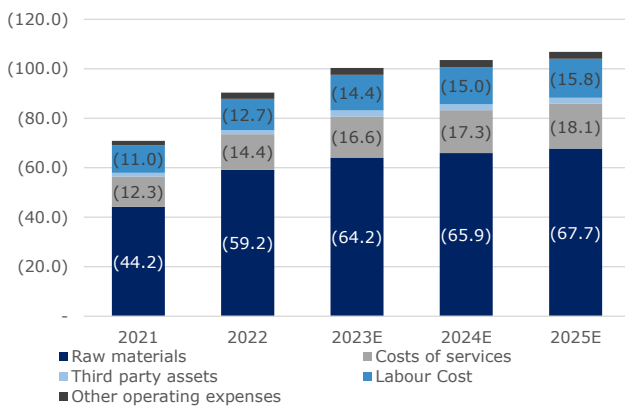


Source: Banca Profilo elaborations and estimates on Company data

Gradual EBITDA margin normalization

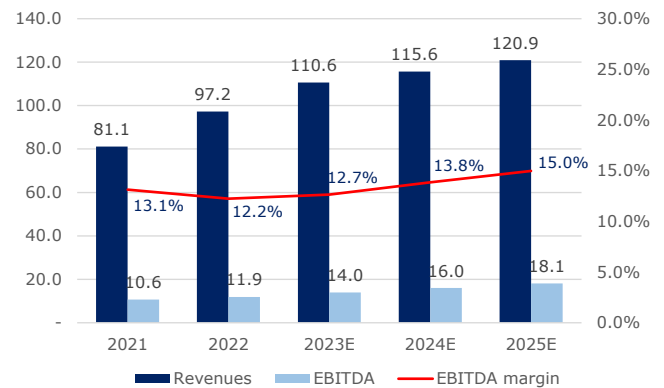
We reduced our FY23E EBITDA margin assumption by ~1pp in FY23 and FY24, as Svas recorded a peak in its raw material cost (freight costs, cellulose and polymers) during 2H22, as such we expect 1H23 to represent a slight improvement vs 2H22 while we forecast substantial improvements in marginality during 2H23 as we assume the weight of raw material cost beginning to revert towards FY21 levels. FY23E material costs are now seen at 58% on revenues (+4pp vs previous estimates), the weight of other costs has been fine-tuned and are aligned to FY22 levels. For FY24-25E we estimate further improvement in Material Costs, which leads to yearly EBITDA margin improvements of ~1pp.

Figure 7: Revenue, EBITDA and margin FY21-25E (€, mln)



Source: Banca Profilo elaborations and estimates on Company data

Figure 8: Revenue, EBITDA and margin FY21-25E (€, mln)



Source: Banca Profilo elaborations and estimates on Company data

Table 3: Svas Biosana's Income Statement FY21-25E (€/mln)

Profit & Loss (€/mln)	2021	2022		2023E		2024E		2025E	
		Estimate	Actual	old	new	old	new	old	new
Farmex	27.6	28.9	29.6	29.0	31.1	29.9	32.3		33.6
yoy	5%	5%	7%	0%	5%	3%	4%		4%
% on revenues	34%	31%	30%	28%	28%	27%	28%		28%
Svas	18.5	18.5	20.7	19.1	21.3	20.4	22.0		22.6
yoy	6%	0%	12%	3%	3%	7%	3%		3%
% on revenues	23%	20%	21%	18%	19%	19%	19%		19%
Medical	8.6	9.1	9.2	9.4	9.5	9.7	9.8		10.1
yoy	-16%	7%	8%	3%	4%	3%	3%		3%
% on revenues	11%	10%	9%	9%	9%	9%	8%		8%
Mark Medical	27.3	30.2	32.8	33.0	35.1	35.4	37.6		40.2
yoy	18%	10%	20%	9%	7%	7%	7%		7%
% on revenues	34%	32%	34%	32%	32%	32%	32%		33%
Bormia	-	6.6	6.6	13.2	13.6	14.5	14.0		14.4
yoy	0%	0%	0%	0%	3%	10%	3%		3%
% on revenues	0%	7%	7%	13%	12%	13%	12%		12%
infra-group sales	(0.9)	-	(1.7)	-	-	-	-		-
Revenues	81.1	93.4	97.2	103.7	110.6	109.9	115.6		120.9
yoy	7%	15%	20%	7%	14%	6%	5%		4%
o/w Other income	1.0	1.1	2.3	1.2	2.6	1.3	2.7		2.8
% on revenues	1%	1%	2%	1%	2%	1%	2%		2%
Value of production	82.1	94.5	99.5	104.9	113.2	111.2	118.4		123.8
Costs and changes in raw, ancillary and consumable materials and goods	(44.2)	(51.2)	(59.2)	(56.0)	(64.2)	(58.2)	(65.9)		(67.7)
% on revenues	55%	55%	61%	54%	58%	53%	57%		56%
Costs of services	(12.3)	(14.3)	(14.4)	(16.4)	(16.6)	(17.2)	(17.3)		(18.1)
% on revenues	15%	15%	15%	16%	15%	16%	15%		15%
Costs for the use of third party assets	(1.5)	(1.8)	(1.6)	(1.8)	(2.4)	(1.8)	(2.4)		(2.4)
% on revenues	2%	2%	2%	2%	2%	2%	2%		2%
o/w Changes in inventories	(0.5)	(0.6)	2.8	(0.7)	1.1	(0.7)	1.2		1.2
% on revenues	-1%	-1%	3%	-1%	1%	-1%	1%		1%
Other operating expenses	(1.9)	(2.0)	(2.5)	(2.1)	(2.8)	(2.1)	(2.8)		(2.8)
% on revenues	2%	2%	3%	2%	3%	2%	2%		2%
External costs	(60.4)	(69.8)	(74.9)	(77.0)	(84.9)	(80.1)	(87.3)		(89.9)
% on revenues	74%	75%	77%	74%	77%	73%	76%		74%
Value added	20.7	24.6	22.3	27.9	25.8	31.1	28.3		31.1
% on revenues	26%	26%	23%	27%	23%	28%	24%		26%
Labour Cost	(11.0)	(12.5)	(12.7)	(13.3)	(14.4)	(14.9)	(15.0)		(15.8)
% on revenues	14%	13%	13%	13%	13%	13%	13%		13%
EBITDA	10.6	12.1	11.9	14.6	14.0	16.2	16.0		18.1
% on revenues	13%	13%	12%	14%	13%	15%	14%		15%
yoy	11%	14%	12%	20%	18%	11%	14%		13%
D&A	(4.9)	(4.4)	(5.6)	(4.6)	(5.9)	(5.0)	(5.6)		(5.5)
% on revenues	6%	5%	6%	4%	5%	5%	5%		5%
EBIT	5.8	7.7	6.3	9.9	8.1	11.2	10.4		12.6
margin	7%	8%	6%	10%	7%	10%	9%		10%
yoy	13%	33%	8%	29%	29%	13%	28%		22%
Net financial expenses	(1.8)	(1.8)	(1.6)	(1.8)	(2.1)	(1.8)	(2.1)		(2.1)
EBT	4.0	5.9	4.7	8.2	6.0	9.4	8.3		10.5
yoy	25%	48%	16%	38%	28%	15%	38%		28%
Taxes	(0.9)	(1.3)	(1.1)	(1.8)	(1.4)	(2.1)	(1.9)		(2.5)
Tax rate	-21%	-22%	-23%	-22%	-23%	-22%	-23%		-23%
Net profit	3.2	4.6	3.6	6.4	4.6	7.4	6.3		8.1
margin	4%	5%	4%	6%	4%	7%	5%		7%
% minorities	0%	0%	0%	0%	0%	0%	0%		0%
Group Net profit	3.2	4.6	3.6	6.4	4.6	7.4	6.3		8.1

Source: Banca Profilo elaborations and estimates on Company data

FY23E EBIT margin affected by Payback provision

We substantially decreased our EBIT margin assumptions due to higher D&A costs as we increased our capex estimates. Moreover, for FY23E we included a €0.2mln provision which coupled with the FY22 €0.3mln provision should cover the risks related to the Payback institution for the medical devices sector. Overall, we estimate an EBIT Margin of 7% in FY23E (-2pp vs previous), 9% in FY23E (-1pp vs previous) and 10% in FY25E.

Minor improvements in ONWC

On the Balance sheet, we increased our ONWC estimates on the back of higher forecasted revenues, while we reshuffled its components, by essentially moving part of the weight of Inventory to Receivables. Beyond 2023 we assume ONWC weight on revenue to decrease by 0.5pp a year.

Finally, we revised our FY23E net debt which now stands at €22.3mln (vs €23mln in our previous estimates).

Table 4: Svas Biosana's Balance Sheet FY21-25E (€/mln)

Balance sheet (€/mln)	2021	2022		2023E		2024E		2025E	
		Estimate	Actual	old	new	old	new	old	new
Inventory	25.1	30.4	29.8	33.2	33.9	34.0	35.2		36.4
% on Sales	31%	33%	31%	32%	31%	31%	30%		30%
Inventory days	113	119	112	117	112	113	111		110
Accounts receivables	31.8	36.8	39.0	40.3	44.2	41.9	45.9		47.7
% on Sales	39%	39%	40%	39%	40%	38%	40%		39%
DSO	143	144	146	142	146	139	145		144
Accounts payables	(23.3)	(27.9)	(28.2)	(30.2)	(32.0)	(30.7)	(33.5)		(34.9)
% on costs	39%	40%	36%	40%	37%	39%	38%		38%
DPO	142	147	132	144	136	141	138		140
Costs	(59.9)	(69.2)	(77.7)	(76.3)	(86.0)	(79.4)	(88.5)		(91.1)
Operating Net Working Capital	33.6	39.4	40.6	43.4	46.2	45.1	47.7		49.2
% on revenues	41%	42%	42%	42%	42%	41%	41%		41%
Other current asset and liabilities	0.1	4.7	0.4	4.7	0.4	4.7	0.4		0.4
Net Working Capital	33.7	44.0	41.0	48.1	46.5	49.8	48.0		49.6
Intangibles	10.7	11.8	11.0	11.8	11.0	11.8	11.2		11.5
Tangibles	25.6	26.8	26.2	28.2	26.2	29.0	26.4		26.9
Financials	0.2	0.2	0.2	0.2	0.2	0.2	0.2		0.2
Fixed Asset	36.5	38.7	37.5	40.1	37.4	41.0	37.9		38.6
Provision for risk and Chargers	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		(0.2)
Pensions	(2.0)	(2.3)	(1.9)	(2.4)	(2.2)	(2.7)	(2.3)		(2.4)
Funds	(2.2)	(2.5)	(2.2)	(2.7)	(2.4)	(2.9)	(2.5)		(2.6)
Other asset and liabilities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		(0.1)
Net Invested Capital	68.0	80.2	76.2	85.5	81.4	87.7	83.3		85.4
Share capital	20.6	20.6	20.6	20.6	20.6	20.6	20.6		20.6
Reserves	22.4	22.4	23.5	22.4	23.5	22.4	23.5		23.5
Accumulated profit/loss	4.8	7.9	6.8	13.1	10.4	17.2	13.4		17.5
Net profit	3.2	5.1	3.6	6.4	4.6	7.4	6.3		8.1
Minority share	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Equity	51.0	56.1	54.5	62.5	59.1	67.6	63.8		69.7
Net debt (cash)	17.0	24.1	21.7	23.0	22.3	20.1	19.4		15.7
Liabilities	68.0	80.2	76.2	85.5	81.4	87.7	83.3		85.4

Source: Banca Profilo elaborations and estimates on Company data

Higher cumulated capex in 2023E-2026E

Our 2023-2026E cumulated FCFs are now seen at €21.3mln (vs previous 2022E-2025E of €18.5mln). The most notable changes are related to our higher cumulated capex forecast to sustain the forecasted revenue growth in the coming years, which now point to €22.3mln in 2023E-2026E (vs previous 2022E-2025E of €17.9mln).

Table 5: Svas Biosana's FCF FY21-25E (€/mln)

FCF (€/mln)	2021	2022		2023E		2024E		2025E	
		old	Actual	old	new	old	new	old	new
EBIT	5.8	7.7	6.3	9.9	8.1	11.2	10.4	12.1	12.6
taxes	(1.7)	(2.3)	(1.9)	(3.0)	(2.4)	(3.4)	(3.1)	(3.6)	(3.8)
NOPAT	4.0	5.4	4.4	7.0	5.7	7.8	7.3	8.5	8.9
D&A	4.9	4.4	5.6	4.6	5.9	5.0	5.6	5.3	5.5
Operating cash flow	8.9	9.8	10.0	11.6	11.6	12.9	12.9	13.8	14.3
Operating Net Working Capital change	(1.5)	(5.7)	(7.0)	(4.1)	(5.5)	(1.7)	(1.5)	(1.1)	(1.6)
Other funds	(0.0)	0.3	(0.1)	0.1	0.3	0.3	0.1	0.3	0.1
Capex	(5.9)	(4.3)	(4.9)	(4.6)	(5.3)	(5.1)	(5.6)	(3.9)	(5.7)
FCF	1.5	0.0	(1.9)	3.1	1.0	6.3	5.9	9.1	7.2

Source: Banca Profilo elaborations and estimates on Company data

Key risk

Revenues are highly related to National Health System

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;
- 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, also in relation to inflationary pressures on prices and wages;
- Retroactive rules, such as the Payback institution for the medical devices sector, activated retroactively in 2022 for the period 2015/2018

Table 6: Risk matrix

Impact	Very high					
	High	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	Cannibalization of products		Price competition from countries with cheap labour	Payback rules for the medical devices sector	
	Medium-Low					
	Low					
Potential impact on the business VS likelihood of occurrence		Low	Medium-Low	Medium	High	Very high
		Likelihood				

Source: Banca Profilo elaborations on Company data

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 €13.9/sh

Since our previous Company Update (October 14th, 2022):

- we increased by 15% on average FCF in the period between 2023E-2026E (vs previous 2022E-2025E);
- we increased TV by 9% to €6.8mln;
- we increased WACC to 8% from previous 7.5% mainly due to higher risk-free rate;
- we updated the Net Financial Position, which reached €21.7mln at the end of December 2022 (from €25.3mln at the end of June 2022);
- Beta unchanged at 1.3

Our DCF model leads to an Equity Value of €78mln or €13.9/share, up from previous €13/share reflecting higher FCFs and TV only partially offset by higher risk-free rate.

Market multiples valuation: €22.7/share

In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2023E, which is at 13.3x (as of May 9th, 2023) discounted by 20% to reflect Svas lower exposure to the production of medical devices. We derived an implied Equity Value per share of €22.7 (vs previous €24.5). The decrease was driven by the lower forecasted FY23 EBITDA.

BUY confirmed;

Our weighted average of DCF and relative market multiples valuation brings our 12-month Target Price to €17.0/share, unchanged vs our previous report. Given the significant upside on Svas closing price (as of May 9th, 2023), we confirm our BUY recommendation.

12-month TP confirmed at €17/share

DCF Valuation

DCF assumptions: €21.3mln of cumulated FCFs in 2023E-2026E

To run a DCF Model, we use our projections of FCFs for the 2023E-2026E explicit period: €21.3mln of cumulated FCFs (vs previous €18.5mln in the 2022E-2025E explicit period) or €5.3mln as yearly average. These changes are mainly due to the higher forecasted revenues which compensate the marginality cut.

8% WACC

We use a 8% WACC (from previous 7.5%) derived from:

- 4.9% Risk Free rate (vs previous 4.5%), as the 30Y Italian BTP 100-day yield moving average and our assumed interest rates path (+0.5bps, unchanged);
- 5.5% market risk premium (unchanged);
- 1.3 beta (unchanged), coming from the average of chosen listed peers;
- 50% target Debt-to-Equity structure (unchanged).

Table 7: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	8.0%
Risk free rate (30Y)	4.9%
Equity risk premium	5.5%
Levered Beta	1.3
KE	12.3%
Cost of debt	5.3%
Tax rate	30%
KD	3.7%

Source: Banca Profilo estimates and elaborations

Table 8: DCF Valuation

DCF Valuation	2023E	2024E	2025E	2026E	TV
Free Cash Flows (€ mln)	1.0	5.9	7.2	7.2	6.8
years	1	2	3	4	
discount factor	0.93	0.86	0.79	0.73	
NPV Cash flows (€ mln)	1.0	5.1	5.7	5.3	
Sum of NPVs (€ mln)	1.0	6.0	11.7	17.0	
Terminal Value (€ mln)					112.5
NPV Terminal Value (€ mln)					82.6
Enterprise Value (€ mln)					99.6
Adjusted Net debt (€ mln)					21.7
Equity Value (€ mln)					78.0
Number of shares					5.6
Price per share (€)					13.9

Source: Banca Profilo estimates and elaborations

€6.8mln as Terminal Value cash flow

To assess the Terminal Value, we used what we consider a perpetually sustainable Free Cash Flow of €6.8mln (vs previous €6.2mln), given by the average of the FCFs in 2024E-2026E. Finally, we assumed a 2% perpetual growth rate (unchanged).

€21.7mln net debt at the end of December DCF valuation: €13.9/share

To get to the Equity Valuation, we consider the net debt at the end of FY22, equal to €21.7mln (vs previous €25.3mln at the end of June 2022).

The DCF method leads us to an Enterprise Value of €99.6mln and to an Equity Value of €78mln or €13.9/share.

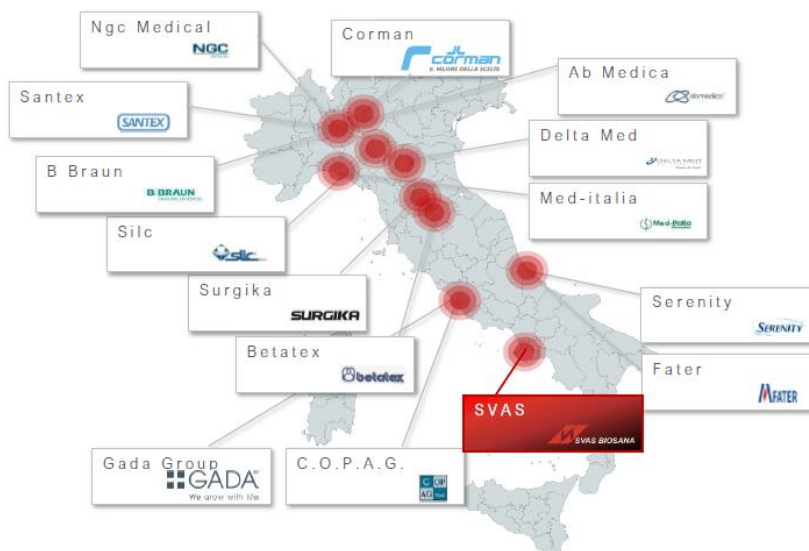
Svas competitive arena

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 9: 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 10: 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

A sample of 13 listed companies

As no one of the main Italian Competitors are listed, we decided to select a different sample of listed companies that operate in the Medical Device sector. There are not listed companies that can be considered as good as “comparable” to Svas Biosana as the company is exposed to both production and distribution of third-party medical devices. 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.

The sample includes Ontex (Belgium) the closest peer to Farmex based on offered products; Cardinal Health Inc (US) a distributor of medical devices; GVS (Italy) and Medica (Italy), both operating in the production of devices destined for medical use; several international companies focused primarily on the production of medical devices with varying degree of complexity such as 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) and Medtronic Plc (US).

GVS (ITA)

*FY22: sales €392mln;
EBITDA margin 17.4%*

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 \$31.7bn;
EBITDA margin 27.3%*

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): FY22 sales DKK22.6bn; EBITDA margin 32.6%

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) FY22: sales GBP2bn; EBITDA margin 20.1%

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) FY22: sales \$18.5bn; EBITDA margin 26.7%

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) FY22: sales \$18.9bn; EBITDA margin 24.6%

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) FY22: 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) FY22: sales JPY703.3bn; EBITDA margin 24.9%

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)
FY22: sales \$2.8bn;
EBITDA margin 27.3%

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)
FY22: sales \$1.6bn;
EBITDA margin 24.4%

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)
FY22: sales HK\$13.6bn;
EBITDA margin 28.5%

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)
FY22: sales €1.7bn
EBITDA margin 6.2%

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.

Medica (ITA)
FY22: sales €51mln
EBITDA margin 20.2%

Medica is an international producer active in the biomedical sector, with a focus on the development of new blood purification products. The Company operates in three diverse markets: Medical, which develops electro-medical equipment and disposables; Water, producing membranes for water microfiltration; Assembly Technology focused on Industrial automation for the biomedical. Medica produces own-branded products which are sold to more than 60 countries and acts as OEM

for other companies. The company was founded in 1985 and is headquartered in Modena, Italy.

Relative market multiples valuation

13 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 October, 14th 2022*]. Svas Biosana trades at a significant discount compared to its peers, explainable by its lower marginality and the lower overall exposure to the production vs distribution of medical devices.

Table 9: Sample benchmarking on sales growth and EBITDA margin

Company	EBITDA margin			Sales Growth		
	2022	2023E	2024E	2022	2023E	2024E
GVS SpA	17.4%	22.0%	24.9%	14.6%	17.8%	6.3%
Medtronic PLC	27.3%	29.3%	28.2%	5.2%	-2.4%	4.3%
Coloplast A/S	32.6%	33.6%	34.5%	16.2%	9.8%	8.3%
ConvaTec Group PLC	20.1%	23.8%	25.4%	13.5%	-0.6%	5.3%
Stryker Corporation	26.7%	20.6%	14.9%	55.3%	20.1%	-13.8%
Becton Dickinson & Co	24.6%	28.3%	27.6%	-1.4%	1.7%	5.8%
Cardinal Health Inc	1.6%	1.2%	1.3%	11.6%	12.0%	6.0%
Terumo Corp	24.9%	23.3%	24.6%	14.6%	16.1%	5.4%
Teleflex Inc	27.3%	28.9%	30.0%	-0.7%	5.0%	3.7%
Integra LifeSciences Holdings	24.4%	26.2%	27.0%	1.0%	3.4%	4.8%
Shandong Weigao Group Medical	28.5%	28.0%	28.1%	0.0%	15.3%	13.7%
Ontex Group NV	6.2%	8.1%	10.7%	-17.5%	21.2%	-8.6%
Medica SpA	20.2%	19.8%	21.0%	16.1%	51.6%	18.7%
Mean	21.7%	22.5%	22.9%	9.9%	13.2%	4.6%
Svas Biosana SpA	12.2%	12.7%	13.8%	19.9%	13.8%	4.6%

Source: Banca Profilo elaborations on Bloomberg data, as of May 9th, 2023

EV/EBITDA 2023 at 13.3x

In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2023E, which is at 13.3x as of May (vs previous 11.2x) to which we apply a 20% discount, as Svas is less exposed to the production of advanced medical devices.

Table 10: Comparable EV/ EBITDA multiples

Company	EV / EBITDA		
	2022	2023E	2024E
GVS SpA	13.3x	8.9x	7.4x
Medtronic PLC	15.8x	15.1x	15.0x
Coloplast A/S	31.8x	28.1x	25.3x
ConvaTec Group PLC	15.6x	13.3x	11.9x
Stryker Corp	29.7x	22.5x	20.3x
Becton Dickinson & Co	19.0x	16.5x	15.7x
Cardinal Health Inc	7.9x	9.5x	8.5x
Terumo Corp	18.0x	16.6x	14.9x
Teleflex Inc	17.9x	16.0x	14.9x
Integra LifeSciences Holdings	14.4x	13.0x	12.0x
Shandong Weigao Group Medical	12.9x	11.3x	9.9x
Ontex Group NV	15.0x	9.5x	7.9x
Medica SpA	9.7x	6.5x	5.1x
Mean	17.0x	14.4x	13.0x
Median	15.6x	13.3x	12.0x
Svas Biosana SpA	5.7x	4.9x	4.3x

Source: Banca Profilo elaborations on Bloomberg data, as of May 9th, 2023

Table 11: EV/ EBITDA multiples

Relative Valuation on market multiples	
EV/EBITDA 23	EBITDA
13.3x	14.0
Discount	
20%	
EV/EBITDA 23 discounted	
10.6x	
ENTERPRISE VALUE	NET DEBT
148.9	21.7
EQUITY VALUE	
127.2	
Price per share	22.7

Implicit share price from market multiple (FY23 EV/EBITDA) equal to €22.7

We applied Svas FY23E EBITDA of €14mln (down by 4% from our previous FY23E), and its Net Debt at the end of December of €21.7mln. We derived an implied Equity Value per share of €22.7 (vs previous €24.5). The decrease in implied price was driven by the discount applied to the multiple and decline in FY23E EBITDA.

APPENDIX

SVAS overview and business model

Business model and activities

5 business units

Farmex: incontinence aids

Svas: consumables

Medical: medical packs

Mark Medical &

Bormia: distribution of 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;
- Svas (Svas Biosana): distribution of consumables addressed to a vast range of medical and surgical situations;
- 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;
- Mark Medical and Bormia: export of advanced medical devices in foreign countries (Slovenia, Croatia, Serbia, Bosnia and Herzegovina).

Figure 11: Svas Biosana's business snapshot



Source: Company data

Figure 12: Svas Biosana's supply chain



Source: Company data

Company History

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

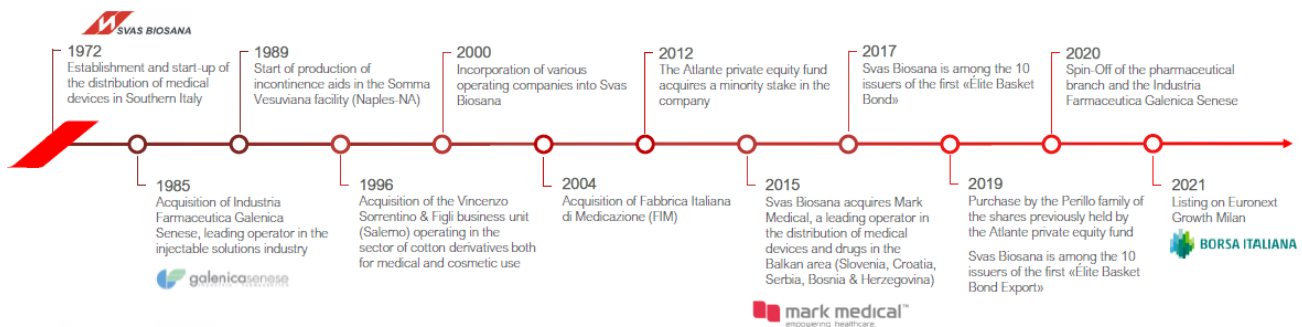
Svas Biosana Group is an Italian leading player in the Medical Devices and Consumables, acting as both a manufacturer and distributor.

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 13: Svas Biosana's timeline



Source: Company data

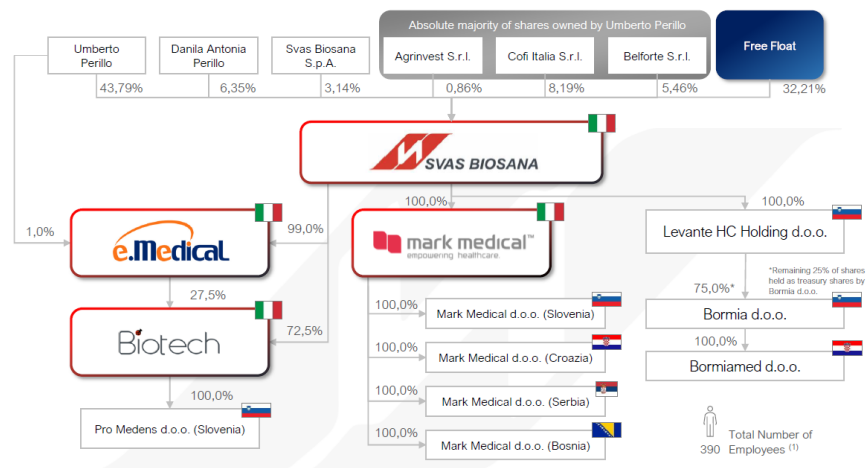
Group Structure

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 €54.2mIn 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 14: 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).

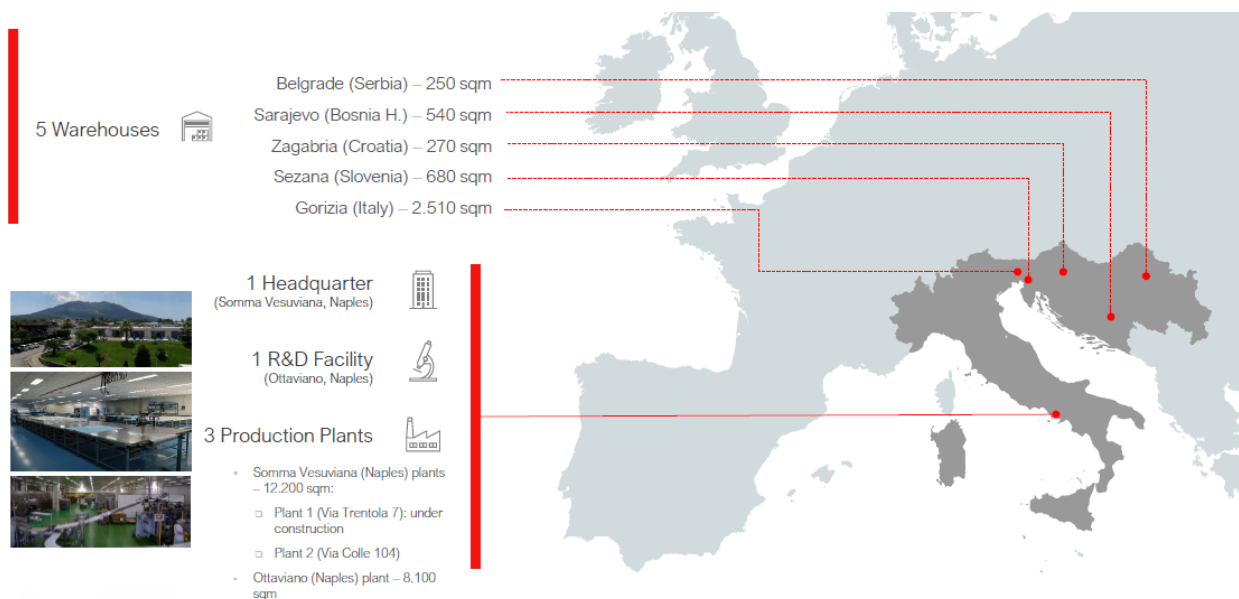
Svas Biosana can count on three production plants:

- 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 15: Group's plants and facilities



Source: Company data

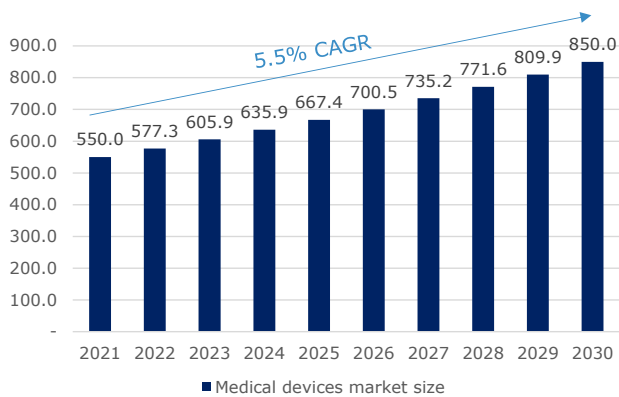
The reference market

The Global Medical Devices Industry

Global medical devices market expected to grow at a 5.5% CAGR 21-30E

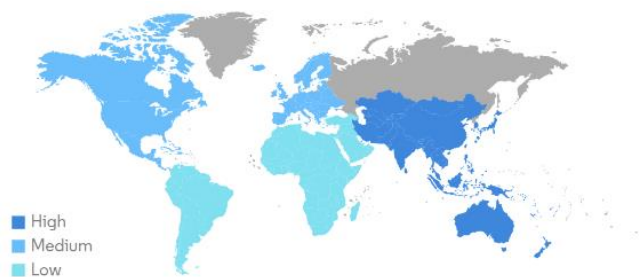
In 2021, the Global Medical Devices market held a market value of \$550bn, it is expected to reach a value of \$850bn in 2030, growing at a 5.5% CAGR, mainly driven by the increase in chronic diseases, such as cancer and diabetes. The sector growth will also be driven by unhealthy lifestyle and eating habits which can attract other types of critical diseases.

Figure 16: Value of Global Medical Devices market 2021-2030E (\$/bn)



Source: Banca Profilo elaborations on Precedence Research: Medical Device Market, September 2022

Figure 17: Expected Medical Devices market growth by Region



Source: Mordor Intelligence

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 due rising ageing population, higher per capita income and increasing investment on healthcare infrastructure. 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.

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.

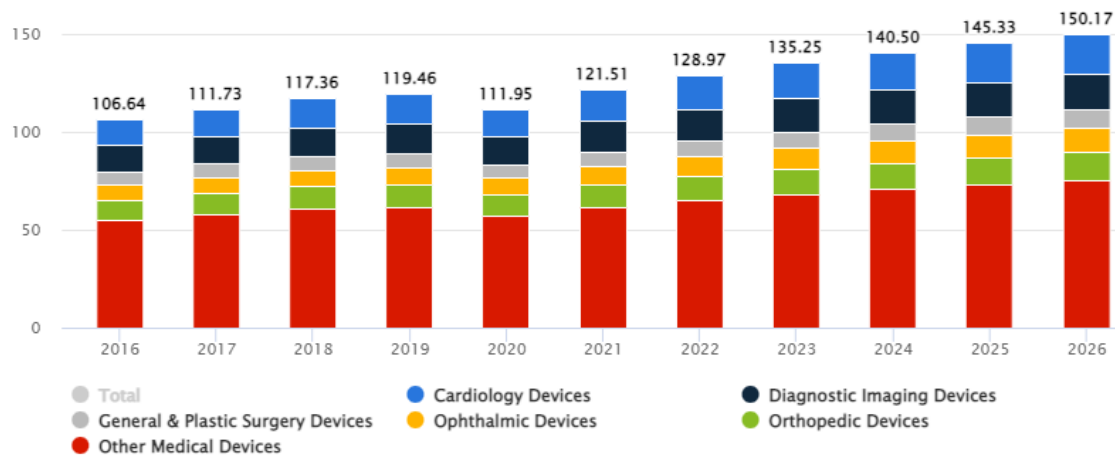
Germany is expected to lead European market

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 18: 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 €17.3bn

The Italian Medical Devices market is worth €17.3bn; it includes 4,449 companies and 118,837 employees. It is characterized by a strong prevalence of small and mid-sized companies (94% of the total).

Public health expenditure increased by 4.5% in 2022

The public expenditure for medical devices accounts for 7% of total health expenditure; it increased by 4.5% yoy in 2022. Imports from China declined by 5% yoy while exports to US increased by 24% yoy. Furthermore, despite some restraints on clinical trials due to the pandemic, €1.4bn were invested in R&D.

Figure 19: Italian healthcare expenditure (€, bn)

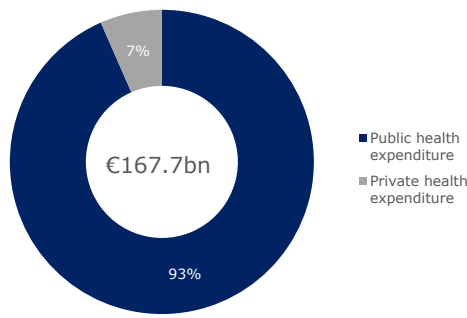
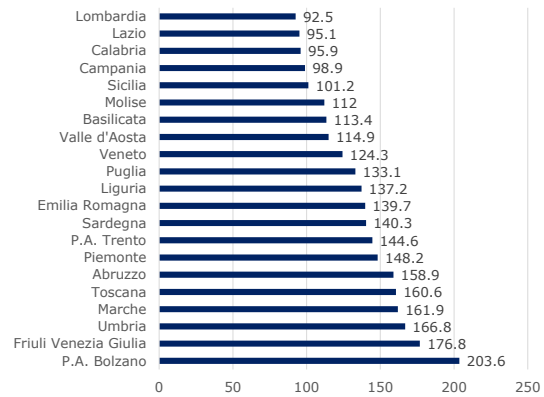


Figure 20: Italian healthcare expenditure/person (€)



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

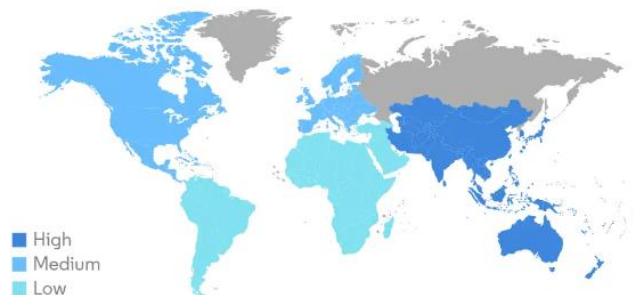
Global Medical Disposable market: 8.9% CAGR 23-28E

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 \$396.8bn in 2022 and it is seen growing at a 8.9% CAGR 2023-2028E to \$680.2bn.

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 21: 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 22: 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

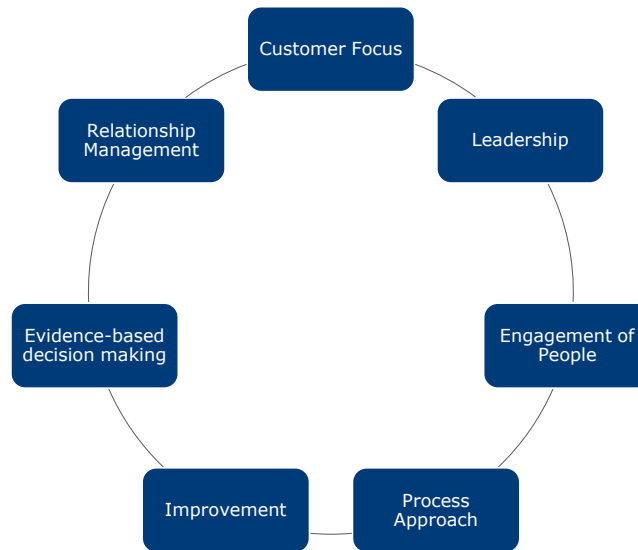
SVAS Biosana is certified to meet the following standards:

- 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 23: ISO 9001 principles



Source: Banca Profilo elaborations on [ISO.com](https://www.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
BUY

 Target Price
17.0 €

 Upside
105%

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; vi) in 2022, it acquired 75% (the rest being own shares) of Bormia, a distributor of Specialist Medical Devices in Slovenia, Croatia, Serbia and Bosnia. As of today, Svas Biosana has a clear and focused M&A strategy for further national and international expansion. In 2022 the Company reported sales of €97.2mln (+20% yoy, +7% like-for-like). Mark Medical led the revenue growth with €32.8mln (up +20% yoy), followed by Farmex €29.6mln (+7% yoy), Svas €20.7mln (up +12% yoy), Medical €9.2mln (+8% yoy to) and Bormia €6.6mln.

The Medical Devices Industry is expected to grow at a 5.5% CAGR21-30E, while the Medical Disposables is projected at 8.9% CAGR23-28E. 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

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

Weaknesses

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

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
- Retroactive regulations aimed at reducing public health expenditure

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"

May 11, 2023 at 18:00

Recommendation

BUY

Target Price

17.0 €

Upside

105%

Main Financials

(€/000)	2021	2022	2023E	2024E	2025E
Total revenue	81.1	97.2	110.6	115.6	120.9
yoy change	6.6%	19.9%	13.8%	4.6%	4.0%
EBITDA	10.6	11.9	14.0	16.0	18.1
EBITDA margin (%)	13.1%	12.2%	12.7%	13.8%	15.0%
EBIT	5.8	6.3	8.1	10.4	12.6
EBIT margin (%)	7.1%	6.4%	7.3%	9.0%	10.5%
Group Net income	3.2	3.6	4.6	6.3	8.1
Margin (%)	3.9%	3.7%	4.1%	5.5%	6.7%
Net debt/(cash)	17.0	21.7	22.3	19.4	15.7
Shareholders Equity	51.0	54.5	59.1	63.8	69.7
Net Operating Working Capital	33.7	41.0	46.5	48.0	49.6
Capex and acquisitions	(5.9)	(4.9)	(5.3)	(5.6)	(5.7)
Free Cash Flow	1.5	(1.9)	1.0	5.9	7.2

Revenue breakdown by business unit

(€/000)	2021	2022	2023E	2024E	2025E
Farmex	27.6	29.6	31.1	32.3	33.6
Svas	18.5	20.7	21.3	22.0	22.6
Medical	8.6	9.2	9.5	9.8	10.1
Mark Medical	27.3	32.8	35.1	37.6	40.2
Bormia		6.6	13.6	14.0	14.4

Solvency Ratios

	2021	2022	2023E	2024E	2025E
Net Debt (cash)/Equity	0.3x	0.4x	0.4x	0.3x	0.2x
Net Debt (cash)/EBITDA	1.6x	1.8x	1.6x	1.2x	0.9x

Financial and Operative ratios

	2021	2022	2023E	2024E	2025E
Tax rate	21%	23%	23%	23%	23%
ROE	6%	7%	8%	10%	12%
ROIC	10%	10%	12%	15%	18%
Days Inventory Outstanding	113	112	112	111	110
Days Sales Outstanding	143	146	146	145	144
Days Payables Outstanding	142	132	136	138	140
Capex/VoP	7%	5%	5%	5%	5%
D&A/Capex	82%	116%	112%	101%	96%

Source: Bloomberg, Banca Profilo estimates and elaborations

Company Description

Company Sector	Medical Devices
Price (€)	8.3
Number of shares (mln)	5.6
Market Cap (€ mln)	46.5
Reference Index	FTSE ITALIA GROWTH
Main Shareholders	Perillo's Family
Main Shareholder stake	65%
Free Float	33%
Daily Average Volumes	3,377
Sample of comparables	GVS (Italy), Medica (ITA), 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)

Multiples of peers

	2022	2023E	2024E
Average EV/EBITDA	17.0x	14.4x	13.0x
Median EV/EBITDA	15.6x	13.3x	12.0x

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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").