

bdm
Dom Maklerski BDM S.A.
BIOMAXIMA
ANALYTICAL REPORT - SUMMARY

We are maintaining our **BUY** recommendation on BioMaxima shares, setting a target price of PLN 22.9 per share (previously PLN 26.4/share). Delays in the expansion of production capacity have postponed the conclusion of new major contracts, so we are lowering our earnings forecasts in the short term. The first visible effects of the launch of new capacities in our view will be visible in H2'24, with the potential for strong growth over the next two years.

The company maintains its assumptions that in three years from December'23 it will generate additional revenues of PLN 45 to 75 million per year. Taking into account the current production capacity, this is possible. In our forecasts, we take a conservative approach to these announcements. The company does not yet have contracts that would cover such a large increase in sales. The first contracts are certainly a good prognosis, while we believe that the risk of non-performance of the plan is too high to include the minimum plan execution in the valuation.

At the last conference, the CEO announced that the patents the company is applying for are being processed at European level, not just at national level. For this reason, the process is also lengthening and could take another 12 months or so. The products to be covered by the patent are also expected to contribute to the achievement of the targets set in the forecast, so we expect further significant agreements once patent protection is obtained.

We also expect an increase in business margins in future periods. By optimising logistics processes, the company has reduced delivery costs to customers. In addition, the incentive programme for key employees ended in 2023, which will be reflected in a decrease in employment costs in 2024. We expect that as sales increase, especially overseas, the company will be able to raise product prices, which will directly impact margins.

In our view, 1H'24 is still a transitional period for the company after strong pandemic gains and before new contracts are secured to fill its production capacity. We assume that the company will report on further contracts in the following months. The first effects of the new orders should be visible in 2H'24.

BUY
(PREVIOUS: BUY)
TARGET PRICE 22.9 PLN

05 JUNE 2023, 08:55 CEST

| | |
|---|--------|
| Target price [PLN] | 22.9 |
| DCF valuation [PLN] | 18.7 |
| Peer valuation [PLN] | 35.7 |
| Price upside/downside | 57.7% |
| Cost of capital | 14.2% |
| | |
| Price [PLN] | 14.6 |
| Market cap [PLNm] | 62.9 |
| No. of shares [mn] | 4.2 |
| | |
| Max. price 6M [PLN] | 17.8 |
| Min. price 6M [PLN] | 12.2 |
| | |
| Rate of return 3M | -1.7% |
| Rate of return 6M | -8.0% |
| Rate of return 9M | -21.4% |
| | |
| Shareholders (% of votes): | |
| Shareholder agreement: Łukasz Urban, Andrzej Mikosz with TriCar Services LTD, Krzysztof Mikosz, Mariusz Nowak | 28.9% |
| Others | 71.1% |

Anna Tobiasz, DI

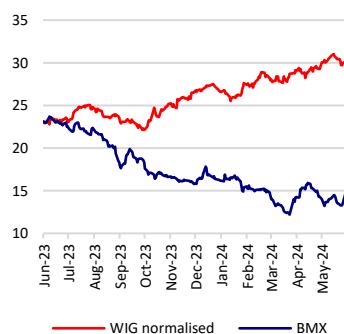
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| | 2021 | 2022 | 2023 | 2024P | 2025P | 2026P |
|-------------------|------|-------|-------|-------|-------|-------|
| Revenues [PLNm] | 79.1 | 143.9 | 46.8 | 54.8 | 77.8 | 88.0 |
| EBIT [PLNm] | 13.7 | 34.9 | 0.7 | 3.6 | 11.4 | 14.3 |
| EBITDA [PLNm] | 15.3 | 36.9 | 3.2 | 7.0 | 15.0 | 17.9 |
| Net income [PLNm] | 10.2 | 28.9 | 0.6 | 2.8 | 8.5 | 10.8 |
| P/E | 6.1 | 2.2 | 104.1 | 22.1 | 7.2 | 5.6 |
| P/BV | 2.2 | 1.2 | 1.3 | 1.2 | 1.1 | 0.9 |
| EV/EBIT | 5.6 | 1.5 | 99.4 | 20.9 | 6.6 | 4.7 |
| EV/EBITDA | 5.0 | 1.4 | 22.5 | 10.8 | 5.0 | 3.8 |
| DPS | 0.3 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 |
| DY | 1.7% | 3.1% | 3.4% | 0.0% | 0.0% | 0.0% |



Valuation summary

| | Share | Valuation |
|---------------------------|-------|-------------|
| DCF valuation | 75% | 18.7 |
| Peer valuation | 25% | 35.7 |
| Target price [PLN] | | 22.9 |

Source: BDM S.A.

DCF valuation

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|----------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenues [PLNm] | 54.8 | 77.8 | 88.0 | 94.4 | 100.9 | 107.2 | 113.3 | 119.0 | 123.2 | 127.4 |
| EBIT [PLNm] | 3.6 | 11.4 | 14.3 | 16.1 | 17.9 | 19.4 | 20.8 | 22.1 | 22.4 | 22.8 |
| Tax rate | 17.7% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% |
| Tax on EBIT [PLNm] | 0.6 | 2.2 | 2.7 | 3.1 | 3.4 | 3.7 | 4.0 | 4.2 | 4.3 | 4.3 |
| NOPLAT [PLNm] | 3.0 | 9.3 | 11.6 | 13.0 | 14.5 | 15.7 | 16.9 | 17.9 | 18.2 | 18.5 |
| Amortization [PLNm] | 3.4 | 3.6 | 3.6 | 3.2 | 3.1 | 3.1 | 3.0 | 2.9 | 2.9 | 2.9 |
| CAPEX [PLNm] | -3.5 | -4.1 | -3.3 | -3.3 | -3.3 | -3.3 | -3.2 | -3.0 | -2.9 | -2.9 |
| Working capital movement [PLNm] | -5.0 | -7.2 | -3.4 | -2.3 | -2.3 | -2.3 | -2.2 | -2.1 | -1.5 | -1.5 |
| FCF [PLNm] | -2.2 | 1.6 | 8.4 | 10.6 | 12.0 | 13.3 | 14.5 | 15.8 | 16.7 | 16.9 |
| DFCF [PLNm] | -2.0 | 1.3 | 6.2 | 6.8 | 6.8 | 6.6 | 6.3 | 6.0 | 5.5 | 4.9 |
| Total DFCF [PLNm] | 48.3 | | | | | | | | | |
| Terminal value [PLNm] | 142.1 | | | | | | | | | |
| Discounted terminal value [PLNm] | 41.4 | | | | | | | | | |
| Enterprise value [PLNm] | 89.7 | | | | | | | | | |
| Net debt 2022 [PLNm] | 11.4 | | | | | | | | | |
| Dividend [PLNm] | 0.0 | | | | | | | | | |
| Equity value [PLNm] | 78.3 | | | | | | | | | |
| Number of shares [mn] | 4.2 | | | | | | | | | |
| Value per share [PLN] | 18.7 | | | | | | | | | |

WACC calculation

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|------------------------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|
| 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 | 79.2% | 83.6% | 89.2% | 94.0% | 99.8% | 99.9% | 99.9% | 100.0% | 100.0% | 100.0% |
| Cost of debt after tax | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% |
| Contribution of debt | 20.8% | 16.4% | 10.8% | 6.0% | 0.2% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% |
| WACC | 12.4% | 12.8% | 13.2% | 13.6% | 14.1% | 14.1% | 14.1% | 14.1% | 14.2% | 14.2% |

Source: BDM S.A.

Sensitivity analysis

| Beta | Terminal growth rate | | | Terminal growth rate | | | Beta | | | | |
|------|----------------------|------|------|----------------------|------|------|------|-------|------|------|------|
| | 1.0% | 2.0% | 3.0% | 1.0% | 2.0% | 3.0% | 0.8 | 0.9 | 1.0 | | |
| | 0.8 | 19.9 | 20.9 | 22.2 | 8.5% | 19.8 | 20.8 | 22.0 | 8.5% | 23.1 | 20.8 |
| 0.9 | 17.8 | 18.7 | 19.7 | 9.5% | 17.8 | 18.7 | 19.7 | 9.5% | 20.9 | 18.7 | 16.8 |
| 1.0 | 16.1 | 16.8 | 17.6 | 10.5% | 16.2 | 16.9 | 17.7 | 10.5% | 19.0 | 16.9 | 15.1 |

Source: BDM S.A.

Peer valuation

| | P/E | 2024P | 2025P | 2026P | | EV/EBITDA | 2024P | 2025P | 2026P | |
|--------------------------------------|-----|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| ABBOTT LABORATORIES | | 22.2 | 20.1 | 18.4 | 16.7 | 15.0 | 13.2 | 19.4 | 17.0 | 14.8 |
| HERMO FISHER SCIENTIFIC INC | | 26.2 | 23.6 | 21.4 | 22.3 | 20.1 | 18.0 | 24.9 | 22.4 | 20.0 |
| BIOMERIEUX | | 23.7 | 21.3 | 18.7 | 13.1 | 11.5 | 10.2 | 18.1 | 15.9 | 14.6 |
| ROCHE HOLDING AG-GENUSSCHEIN | | 13.3 | 12.3 | 11.4 | 9.4 | 8.4 | 7.6 | 10.4 | 9.3 | 8.6 |
| AGILENT TECHNOLOGIES INC | | 25.2 | 23.2 | 21.3 | 20.7 | 18.6 | 17.0 | 22.8 | 20.4 | 18.6 |
| SIEMENS HEALTHINEERS AG | | 25.4 | 21.3 | 18.4 | 16.2 | 13.6 | 11.9 | 21.4 | 17.3 | 14.9 |
| BECTON DICKINSON AND CO | | 18.3 | 17.2 | 16.0 | 14.5 | 12.9 | 11.4 | 16.7 | 15.1 | 13.6 |
| QIAGEN N.V. | | 19.0 | 17.8 | 16.2 | 13.1 | 11.4 | 10.0 | 16.5 | 14.9 | 12.9 |
| BIO-RAD LABORATORIES-A | | 28.0 | 25.5 | 22.8 | 16.0 | 14.1 | 12.3 | 22.7 | 19.0 | 16.3 |
| QUEST DIAGNOSTICS INC | | 16.0 | 15.0 | 13.9 | 8.9 | 8.3 | 7.6 | 11.3 | 10.4 | 9.6 |
| Median | | 22.9 | 20.7 | 18.4 | 15.3 | 13.3 | 11.7 | 18.8 | 16.4 | 14.7 |
| BIOMAXIMA | | 22.1 | 7.2 | 5.6 | 10.8 | 5.0 | 3.8 | 20.9 | 6.6 | 4.7 |
| Premium/discount | | -4% | -65% | -69% | -29% | -62% | -68% | 11% | -60% | -68% |
| Valuation [PLN/share] | | 15.1 | 42.1 | 47.6 | 22.0 | 44.1 | 48.2 | 12.7 | 41.4 | 48.5 |
| Year's contribution | | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% |
| Average valuation [PLN/share] | | 34.9 | | | | 38.1 | | | 34.2 | |
| Multiple's contribution | | 33% | | | | 33% | | | 33% | |
| Value per share [PLN] | | | | | | | | | | 35.7 |

Source: BDM S.A., Bloomberg

Main risks: 1. risk of delaying 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 Diagnostics A/S; 9. currency risk; 10. risk of downturn in the laboratory diagnostics market; 11. risk of reduction in laboratory diagnostics funding

Q1 RESULTS

In Q1'24, sales revenue increased +4.1% y/y to PLN 11.5m. 61% of this amount was products, and 39% goods - comparable y/y and an improvement in favour of own products relative to Q4'23. An increase in costs was also visible, mainly material and energy consumption and staff costs. This resulted in a -39% y/y decrease in EBIT. The increase in financial costs was paralleled by an increase in financial income, so the final net profit was PLN 0.3 million.

Q1'24 results came in below our forecasts. The main factor was lower sales by PLN 0.5m. On a positive note, costs did not deviate significantly from our expectations. A significant increase in depreciation and amortisation resulted in a +9% y/y increase in EBITDA, while at the EBIT level the company recorded a decline. High financial income and negligible tax allowed for a net result of PLN 0.25m, which is -47.4% y/y and +14.9% above our forecasts. The share of sales of own products is also a good prognosis. An increase in this share in future periods should strengthen margins.

The company also announced that it has entered into an agreement for the manufacture and supply of disc diffusion systems for drug susceptibility testing. According to the management, revenues from this contract will amount to approximately PLN 1.05 million by the end of 2024 and will exceed PLN 2.6 million in 2025 and should increase in the following years. In Q1'24, BioMaxima participated in public procurement proceedings for a total of PLN 5.9m, of which PLN 3.4m was obtained. In the following two months, the company secured further orders worth PLN 2.2 million. Most of these are annual contracts, while in some cases the completion dates may vary. In addition to public orders, the company is also taking part in tenders organised by private companies, but it did not disclose the size of these contracts. In our opinion, this will help fill new capacities, but the company needs more such contracts to meet its targets for the coming years.

We view 1Q'24 results negatively, while pointing to a favourable outlook for subsequent periods. The company is still in a transition period between strong pandemic results and earnings growth in the rest of the range. The first published contracts and public tender wins are, in our view, the first stage of filling new capacities. The current capacity allows the company to compete for larger tenders, so there may be one-off large orders and long-term contracts that require high production and operational capacity in future periods.

Q1'24 results [PLNm]

| | Q1'23 | Q1'24 | y/y | Q1'24F BDM | div. |
|---------------------|-------|-------|--------|------------|--------|
| Sales | 11.08 | 11.53 | 4.1% | 12.08 | -4.5% |
| EBITDA | 1.00 | 1.09 | 9.0% | 1.29 | -15.1% |
| EBIT | 0.46 | 0.28 | -39.0% | 0.46 | -39.4% |
| Income before taxes | 0.50 | 0.25 | -49.3% | 0.27 | -5.5% |
| Net income | 0.48 | 0.25 | -47.4% | 0.22 | 14.9% |
| EBITDA margin | 9.0% | 9.5% | | 10.6% | |
| EBIT margin | 4.2% | 2.4% | | 3.8% | |
| Net margin | 4.3% | 2.2% | | 1.8% | |

Source: BDM S.A., company

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Ratings and price targets history:

| rating | price target | previous rating | previous target price | report date | report date (hour) | price | WIG |
|------------|--------------|-----------------|-----------------------|--------------------|--------------------|--------------|------------------|
| Buy | 22.9 | Buy | 26.4 | 05.06.2024* | 08:55 CEST | 14.55 | 84 978.57 |
| Buy | 26.4 | Buy | 38.7 | 15.09.2023* | 08:55 CEST | 19.20 | 67 199.88 |
| Buy | 38.7 | --- | --- | 25.04.2023 | 08:50 CEST | 24.80 | 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.
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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 Q2'24*: | | . distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months | | |
|--|---------|---|---------|----|
| | numbers | % | numbers | % |
| Buy | 8 | 57% | 0 | 0% |
| Accumulate | 3 | 21% | 0 | 0% |
| Hold | 3 | 21% | 0 | 0% |
| Reduce | 0 | 0% | 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.

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For the first time this report has been made available to the public on 05.06.2024 (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.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical "Monthly Report".

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BDM is not obliged to take any actions which could cause financial instruments that are the subject of the valuation contained in this document to be valued by the market in accordance with the valuation contained in this document.

The investor should assume that BDM employees or proxies or shareholders may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares; this particularly concerns the situation of holding not more than 5% of the capital, and they may also carry out transactions on them as proxies.

Each of the above-mentioned persons could carry out transaction relating to the financial instruments concerned prior to this publication. At the same time, however, the instruments concerned are entered in the restrictive list for employees of the Analysis Department immediately at the start of work on the report.

We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the "Policy of management of conflicts of interest at the BDM S.A.". We point out that as for 05.06.2024:

- BDM states and assures that BDM is involved financially in financial instruments of the Issuer.
- BDM is not a holder of net long or short positions exceeding the threshold of 0.5 % of the total issued share capital of the issuer.
- The person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0.5 % of the total issued share capital of the issuer.
- The issuer does not hold shares exceeding 5 % of the BDM issued share capital.
- BDM is a market maker or liquidity provider in the financial instruments of the issuer.
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to section A and B of Annex I to the Directive 2014/65/EU of the European Parliament and of the Council (hereinafter the Directive 2014/65/EU).
- BDM is not a party to an agreement with the issuer relating to the production of the recommendation.
- There is other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments*.
- There are no significant connections between BDM or its related affiliates and the issuer of financial instruments.
- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares.
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them.
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

*BDM is a party to the "ANALYTICAL REPORT PREPARATION SERVICES AGREEMENT" concluded with the WSE.

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

BDM is subject to supervision by the Polish Financial Supervision Commission.

This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.