

24/2023/GPW (54) June 4, 2023

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

BioMaxima

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Mikołaj Stępień

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Sector: Health Care & biotechnology
Bloomberg: BMX PW
Price: PLN 23.50
12M EFV: PLN 36.40 (→)

Market Cap: US\$ 23.5 m
Av. daily turnover: US\$ 0.03 m
12M range: PLN 21.90-31.05
Free float: 73%

BioMaxima

Recent events

- 1Q23 results release: May
- Funding for a production line: January 2023
- Dividend proposal (DPS at PLN 0.50): April 2023

Upcoming events

1. General Shareholders Meeting: June 14
2. Dividend payment: June
3. Release of 2Q23 consolidated results: September 29
4. Completion of the production capacity expansion: 3Q23

1Q23 financial results summary

The Company's 1Q23 revenues at PLN 11.1 million were materially below our forecast at PLN 13.3 million. EBITDA, EBIT, and NI at PLN 1.0 million, PLN 0.5 million, and PLN 0.5 million, respectively, were lower than we expected, albeit nominal differences were small. The results are not comparable yoy due to record high figures reported in 1Q22 when the Company's results were supported by the agreement for a huge SARS-CoV-2 tests delivery. The low profitability observed in the last 3 quarters stems from the inflationary growth of costs which has not been reflected yet in the Company's pricelists. 1Q23 EBITDA and EBIT margins grew qoq from 5% and 1% to 9% and 4%, respectively. The Company's 1Q23 operating cash flows were negative, at PLN -3.1 million, which resulted from a material growth of inventories coupled with lower trade liabilities. Net working capital increased from PLN 15.5 million at 2022-end to PLN 18.8 million. 1Q23 capex reached PLN 2.4 million in 1Q23 and net cash at the end of the discussed quarter fell to PLN 1.8 million from PLN 7.7 million at 2022-end.

Production capacity expansion

BioMaxima informed that the construction of a new production facility was completed and in a purchased building the warehouse and office space was adapted. The new building will house a production of the assortment related to antibiotic susceptibility testing (AST). The last stage of the production capacity

Guide to adjusted profits

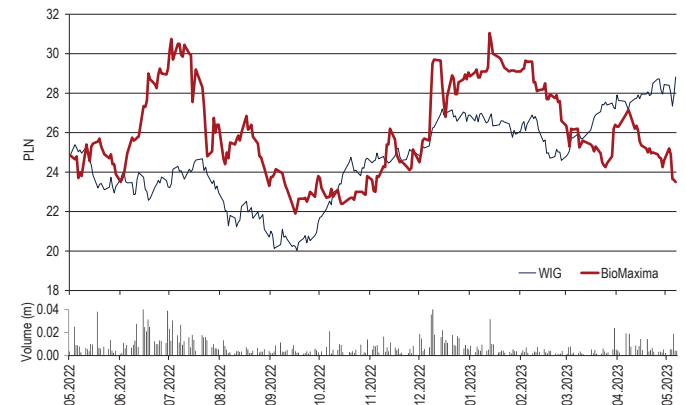
No factors necessitating adjustments.

Key data

IFRS consolidated		2022	2023E	2024E	2025E
Sales	PLN m	143.9	53.9	70.5	83.2
EBITDA	PLN m	36.9	8.4	12.2	17.3
EBIT	PLN m	34.9	5.7	8.7	13.6
NI	PLN m	28.8	4.7	7.4	11.7
EPS	PLN	6.89	1.13	1.76	2.80
EPS yoy chg	%	181	-84	56	59
ND	PLN m	-7.1	-4.5	-10.9	-16.7
P/E	x	3.4	20.8	13.4	8.4
P/CE	x	3.2	13.1	9.0	6.4
EV/EBITDA	x	2.5	11.1	7.1	4.7
EV/EBIT	x	2.6	16.6	10.1	6.0
DPS	PLN	0.45	0.50	0.17	0.53
Gross dividend yield	%	2.0	2.1	0.7	2.2
No. of shares (eop)	m	4.2	4.2	4.2	4.2

Source: Company, DM BOŚ SA estimates

Stock performance



Source: Bloomberg

expansion will be modernization of the existing building which should finish in 3Q23. We estimate this year's total capex at over PLN 8 million.

Development works

BioMaxima has been working on the new technology to manufacture tests using blood and other body fluids and tests to be implemented in the industry. The Company has been developing their technologies in cooperation with the Medical

Fig. 1. BioMaxima; 1Q23 financial results

IFRS consolidated (PLN m)	1Q21	2Q21	3Q21	4Q21	1Q23	Results vs forecasts	1Q23E	yoy chg	qoq chg
Sales	93.6	23.9	13.0	13.4	11.1	↓	13.3	-88%	-17%
EBITDA	30.7	4.1	1.4	0.7	1.0	→	1.3	-97%	42%
EBITDA margin	32.8%	17.0%	10.8%	5.3%	9.0%	-	9.5%	-	-
EBIT	30.2	3.6	0.9	0.2	0.5	↓	0.7	-98%	171%
EBIT margin	32.3%	14.9%	6.9%	1.3%	4.2%	-	5.6%	-	-
Net profit	24.2	3.4	0.9	0.3	0.5	→	0.6	-98%	53%
Net profit margin	25.8%	14.4%	7.2%	2.3%	4.3%	-	4.6%	-	-

Source: Company, DM BOŚ SA estimates

University in Lublin and the Warsaw University; the latter and BioMaxima work on the creation of molecular tests to detect *Salmonella spp.* and *Listeria spp.* which are at the moment scarce on the diagnostic testing market.

Changes in forecasts

Following lower than expected 1Q23 financial results we cut slightly down our forecasts of the Company's revenues and profits for this year and onwards. In the LT perspective we raise the EBITDA margin assuming that along with an increasing scale of BioMaxima's operations it will draw near the level achieved by considerably bigger companies from the peer group (27-28%). We adjust the capex

to the level currently expected and increase the net working capital expected at this year's end given its material growth in 1Q23.

Valuation

Our 12M valuation is negatively impacted by (i) peer multiples lowering and (ii) lower ST financial forecasts while (i) expected rise of margins in the LT perspective, (ii) 10Y PLGB yields decline, and (iii) valuation horizon shift in time have a positive impact. Ultimately, our 12M valuation of Biomaxima's equities representing a 50%-50% mix of the outcomes of the DCF valuation and peer comparison (with a 10% discount) stays intact.

Catalysts

1. Increase in demand for the Group's products unrelated to the pandemic
2. Increasing patients awareness
3. Production capacity expansion
4. Automation and robotization of production and warehouse processes
5. Potential beneficiary of nearshoring
6. Successful launch of new products
7. Exports development
8. Sale of drug tests related to new regulations
9. Acquisitions of companies compatible with the Company's operations
10. A potential takeover target
11. Successful restructuring of the Romanian subsidiary
12. Moderate efficacy of vaccines and drugs for Covid-19
13. Presence in all the fast growing IVD segments
14. Increasing recognition of the Company in Poland and abroad
15. High efficacy of the Company's tests in detection of Omicron
16. Spreading over time the changes in law (IVDR)

Risk factors

1. Dwindling demand related to the economic deterioration
2. Continuous inflationary pressure on margins
3. Change in the health care systems priorities
4. Change in reimbursement policies and IVD funding
5. Change in cooperation terms with public bodies
6. Change in law (IVDR) (postponed for 3 years)
7. Entry of new solutions to the market
8. Growing competition
9. Intellectual property breach
10. Deterioration of products quality
11. Loss of key employees
12. Lack of qualified staff
13. FX rates

Competitive advantages

1. European brand (vital for exports)
2. Attractive products prices as compared to global players
3. Well established market position in Poland
4. Important sales relationships outside Poland
5. Broad product offer (over 3,000 indexes)
6. Own production technologies
7. Focus on globally known and implemented technologies

BASIC DEFINITIONS

A/R turnover (in days) = $365/(\text{sales}/\text{average A/R})$
Inventory turnover (in days) = $365/(\text{COGS}/\text{average inventory})$
A/P turnover (in days) = $365/(\text{COGS}/\text{average A/P})$
Current ratio = $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$
Quick ratio = $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$
Interest coverage = $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$
Gross margin = $\text{gross profit on sales}/\text{sales}$
EBITDA margin = $\text{EBITDA}/\text{sales}$
EBIT margin = EBIT/sales
Pre-tax margin = $\text{pre-tax profit}/\text{sales}$
Net margin = $\text{net profit}/\text{sales}$
ROE = $\text{net profit}/\text{average equity}$
ROA = $(\text{net income} + \text{interest payable})/\text{average assets}$
EV = $\text{market capitalization} + \text{interest bearing debt} - \text{cash and equivalents}$
EPS = $\text{net profit}/\text{no. of shares outstanding}$
CE = $\text{net profit} + \text{depreciation}$
Dividend yield (gross) = $\text{pre-tax DPS}/\text{stock market price}$
Cash sales = $\text{accrual sales corrected for the change in A/R}$
Cash operating expenses = $\text{accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes}$

DM BOŚ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:

Buy – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;
Hold – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;
Sell – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:

Overweight – expected to perform better than the benchmark (WIG) over the next quarter in relative terms
Neutral – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms
Underweight – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŚ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.

Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

Distribution of DM BOŚ's current recommendations

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	39	32	8	9	0	2
Percentage	43%	36%	9%	10%	0%	2%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	33	32	14	9	0	2
Percentage	37%	36%	16%	10%	0%	2%

Banks

Net Interest Margin (NIM) = $\text{net interest income}/\text{average assets}$
Non interest income = $\text{fees\&commissions} + \text{result on financial operations (trading gains)} + \text{FX gains}$
Interest Spread = $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$
Cost/Income = $(\text{general costs} + \text{depreciation})/(\text{profit on banking activity} + \text{other net operating income})$
ROE = $\text{net profit}/\text{average equity}$
ROA = $\text{net income}/\text{average assets}$
Non performing loans (NPL) = loans in 'basket 3' category
NPL coverage ratio = $\text{loan loss provisions}/\text{NPL}$
Net provision charge = $\text{provisions created} - \text{provisions released}$

DM BOŚ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

Distribution of DM BOŚ's current recommendations for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	6	6	1	1	0	2
Percentage	38%	38%	6%	6%	0%	13%

Distribution of DM BOŚ's current market relative recommended weightings for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	6	3	4	1	0	2
Percentage	38%	19%	25%	6%	0%	13%

Recommendation tracker

Analyst	Fundamental Recommendation	Relative Recommendation	Report date	Reiteration date	Distribution date	Price at issue/reiteration*	EFV (12 months)
BioMaxima							
Sylwia Jaśkiewicz	Not rated	Not rated	06.09.2021	-	07.09.2021	30.70	37.30 →
Sylwia Jaśkiewicz	-	-	-	07.10.2021	07.10.2021	23.98	37.30 →
Sylwia Jaśkiewicz	-	-	-	04.11.2021	04.11.2021	23.20	37.30 →
Sylwia Jaśkiewicz	-	-	-	07.11.2021	08.11.2021	24.50	37.30 →
Sylwia Jaśkiewicz	-	-	-	15.11.2021	16.11.2021	26.20	37.30 →
Sylwia Jaśkiewicz	-	-	-	05.12.2021	06.12.2021	25.96	37.30 →
Sylwia Jaśkiewicz	-	-	-	16.01.2022	17.01.2022	34.40	37.30 →
Sylwia Jaśkiewicz	-	-	-	04.02.2022	04.02.2022	31.98	41.40 ↑
Sylwia Jaśkiewicz	-	-	-	07.02.2022	07.02.2022	30.50	41.40 →
Sylwia Jaśkiewicz	-	-	-	28.02.2022	28.02.2022	24.78	41.40 →
Sylwia Jaśkiewicz	-	-	-	14.04.2022	14.04.2022	22.75	41.40 →
Sylwia Jaśkiewicz	-	-	-	01.05.2022	02.05.2022	21.75	41.40 →
Sylwia Jaśkiewicz	-	-	-	19.05.2022	20.05.2022	22.20	34.60 ↓
Sylwia Jaśkiewicz	-	-	-	26.05.2022	26.05.2022	24.70	34.60 →
Sylwia Jaśkiewicz	-	-	-	30.05.2022	31.05.2022	24.65	37.60 ↑
Sylwia Jaśkiewicz	-	-	-	20.06.2022	21.06.2022	24.25	37.10 ↓
Sylwia Jaśkiewicz	-	-	-	15.07.2022	15.07.2022	28.70	37.10 →
Sylwia Jaśkiewicz	-	-	-	16.08.2022	16.08.2022	28.30	37.10 →
Sylwia Jaśkiewicz	-	-	-	02.09.2022	02.09.2022	25.50	37.10 →
Sylwia Jaśkiewicz	-	-	-	07.09.2022	07.09.2022	25.85	37.10 →
Sylwia Jaśkiewicz	-	-	-	02.10.2022	03.10.2022	24.15	33.90 ↓
Sylwia Jaśkiewicz	-	-	-	07.10.2022	07.10.2022	23.10	33.90 →
Sylwia Jaśkiewicz	-	-	-	28.10.2022	28.10.2022	23.20	33.90 →
Sylwia Jaśkiewicz	-	-	-	10.11.2022	10.11.2022	22.40	33.90 →
Sylwia Jaśkiewicz	-	-	-	29.11.2022	29.11.2022	23.05	33.90 →
Sylwia Jaśkiewicz	-	-	-	30.11.2022	01.12.2022	23.00	36.40 ↑
Sylwia Jaśkiewicz	-	-	-	04.12.2022	05.12.2022	23.75	36.40 →
Sylwia Jaśkiewicz	-	-	-	13.01.2023	13.01.2023	27.85	36.40 →
Sylwia Jaśkiewicz	-	-	-	03.02.2023	03.02.2023	29.10	36.40 →
Sylwia Jaśkiewicz	-	-	-	10.03.2023	10.03.2023	28.15	36.40 →
Sylwia Jaśkiewicz	-	-	-	13.04.2023	13.04.2023	25.05	36.40 →
Sylwia Jaśkiewicz	-	-	-	20.04.2023	21.04.2023	24.25	36.40 →
Sylwia Jaśkiewicz	-	-	-	01.05.2023	02.05.2023	26.30	36.40 →
Sylwia Jaśkiewicz	-	-	-	23.05.2023	24.05.2023	24.75	36.40 →
Sylwia Jaśkiewicz	-	-	-	04.06.2023	05.06.2023	23.50	36.40 →

* prices at issue/reiteration are the closing prices at the report or reiteration date

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The report was distributed on June 5, 2023 at 6.50 a.m.

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This report constitutes a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest. This report is for information purposes only.

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During the last 12 months DM BOŚ S.A. rendered investment services on behalf of BioMaxima pursuant to the agreement signed and received a remuneration by virtue of this.

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The report was not shown to the analyzed company before the distribution of the report.

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