

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

## 3-year record marginality

### Highest EBITDA margin since 2021, positive outlook on sales and margins

Svas released a good 1H24 P&L, with revenues up by 5.8% yoy to €58.2m. This represents 47.7% of our FY24E (€122.1m, +3.2% yoy). Assuming a trend in line with 1H23 (46.4% on FY23), sales are on track to reach our FY24E (122.1m).

The sales divisional breakdown (including €0.9m infra-group sales) is as follows: Farmex increased by 1.7% to €17.7m, Svas decreased by 5.7% to €8.3m, Medical decreased by 13% to €4m, Mark Medical increased by 12.4% to €20m and Bormia increased by 30% to €9.1m. The geographic breakdown showed 49% of revenues in Italy (vs 55% in FY23) and 51% abroad (vs 45% in FY23), confirming Svas expansion path in the Balkans. EBITDA grew by 11.4% yoy to €7.7m with EBITDA margin improving to 13.3%, the highest EBITDA margin in 5 semesters, 60bps above 1H23 and 170bps above 2H23. EBIT increased by 17.6% yoy to €5m with margin of 8.6% and above our FY24E (7.2%), 90bps yoy vs 1H23. Net profit was €2.6m, up by 14.4% yoy.

At the end of June, Net debt rose to €27m (vs our end €25.9m at YE24) from €23.8m in FY23 mainly due to i) higher operating net working capital at €48.6m (from €43m) coming from faster payments time and longer DSO. We flagged a similar concern in 1H23, but DSO were back on track by YE23; ii) €2.1m Capex (vs €2.2m yoy); iii) €1.6m Dividend distribution. The management gave a positive outlook for the year thanks to positive trends in terms of sales and expected margins.

### FY24E EBITDA increased by 4%, revenue forecasts confirmed

We confirm our revenues forecasts [*Company Update on 15 May 2024*] and fine-tuned our estimates to reflect the marginality recorded in 1H24, with EBITDA at €15.2m in FY24E and at €16.2m in FY25E up by 4% and 1% respectively from our previous projections. We also revised net debt assumptions, with FY24E Net debt now seen at €27m from previous €25.9m, mainly due to changes in NWC as the company accelerated payments in 1H24.

### Valuation: BUY confirmed; 12-month target price unchanged at €13.5/sh

We confirm our 12-month Target Price at €13.5/sh. Our Target Price is the weighted average between DCF (68%) and relative market multiples (32%) valuation. DCF valuation was reduced to €9.0/sh (from €9.7/sh) primarily due to lower TV Cash Flow of €4.8m (from previous €5.4m). For the market multiples valuation, we considered the EV/EBITDA 2025E of 12x (from previous 11.9x), to which we apply a 20% discount as Svas is less exposed to the production of advanced medical devices compared to some of its peers. This leads us to an Equity Value of €23/share. Svas Biosana trades at a discount (4.1x) on EV/EBITDA25E vs comparable (12x) due to lower marginality and reduced exposure to the production of advanced medical devices. We believe the Company continues to be attractive given its solid results track record since IPO, significant potential upside vs current price and undemanding 0.7x P/BV, so we confirm our BUY recommendation.

October 18, 2024 at 18:00

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>	7.70				
Number of shares (mln)	5.6				
Market cap. (mln)	43.1				
<b>1Y Performance</b>					
Absolute	8%				
Max / Min	8,4 / 6,9				
(€mln)	2023	2024E	2025E	2026E	2027E
Revenues	118.3	122.1	127.6	133.4	139.5
yoy (%)	22%	3%	4%	4%	4%
<b>EBITDA</b>	<b>14.2</b>	<b>15.2</b>	<b>16.2</b>	<b>17.1</b>	<b>18.1</b>
margin (%)	12%	12%	13%	13%	13%
<b>EBIT</b>	<b>8.6</b>	<b>9.3</b>	<b>9.2</b>	<b>10.3</b>	<b>12.1</b>
margin (%)	7%	8%	7%	8%	9%
<b>Net Income</b>	<b>5.1</b>	<b>5.0</b>	<b>5.4</b>	<b>6.4</b>	<b>7.9</b>
margin (%)	4%	4%	4%	5%	6%
<b>Net Debt</b>	<b>23.8</b>	<b>27.0</b>	<b>27.0</b>	<b>25.5</b>	<b>22.9</b>
<b>Sh. Equity</b>	<b>59.0</b>	<b>62.4</b>	<b>67.2</b>	<b>73.1</b>	<b>80.4</b>
Capex	(5.8)	(5.6)	(8.5)	(8.7)	(7.3)
FCFs	0.0	(0.7)	2.1	3.4	4.4



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## SWOT analysis

### STRENGTHS

- Multinational Company
- Well diversified portfolio
- Focus on innovation and R&D
- Distinctive Know-How
- Dense commercial network
- Resilience to global recession
- Long-lasting client relationships
- Distribution sites close to end-customer
- Successful M&A track record
- Products customization
- High quality offer
- Diversified and complementary product portfolio
- Top end customers

### WEAKNESSES

- Italian revenues highly related to National Health System relationship
- Revenues associated to tenders

### OPPORTUNITY

- Strategically positioned to boost long term expansion
- Growth through M&A
- Production capacity expansion
- Logistics updates to reduce time to market
- New product lines development

### THREATS

- Intensifying competition within large manufacturers
- High growth rates could lead to cost management issues
- Internalization of Svas' processes by its main customers
- Cannibalization risk of products under Svas' brand and third-party brand
- Substitute products competition
- High and persistent raw materials and energy costs
- Retroactive regulations aimed at containing public health expenditure

## 1H24 results

### Good P&L, room for improvement in cash flows

Svas released a good 1H24 P&L, with revenue up by 5.8% yoy and EBITDA marginality at the highest levels since 2021. NWC cash absorption was noticeable, primarily due to quicker payments, and longer receivable collections time. We flagged a similar concern in 1H23, but DSO went back on track by YE23.

The management gave a good outlook for the year thanks to positive trends in terms of sales and expected margins.

### Revenue growth led by Mark Medical

During 1H24, revenues increased by 5.8% yoy to €58.2m. This represents 47.7% of our FY24E (€122.1m, +3.2% yoy). Assuming a trend in line with 1H23 (46.4% on FY23), sales are on track to reach our FY24E (122.1m).

The sales divisional breakdown (including €0.9m infra-group sales) is as follows: Farmex increased by 1.7% to €17.7m, Svas decreased by 5.7% to €8.3m, Medical decreased by 13% to €4.0m, Mark Medical increased by 12.4% to €20m and Bormia increased by 30% to €9.1m.

Farmex accounted for 29.9% of revenues (+2.6pp vs our estimates), while Svas was 14% (-4.7pp vs our estimates), Medical 6.8% (-2.5pp vs our estimates), Mark Medical 33.8% (+3.2pp vs our estimates), Bormia 15.4% (+1.3pp vs our estimates).

### Growing share of international revenues

At a geographical level, 49% of revenues were generated in Italy (vs 55% in FY23) and 51% abroad (vs 45% in FY23), confirming the internationalization path in the Balkan region.

Figure 1: Revenue breakdown 1H22-1H24 (€, mln)

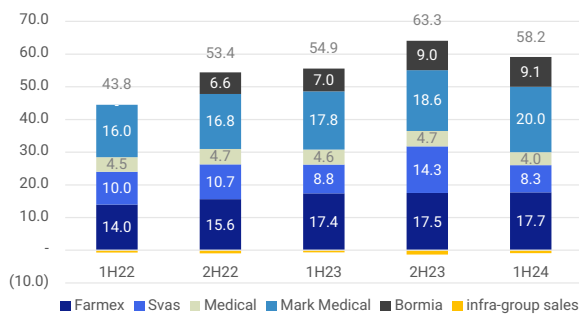
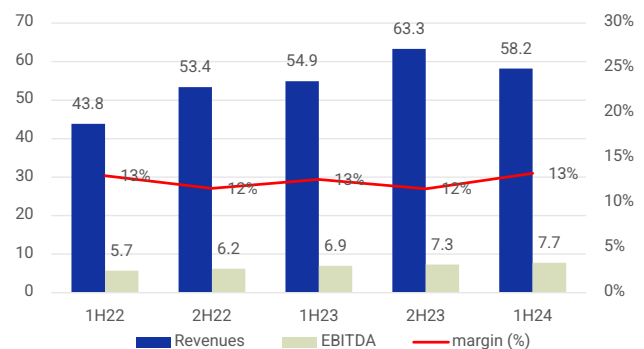


Figure 2: EBITDA (€, mln) and EBITDA margin (%)



Source: Banca Profilo elaborations and estimates on Company data

### Highest EBITDA margin in 5 semesters

EBITDA was €7.7m (52% of our FY24E at €14.7m) and up by 11.4% yoy thanks to lower production costs, EBITDA margin was 13.3% and above our FY24E margin (12%), 60bps above 1H23 and 170bps above 2H23. EBIT increased by 17.6% yoy to €5m with margin of 8.6% and above our FY24E margin (7.2%), 90bps yoy vs 1H23. Net profit was €2.6m, up by 14.4% yoy.

### Net debt increased to €27m

Operating net working capital increased to €48.6m (from €43m) mainly due to faster payments, with accounts payable declining to €27.3m from €31m at the end of FY23.

Capex were €2.1m (vs €2.2m yoy). Net debt increased to €27m (vs our €25.9m at YE24) from €23.8m at the end of December 2023.

Table 1: Revenue by division 1H22-1H24 (€, mln)

Revenues (€,mln)	1H22	2022	1H23	2023	1H24
Farmex	14.0	29.6	17.4	34.9	17.7
yoy (%)	6.2%	7.4%	24.3%	17.9%	1.7%
on revenues (%)	32%	30%	32%	30%	30%
Svas	10.0	20.7	8.8	23.1	8.3
yoy (%)	11.1%	11.9%	-12.0%	11.6%	-5.7%
on revenues (%)	23%	21%	16%	20%	14%
Medical	4.5	9.2	4.6	9.3	4.0
yoy (%)	14.3%	7.6%	2.2%	1.1%	-13.0%
on revenues (%)	10%	9%	8%	8%	7%
Mark Medical	16.0	32.8	17.8	36.4	20.0
yoy (%)	24.8%	20.1%	11.3%	11.0%	12.4%
on revenues (%)	36%	34%	32%	31%	34%
Bormia	-	6.6	7.0	16.0	9.1
yoy (%)	0.0%	0.0%	0.0%	142.4%	30.0%
on revenues (%)	0%	7%	13%	14%	16%
infra-group sales	(0.7)	(1.7)	(0.7)	(2.0)	(0.9)
<b>Revenues</b>	<b>43.8</b>	<b>97.2</b>	<b>54.9</b>	<b>118.3</b>	<b>58.2</b>
yoy (%)	14%	20%	25%	22%	6%

Source: Banca Profilo elaborations on Company data

Table 2: Income Statement 1H22-1H24 (€, mln)

P&L (€,mln)	1H22	2022	1H23	2023	1H24
Revenues	43.8	97.2	54.9	118.3	58.2
Other revenues	0.8	2.3	1.9	3.4	0.9
<b>Total revenues (VoP)</b>	<b>44.7</b>	<b>99.5</b>	<b>56.9</b>	<b>121.6</b>	<b>59.1</b>
Raw materials	(25.9)	(59.2)	(33.9)	(72.8)	(35.1)
Costs of services	(6.7)	(14.4)	(7.4)	(17.3)	(7.7)
Lease and rent	(0.8)	(1.6)	(0.9)	(1.9)	(1.1)
Changes in inventories	1.4	2.8	0.1	0.7	0.9
Other costs	(1.2)	(2.5)	(1.1)	(2.4)	(1.2)
Labour Cost	(5.8)	(12.7)	(6.8)	(13.8)	(7.1)
<b>EBITDA</b>	<b>5.7</b>	<b>11.9</b>	<b>6.9</b>	<b>14.2</b>	<b>7.7</b>
margin (%)	13%	12%	13%	12%	13%
yoy (%)	-1%	12%	22%	20%	11%
D&A	(2.6)	(5.6)	(2.7)	(5.7)	(2.7)
Provision and Write off	(0.3)	(0.9)	(0.3)	(0.7)	(0.2)
<b>EBIT</b>	<b>3.1</b>	<b>6.3</b>	<b>4.2</b>	<b>8.6</b>	<b>5.0</b>
margin (%)	0.1	0.1	0.1	0.1	0.1
yoy (%)	(0.1)	0.1	0.4	0.4	0.2
Net financial expenses	(0.8)	(1.6)	(0.9)	(1.8)	(1.4)
Taxes	(0.6)	(1.1)	(1.0)	(1.7)	(1.0)
<b>Group Net profit</b>	<b>1.7</b>	<b>3.6</b>	<b>2.3</b>	<b>5.1</b>	<b>2.6</b>
margin (%)	4%	4%	4%	4%	4%
yoy (%)	-12%	13%	33%	44%	14%

Source: Banca Profilo elaborations on Company data

Table 3: Balance Sheet 1H22-1H24 (€, mln)

Balance sheet (€/mln)	1H22	2022	1H23	2023	1H24
Inventory	28.5	29.8	31.6	32.7	32.2
Accounts receivables	35.5	39.0	41.9	41.4	43.6
Accounts payables	-25.0	-28.2	-28.6	-31.0	-27.3
<b>Operating Net Working Capital</b>	<b>38.9</b>	<b>40.6</b>	<b>45.0</b>	<b>43.0</b>	<b>48.6</b>
Other current asset and liabilities	4.7	0.4	1.7	3.7	1.7
<b>Net Working Capital</b>	<b>43.6</b>	<b>41.0</b>	<b>46.6</b>	<b>46.7</b>	<b>50.3</b>
Intangibles	10.7	11.0	11.4	11.4	11.7
Tangibles	25.9	26.2	25.8	26.8	26.0
Financials	0.1	0.2	0.1	0.1	0.1
<b>Fixed Asset</b>	<b>36.7</b>	<b>37.5</b>	<b>37.3</b>	<b>38.3</b>	<b>37.8</b>
Other liabilities	-2.3	-2.3	-2.2	-2.2	-2.1
<b>Net Invested Capital</b>	<b>78.0</b>	<b>76.2</b>	<b>81.7</b>	<b>82.8</b>	<b>86.0</b>
<b>Equity</b>	<b>52.7</b>	<b>54.5</b>	<b>56.5</b>	<b>59.0</b>	<b>58.9</b>
<b>Net debt (cash)</b>	<b>25.3</b>	<b>21.7</b>	<b>25.2</b>	<b>23.8</b>	<b>27.0</b>

Source: Banca Profilo elaborations on Company data

# Strategy and estimates

## Corporate strategies

### New plant

In 1H23, Svas announced the plan to develop a new production plant for incontinence products that should significantly increase production capacity. Based on discussions with management the Company is still waiting for the relevant permits.

### New €6mIn bond to be issued by November

On October 18 2024 the Company said the BoD approved the issue of a non-convertible, non-subordinated bond, with nominal amount of €6mIn and maturity in May 2031. The issue is expected by November 2024 and will be entirely offered for subscription to a securitization vehicle as part of a basket bond in which Banca Finint will be the senior investor.

## 2024-2027 estimates revision

### FY24E EBITDA increased by 4%, revenue forecasts confirmed

We confirm our revenues forecasts [*Company Update on 15 May 2024*] and fine-tuned our estimates to reflect the increase in marginality recorded in 1H24, with EBITDA at €15.2mIn in FY24E and at €16.2mIn in FY25E up by 4% and 1% respectively from previous estimates. We also revised net debt assumptions, with FY24E Net debt now seen at €27mIn from previous €25.9mIn, mainly due to changes in NWC as the company accelerated payments in 1H24.

We also added FY27E, with same growth as assumed in FY26E and minor EBITDA margin expansion (+0.2pp).

Figure 3: Revenue breakdown by unit (22-27E)

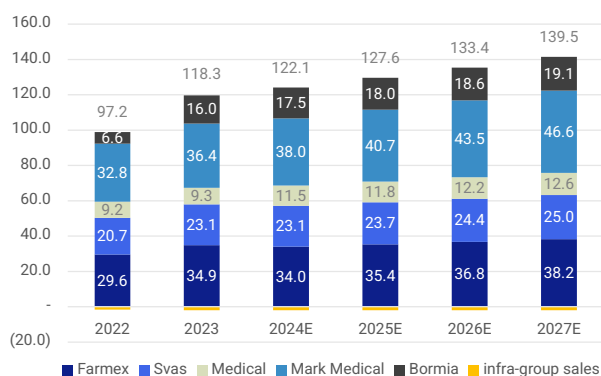
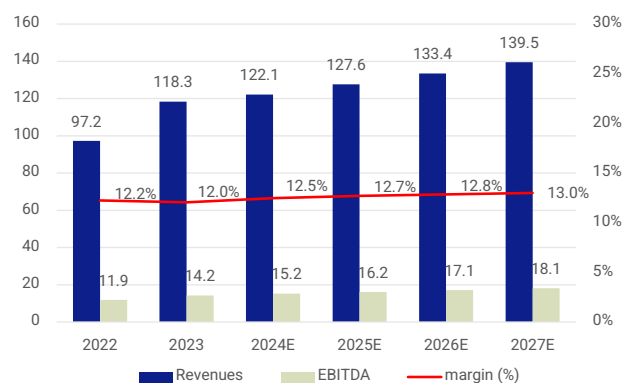


Figure 4: Revenue, EBITDA and margin (22-27E)



Source: Banca Profilo elaborations and estimates on Company data

Table 4: Revenue breakdown by division 22-27E (€, mln)

Revenues	2022	2023	2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E
			old	new	old	new	old	new	old	new
Farmex	29.6	34.9	34.0	34.0	35.4	35.4	36.8	36.8		38.2
yoy (%)	7%	18%	-3%	-3%	4%	4%	4%	4%		4%
on revenues (%)	30%	30%	28%	28%	28%	28%	28%	28%		27%
Svas	20.7	23.1	23.1	23.1	23.7	23.7	24.4	24.4		25.0
yoy (%)	12%	12%	0%	0%	3%	3%	3%	3%		3%
on revenues (%)	21%	20%	19%	19%	19%	19%	18%	18%		18%
Medical	9.2	9.3	11.5	11.5	11.8	11.8	12.2	12.2		12.6
yoy (%)	8%	1%	24%	24%	3%	3%	3%	3%		3%
on revenues (%)	9%	8%	9%	9%	9%	9%	9%	9%		9%
Mark Medical	32.8	36.4	38.0	38.0	40.7	40.7	43.5	43.5		46.6
yoy (%)	20%	11%	4%	4%	7%	7%	7%	7%		7%
on revenues (%)	34%	31%	31%	31%	32%	32%	33%	33%		33%
Bormia	6.6	16.0	17.5	17.5	18.0	18.0	18.6	18.6		19.1
on revenues (%)	7%	14%	14%	14%	14%	14%	14%	14%		14%
infra-group sales	(1.7)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)		(2.0)
<b>Revenues</b>	<b>97.2</b>	<b>118.3</b>	<b>122.1</b>	<b>122.1</b>	<b>127.6</b>	<b>127.6</b>	<b>133.4</b>	<b>133.4</b>		<b>139.5</b>

Source: Banca Profilo elaborations and estimates on Company data

Table 5: Income statement FY22-27E (€, mln)

Income Statement	2022	2023	2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E
			old	new	old	new	old	new	old	new
Revenues	97.2	118.3	122.1	122.1	127.6	127.6	133.4	133.4		139.5
yoy (%)	20%	22%	3%	3%	4%	4%	4%	4%		4%
Other revenues	2.3	3.4	2.7	2.7	2.9	2.9	3.0	3.0		3.1
<b>Total revenues (VoP)</b>	<b>99.5</b>	<b>121.6</b>	<b>124.8</b>	<b>124.8</b>	<b>130.5</b>	<b>130.5</b>	<b>136.4</b>	<b>136.4</b>		<b>142.7</b>
Raw materials	(59.2)	(72.8)	(74.5)	(74.3)	(77.5)	(77.3)	(80.8)	(80.8)		(84.5)
Costs of services	(14.4)	(17.3)	(17.7)	(17.3)	(18.5)	(18.5)	(19.3)	(19.3)		(20.2)
Lease and rent	(1.6)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.1)	(2.1)		(2.2)
Changes in inventories	2.8	0.7	1.2	1.2	1.3	1.3	1.3	1.3		1.4
Other costs	(2.5)	(2.4)	(2.9)	(2.9)	(2.7)	(2.7)	(2.7)	(2.7)		(2.7)
Labour Cost	(12.7)	(13.8)	(14.4)	(14.4)	(15.0)	(15.0)	(15.6)	(15.6)		(16.3)
<b>EBITDA</b>	<b>11.9</b>	<b>14.2</b>	<b>14.7</b>	<b>15.2</b>	<b>16.0</b>	<b>16.2</b>	<b>17.1</b>	<b>17.1</b>		<b>18.1</b>
margin (%)	12%	12%	12%	12%	13%	13%	13%	13%		13%
yoy (%)	12%	20%	3%	7%	9%	6%	7%	6%		6%
<b>D&amp;A</b>	<b>(5.6)</b>	<b>(5.7)</b>	<b>(5.9)</b>	<b>(5.9)</b>	<b>(7.0)</b>	<b>(7.0)</b>	<b>(6.8)</b>	<b>(6.8)</b>		<b>(6.0)</b>
<b>EBIT</b>	<b>6.3</b>	<b>8.6</b>	<b>8.7</b>	<b>9.3</b>	<b>9.0</b>	<b>9.2</b>	<b>10.3</b>	<b>10.3</b>		<b>12.1</b>
margin (%)	6%	7%	7%	8%	7%	7%	8%	8%		9%
yoy (%)	8%	37%	2%	9%	3%	-1%	14%	12%		18%
Net financial expenses	(1.6)	(1.8)	(2.5)	(2.8)	(2.2)	(2.2)	(2.0)	(2.0)		(1.8)
Taxes	(1.1)	(1.7)	(1.5)	(1.5)	(1.6)	(1.6)	(1.9)	(1.9)		(2.4)
Tax rate (%)	23%	25%	23%	23%	23%	23%	23%	23%		23%
<b>Net profit</b>	<b>3.6</b>	<b>5.1</b>	<b>4.8</b>	<b>5.0</b>	<b>5.2</b>	<b>5.4</b>	<b>6.4</b>	<b>6.4</b>		<b>7.9</b>
margin (%)	4%	4%	4%	4%	4%	4%	5%	5%		6%
yoy (%)	13%	44%	-7%	-3%	9%	7%	22%	19%		25%

Source: Banca Profilo elaborations and estimates on Company data

Table 6: Balance Sheet FY22-27E (€, mln)

Balance Sheet	2022	2023	2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E
			old	new	old	new	old	new	old	new
Inventory	29.8	32.7	37.8	37.8	40.2	40.2	42.0	42.0		44.3
Accounts receivables	39.0	41.4	43.8	43.8	47.2	47.2	49.0	49.0		51.2
Accounts payables	(28.2)	(31.0)	(31.8)	(31.0)	(33.9)	(33.9)	(35.1)	(35.4)		(37.0)
<b>Operating Net Working Capital</b>	<b>40.6</b>	<b>43.0</b>	<b>49.8</b>	<b>50.6</b>	<b>53.5</b>	<b>53.5</b>	<b>55.9</b>	<b>55.6</b>		<b>58.5</b>
Other current asset and liabilities	0.4	3.7	3.7	3.7	3.7	3.7	3.7	3.7		3.7
<b>Net Working Capital</b>	<b>41.0</b>	<b>46.7</b>	<b>53.5</b>	<b>54.3</b>	<b>57.1</b>	<b>57.2</b>	<b>59.5</b>	<b>59.3</b>		<b>62.2</b>
Intangibles	11.0	11.4	11.3	11.3	11.6	11.6	11.9	11.9		12.3
Tangibles	26.2	26.8	26.0	26.0	27.7	27.7	29.7	29.7		31.1
Financials	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1		0.1
<b>Fixed Asset</b>	<b>37.5</b>	<b>38.3</b>	<b>37.4</b>	<b>37.4</b>	<b>39.4</b>	<b>39.4</b>	<b>41.8</b>	<b>41.8</b>		<b>43.6</b>
Provision for risk and Charges	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		(0.2)
Pensions	(1.9)	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)	(2.1)	(2.1)		(2.2)
Funds	(2.2)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)	(2.3)		(2.4)
Other asset and liabilities	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		(0.2)
<b>Net Invested Capital</b>	<b>76.2</b>	<b>82.8</b>	<b>88.6</b>	<b>89.4</b>	<b>94.2</b>	<b>94.2</b>	<b>98.9</b>	<b>98.6</b>		<b>103.2</b>
Share capital	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6		20.6
Reserves	23.5	23.7	23.7	23.7	23.7	23.7	23.7	23.7		23.7
Accumulated profit/loss	6.8	9.6	13.6	13.1	17.9	17.6	22.6	22.4		28.1
Net profit	3.6	5.1	4.8	5.0	5.2	5.4	6.4	6.4		7.9
Minority share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
<b>Equity</b>	<b>54.5</b>	<b>59.0</b>	<b>62.7</b>	<b>62.4</b>	<b>67.5</b>	<b>67.2</b>	<b>73.3</b>	<b>73.1</b>		<b>80.4</b>
<b>Net debt (cash)</b>	<b>21.7</b>	<b>23.8</b>	<b>25.9</b>	<b>27.0</b>	<b>26.7</b>	<b>27.0</b>	<b>25.6</b>	<b>25.5</b>		<b>22.9</b>

Source: Banca Profilo elaborations and estimates on Company data

Table 7: FCF 24-28E (€, mln)

FCF (€/mln)	2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E	2028E
	old	new	old	new	old	new	old	new	new
EBIT	8.7	9.3	9.0	9.2	10.3	10.3	12.6	12.1	13.2
taxes	(2.6)	(2.8)	(2.7)	(2.8)	(3.1)	(3.1)	(3.8)	(3.6)	(4.0)
<b>NOPAT</b>	<b>6.1</b>	<b>6.5</b>	<b>6.3</b>	<b>6.5</b>	<b>7.2</b>	<b>7.2</b>	<b>8.8</b>	<b>8.5</b>	<b>9.3</b>
D&A	5.9	5.9	7.0	7.0	6.8	6.8	5.5	6.0	5.8
<b>Operating cash flow</b>	<b>12.0</b>	<b>12.4</b>	<b>13.3</b>	<b>13.4</b>	<b>14.0</b>	<b>14.0</b>	<b>14.3</b>	<b>14.5</b>	<b>15.1</b>
Operating Net Working Capital change	(6.8)	(7.6)	(3.7)	(2.9)	(2.4)	(2.1)	(2.8)	(2.9)	(3.1)
Other funds	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capex	(5.6)	(5.6)	(8.5)	(8.5)	(8.7)	(8.7)	(6.2)	(7.3)	(7.3)
<b>FCF</b>	<b>(0.2)</b>	<b>(0.7)</b>	<b>1.2</b>	<b>2.1</b>	<b>3.0</b>	<b>3.4</b>	<b>5.4</b>	<b>4.4</b>	<b>4.8</b>

Source: Banca Profilo elaborations and estimates on Company data

## Key risks

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;

**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		
	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

#### 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/sh

Our DCF model leads to an Equity Value of €50.7mln or €9/share (vs previous €9.7/share), thanks to lower risk free which offset lower FCF.

#### Market multiples valuation: €23 /share

To assess our relative market multiples valuation, we chose the median EV/EBITDA 2025E, which is at 12x (as of October 17, 2024) discounted by 20% to reflect Svas lower exposure to the production of medical devices. We derived an implied Equity Value of €128.8mln or €23/share (vs previous €20.7/share).

#### BUY confirmed; 12-month TP €13.5/sh (unchanged)

Our weighted average of DCF (68%) and relative market multiples (32%) valuation brings our 12-month Target Price to €13.5/share (unchanged). Given the significant upside on Svas closing price (as of October 18, 2024), we confirm our BUY recommendation.

### DCF valuation

#### €14.6mln of cumulated FCFs in 25E-28E

To run the DCF model, we used our projections of FCFs for the 2025-28E explicit period: €14.6mln of cumulated FCFs (vs previous 2024-27E of €9.4mln).

We consider the FY28E FCF of €4.8mln as the Terminal Value cash flow (vs previous €5.4mln).

#### 7.5% WACC

We use our WACC unchanged at 7.5%, more precisely:

- 4.3% Risk Free rate (vs previous 4.4%) as implicitly expected by consensus on the 30Y Italian BTP yield curve in a scenario of next-to come easing monetary policy;
- 5.5% market risk premium (unchanged);
- 1.2 beta (unchanged), coming from the average of chosen listed peers;
- 100% target Debt-to-Equity structure (unchanged).

Table 8: DCF Valuation

DCF	2025E	2026E	2027E	2028E	TV	Valuation	WACC Assumption
Free Cash Flows (€ mln)	2.1	3.4	4.4	4.8	4.8	Enterprise Value €	Perpetual growth rate
years (#)	1	2	3	4		Net debt (cash) €	<b>WACC</b>
discount factor	0.93	0.87	0.81	0.75		Equity Value €	Risk free rate (30Y)
Terminal Value					87.6	Number of shares	Equity risk premium
NPV	2.0	2.9	3.5	3.6	65.7	<b>Price per share €</b>	Beta
<b>Sum of NPVs (€ mln)</b>	<b>2.0</b>	<b>4.9</b>	<b>8.4</b>	<b>12.0</b>	<b>77.7</b>		KE
							Cost of debt
							Tax rate
							KD
							Target D/E

Source: Banca Profilo elaborations and estimates

## Market multiples valuation

12 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 14, 2024*]. 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**

	Revenue Growth				EBITDA Margin			
	2022	2023	2024E	2025E	2022	2023	2024E	2025E
GVS	14.6%	9.6%	2.7%	6.4%	17.3%	21.7%	24.5%	26.7%
Medtronic	5.2%	-1.4%	7.6%	4.8%	27.3%	26.9%	30.2%	30.6%
Coloplast	16.2%	8.5%	10.2%	7.9%	32.6%	32.0%	32.0%	33.0%
Convatec	1.7%	3.4%	6.0%	5.7%	20.1%	22.3%	25.3%	26.5%
Stryker Corp	7.8%	11.1%	9.2%	8.0%	21.6%	24.8%	27.6%	28.2%
Becton Dickinson	2.7%	4.1%	7.2%	5.7%	23.5%	27.9%	28.8%	29.4%
Cardinal Health	11.6%	13.0%	5.6%	8.4%	0.1%	0.8%	1.4%	1.4%
Terumo	14.6%	16.6%	23.8%	7.3%	24.9%	22.9%	24.9%	25.6%
Teleflex	-0.7%	6.6%	4.1%	5.9%	27.3%	26.2%	29.1%	29.3%
Integra LifeSciences	1.0%	-1.0%	4.6%	6.1%	24.4%	16.8%	20.0%	19.6%
Shandong Weigao Medical	4.1%	-3.8%	4.5%	6.5%	31.0%	24.3%	24.7%	24.8%
Ontex	18.7%	11.6%	4.0%	3.6%	0.6%	11.1%	12.2%	12.6%
<b>Mean</b>	<b>8.7%</b>	<b>10.4%</b>	<b>8.1%</b>	<b>6.6%</b>	<b>21.0%</b>	<b>20.9%</b>	<b>23.1%</b>	<b>23.7%</b>
<b>Median</b>	<b>7.8%</b>	<b>8.5%</b>	<b>6.0%</b>	<b>6.4%</b>	<b>23.5%</b>	<b>22.9%</b>	<b>24.9%</b>	<b>26.5%</b>
Svas	19.9%	21.7%	3.2%	4.5%	12.2%	12.0%	12.5%	12.7%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 17, 2024)

EV/EBITDA 2025 at 12.0x

In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2025E, which is at 12x as of October 17 (vs previous 11.9x) 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**

	EV/EBITDA			
	2023	2024E	2025E	12M
GVS	15.9	13.5	11.7	14.8
Medtronic	15.8	13.4	12.6	17.4
Coloplast	27.6	26.2	23.5	27.3
Convatec	12.4	10.5	9.5	14.8
Stryker Corp	29.0	24.0	21.6	27.2
Becton Dickinson	14.8	13.4	12.4	18.9
Cardinal Health	18.1	9.2	8.3	13.3
Terumo	23.8	17.4	15.7	18.7
Teleflex	16.6	14.2	13.3	20.7
Integra LifeSciences	11.1	9.9	9.6	13.6
Shandong Weigao Medical	6.3	5.5	5.2	N.A.
Ontex	6.6	5.8	5.4	8.9
<b>Mean</b>	<b>16.5</b>	<b>13.6</b>	<b>12.4</b>	<b>17.8</b>
<b>Median</b>	<b>15.9</b>	<b>13.4</b>	<b>12.0</b>	<b>17.4</b>
Svas	4.7	4.4	4.1	3.9

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 17, 2024)

**Table 11: Multiple Valuation**

Multiples Valuation	
Median EV/EBITDA25	12.0x
Discount	20%
<b>EV/EBITDA 2025</b>	<b>9.6x</b>
EBITDA 2025E	16.2
Enterprise Value	155.8
Net Debt FY24E	27.0
Equity Value (Multiples)	128.8
<b>Price per share (Multiples)</b>	<b>23.0</b>

# APPENDIX

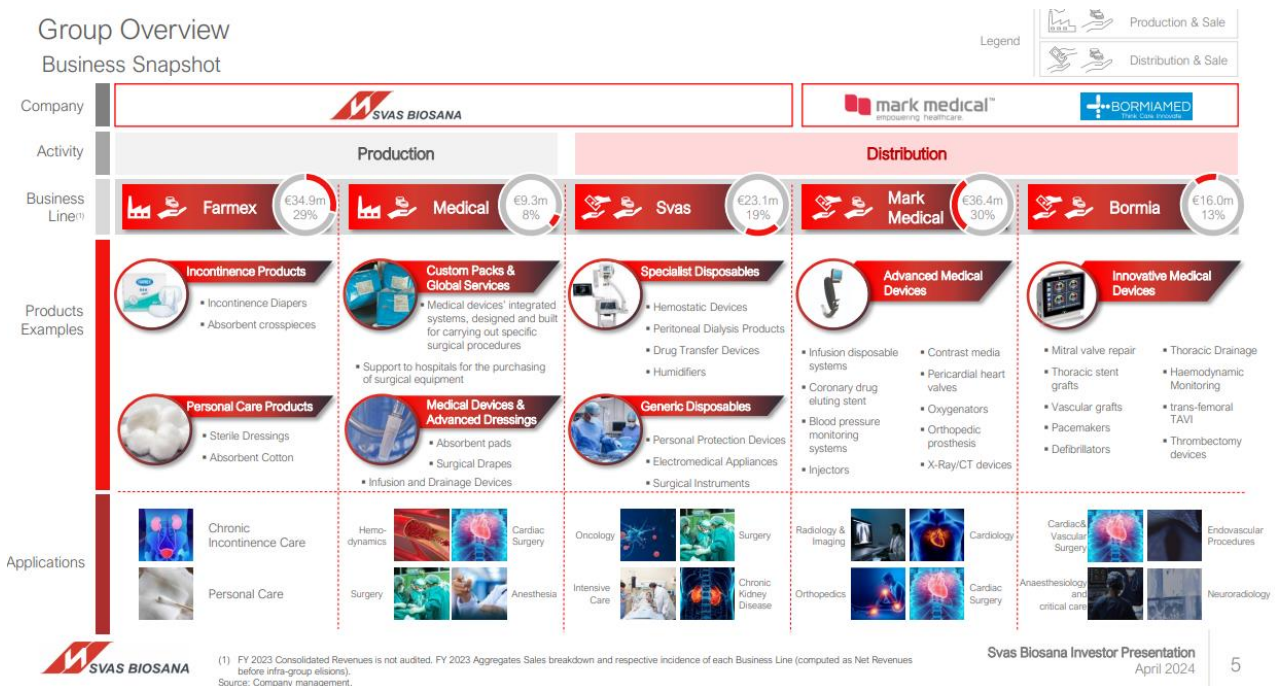
## Overview and business model

### Business model and activities

5 business units Svas business model comprises 5 business units:

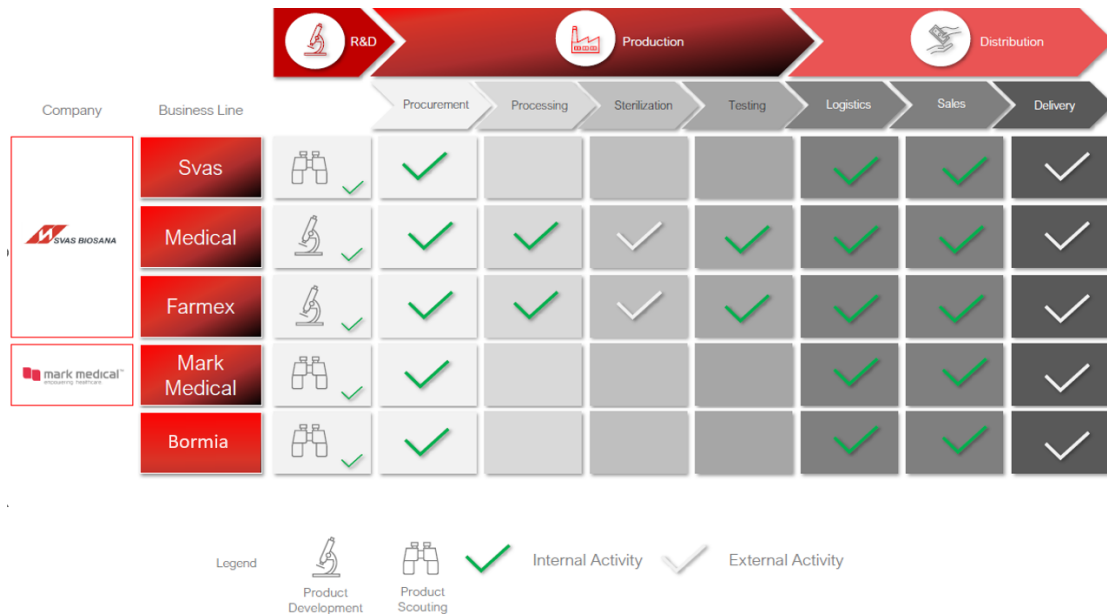
- Farmex (Svas Biosana): production and sale of incontinence aids, traditional dressing, cotton wool and personal care products;
- Svas (Svas Biosana): distribution of consumables addressed to a vast range of medical and surgical situations;
- Medical (Svas Biosana): production and sale of procedural 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 6: Svas Biosana's business snapshot



Source: Company data

Figure 7: Svas Biosana's supply chain



Source: Company data and Banca Profilo Elaborations

### Company History

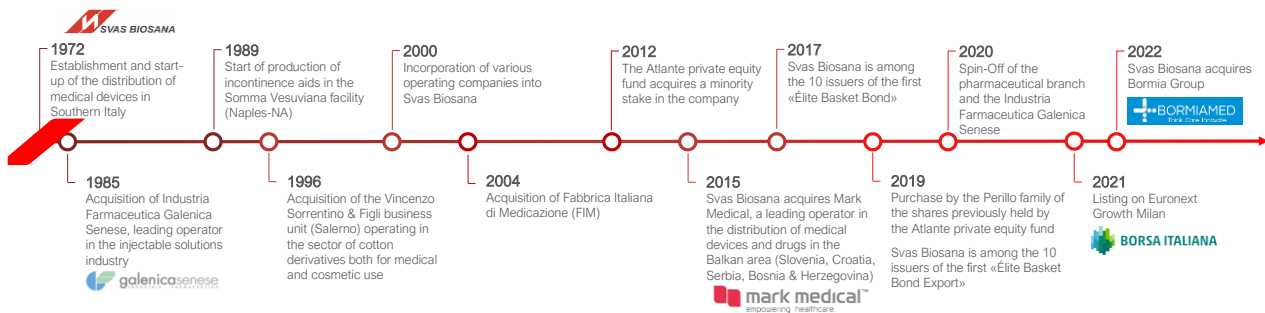
A successful M&A track record since the '90s

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:

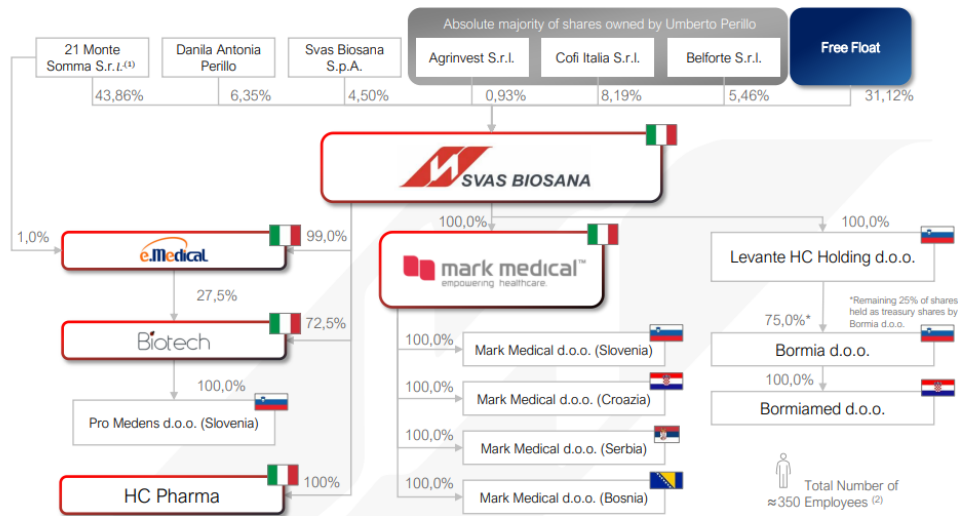
- in 1985 it acquired Galenica Senese to start the production of injectable solutions;
- in the '90s it acquired Vincenzo Sorrentino & Figli and started the production of cotton derivatives, used in health care and cosmetics;
- in 2004, it acquired Fabbrica Italiana di Medicazione (FIM);
- in 2015 it 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 8: Svas Biosana's timeline



Source: Company data

Figure 9: 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).

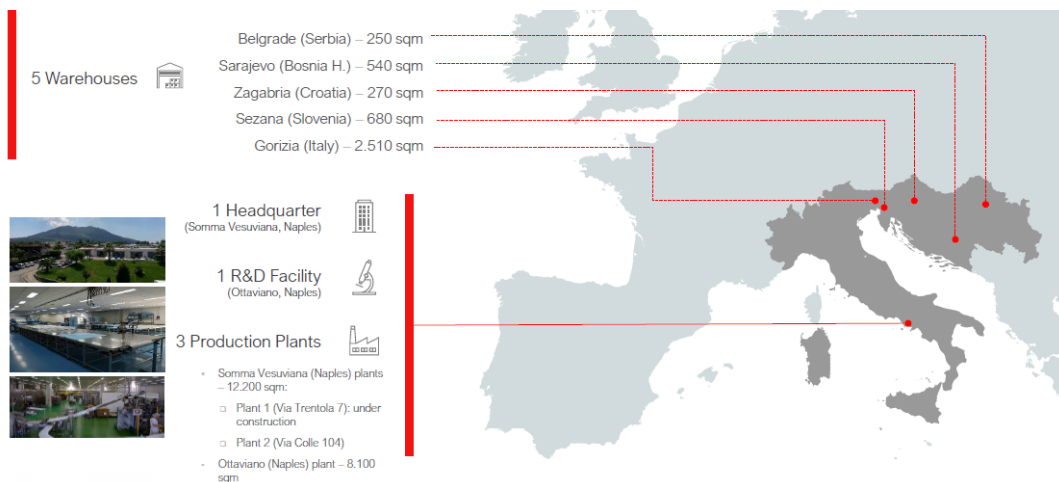
Svas Biosana has three production plants:

- 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 10: Group's plants and facilities



Source: Company data

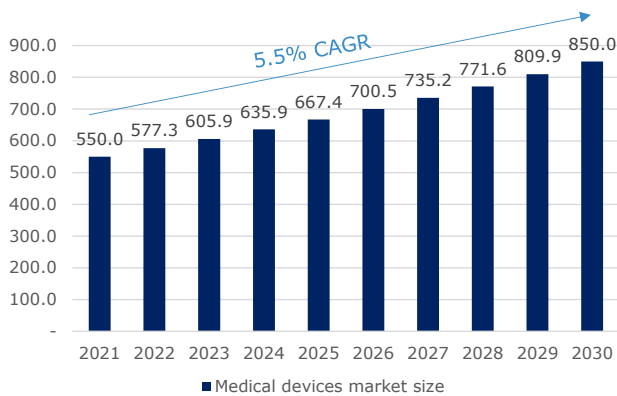
# The reference market

## The Global Medical Devices Industry

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

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

**Figure 11: Value of Global Medical Devices market 2021-2030E (\$/bn)**



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

**Figure 12: 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.

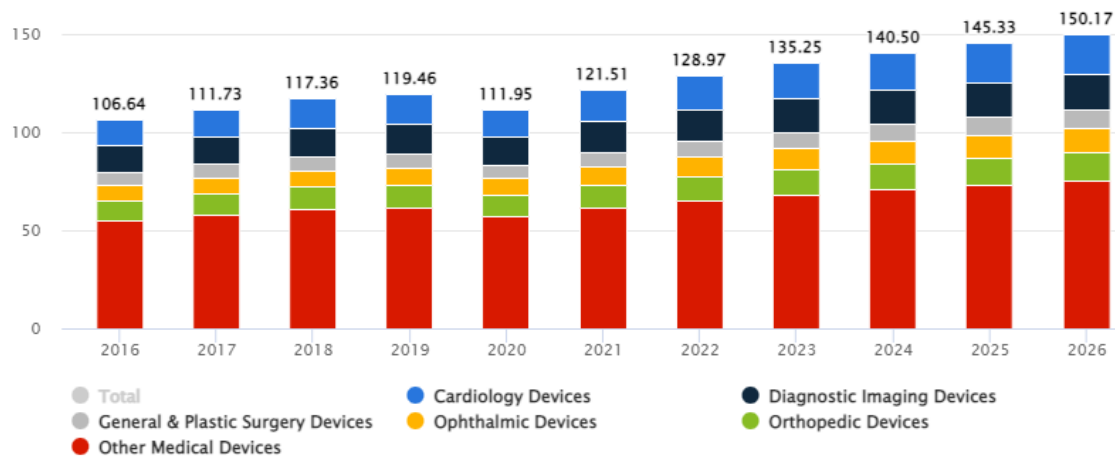
**Germany is expected to lead European market**

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



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



**The Italian market**

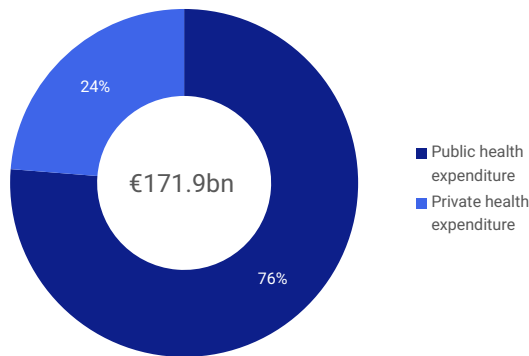
**Italian market worth €18.3bn**

The Italian Medical Devices market is worth €18.3bn; it includes 4,641 companies and 117,607 employees. It is characterized by a strong prevalence of small and mid-sized companies (94% of the total).

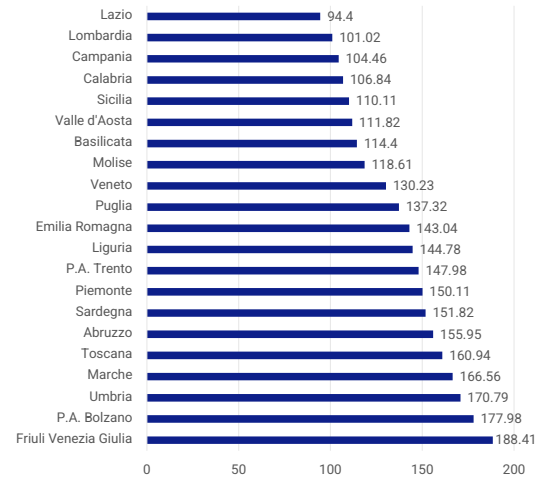
**Public health expenditure increased by 6.7% in 2023**

In 2023, the public expenditure for medical devices accounts for 7.3% of total health expenditure; it increased by 6.7% yoy in 2023. Imports from China declined by 20.6% yoy while exports to US declined by 5.4% yoy. Finally, in 2022, the sector invested €1bn in R&D, thus returning to the levels recorded before the pandemic crisis.

**Figure 14: Italian healthcare expenditure (€, bn)**



**Figure 15: Italian healthcare expenditure/person (€)**



*Source: Banca Profilo elaborations on Centro Studi Confindustria Dispositivi Medici*

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

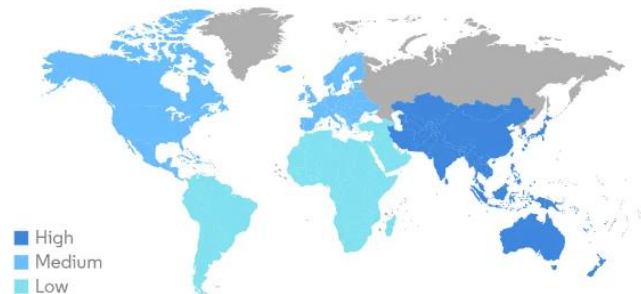
In the Center of Italy, small and large companies coexist, especially in Lazio and Toscana. Finally, in the South, where Svas Biosana is based, there is less concentration of large companies and a strong presence of start-ups.

## 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 16: 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 17: Medical Disposables key players by market category



Source: Banca Profilo elaborations on BMI Research – Worldwide Medical Devices Forecasts, December 2017

**A moderately competitive market**

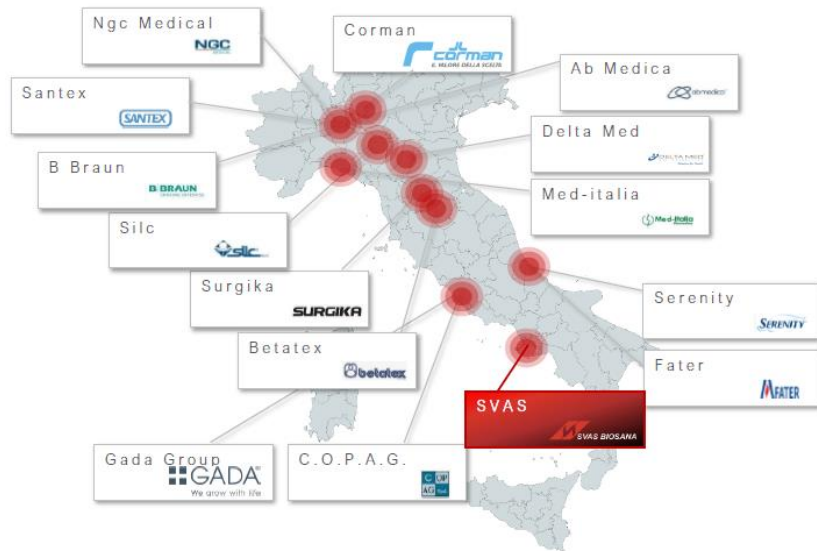
The Disposable market's primary strategies include product launches, M&A, joint ventures, and R&D activities. The Disposable market is moderately competitive and consists of several major players which currently have a dominant positioning. However, there are many small as well as medium-sized manufacturers involved in the market, which are desegregated across the value chain.

**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 18: 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 19: Main Italian medical devices companies' activity

Company	Headquarter	Distribution	Incontinence Aids & Cotton products	Custom Pack	Intravenous solutions
Fater S.p.A.	Pescara				
Ab Medica S.p.A.	Milano				
Serenity S.p.A.	Chieti				
B. Braun Milano S.p.A.	Milano				
NGC Medical S.r.l.	Como				
Silc S.p.A.	Cremona				
Corman S.p.A.	Milano				
Santex S.p.A.	Milano				
C.O.P.A.G. S.p.A.	Roma				
Gada S.p.A.	Roma				
Med-Italia Biomedica S	Genova				
Betatex S.p.A.	Perugia				
Delta Med S.p.A.	Viadana				
Surgika S.r.l.	Arezzo				

Source: Banca Profilo elaborations

#### A sample of 13 listed companies

As no one of the main Italian Competitors are listed, we decided to select a different sample of listed companies that operate in the Medical Device sector. There are not listed companies that can be considered as good as “comparable” to Svas Biosana as the company is exposed to both production and distribution of third-party medical devices. To build our sample, we firstly conducted a comparative analysis based on three main macro-categories: business model, product range and positioning and company size. Secondly, we concentrated on growth prospects, cash generation and debt leverage.

The sample includes Ontex (Belgium) the closest peer to Farmex based on offered products; Cardinal Health Inc (US) a distributor of medical devices; GVS (Italy) and Medica (Italy), both operating in the production of devices destined for medical use; several international companies focused primarily on the production of medical devices with varying degree of complexity such as Integra LifeSciences Holding Corp (US), Shandong Weigao Group Medical Polymer (Hong Kong), Terumo Corp (Japan), Teleflex Inc (US), Coloplast (Denmark), ConvaTec Group Plc (UK), Becton, Dickinson and Co. (US), Stryker Corp (US) and Medtronic Plc (US).

#### GVS (ITA)

The GVS Group is one of the world's leading manufacturers of filter solutions for applications in the Healthcare & Life Sciences, Energy & Mobility and Health & Safety sectors. In addition to the corporate office in Bologna, GVS currently has 15 plants in Italy, United Kingdom, Brazil, United States, China, Mexico, Romania and Puerto Rico and 18 sales offices located across the world.

#### Medtronic (US)

Medtronic Plc is a medical technology company which engages in the development, manufacture, distribution and sale of device-based medical therapies and services. It operates through the following segments: Cardiac and Vascular Group; Minimally Invasive Technologies Group; Restorative Therapies Group and Diabetes Group. The Cardiac and Vascular Group segment consists of products for the diagnosis, treatment, and management of cardiac rhythm disorders and cardiovascular disease. The Minimally Invasive Technologies Group segment focuses on respiratory system, gastrointestinal tract, renal system, lungs, pelvic region, kidneys and obesity diseases. The Restorative Therapies Group segment comprises of neurostimulation therapies and drug delivery systems for the treatment of chronic pain, as well as areas of the spine and brain, along with pelvic health and conditions of the ear, nose and throat. The Diabetes Group segment offers insulin pumps, continuous glucose monitoring systems and insulin pump consumables. The company was founded in 1949 and is headquartered in Dublin, Ireland.

#### Coloplast (DEN)

Coloplast develops, manufactures and markets medical products. It operates through the following segments: Chronic Care, Interventional Urology and Wound & Skin Care. The Chronic

Care segment covers the sale of ostomy care products and continence care products. The Interventional Urology segment covers the sale of urological products, including disposable products. The Wound & Skin Care segment covers the sale of wound and skin care products. The company was founded by Aage Louis-Hansen and Johanne Louise-Hansen in 1954 and is headquartered in Humlebaek, Denmark.

**ConvaTec (UK)**

ConvaTec Group operates as holding company which engages in medical business. Its activities include development, manufacture and sales of medical products and technologies related to therapies for the management of chronic conditions, including products used for advanced chronic and acute wound care, ostomy care and management, continence and critical care and infusion devices used in the treatment of diabetes and other conditions. The company was incorporated in 1978 and is headquartered in Reading, the United Kingdom.

**Stryker Corporation (US)**

Stryker engages in the provision of medical technology products and services. It operates through the following segments: Orthopaedics, MedSurg, and Neurotechnology & Spine. The Orthopaedics segment provides reconstructive and trauma implant systems. The MedSurg segment deals with surgical equipment and navigation systems, endoscopy, patient handling and reprocessed medical devices. The Neurotechnology & Spine segment pertains to spinal implants and neurovascular products. The company was founded by Homer H. Stryker in 1941 and is headquartered in Kalamazoo, MI.

**Becton, Dickinson & Co (US)**

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.

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<b>Teleflex (US)</b>	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.
<b>Integra LifeSciences (US)</b>	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.
<b>Ontex (BEL)</b>	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.
<b>Shandong Weigao Group Medical Polymer (CHN)</b>	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.

## Svas Biosana

Recommendation

**BUY**

Target Price

**13.5 €**

Upside

**76%**

### 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 FY23 revenues increased by 21.7% yoy (14.4% like-for-like) to €118.3mln thanks to ramp up of surgical and diagnostic activities, as health facilities recovered backlogs from the pandemic period. The sales divisional breakdown (including €1.5mln infra-group) is as follows: Farmex increased by 17.9% to €34.9mln, Svas increased by 11.6% to €23.1mln, Medical increased by 1.1% to €9.3mln and Mark Medical increased by 11% to €36.4mln. Finally, Bormia's FY23 sales were €16mln (vs est. €14mln), +142.4% yoy (not consolidated in 1H22), 2H23 sales were up by 36% yoy.

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 Third-Party brand
- Substitute products competition
- Maintaining high quality standard products

### 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

Recommendation

**BUY**

Target Price

**13.5 €**

Upside

**76%**

## Main Financials

(€/mln)

	2023	2024E	2025E	2026E	2027E
<b>Total revenue</b>	<b>118.3</b>	<b>122.1</b>	<b>127.6</b>	<b>133.4</b>	<b>139.5</b>
<i>yoY change</i>	<i>21.7%</i>	<i>3.2%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>4.0%</i>
<b>EBITDA</b>	<b>14.2</b>	<b>15.2</b>	<b>16.2</b>	<b>17.1</b>	<b>18.1</b>
<i>EBITDA margin (%)</i>	<i>12.0%</i>	<i>12.5%</i>	<i>12.7%</i>	<i>12.8%</i>	<i>13.0%</i>
<b>EBIT</b>	<b>8.6</b>	<b>9.3</b>	<b>9.2</b>	<b>10.3</b>	<b>12.1</b>
<i>EBIT margin (%)</i>	<i>7.2%</i>	<i>7.6%</i>	<i>7.2%</i>	<i>7.7%</i>	<i>8.7%</i>
<b>Group Net income</b>	<b>5.1</b>	<b>5.0</b>	<b>5.4</b>	<b>6.4</b>	<b>7.9</b>
<i>Margin (%)</i>	<i>4.3%</i>	<i>4.1%</i>	<i>4.2%</i>	<i>4.8%</i>	<i>5.7%</i>
<b>Net debt/(cash)</b>	<b>23.8</b>	<b>27.0</b>	<b>27.0</b>	<b>25.5</b>	<b>22.9</b>
Shareholders Equity	59.0	62.4	67.2	73.1	80.4
Net Operating Working Capital	46.7	54.3	57.2	59.3	62.2
Capex and acquisitions	(5.8)	(5.6)	(8.5)	(8.7)	(7.3)
Free Cash Flow	0.0	(0.7)	2.1	3.4	4.4

## Revenue breakdown by business unit

(€/000)

	2023	2024E	2025E	2026E	2027E
Farmex	34.9	34.0	35.4	36.8	38.2
Svas	23.1	23.1	23.7	24.4	25.0
Medical	9.3	11.5	11.8	12.2	12.6
Mark Medical	36.4	38.0	40.7	43.5	46.6
Bormia	16.0	17.5	18.0	18.6	19.1

## Key Ratios

	2023	2024E	2025E	2026E	2027E
Net Debt (cash)/Equity	0.4x	0.4x	0.4x	0.3x	0.3x
Net Debt (cash)/EBITDA	1.7x	1.8x	1.7x	1.5x	1.3x
Tax rate	25%	23%	23%	23%	23%
ROE	9%	8%	8%	9%	10%
ROIC	7%	7%	7%	7%	8%
Days Inventory Outstanding	101	113	115	115	116
Days Sales Outstanding	128	131	135	134	134
Days Payables Outstanding	126	124	129	129	129
Capex/VoP	5%	5%	7%	7%	5%

Source: Bloomberg, Banca Profilo estimates and elaborations

## Company Description

Company Sector	Health Care Equipment and Supplies
Price (€)	7.70
Number of shares (mln)	5.6
Market Cap (€ mln)	43.1
Reference Index	FTSE ITALIA GROWTH
Main Shareholders	Perillo's Family
Main Shareholder stake	65%
Free Float	31%
Daily Average Volumes	3,927
Sample of comparables	GVS, 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

	2024E	2025E	2026E
Average EV/EBITDA	13.6x	12.4x	17.8x
Median EV/EBITDA	13.4x	12.0x	17.4x



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