

Company:	Rating:	Target Price:	Sector:
<b>Svas Biosana</b>	<b>BUY</b>	<b>€13.5 (from €17)</b>	<b>Health Care Equipment and Supplies</b>

## New plant to improve competitive positioning

October 17, 2023

### Solid yoy revenue growth driven by Farmex

In 1H23 consolidated revenues were up by 25.3% yoy (+9% like-for-like) to €54.9m, supported by higher sale prices. The sales divisional breakdown (including €0.6m infra-group sales) was as follows: Farmex increased by 24% to €17.4m, Svas decreased by 12% to €8.8m, Medical rose by 2% to €4.6m and Mark Medical moved up by 11% to €17.8m. Finally, Bormia's sales were €7m. 1H23 revenues were 50% on our FY23 estimate (€110.6m) *[Please refer to our Company Update on May 12, 2023]*, in line if compared to 1H22/FY22 (48% excluding Bormia). Farmex accounted for 31% of revenues (+3.2pp vs our FY estimates), while Svas was 16% (-3.4pp vs our FY estimates), Medical 8% (in line vs our FY estimates), Mark Medical 32% (in line vs our FY estimates), Bormia 13% (in line vs our FY estimates). EBITDA was €6.9m and up by 21.5% yoy, EBITDA margin was 12.6% and in line with our FY23E margin (12.7%) but some 40bps below 1H22. Compared to 2H22, marginality has improved by 1pp thanks to a decline in raw material and energy costs, which peaked in 2H22. EBIT increased by 35.9% yoy to €4.2m with margin of 7.7% (+60bps yoy vs 1H22, +20bps vs our FY23E at 7.3%). Net profit was €2.3m, up by 31% yoy with margin 4.2% (in line with our FY23). Net debt increased to €25.2m from 21.7m at the end of December 2022.

### Growth estimates fine-tuned, higher NWC needs

We fine-tuned our top line estimates to reflect slightly different weights of each divisions, but we kept the total revenues almost unchanged. We maintained our EBITDA FY23E forecast but we revised slightly downward future years (-80bps on average) to reflect raw material costs still above historical averages and only partially offset by lower labor cost. On the P&L we also revised our D&A assumptions; overall we ended up with an average decline in EBIT margin slightly below 1pp in the 23-25E period.

We expect a deceleration in NWC absorption in 2H23 but we still expect an increase in net debt to €25.5m (from our previous €22.3m). Similarly, we took a more a conservative approach on NWC needs for 24-26E which are on average 9% higher than our previous estimate. This drags down FCF generation, with 23-26E cumulated FCFs now seen at €14m (vs previous 23-26E of €21.3m).

### Investment in production capacity and higher pricing

The Company confirmed the positive trends supporting medical devices growth and will stick to its strategy of price increases and focus on high value added devices. In July Svas issued €13m of bonds, of which €3m to strengthen Mark Medical's commercial position, but most importantly, to finance the ongoing development of a new plant in Somma Vesuviana for incontinence products. The latter should double the production capacity at project completion (expected in 2 years) and will improve Svas positioning given the growing average size of contracts tendered by public entities.

### Valuation: BUY confirmed; 12-month target price cut to €13.5/sh

We decreased our 12-month Target Price to €13.5/sh from €17/sh. Our Target Price is the weighted average between DCF (65%) and relative market multiples (35%) valuation. DCF valuation was reduced to €9.8/sh following lower FCFs in FY23-26E as we cut cumulated FCF by 34% and TV by 16% due to higher NWC assumptions. For the market multiples valuation, we considered the EV/EBITDA 2023 of 12.3x (down from 13.3x in May), 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 €20.2/sh. Svas Biosana trades at a discount (4.7x) vs comparable (12.3x) 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.

Company Profile					
Bloomberg	SVS IM				
FactSet	SVS-IT				
Stock Exchange	Italian Stock Exchange				
Reference Index	FTSE Italia Growth				
Market Data					
<b>Last Closing Price</b>	7.4				
Number of shares (mln)	5.6				
Market cap. (mln)	41.4				
1Y Performance					
Absolute	-13%				
Max / Min	10.2 / 7.3				
(€mln)	2021	2022	2023E	2024E	2025E
<b>Revenues</b>	<b>81.1</b>	<b>97.2</b>	<b>110.9</b>	<b>115.9</b>	<b>121.3</b>
yoy (%)	7%	20%	14%	5%	4%
<b>EBITDA</b>	<b>10.6</b>	<b>11.9</b>	<b>14.0</b>	<b>15.6</b>	<b>16.8</b>
margin (%)	13%	12%	13%	13%	14%
<b>EBIT</b>	<b>5.8</b>	<b>6.3</b>	<b>7.8</b>	<b>9.6</b>	<b>11.1</b>
margin (%)	7%	6%	7%	8%	9%
<b>Net Income</b>	<b>3.2</b>	<b>3.6</b>	<b>4.1</b>	<b>5.4</b>	<b>6.5</b>
margin (%)	4%	4%	4%	5%	5%
<b>Net Debt</b>	<b>17.0</b>	<b>21.7</b>	<b>25.5</b>	<b>23.8</b>	<b>22.8</b>
<b>Sh. Equity</b>	<b>51.0</b>	<b>54.5</b>	<b>58.6</b>	<b>62.6</b>	<b>67.2</b>
Capex	(5.9)	(4.9)	(5.3)	(5.6)	(5.8)
FCFs	1.5	(1.9)	(0.2)	3.9	4.6



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## SWOT analysis

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

## 1H23 results

### Solid yoy revenue growth driven by Farmex

The Company reported 1H23 consolidated results: revenues rose by 25.3% yoy (+9% like-for-like) to €54.9m, supported by higher sale prices. Revenues are in line with pre-release figures published in August.

The sales divisional breakdown (including €0.6m infra-group sales) is as follows: Farmex increased by 24% to €17.4m, Svas decreased by 12% to €8.8m, Medical rose by 2% to €4.6m and Mark Medical moved up by 11% to €17.8m. Finally, Bormia's sales were €7m. 1H23 revenues were 50% on our FY23 estimate (€110.6m), in line if compared to 1H22/FY22 (48% excluding Bormia).

Farmex accounted for 31% of revenues (+3.2pp vs our FY estimates), while Svas was 16% (-3.4pp vs our FY estimates), Medical 8% (in line vs our FY estimates), Mark Medical 32% (in line vs our FY estimates), Bormia 13% (in line vs our FY estimates).

At a geographical level, 55% of revenues were generated in Italy (vs 64% in 2022) and 45% abroad (vs 36% in 2022), confirming the internationalization path.

Figure 1: Revenue breakdown 1H21-1H23 (€, mln)

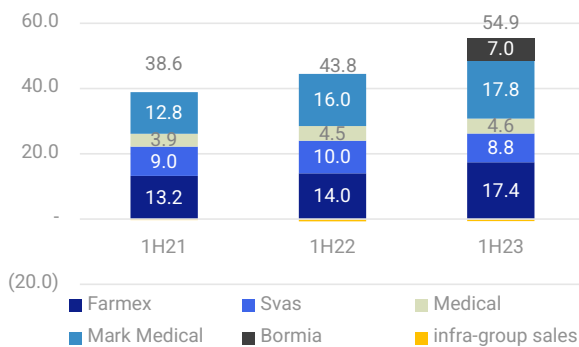
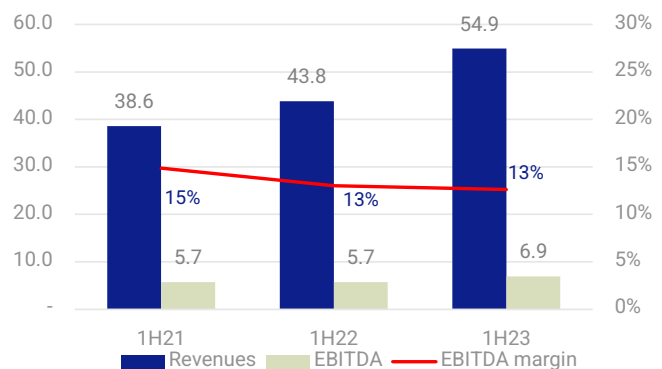


Figure 2: EBITDA (€, mln) and EBITDA margin (%)



Source: Banca Profilo elaborations and estimates on Company data

### 1H23 EBITDA improving vs 2H22

EBITDA was €6.9m and up by 21.5% yoy, EBITDA margin was 12.6% and in line with our FY23E margin (12.7%) but some 40bps below 1H22. Compared to 2H22, marginality has improved by 1pp thanks to a decline in raw material and energy costs, which peaked in 2H22.

### Minor EBIT margin improvements

EBIT increased by 35.9% yoy to €4.2m with margin of 7.7% (+60bps yoy vs 1H22, +20bps vs our FY23E at 7.3%). Net profit was €2.3, up by 33% yoy with margin 4.2% (in line with our FY23).

### ONWC absorption due to sizable contracts in 1H

At the end of June 2023, Net Operating Working Capital stood at €45.0m from €40.6m at the end of 2022, this reflects cash absorption by some sizable contracts awarded to Svas in Italy in 1H23, revenues and receivable collection is expected by the end of the year.

Accounts receivables were €41.9m (vs €39m in YE22), Accounts payable of €28.6m (vs €29m YE22) and Inventory at €31.6m (vs €31.6m in YE22). NOWC on sales was 42% and aligned with the end of FY22.

Net debt increased to €25.2m from €21.7m at the end of December 2022. Net debt includes €14m cash as well as invested liquidity of €11m.

Table 1: Revenue by division 1H21-1H23 (€, mln)

Revenues	1H21	2021	1H22	2022	1H23
Farmex	13.2	27.6	14.0	29.6	17.4
<i>yoy (%)</i>		5%	6%	7%	24%
<i>on revenues (%)</i>	34%	34%	32%	30%	32%
Svas	9.0	18.5	10.0	20.7	8.8
<i>yoy (%)</i>		5.8%	11.1%	12%	-12.0%
<i>on revenues (%)</i>	23%	23%	23%	21%	16%
Medical	3.9	8.6	4.5	9.2	4.6
<i>yoy (%)</i>		-16%	14%	8%	2%
<i>on revenues (%)</i>	10%	11%	10%	9%	8%
Mark Medical	12.8	27.3	16.0	32.8	17.8
<i>yoy (%)</i>		18%	25%	20%	11%
<i>on revenues (%)</i>	33%	34%	36%	34%	32%
				0%	0%
<i>yoy (%)</i>				7%	13%
<i>on revenues (%)</i>					
infra-group sales	(0.3)	(0.9)	(0.7)	(1.7)	(0.7)
<b>Revenues</b>	<b>38.6</b>	<b>81.1</b>	<b>43.8</b>	<b>97.2</b>	<b>54.9</b>

Source: Banca Profilo elaborations and estimates on Company data

Table 2: Income Statement 1H21-1H23 (€, mln)

Income Statement	1H21	2021	1H22	2022	1H23
Revenues	38.6	81.1	43.8	97.2	54.9
Other revenues	0.4	1.0	0.8	2.3	1.9
<b>Total revenues (VoP)</b>	<b>39.0</b>	<b>82.1</b>	<b>44.7</b>	<b>99.5</b>	<b>56.9</b>
Raw materials	(20.8)	(44.2)	(25.9)	(59.2)	(33.9)
Costs of services	(5.8)	(12.3)	(6.7)	(14.4)	(7.4)
Lease and rent	(0.8)	(1.5)	(0.8)	(1.6)	(0.9)
Changes in inventories	0.3	(0.5)	1.4	2.8	0.1
Other costs	(0.6)	(1.9)	(1.2)	(2.5)	(1.1)
Labour Cost	(5.6)	(11.0)	(5.8)	(12.7)	(6.8)
<b>EBITDA</b>	<b>5.7</b>	<b>10.6</b>	<b>5.7</b>	<b>11.9</b>	<b>6.9</b>
<i>margin (%)</i>	15%	13%	13%	12%	13%
<i>yoy (%)</i>		11%	-1%	12%	22%
D&A	(2.3)	(4.9)	(2.6)	(5.6)	(2.7)
<b>EBIT</b>	<b>3.4</b>	<b>5.8</b>	<b>3.1</b>	<b>6.3</b>	<b>4.2</b>
<i>margin (%)</i>	9%	7%	7%	6%	8%
<i>yoy (%)</i>		13%	-9%	8%	36%
Net financial expenses	(0.8)	(1.8)	(0.8)	(1.6)	(0.9)
Taxes	(0.7)	(0.9)	(0.6)	(1.1)	(1.0)
<i>Tax rate (%)</i>	25%	21%	25%	23%	31%
<b>Net profit</b>	<b>2.0</b>	<b>3.2</b>	<b>1.7</b>	<b>3.6</b>	<b>2.3</b>
<i>margin (%)</i>	5%	4%	4%	4%	4%
<i>yoy (%)</i>		26%	-12%	13%	33%

Source: Banca Profilo elaborations and estimates on Company data

Table 3: Balance Sheet 1H21-1H23 (€, mln)

Balance sheet (€/mln)	1H21	2021	1H22	2022	1H23
Inventory	25.8	25.1	28.5	29.8	31.6
Accounts receivables	30.4	31.8	35.5	39.0	41.9
Accounts payables	(20.8)	(23.3)	(25.0)	(28.2)	(28.6)
<b>Operating Net Working Capital</b>	<b>35.4</b>	<b>33.6</b>	<b>38.9</b>	<b>40.6</b>	<b>45.0</b>
<b>Other Current assets</b>	<b>4.4</b>	<b>5.1</b>	<b>10.0</b>	<b>6.4</b>	<b>8.4</b>
<b>Other Current liabilities</b>	<b>(6.4)</b>	<b>(4.9)</b>	<b>(5.3)</b>	<b>(6.0)</b>	<b>(6.7)</b>
<b>Net Working Capital</b>	<b>33.4</b>	<b>33.7</b>	<b>43.6</b>	<b>41.0</b>	<b>46.6</b>
Intangibles	9.0	10.7	10.7	11.0	11.4
Tangibles	25.3	25.6	25.9	26.2	25.8
Financials	0.1	0.2	0.1	0.2	0.1
<b>Fixed Asset</b>	<b>34.4</b>	<b>36.5</b>	<b>36.7</b>	<b>37.5</b>	<b>37.3</b>
Provision for risk and Chargers	-	(0.2)	(0.1)	(0.2)	(0.2)
Pensions	(2.0)	(2.0)	(2.2)	(1.9)	(2.0)
Other asset and liabilities	(0.1)	(0.1)	(0.0)	(0.1)	(0.0)
<b>Net Invested Capital</b>	<b>65.6</b>	<b>68.0</b>	<b>78.0</b>	<b>76.2</b>	<b>81.7</b>
Share capital	14.7	20.6	20.6	20.6	20.6
Reserves	8.3	22.4	23.5	23.5	24.0
Accumulated profit/loss	4.8	4.8	6.9	6.8	9.6
Net profit	2.0	3.2	1.7	3.6	2.3
Minority share	0.0	0.0	0.0	0.0	0.0
<b>Equity</b>	<b>29.7</b>	<b>51.0</b>	<b>52.7</b>	<b>54.5</b>	<b>56.5</b>
<b>Net debt (cash)</b>	<b>35.9</b>	<b>17.0</b>	<b>25.3</b>	<b>21.7</b>	<b>25.2</b>
<b>Liabilities</b>	<b>65.6</b>	<b>68.0</b>	<b>78.0</b>	<b>76.2</b>	<b>81.7</b>

Source: Banca Profilo elaborations and estimates on Company data

## Strategy and estimates

### Corporate strategies

#### €10mIn bond to finance Farmex expansion

On June 28 the Company announced the issue of €13mIn of bonds. More precisely, Svas and Mark Medical issued two non-convertible, non-subordinated amortizing bond, with a nominal amount of €10mIn and €3mIn respectively, maturing in December 2029. The debt was underwritten by Crédit Agricole, Iccrea Banca, Banca di Credito Popolare and Finest. Mark Medical's bond is backed by the parent Company Svas. The instrument will be used to finance the expansion of Farmex with the acquisition of a new production line and the construction of a new plant in a land acquired by the Company in 2022. Mark Medical will use it to strengthen its commercial position in Eastern Europe.

#### New plant

The Company is developing a new production plant for incontinence products, its completion is expected within two years and should double the production capacity. The latter should improve Svas competitive positioning, especially given the growing average size of contracts tendered by public entities.

#### Revenues driven by pricing and mix

Svas confirmed its strategy characterized by price increases and focus on high value added devices.

### 2023-2025 estimates revision

#### Minor Revenues rebalance

We kept the overall revenue estimates virtually unchanged and rebalanced the weight of each division to better reflect 1H23 results.

**Table 4: Revenue breakdown by division 21-26E (€, mln)**

Revenues	2021	2022	2023E	2023E	2024E	2024E	2025E	2025E	2026E
			old	new	old	new	old	new	new
Farmex	27.6	29.6	31.1	34.5	32.3	35.8	33.6	37.3	38.8
	<i>yoy</i>	5%	7%	5%	16%	4%	4%	4%	4%
	<i>% on revenues</i>	34%	30%	28%	31%	28%	31%	28%	31%
Svas	18.5	20.7	21.3	19.6	22.0	20.1	22.6	20.7	21.2
	<i>yoy</i>	6%	12%	3%	-5%	3%	3%	3%	3%
	<i>% on revenues</i>	23%	21%	19%	18%	19%	17%	19%	17%
Medical	8.6	9.2	9.5	9.2	9.8	9.5	10.1	9.8	10.1
	<i>yoy</i>	-16%	8%	4%	0%	3%	3%	3%	3%
	<i>% on revenues</i>	11%	9%	9%	8%	8%	8%	8%	8%
Mark Medical	27.3	32.8	35.1	35.6	37.6	38.1	40.2	40.8	43.6
	<i>yoy</i>	18%	20%	7%	9%	7%	7%	7%	7%
	<i>% on revenues</i>	34%	34%	32%	32%	33%	33%	34%	34%
Bormia	-	6.6	13.6	14.0	14.0	14.4	14.4	14.9	15.3
	<i>% on revenues</i>	0%	7%	12%	13%	12%	12%	12%	12%
infra-group sales	(0.9)	(1.7)	-	(2.0)	-	(2.0)	-	(2.0)	(2.0)
<b>Revenues</b>	<b>81.1</b>	<b>97.2</b>	<b>110.6</b>	<b>110.9</b>	<b>115.6</b>	<b>115.9</b>	<b>120.9</b>	<b>121.3</b>	<b>126.9</b>

Source: Banca Profilo elaborations and estimates on Company data

#### Persistent raw material costs reduce EBITDA margin expansion

We maintain our EBITDA FY23E forecast but we revised slightly downward future years to reflect raw material (mainly cellulose and plastic) costs which remain at heightened levels compared to historical averages. The increase was partially offset by labor cost, as the ending of some ongoing contracts will lead to a reduction in total employees. Finally, we revised our D&A assumptions which leads to an average decline in EBIT margin slightly below 1pp in the 23-25E period.

#### Cash absorption slowdown in 2H23

While in 1H23 NWC absorption led to a significant increase in net debt vs YE22 (+3.5mIn to €25.2mIn), we expect a trend slowdown in 2H23 as Svas should be able to generate revenues for projects initiated in 1H and collect receivables. As such we forecast €25.5mIn net debt at

the end of FY23, which nevertheless represents an increase compared to our previous €22.3mln.

### More conservative ONWC

Beyond FY23, we have taken a considerably more conservative approach on ONWC assumptions, which are now seen on average 8% above our previous 23-25E. As such we increased our net debt forecast with YE26E landing at €21mln.

Figure 3: Costs breakdown (21-26E)

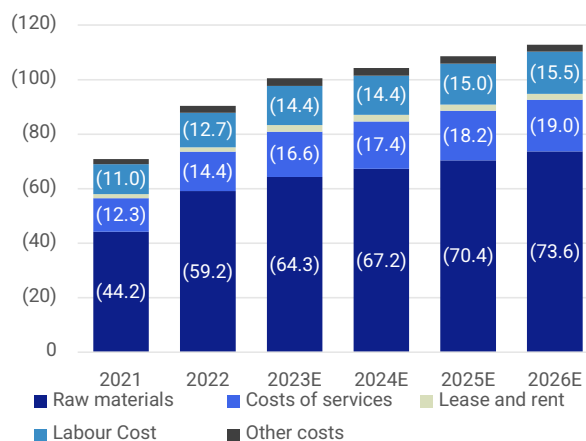
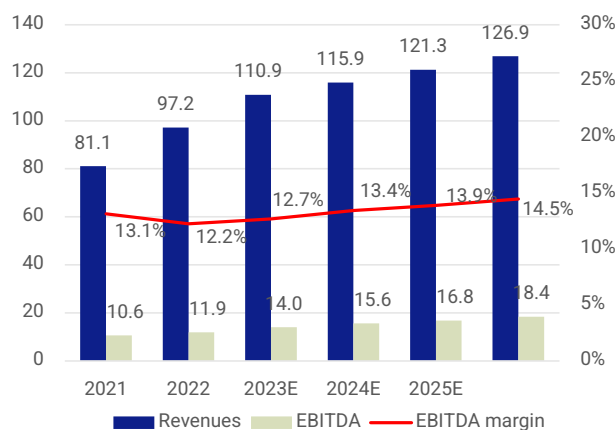


Figure 4: Revenue, EBITDA and margin (21-26E)



Source: Banca Profilo elaborations and estimates on Company data

Table 5: Income statement 21-26E (€, mln)

Income Statement	2021	2022	2023E	2023E	2024E	2024E	2025E	2025E	2026E
			old	new	old	new	old	new	new
Revenues	81.1	97.2	110.6	110.9	115.6	115.9	120.9	121.3	126.9
yoy (%)	7%	20%	14%	14%	5%	5%	4%	4%	4%
Other revenues	1.0	2.3	2.6	2.6	2.7	2.7	2.8	2.9	3.0
<b>Total revenues (VoP)</b>	<b>82.1</b>	<b>99.5</b>	<b>113.2</b>	<b>113.5</b>	<b>118.4</b>	<b>118.7</b>	<b>123.8</b>	<b>124.2</b>	<b>129.9</b>
Raw materials	(44.2)	(59.2)	(64.2)	(64.3)	(65.9)	(67.2)	(67.7)	(70.4)	(73.6)
Costs of services	(12.3)	(14.4)	(16.6)	(16.6)	(17.3)	(17.4)	(18.1)	(18.2)	(19.0)
Lease and rent	(1.5)	(1.6)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.3)	(2.2)
Changes in inventories	(0.5)	2.8	1.1	1.1	1.2	1.2	1.2	1.2	1.3
Other costs	(1.9)	(2.5)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.7)	(2.6)
Labour Cost	(11.0)	(12.7)	(14.4)	(14.4)	(15.0)	(14.4)	(15.8)	(15.0)	(15.5)
<b>EBITDA</b>	<b>10.6</b>	<b>11.9</b>	<b>14.0</b>	<b>14.0</b>	<b>16.0</b>	<b>15.6</b>	<b>18.1</b>	<b>16.8</b>	<b>18.4</b>
margin (%)	13%	12%	13%	13%	14%	13%	15%	14%	14%
yoy (%)	11%	12%	18%	18%	14%	11%	13%	8%	9%
<b>D&amp;A</b>	<b>(4.9)</b>	<b>(5.6)</b>	<b>(5.9)</b>	<b>(6.2)</b>	<b>(5.6)</b>	<b>(5.9)</b>	<b>(5.5)</b>	<b>(5.8)</b>	<b>(5.5)</b>
<b>EBIT</b>	<b>5.8</b>	<b>6.3</b>	<b>8.1</b>	<b>7.8</b>	<b>10.4</b>	<b>9.6</b>	<b>12.6</b>	<b>11.1</b>	<b>12.8</b>
margin (%)	7%	6%	7%	7%	9%	8%	10%	9%	10%
yoy (%)	13%	8%	29%	25%	28%	23%	22%	15%	16%
Net financial expenses	(1.8)	(1.6)	(2.1)	(2.5)	(2.1)	(2.6)	(2.1)	(2.6)	(2.6)
Taxes	(0.9)	(1.1)	(1.4)	(1.2)	(1.9)	(1.6)	(2.5)	(2.0)	(2.4)
Tax rate (%)	21%	23%	23%	23%	23%	23%	23%	23%	23%
<b>Net profit</b>	<b>3.2</b>	<b>3.6</b>	<b>4.6</b>	<b>4.1</b>	<b>6.3</b>	<b>5.4</b>	<b>8.1</b>	<b>6.5</b>	<b>7.8</b>
margin (%)	4%	4%	4%	4%	5%	5%	7%	5%	6%
yoy (%)	26%	13%	28%	15%	38%	32%	28%	20%	21%

Source: Banca Profilo elaborations and estimates on Company data

### FCFs affected by stronger NWC needs

Our 23-26E cumulated FCFs are now seen at €14mln (vs previous 23-26E of €21.3mln) reflecting primarily higher cash absorption witnessed in 1H23 as well as more conservative NWC estimates. We kept our capex forecast but we note that the Company is waiting for



permits to begin construction activities of a new plant, therefore a portion of the 23E estimate might be shifted in 2024.

**Table 6: Balance Sheet 21-26E (€ mln)**

Balance sheet (€/mln)	2021	2022	2023E		2024E		2025E		2026E
			old	new	old	new	old	new	
Inventory	25.1	29.8	33.9	34.0	35.2	36.2	36.4	38.2	40.3
Accounts receivables	31.8	39.0	44.2	42.5	45.9	45.1	47.7	47.2	49.4
Accounts payables	(23.3)	(28.2)	(32.0)	(29.0)	(33.5)	(30.6)	(34.9)	(31.5)	(32.8)
<b>Operating Net Working Capital</b>	<b>33.6</b>	<b>40.6</b>	<b>46.2</b>	<b>47.5</b>	<b>47.7</b>	<b>50.7</b>	<b>49.2</b>	<b>53.9</b>	<b>57.0</b>
<i>on revenues (%)</i>	<i>41%</i>	<i>42%</i>	<i>42%</i>	<i>43%</i>	<i>41%</i>	<i>44%</i>	<i>41%</i>	<i>44%</i>	<i>45%</i>
<b>Other current asset and liabilities</b>	<b>0.1</b>	<b>0.4</b>	<b>0.4</b>	<b>2.0</b>	<b>0.4</b>	<b>1.0</b>	<b>0.4</b>	<b>1.0</b>	<b>1.0</b>
<b>Net Working Capital</b>	<b>33.7</b>	<b>41.0</b>	<b>46.5</b>	<b>49.5</b>	<b>48.0</b>	<b>51.7</b>	<b>49.6</b>	<b>54.9</b>	<b>58.0</b>
Intangibles	10.7	11.0	11.0	10.9	11.2	11.0	11.5	11.2	11.6
Tangibles	25.6	26.2	26.2	25.9	26.4	26.0	26.9	26.2	26.6
Financials	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Fixed Asset</b>	<b>36.5</b>	<b>37.5</b>	<b>37.4</b>	<b>37.1</b>	<b>37.9</b>	<b>37.2</b>	<b>38.6</b>	<b>37.7</b>	<b>38.4</b>
Provision for risk and Chargers	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pensions	(2.0)	(1.9)	(2.2)	(2.2)	(2.3)	(2.2)	(2.4)	(2.3)	(2.4)
<b>Funds</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.5)</b>	<b>(2.4)</b>	<b>(2.6)</b>	<b>(2.5)</b>	<b>(2.6)</b>
Other asset and liabilities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
<b>Net Invested Capital</b>	<b>68.0</b>	<b>76.2</b>	<b>81.4</b>	<b>84.1</b>	<b>83.3</b>	<b>86.4</b>	<b>85.4</b>	<b>89.9</b>	<b>93.7</b>
Share capital	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Reserves	22.4	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5
Accumulated profit/loss	4.8	6.8	10.4	10.4	13.4	13.0	17.5	16.5	20.8
Net profit	3.2	3.6	4.6	4.1	6.3	5.4	8.1	6.5	7.8
Minority share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Equity</b>	<b>51.0</b>	<b>54.5</b>	<b>59.1</b>	<b>58.6</b>	<b>63.8</b>	<b>62.6</b>	<b>69.7</b>	<b>67.2</b>	<b>72.7</b>
<b>Net debt (cash)</b>	<b>17.0</b>	<b>21.7</b>	<b>22.3</b>	<b>25.5</b>	<b>19.4</b>	<b>23.8</b>	<b>15.7</b>	<b>22.8</b>	<b>21.0</b>
<b>Liabilities</b>	<b>68.0</b>	<b>76.2</b>	<b>81.4</b>	<b>84.1</b>	<b>83.3</b>	<b>86.4</b>	<b>85.4</b>	<b>89.9</b>	<b>93.7</b>

Source: Banca Profilo elaborations and estimates on Company data

**Table 7: FCF 21-26E (€ mln)**

FCF (€/mln)	2021	2022	2023E		2024E		2025E		2026E
			old	new	old	new	old	new	
EBIT	5.8	6.3	8.1	7.8	10.4	9.6	12.6	11.1	12.8
taxes	(1.7)	(1.9)	(2.4)	(2.3)	(3.1)	(2.9)	(3.8)	(3.3)	(3.8)
<b>NOPAT</b>	<b>4.0</b>	<b>4.4</b>	<b>5.7</b>	<b>5.5</b>	<b>7.3</b>	<b>6.7</b>	<b>8.9</b>	<b>7.7</b>	<b>9.0</b>
D&A	4.9	5.6	5.9	6.2	5.6	5.9	5.5	5.8	5.5
<b>Operating cash flow</b>	<b>8.9</b>	<b>10.0</b>	<b>11.6</b>	<b>11.7</b>	<b>12.9</b>	<b>12.7</b>	<b>14.3</b>	<b>13.5</b>	<b>14.5</b>
Operating Net Working Capital change	(1.5)	(7.0)	(5.5)	(6.9)	(1.5)	(3.2)	(1.6)	(3.2)	(3.1)
Other funds	(0.0)	(0.1)	0.3	0.3	0.1	0.0	0.1	0.1	0.1
Capex	(5.9)	(4.9)	(5.3)	(5.3)	(5.6)	(5.6)	(5.7)	(5.8)	(5.8)
<b>FCF</b>	<b>1.5</b>	<b>(1.9)</b>	<b>1.0</b>	<b>(0.2)</b>	<b>5.9</b>	<b>3.9</b>	<b>7.2</b>	<b>4.6</b>	<b>5.7</b>

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

**Figure 5: Risk matrix**

<b>Impact</b>	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					
<b>Potential impact on the business VS likelihood of occurrence</b>		Low	Medium-Low	Medium	High	Very high
		<b>Likelihood</b>				

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, the 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 €9.8/sh	Our DCF model leads to an Equity Value of €55.1mln or €9.8/sh (vs previous €13.9/share), due to higher NWC absorption in the coming years as well as slightly lower EBITDA margins. We kept the WACC unchanged as higher risk free rate and higher cost of debt were offset by lower Beta.
Market multiples valuation: €20.2/share	In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2023E, which is at 12.3x (as of October 12, 2023) discounted by 20% to reflect Svas lower exposure to the production of medical devices. We derived an implied Equity Value per share of €20.2 (vs previous €22.7). The decrease was driven by both lower forecasted FY23 EBITDA and lower market multiples.
BUY confirmed; 12-month TP decreased to €13.5/share	Our weighted average of DCF and relative market multiples valuation brings our 12-month Target Price down to €13.5/share, from €17/sh in our previous report. Given the significant upside on Svas closing price (as of October 13, 2023), we confirm our BUY recommendation.

### DCF valuation

€14mln of cumulated FCFs in 23E-26E	To run a DCF Model, we use our projections of FCFs for the 23E-26E explicit period: €14mln of cumulated FCFs (-34% vs previous €21.3mln) and a TV of €5.7mln (-16% vs previous €6.8mln). These changes reflect more conservative NWC assumptions and slightly lower EBITDA margin.
8% WACC	We use our WACC unchanged at 8% as higher risk free rate and higher cost of debt were offset by lower Beta. More precisely: <ul style="list-style-type: none"> <li>• 5.2% Risk Free rate (vs previous 4.9%), as the 30Y Italian BTP 100-day yield moving average and our assumed interest rates path (+0.5bps, unchanged);</li> <li>• 5.5% market risk premium (unchanged);</li> <li>• 1.2 beta (from 1.3), coming from the average of chosen listed peers;</li> <li>• 100% target Debt-to-Equity structure (unchanged).</li> </ul>

Table 8: DCF Valuation

DCF	2023E	2024E	2025E	2026E	TV	Valuation	WACC Assumption		
Free Cash Flows (€ mln)	(0.2)	3.9	4.6	5.7	5.7	Enterprise Value €	80.3	Perpetual growth rate	2.0%
years (#)	1	2	3	4		Net debt (cash) €	25.2	<b>WACC</b>	<b>8.0%</b>
discount factor	0.93	0.86	0.79	0.73		Equity Value €	55.1	Risk free rate (30Y)	5.2%
Terminal Value					94.3	Number of shares	5.6	Equity risk premium	5.5%
NPV	(0.2)	3.3	3.7	4.2	69.3	<b>Price per share €</b>	<b>9.8</b>	Beta	1.2
<b>Sum of NPVs (€ mln)</b>	<b>(0.2)</b>	<b>3.2</b>	<b>6.8</b>	<b>11.0</b>	<b>80.3</b>			KE	11.8%
								Cost of debt	6%
								Tax rate	30%
								KD	4.2%
								Target D/E	100%

Source: Banca Profilo elaborations and estimates

## Market multiples valuation

13 comparables to Svas Biosana for business similarity

We provide the updated multiples table, compared to our latest research [*Please refer to our Company Update on May 12, 2023*]. Svas Biosana trades at a significant discount compared to its peers partially due to lower marginality and reduced exposure to the production of advanced medical devices.

**Table 9: Sample EBITDA margin and Revenue Growth**

Company	EBITDA margin			Sales Growth		
	2022	2023E	2024E	2022	2023E	2024E
GVS SpA	17.4%	23.5%	26.8%	14.6%	10.6%	5.2%
Medtronic PLC	27.3%	26.9%	28.0%	5.2%	-1.4%	3.0%
Coloplast A/S	32.6%	32.6%	33.0%	16.2%	9.3%	10.6%
ConvaTec Group PLC	20.1%	24.3%	26.1%	13.5%	4.0%	5.6%
Stryker Corporation	21.6%	26.6%	27.2%	7.8%	9.9%	7.6%
Becton Dickinson & Co	24.6%	27.1%	27.8%	-1.4%	2.3%	5.5%
Cardinal Health Inc	1.6%	1.2%	1.2%	11.6%	13.0%	10.2%
Terumo Corp	24.9%	22.9%	23.7%	14.6%	16.6%	6.5%
Teleflex Inc	27.3%	28.9%	29.8%	-0.7%	6.0%	4.7%
Integra LifeSciences Holdings	24.4%	25.0%	25.9%	1.0%	-0.2%	4.8%
Shandong Weigao Group Medic	30.8%	26.9%	26.7%	-0.4%	-4.6%	12.6%
Ontex Group NV	6.2%	8.4%	10.0%	18.7%	16.4%	1.6%
Medica SpA	21.9%	17.3%	20.5%	16.1%	53.6%	16.2%
<b>Mean</b>	<b>21.6%</b>	<b>22.9%</b>	<b>23.9%</b>	<b>8.4%</b>	<b>6.8%</b>	<b>6.5%</b>
Svas Biosana SpA	12.2%	12.7%	13.4%	19.9%	14.0%	4.6%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 12, 2023)

EV/EBITDA 2023 at 12.3x

In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2023E, which is at 12.3x as of October (vs previous 13.3x) 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	17.1x	11.4x	9.5x
Medtronic PLC	13.2x	13.6x	12.7x
Coloplast A/S	25.4x	23.3x	20.8x
ConvaTec Group PLC	15.7x	12.5x	11.0x
Stryker Corp	27.9x	20.6x	18.7x
Becton Dickinson & Co	19.8x	17.5x	16.2x
Cardinal Health Inc	8.0x	9.6x	8.7x
Terumo Corp	17.0x	15.9x	14.3x
Teleflex Inc	13.7x	12.2x	11.3x
Integra LifeSciences Holdings	11.6x	11.4x	10.5x
Shandong Weigao Group Medic	5.8x	6.9x	6.2x
Ontex Group NV	12.1x	7.6x	6.3x
Medica SpA	9.1x	7.5x	5.4x
<b>Mean</b>	<b>15.6x</b>	<b>13.5x</b>	<b>12.2x</b>
<b>Median</b>	<b>14.7x</b>	<b>12.3x</b>	<b>11.1x</b>
Svas Biosana SpA	5.2x	4.7x	4.2x

Source: Banca Profilo elaborations on Bloomberg data, as of October 12, 2023

**Table 11: Multiple Valuation**

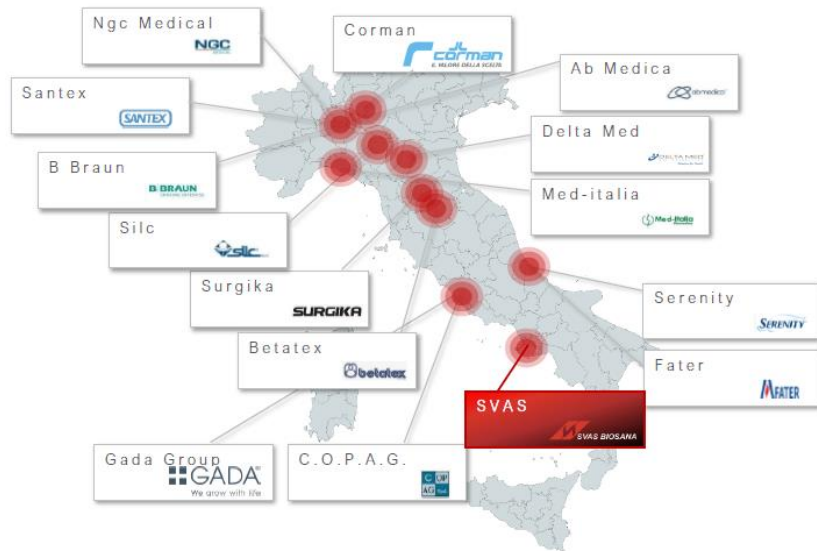
Multiples Valuation	
Average EV/EBITDA23	12.3x
Discount	20%
<b>EV/EBITDA 2023</b>	<b>9.9x</b>
EBITDA 2023E	14.0
Enterprise Value	138.5
Net Debt FY22	25.2
Equity Value (Multiples)	113.3
<b>Price per share (Multiples)</b>	<b>20.2</b>

**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 6: 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 7: 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).

<b>GVS (ITA)</b>	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.
<b>Medtronic (US)</b>	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.
<b>Coloplast (DEN)</b>	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.
<b>ConvaTec (UK)</b>	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.
<b>Stryker Corporation (US)</b>	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.
<b>Becton, Dickinson &amp; Co (US)</b>	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)**

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

**Terumo Corporation (JP)**

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

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)**

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.

**Ontex (BEL)**

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)**

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.

**Shandong Weigao  
Group Medical  
Polymer (CHN)**

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.



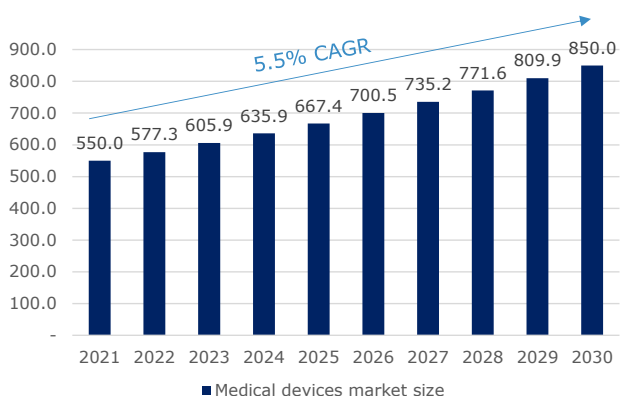
## Appendix: The reference market

### The Global Medical Devices Industry

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

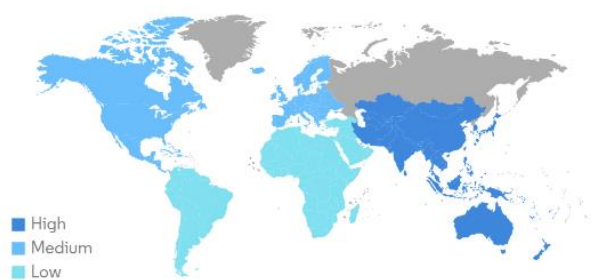
In 2021, the Global Medical Devices market held a market value of \$550bn, it is expected to reach a value of \$850bn in 2030, growing at a 5.5% CAGR, mainly driven by the increase in chronic diseases, such as cancer and diabetes. The sector growth will also be driven by unhealthy lifestyle and eating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

**Figure 8: Value of Global Medical Devices market 2021-2030E (\$/bn)**



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

**Figure 9: 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.

**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.

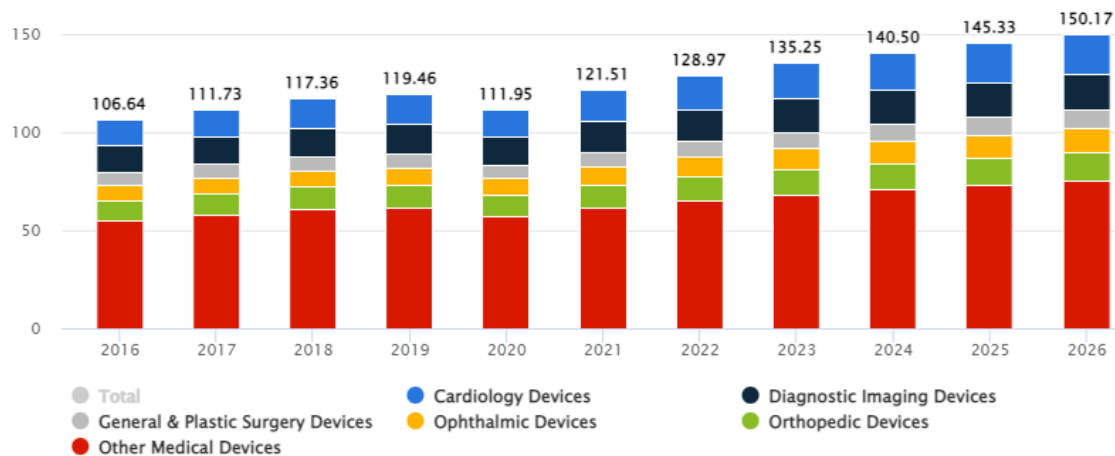
**Germany is expected to lead European market**

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 10: European Medical Devices market revenue by segment (\$/bn)**



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

**The Italian market**

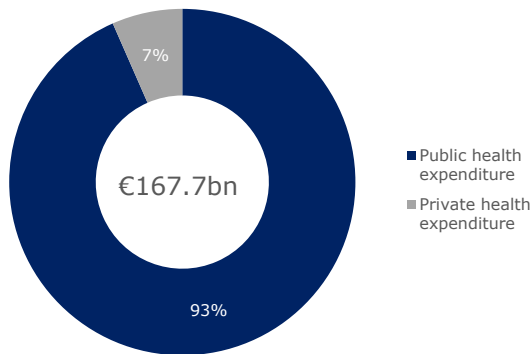
**Italian market worth €17.3bn**

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).

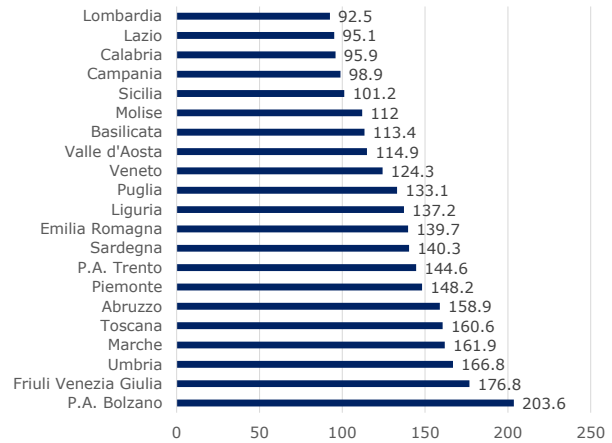
**Public health expenditure increased by 4.5% in 2022**

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 11: Italian healthcare expenditure (€, bn)**



**Figure 12: Italian healthcare expenditure/person (€)**



Source: Banca Profilo elaborations on Centro Studi Confindustria Dispositivi Medici

**Southern Italy is characterized by start-ups**

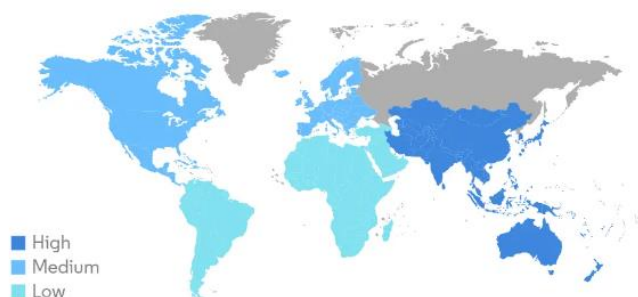
Northern Italy is the most representative area of the industry, where more than 80% of companies are based and most of revenues are generated. In the Center of Italy, small and large companies coexist, especially in Lazio and Toscana. Finally, in the South, where Svas Biosana is based, there is less 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 13: 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 14: 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.

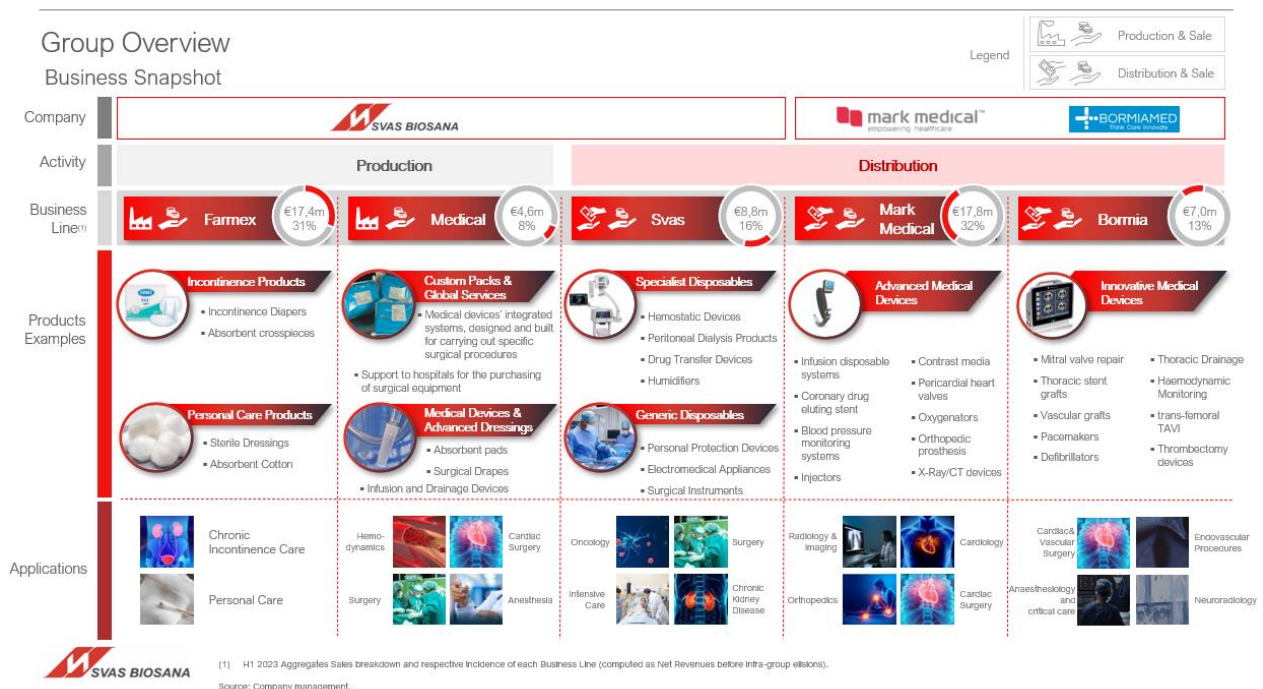
# Appendix: Overview and business model

## Business model and activities

5 business units Svas business model comprises 5 business units:

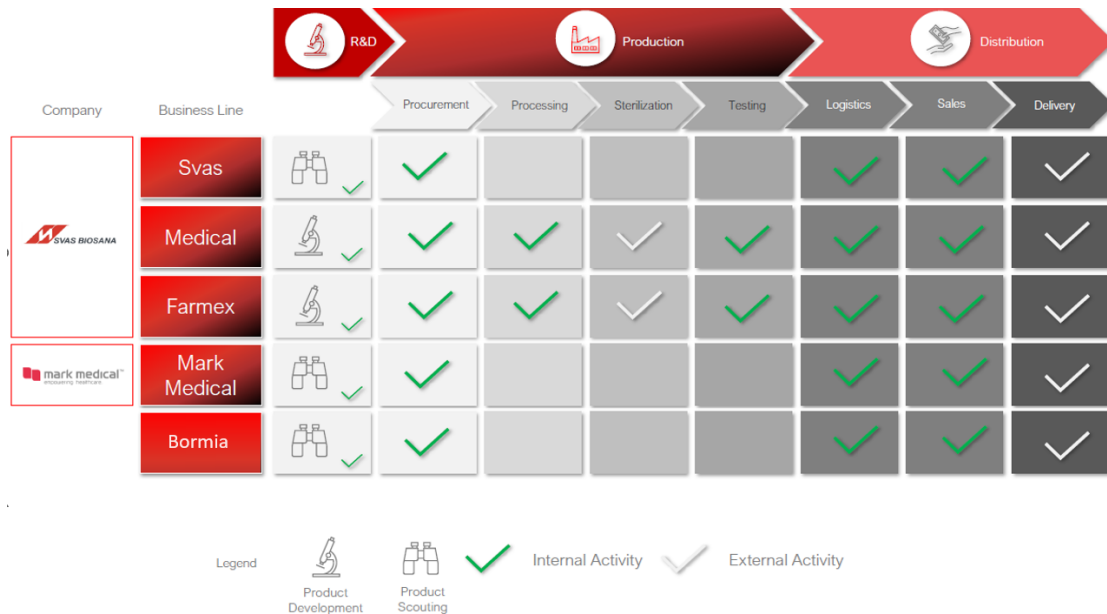
- Farmex (Svas Biosana): production and sale of incontinence aids, traditional dressing, cotton wool and personal care products;
- Svas (Svas Biosana): distribution of consumables addressed to a vast range of medical and surgical situations;
- Medical (Svas Biosana): production and sale of procedural 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 15: Svas Biosana’s business snapshot



Source: Company data

Figure 16: Svas Biosana's supply chain



Source: Company data and Banca Profilo Elaborations

### Company History

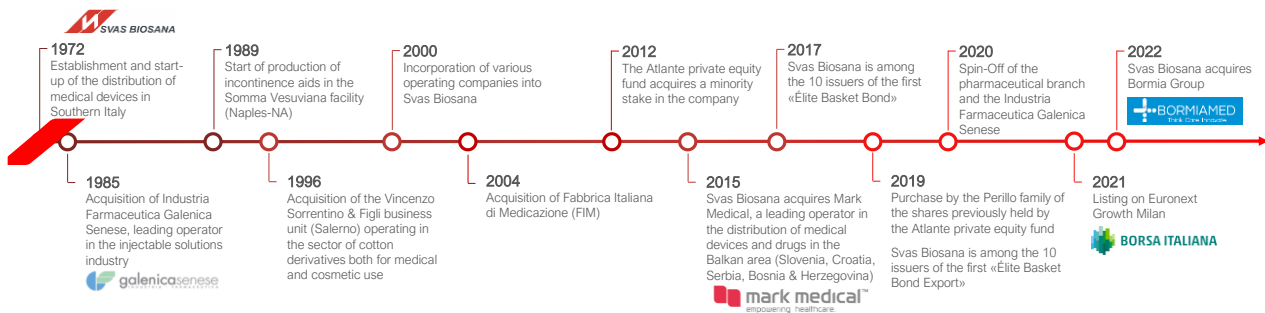
A successful M&A track record since the '90s

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:

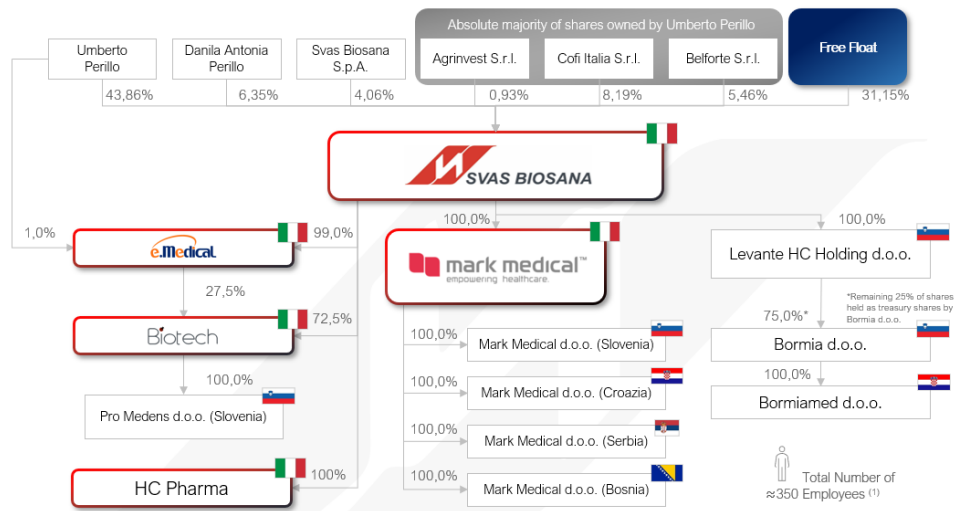
- in 1985 it acquired Galenica Senese to start the production of injectable solutions;
- in the '90s it acquired Vincenzo Sorrentino & Figli and started the production of cotton derivatives, used in health care and cosmetics;
- in 2004, it acquired Fabbrica Italiana di Medicazione (FIM);
- in 2015 it entered the Balkan area through the acquisition of Mark Medical, a leading distributor of medical devices and drugs in Slovenia, Croatia, Serbia, Bosnia & Herzegovina;
- in 2022 it acquired Bormia, for €4.8mIn a distributor of Specialist Medical Devices operating in Slovenia, Croatia, Serbia and Bosnia.

Figure 17: Svas Biosana's timeline



Source: Company data

Figure 18: Svas Biosana’s 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).

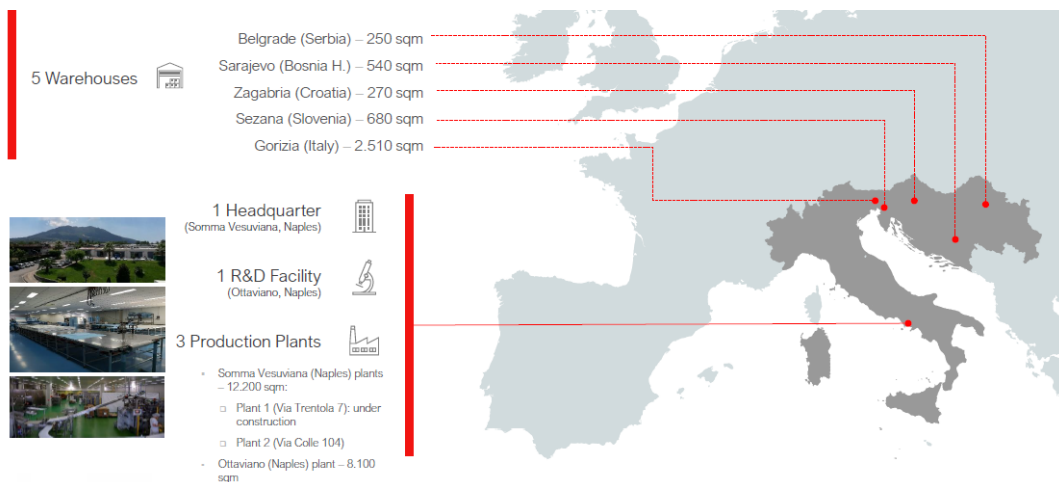
Svas Biosana has three production plants:

- 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 19: Group’s plants and facilities



Source: Company data



## Svas Biosana

## "ID Card"

Recommendation

BUY

Target Price

13.5 €

Upside

82%

## 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

## 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
- 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"

Recommendation

Target Price

Upside

**BUY****13.5 €****82%**

#### Main Financials

(€/mln)

	2021	2022	2023E	2024E	2025E
<b>Total revenue</b>	<b>81.1</b>	<b>97.2</b>	<b>110.9</b>	<b>115.9</b>	<b>121.3</b>
<i>yoY change</i>	<i>6.6%</i>	<i>19.9%</i>	<i>14.0%</i>	<i>4.6%</i>	<i>4.0%</i>
<b>EBITDA</b>	<b>10.6</b>	<b>11.9</b>	<b>14.0</b>	<b>15.6</b>	<b>16.8</b>
<i>EBITDA margin (%)</i>	<i>13.1%</i>	<i>12.2%</i>	<i>12.7%</i>	<i>13.4%</i>	<i>13.9%</i>
<b>EBIT</b>	<b>5.8</b>	<b>6.3</b>	<b>7.8</b>	<b>9.6</b>	<b>11.1</b>
<i>EBIT margin (%)</i>	<i>7.1%</i>	<i>6.4%</i>	<i>7.0%</i>	<i>8.3%</i>	<i>9.1%</i>
<b>Group Net income</b>	<b>3.2</b>	<b>3.6</b>	<b>4.1</b>	<b>5.4</b>	<b>6.5</b>
<i>Margin (%)</i>	<i>3.9%</i>	<i>3.7%</i>	<i>3.7%</i>	<i>4.7%</i>	<i>5.4%</i>
<b>Net debt/(cash)</b>	<b>17.0</b>	<b>21.7</b>	<b>25.5</b>	<b>23.8</b>	<b>22.8</b>
Shareholders Equity	51.0	54.5	58.6	62.6	67.2
Net Operating Working Capital	33.7	41.0	49.5	51.7	54.9
Capex and acquisitions	(5.9)	(4.9)	(5.3)	(5.6)	(5.8)
Free Cash Flow	1.5	(1.9)	(0.2)	3.9	4.6

#### Revenue breakdown by business unit

(€/000)

	2021	2022	2023E	2024E	2025E
Farmex	27.6	29.6	34.5	35.8	37.3
Svas	18.5	20.7	19.6	20.1	20.7
Medical	8.6	9.2	9.2	9.5	9.8
Mark Medical	27.3	32.8	35.6	38.1	40.8
Bormia		6.6	14.0	14.4	14.9

#### Solvency Ratios

	2021	2022	2023E	2024E	2025E
Net Debt (cash)/Equity	0.3x	0.4x	0.4x	0.4x	0.3x
Net Debt (cash)/EBITDA	1.6x	1.8x	1.8x	1.5x	1.4x

#### Financial and Operative ratios

	2021	2022	2023E	2024E	2025E
Tax rate	21%	23%	23%	23%	23%
ROE	6%	7%	7%	9%	10%
ROIC	6%	6%	6%	8%	9%
Days Inventory Outstanding	113	112	112	114	115
Days Sales Outstanding	143	146	140	142	142
Days Payables Outstanding	151	140	131	132	130
Capex/VoP	7%	5%	5%	5%	5%
D&A/Capex	82%	116%	119%	106%	99%

Source: Bloomberg, Banca Profilo estimates and elaborations

#### Company Description

Company Sector	Health Care Equipment and Supplies
Price (€)	7.4
Number of shares (mln)	5.6
Market Cap (€ mln)	41.4
Reference Index	FTSE ITALIA GROWTH
Main Shareholders	Perillo's Family
Main Shareholder stake	65%
Free Float	31%
Daily Average Volumes	3,774
Sample of comparables	GVS, Medica, Medtronic, Coloplast, ConvaTec, Stryker Corporation, Becton, Dickinson and Company, Cardinal Health, Terumo Incorporated, Teleflex Incorporated, Integra LifeSciences, Shandong Weigao Group Medical Polymer and Ontex

#### Multiples of peers

	2022	2023E	2024E
Average EV/EBITDA	15.6x	13.5x	12.2x
Median EV/EBITDA	14.7x	12.3x	11.1x

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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](http://WWW.BANCAPROFILO.IT), IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").