



Dom Maklerski BDM S.A.

BIOMAXIMA

ANALYTICAL REPORT - SUMMARY

We reiterate our BUY recommendation for BioMaxima's shares, setting a target price of PLN 26.4/share (previously PLN 38.7/share). Expansion of production capacity, particularly in the area of drug resistance, gives the company a chance to compete with European leaders in the field of in vitro diagnostics. During the pandemic, the company took advantage of the increased demand for its products and acquired new customers. This has resulted in a high comparative base for subsequent period results, but with these measures and relationships, the company has an opportunity for dynamic growth.

The reduction in the target price is mainly due to an increase in the cost of equity (from 6.5% to 9.5%) and a reduction in earnings assumptions for 2023 and 2024. Q4'22 and Q1'23 showed how the company's current potential is shaping up once results are cleared of the impact of the Covid-19 pandemic. Delays in launching new production capacity and protracted patent processes will, in our view, prolong the process of developing them by attracting new buyers.

BioMaxima is a company engaged in manufacturing, trading and services in the field of medical laboratory diagnostics and industrial microbiology. The company's activities are based on four technology platforms: (1) diffusion drug susceptibility testing systems, (2) microbiological media, (3) rapid cassette tests and (4) clinical chemistry.

The company has repeatedly demonstrated its flexibility and high efficiency in responding to emerging market needs. It was one of the first companies to launch Covid-19 diagnostic tests, and it was also quick to respond to potential demand following the emergence of the monkeypox virus threat.

We expect growing demand for drug susceptibility diagnostics to drive the company's growth in the coming years. In 2019, nearly 5 million people worldwide died due to antibiotic-resistant bacteria. The growing problem of antibiotic resistance, mainly caused by the irrational use of drugs, calls for an increased role of diagnostics in patient treatment.

2023 is a year of transition for the company due to a significant investment in capacity expansion. The 2022 results were significantly boosted by a large order for Covid-19 diagnostic tests, while the impact of the commissioning of the new capacity will, in our assessment, be fully visible in 2024. Therefore, a decline in results throughout 2023 is inevitable. However, our model takes into account the impact of significant orders, which in healthcare typically occur towards the end of the year.

	2020	2021	2022	2023P	2024P	2025P
Revenues [PLNm]	61.3	79.1	143.9	51.9	61.6	80.7
EBIT [PLNm]	10.5	13.7	34.9	4.0	5.4	13.4
EBITDA [PLNm]	11.9	15.3	36.9	6.7	8.9	17.0
Net income [PLNm]	7.9	10.2	28.9	3.2	3.7	10.3
P/E	10.4	8.1	2.9	25.3	22.0	7.8
P/BV	4.2	2.8	1.6	1.5	1.4	1.2
EV/EBIT	8.7	7.1	2.0	20.9	15.2	5.9
EV/EBITDA	7.7	6.4	1.9	12.5	9.1	4.6
DPS	0.0	0.3	0.5	0.5	0.1	0.1
DY	0.0%	1.3%	2.3%	2.6%	0.6%	0.7%

BUY

(PREVIOUS: BUY)

TARGET PRICE 26.4 PLN

15 SEPTEMBER 2023, 08:55 CEST

Target price [PLN]	26.4
DCF valuation [PLN]	22.5
Peer valuation [PLN]	30.3
Price upside/downside	37.3%
Cost of capital	14.2%
Price [PLN]	19.2
Market cap [PLNm]	82.9
No. of shares [mn]	4.2
Max. price 6M [PLN]	28.0
Min. price 6M [PLN]	17.6
Rate of return 3M	-18.0%
Rate of return 6M	-30.1%
Rate of return 9M	-21.0%
Shareholders (% of votes):	
Shareholder agreement: Łukasz Urban, Andrzej Mikosz with TriCar Services LTD, Krzysztof Mikosz, Mariusz Nowak	28.8%
Others	71.2%

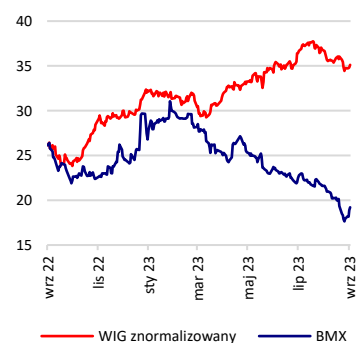
Anna Tobiasz, DI

anna.tobiasz@bdm.pl

tel. (+48) 666 073 972

Dom Maklerski BDM S.A.

ul. 3-go Maja 23, 40-096 Katowice



Valuation summary

	Share	Valuation
DCF valuation	50%	22.5
Peer valuation	50%	30.3
Target price [PLN]		26.4

Source: BDM S.A.

DCF valuation

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues [PLNm]	51.9	61.6	80.7	88.4	95.3	102.1	108.7	114.9	120.6	126.7
EBIT [PLNm]	4.0	5.4	13.4	15.7	17.4	19.1	20.8	22.3	23.6	25.0
Tax rate	17.2%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Tax on EBIT [PLNm]	0.7	1.0	2.5	3.0	3.3	3.6	4.0	4.2	4.5	4.8
NOPLAT [PLNm]	3.3	4.4	10.8	12.7	14.1	15.5	16.9	18.1	19.2	20.3
Amortization [PLNm]	2.7	3.6	3.7	3.0	3.1	3.2	3.3	3.2	3.2	3.1
CAPEX [PLNm]	-12.5	-4.5	-4.5	-3.9	-4.0	-3.6	-3.6	-3.4	-3.2	-3.1
Working capital movement [PLNm]	-2.2	0.6	-5.5	-1.9	-1.9	-1.9	-1.8	-1.7	-1.6	-1.7
FCF [PLNm]	-8.6	4.1	4.5	9.8	11.3	13.3	14.7	16.2	17.5	18.6
DFCF [PLNm]	-8.3	3.5	3.3	6.5	6.5	6.7	6.5	6.3	6.0	5.6
Total DFCF [PLNm]	42.7									
Terminal value [PLNm]	155.6									
Discounted terminal value [PLNm]	46.5									
Enterprise value [PLNm]	89.2									
Net debt 2022 [PLNm]	-7.1									
Dywidend [PLNm]	2.1									
Equity value [PLNm]	94.2									
Number of shares [mn]	4.2									
Value per share [PLN]	22.5									

Terminal growth rate: 2.0%

WACC calculation

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Risk-free rate	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Risk premium	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Beta	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Credit premium	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Cost of equity	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
Contribution of equity	87.1%	87.5%	92.3%	95.3%	97.7%	99.8%	99.9%	99.9%	100.0%	100.0%
Cost of debt after tax	5.9%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Contribution of debt	12.9%	12.5%	7.7%	4.7%	2.3%	0.2%	0.1%	0.1%	0.0%	0.0%
WACC	13.1%	13.1%	13.5%	13.8%	14.0%	14.1%	14.1%	14.1%	14.1%	14.2%

Source: BDM S.A.

Sensitivity analysis

Beta	Terminal growth rate			Risk premium	Terminal growth rate			Risk premium	Beta		
	1.0%	2.0%	3.0%		1.0%	2.0%	3.0%		0.8	0.9	1.0
0.8	23.7	24.9	26.3	8.5%	23.6	24.8	26.2	8.5%	27.3	24.8	22.6
0.9	21.5	22.5	23.6	9.5%	21.5	22.5	23.6	9.5%	24.9	22.5	20.4
1.0	19.6	20.4	21.3	10.5%	19.7	20.5	21.4	10.5%	22.8	20.5	18.5

Source: BDM S.A.

Peer valuation

	P/E			EV/EBITDA			EV/EBIT		
	2023P	2024P	2025P	2023P	2024P	2025P	2023P	2024P	2025P
ABBOTT LABORATORIES	23.1	22.1	20.0	17.8	16.1	14.2	20.4	19.2	16.8
THERMO FISHER SCIENTIFIC INC	22.9	21.3	19.3	20.1	18.1	16.3	22.2	20.2	18.2
BIOMERIEUX	25.0	21.5	19.6	12.9	11.3	10.2	18.0	15.7	14.0
ROCHE HOLDING AG-GENUSSCHEIN	14.3	13.4	12.2	9.6	8.9	7.9	10.8	10.0	9.0
AGILENT TECHNOLOGIES INC	21.0	20.1	18.2	17.6	16.5	15.1	18.9	17.5	15.9
SIEMENS HEALTHINEERS AG	23.9	20.4	17.5	15.9	13.3	11.4	21.5	17.3	14.3
BECTON DICKINSON AND CO	21.9	19.5	17.6	17.4	15.5	13.9	20.0	18.3	16.4
QIAGEN N.V.	18.9	18.0	16.3	13.3	11.6	10.2	17.7	15.3	13.1
BIO-RAD LABORATORIES-A	28.5	25.6	21.9	17.7	15.0	12.8	22.7	18.8	15.7
QUEST DIAGNOSTICS INC	14.5	14.0	13.0	9.8	9.2	8.4	12.1	11.4	10.4
Median	22.4	20.3	17.9	16.7	14.2	12.1	19.5	17.4	15.0
BIOMAXIMA	25.3	22.0	7.8	12.5	9.1	4.6	20.9	15.2	5.9
Premium/discount	13%	9%	-56%	-25%	-36%	-62%	7%	-13%	-61%
Valuation [PLN/share]	17.0	17.7	44.0	25.8	30.0	49.4	17.9	22.1	48.4
Year's contribution	33%	33%	33%	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]	26.2			35.1			29.5		
Multiple's contribution		33%			33%			33%	
Value per share [PLN]	30.3								

Source: BDM S.A., Bloomberg

Main risks: 1. risk of delaying investment and new product launches; 2. risk of increased competition; 3. risk of material availability and broken supply chains; 4. risk of customer concentration; 5. risk of not being able to retain or attract new qualified staff; 6. risk of loss of ISO quality certificates; 7. risk of excluding the possibility of valorisation of the prices of products and goods offered by the company in public procurement contracts; 8. risk of cooperation with ROSCO Diagnostica A/S; 9. currency risk; 10. risk of downturn in the laboratory diagnostics market; 11. risk of reduction in laboratory diagnostics funding

RESEARCH DEPARTMENT:

Maciej Bobrowski
 Director
 tel. (032) 208 14 12
 e-mail: maciej.bobrowski@bdm.pl
[strategy, industry, media/entertainment, TMT](#)

Krzysztof Pado
 Deputy Director
 Investment Adviser
 tel. (032) 208 14 32
 e-mail: krzysztof.pado@bdm.pl
[oil&gas, construction, building materials, real estate](#)

Krzysztof Tkocz
 Analyst
 tel. (032) 208 14 38
 e-mail: krzysztof.tkocz@bdm.pl
[gaming](#)

Anna Tobiasz
 Junior analyst
 Investment Adviser
 tel. (032) 208 14 35
 e-mail: anna.tobiasz@bdm.pl

INSTITUTIONAL SALES DEPARTMENT:

Leszek Mackiewicz
 Director
 tel. (022) 62-20-848
 e-mail: leszek.mackiewicz@bdm.pl

Maciej Fink-Finowicki
 tel. (022) 62-20-855
 e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski
 tel. (022) 62-20-851
 e-mail: piotr.komorowski@bdm.pl

Tomasz Grzeszczyk
 tel. (022) 62-20-854
 e-mail: tomasz.grzeszczyk@bdm.pl

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	26.4	Buy	38.7	15.09.2023*	08:55 CEST	19.2	67 199.88
Buy	38.7	---	---	25.04.2023	08:50 CEST	24.8	62 642.50

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

Explanations of terminology:

EBIT - earnings before interest and tax
 EBITDA — earnings before interest, taxes, depreciation, and amortization
 Net debt – interest bearing debt minus cash and equivalents
 WACC - weighted average cost of capital
 CAGR - cumulative average annual growth
 EPS - earnings per share
 DPS - dividend per share
 CEPS - net profit plus depreciation per share
 EV – market capitalization plus interest bearing debt minus cash and equivalents
 EV/S – market capitalization / sales
 EV/EBITDA – EV / sales
 P/EBIT – market capitalization / EBIT
 MC/S – market capitalization / sales
 P/E – market capitalization / net profit
 P/BV – market capitalization / book value
 P/CE - market capitalization / net profit plus depreciation
 ROE – net profit / equity
 ROA - net income / assets
 Gross margin - gross profit on sales / sales
 EBITDA margin – EBITDA / sales
 EBIT margin – EBIT / sales
 Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);
 Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);
 Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);
 Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);
 Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).
 Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.
 Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

The strengths and weaknesses of the valuation methods used in the report:

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).
 DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.
 Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in 3Q'23*:		distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
numbers	%	numbers	%
Buy	10 71%	0	0%
Accumulate	2 14%	0	0%
Hold	1 7%	0	0%
Reduce	1 7%	0	0%
Sell	0 0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>



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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwp2>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>.

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For the first time this report has been made available to the public on 15.09.2023 (08:55 CEST). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

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