

Company:	Rating:	Target Price:	Sector:
<b>Svas Biosana</b>	<b>BUY</b>	<b>€14.7 (from €13.5)</b>	<b>Health Care Equipment and Supplies</b>

## Expanding Serbian portfolio with margin-boosting acquisitions

January 30, 2024 at 18:00

### Two margin accretive acquisitions at 5.2x EV/EBITDA

At the end of December 2024 Svas announced the acquisition of two Belgrade-based companies operating in the distribution of medical devices in Serbia for €6.5mln cash, with closing expected by 1Q25. Both acquisitions include a variable earnout to be paid in two tranches (€250k) in FY25 and FY26, totalling €0.5mln. More in details, Svas' subsidiary Mark Medical agreed to acquire 100% of Hermes Pharma for €3.5mln. In FY23 the Company generated €4.93mln of revenues, EBITDA of €0.78mln (4.9x EV/EBITDA, Svas trades at 4.7x FY23) with 15.8% EBITDA margin (vs Svas 12% in FY23 and 13.3% in 1H24) and €0.54mln of net income (6.5x PE). The Company had a net debt of €0.3mln at YE23. The second acquisition was agreed by Levante HC Holding (parent company of Bormia) which bought 100% of Megapharm D.o.o for €3mln. In FY23 the Company generated €2.98mln of revenues, EBITDA of €0.63mln (5.6x EV/EBITDA, Svas trades at 4.7x FY23) with 21.1% EBITDA margin (vs Svas 12% in FY23 and 13.3% in 1H24) and €0.5mln of net income (6x PE). The Company had a net debt of €0.53mln at YE23.

### Medical device portfolio expansion in Serbia

Based on discussions with management, the rationale for the acquisitions is to expand the Company's portfolio of medical devices, with a focus on leading brands that are already successfully distributed by the Company in other areas. Svas plans to keep the operating structure of the two companies; therefore, we do not see significant cost synergies to be unlocked. We are positive on the transactions and the terms, as they are margin accretive (EBITDA margin of 17.8% in FY23 vs 12% Svas in FY23) which is reflected in the ~11% takeover premium (5.2x EV/EBITDA 23 vs 4.7x Svas in FY23). Moreover, Svas has a good track record on integrations and with targets, with the most recent one (Bormia, acquired in 2022) growing from €11mln revenues in FY20 up to €16mln in FY23 (13.3% CAGR).

### EBITDA margin expanding 0.3pp/year

We confirm our forecasts for FY24E [*Company Update on 21 October 2024*]. We consolidate the acquisitions for 9 months in FY25E (€7mln), leading to €134.6mln revenues (+5.5% vs previous). In FY26E and FY27E revenues are seen at €145mln (+6.3% vs previous) and €151.8mln respectively (+6.4% vs previous). Given higher marginality of the targets (~17.8% in FY23), EBITDA margin is now seen expanding to 13% in FY25E (+0.3pp vs previous), climbing to 13.2% (+0.2pp vs previous) in FY26E and to 13.4% (+0.4pp vs previous) in FY27E. FY25E Net debt is now seen at €30.7mln (vs previous €27mln), reflecting the cash payment for the acquisition of €6.5mln. Conversely, we shifted our capex assumptions for the project development of a new plant 1 year forward as we believe that the investment is unlikely to start this year. Therefore, we reduced FY25E capex estimates by €3mln to €5.5mln.

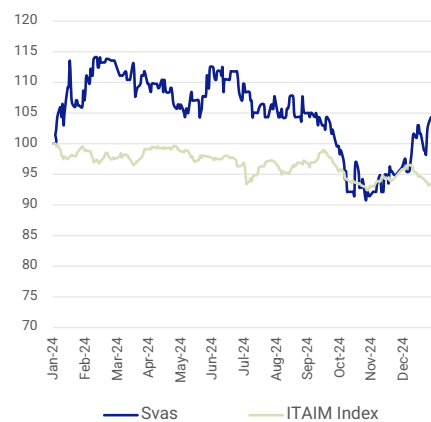
### Valuation: BUY confirmed; 12-month target price increased to €14.7/sh

We upgraded our 12-month Target Price to €14.7/sh. Our Target Price is the weighted average between DCF (68%) and relative market multiples (32%) valuation. DCF valuation was increased to €12.1/sh (from €9.0/sh) thanks to higher FCF generation from the acquisitions as well as delayed capex assumptions. For the market multiples valuation, we considered the EV/EBITDA 2025E of 10.5x (from previous 12x), 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 (3.8x) on EV/EBITDA25E vs comparable (10.5x) due to lower marginality and reduced exposure to the production of advanced medical devices. Given the significant potential upside vs current price and undemanding 0.7x P/BV, we confirm our BUY recommendation.

### Company Profile

Bloomberg	SVS IM				
FactSet	SVS-IT				
Stock Exchange	Italian Stock Exchange				
Reference Index	FTSE Italia Growth				
Market Data					
<b>Last Closing Price</b>	7.65				
Number of shares (ml)	5.6				
Market cap. (mln)	42.8				
<b>1Y Performance</b>					
Absolute	4%				
Max / Min	8.4 / 6.7				
<b>(€mln)</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Revenues	118.3	122.1	134.6	141.9	148.4
yoy (%)	22%	3%	10%	5%	5%
EBITDA	14.2	15.2	17.5	18.7	19.8
margin (%)	12%	12%	13%	13%	13%
EBIT	8.6	9.3	11.4	11.5	12.9
margin (%)	7%	8%	8%	8%	9%
Net Income	5.1	5.0	7.0	7.3	8.5
margin (%)	4%	4%	5%	5%	6%
Net Debt	23.8	27.0	30.7	29.4	27.2
Sh. Equity	59.0	62.4	68.9	75.5	83.3
Capex	(5.8)	(5.6)	(5.5)	(8.7)	(8.5)
FCFs	0.0	(0.7)	5.7	3.5	4.0

### 1-Year Performance


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## SWOT analysis

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

## Strategy and estimates

### Acquisitions

<b>Two acquisitions in December 2024</b>	At the end of December 2024 Svas agreed to acquire two Belgrade-based companies for €6.5mln, with closing expected by 1Q25. Both acquisitions include a variable earnout to be paid in two tranches (€250k), totaling €0.5mln.
<b>Mark Medical to acquire Hermes Pharma, 4.9x EV/EBITDA23</b>	<p>The first deal was announced on 23 December 2024, with the subsidiary Mark Medical agreeing to acquire 100% of Hermes Pharma D.o.o for €3.5mln (without additional financing) plus a variable earn-out of approximately €250k. The latter will be paid in two installments in FY25 and FY26. The closing of the transaction is expected within 1Q25.</p> <p>Hermes Pharma was founded in 2017 and is based in Belgrade (Serbia), it operates in the distribution of medical devices and medical equipment, with a focus on cardiology and cardiac surgery. It currently employs 12 professionals, focusing on the Serbian healthcare market.</p> <p>In FY23 the Company generated €4.93mln of revenues, EBITDA of €0.78mln (4.9x EV/EBITDA, Svas trades at 4.7x FY23) with 15.8% EBITDA margin (vs Svas 12% in FY23 and 13.3% in 1H24) and €0.54mln of net income (6.5x PE). The Company had a net debt of €0.3mln at YE23.</p>
<b>Levante (Bormia) to acquire Megapharm, 5.6x EV/EBITDA23</b>	<p>The second acquisition was announced on December 30, with Levante HC Holding (parent company of Bormia) agreeing to buy 100% of Megapharm D.o.o for €3mln (without additional financing) plus a variable earn-out of approximately €250k. The latter will be paid in two installments in FY25 and FY26. The closing of the transaction is expected within 1Q25.</p> <p>Megapharm was founded in 2021 and is based in Belgrade (Serbia), it operates in the distribution of medical devices and medical equipment. Megapharm currently employs 13 professionals, the reference market is the Serbian healthcare system.</p> <p>In FY23 the Company generated €2.98mln of revenues, EBITDA of €0.63mln (5.6x EV/EBITDA, Svas trades at 4.7x FY23) with 21.1% EBITDA margin (vs Svas 12% in FY23 and 13.3% in 1H24) and €0.5mln of net income (6x PE). The Company had a net debt of €0.53mln at YE23.</p>
<b>Portfolio expansion</b>	Based on discussions with management, the rationale for the acquisition is to expand the Company's portfolio of medical devices, with a focus on leading brands that are already successfully distributed by the Company in other areas. Svas plans to keep the operating structure of the two companies mostly unchanged therefore we do not see significant cost synergies to be unlocked.
<b>Margin accretive</b>	We are positive on the transaction and the terms, as it is margin accretive (EBITDA margin of 17.8% in FY23 vs 12% Svas in FY23) which is reflected in the ~11% takeover premium (5.2x EV/EBITDA 23 vs 4.7x Svas in FY23). Moreover, Svas has a good track record on integrations and with targets, with the most recent one (acquired in 2022) Bormia growing from €11mln revenues in FY20 up to €16mln in FY23 (13.3% CAGR).

### Corporate strategies

<b>New plant</b>	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.
<b>New €6mln bond to be issued by November</b>	On 18 October 2024 the Company said the BoD approved the issue of a non-convertible, non-subordinated bond, with nominal amount of €6mln 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**

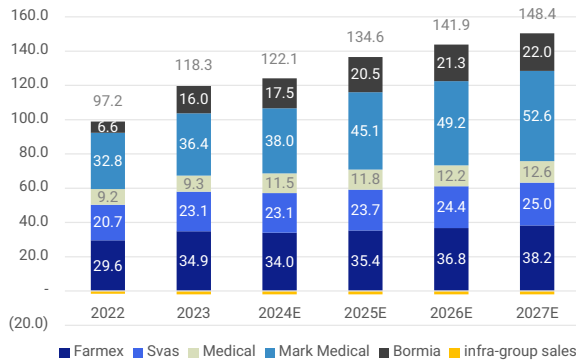
**EBITDA Margin expansion thanks to acquisitions**

We confirm our forecasts for FY24E [*Company Update on 21 October 2024*] and we include the impact of the acquisition from FY25E assuming 9 months of consolidation (€7mIn), which leads to €134.6mIn (+5.5% vs previous). Following full consolidation, in FY26E and FY27E revenues are now seen at €145mIn (+6.3% vs previous) and €151.8mIn respectively (+6.4% vs previous).

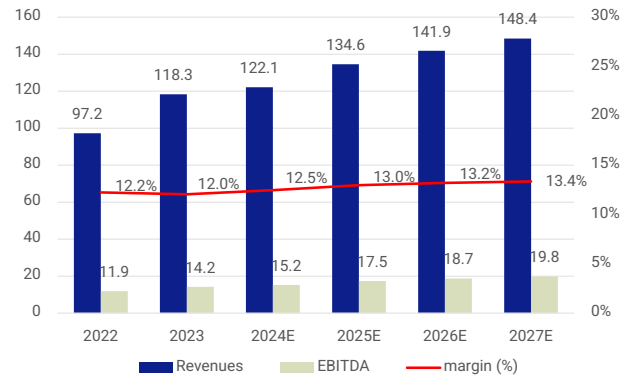
Given higher marginality of the targets (~17.8% in FY23), EBITDA margin is now seen expanding to 13% in FY25E (+0.3pp vs previous). Group level marginality is seen at 13.2% (+0.2pp vs previous) in FY26E and to 13.4% (+0.4pp vs previous) in FY27E. We assume earnouts target are reached so we consider €250k acquisition investments in FY25E and in FY26E.

FY25E Net debt is now seen at €30.7mIn (vs previous €27mIn), reflecting the cash payment for the acquisition of €6.5mIn. Conversely, we shifted our capex assumptions for the project development of a new plant 1 year forward as we believe that the investment is unlikely to start this year. Therefore, we reduced FY25E capex estimates by €3mIn to €5.5mIn. Net debt is expected to land at €27.2mIn in FY27E (vs previous €22.9mIn).

**Figure 1: Revenue breakdown by unit (22-27E)**



**Figure 2: Revenue, EBITDA and margin (22-27E)**



Source: Banca Profilo elaborations and estimates on Company data

Table 1: Revenue breakdown by division 22-27E (€, mln)

Revenues			2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E
	2022	2023	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	38.2
yoy (%)	7%	18%	-3%	-3%	4%	4%	4%	4%	4%	4%
on revenues (%)	30%	30%	28%	28%	28%	26%	28%	26%	27%	26%
Svas	20.7	23.1	23.1	23.1	23.7	23.7	24.4	24.4	25.0	25.0
yoy (%)	12%	12%	0%	0%	3%	3%	3%	3%	3%	3%
on revenues (%)	21%	20%	19%	19%	19%	18%	18%	17%	18%	17%
Medical	9.2	9.3	11.5	11.5	11.8	11.8	12.2	12.2	12.6	12.6
yoy (%)	8%	1%	24%	24%	3%	3%	3%	3%	3%	3%
on revenues (%)	9%	8%	9%	9%	9%	9%	9%	9%	9%	8%
Mark Medical	32.8	36.4	38.0	38.0	40.7	45.1	43.5	49.2	46.6	52.6
yoy (%)	20%	11%	4%	4%	7%	19%	7%	9%	7%	7%
on revenues (%)	34%	31%	31%	31%	32%	34%	33%	35%	33%	35%
Bormia	6.6	16.0	17.5	17.5	18.0	20.5	18.6	21.3	19.1	22.0
on revenues (%)	7%	14%	14%	14%	14%	15%	14%	15%	14%	15%
infra-group sales	(1.7)	(2.0)	(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>134.6</b>	<b>133.4</b>	<b>141.9</b>	<b>139.5</b>	<b>148.4</b>

Source: Banca Profilo elaborations and estimates on Company data

Table 2: Income statement FY22-27E (€, mln)

Income Statement			2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E
	2022	2023	old	new	old	new	old	new	old	new
Revenues	97.2	118.3	122.1	122.1	127.6	134.6	133.4	141.9	139.5	148.4
yoy (%)	20%	22%	3%	3%	5%	10%	5%	5%	5%	5%
Other revenues	2.3	3.4	2.7	2.7	2.9	3.0	3.0	3.2	3.1	3.3
<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>137.6</b>	<b>136.4</b>	<b>145.0</b>	<b>142.7</b>	<b>151.8</b>
Raw materials	(59.2)	(72.8)	(74.3)	(74.3)	(77.3)	(82.0)	(80.8)	(86.4)	(84.5)	(90.5)
Costs of services	(14.4)	(17.3)	(17.3)	(17.3)	(18.5)	(19.5)	(19.3)	(20.6)	(20.2)	(21.5)
Lease and rent	(1.6)	(1.9)	(2.0)	(2.0)	(2.0)	(2.2)	(2.1)	(2.2)	(2.2)	(2.3)
Changes in inventories	2.8	0.7	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5
Other costs	(2.5)	(2.4)	(2.9)	(2.9)	(2.7)	(2.8)	(2.7)	(2.9)	(2.7)	(2.9)
Labour Cost	(12.7)	(13.8)	(14.4)	(14.4)	(15.0)	(15.0)	(15.6)	(15.6)	(16.3)	(16.3)
<b>EBITDA</b>	<b>11.9</b>	<b>14.2</b>	<b>15.2</b>	<b>15.2</b>	<b>16.2</b>	<b>17.5</b>	<b>17.1</b>	<b>18.7</b>	<b>18.1</b>	<b>19.8</b>
margin (%)	12%	12%	12%	12%	13%	13%	13%	13%	13%	13%
yoy (%)	12%	20%	7%	7%	6%	15%	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>(6.0)</b>	<b>(6.8)</b>	<b>(7.2)</b>	<b>(6.0)</b>	<b>(6.9)</b>
<b>EBIT</b>	<b>6.3</b>	<b>8.6</b>	<b>9.3</b>	<b>9.3</b>	<b>9.2</b>	<b>11.4</b>	<b>10.3</b>	<b>11.5</b>	<b>12.1</b>	<b>12.9</b>
margin (%)	6%	7%	7.6%	7.6%	7.2%	8.5%	7.7%	8.1%	8.7%	8.7%
yoy (%)	8%	37%	9%	9%	-1%	23%	12%	1%	18%	12%
Net financial expenses	(1.6)	(1.8)	(2.8)	(2.8)	(2.2)	(2.2)	(2.0)	(2.0)	(1.8)	(1.8)
Taxes	(1.1)	(1.7)	(1.5)	(1.5)	(1.6)	(2.1)	(1.9)	(2.2)	(2.4)	(2.6)
Tax rate (%)	23%	25%	23%	23%	23%	23%	23%	23%	23%	23%
<b>Net profit</b>	<b>3.6</b>	<b>5.1</b>	<b>5.0</b>	<b>5.0</b>	<b>5.4</b>	<b>7.0</b>	<b>6.4</b>	<b>7.3</b>	<b>7.9</b>	<b>8.5</b>
margin (%)	4%	4%	4%	4%	4%	5%	5%	5%	6%	6%
yoy (%)	13%	44%	-3%	-3%	7%	41%	19%	3%	25%	17%

Source: Banca Profilo elaborations and estimates on Company data

Table 3: Balance Sheet FY22-27E (€, mln)

Balance Sheet	2022		2024E		2025E		2026E		2027E	
	old	new	old	new	old	new	old	new	old	new
Inventory	29.8	32.7	37.8	37.8	40.2	42.4	42.0	44.7	44.3	47.2
Accounts receivables	39.0	41.4	43.8	43.8	47.2	48.3	49.0	52.1	51.2	54.9
Accounts payables	(28.2)	(31.0)	(31.0)	(31.0)	(33.9)	(34.6)	(35.4)	(37.5)	(37.0)	(39.3)
<b>Operating Net Working Capital</b>	<b>40.6</b>	<b>43.0</b>	<b>50.6</b>	<b>50.6</b>	<b>53.5</b>	<b>56.1</b>	<b>55.6</b>	<b>59.2</b>	<b>58.5</b>	<b>62.8</b>
Other current asset and liabilities	0.4	3.7	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>54.3</b>	<b>54.3</b>	<b>57.2</b>	<b>59.7</b>	<b>59.3</b>	<b>62.9</b>	<b>62.2</b>	<b>66.5</b>
Intangibles	11.0	11.4	11.3	11.3	11.6	15.5	11.9	15.7	12.3	15.8
Tangibles	26.2	26.8	26.0	26.0	27.7	26.6	29.7	28.7	31.1	30.7
Financials	0.2	0.1	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>42.2</b>	<b>41.8</b>	<b>44.5</b>	<b>43.6</b>	<b>46.6</b>
Provision for risk and Charges	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pensions	(1.9)	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)
Funds	(2.2)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)	(2.3)	(2.4)	(2.4)
Other asset and liabilities	(0.1)	(0.2)	(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>89.4</b>	<b>89.4</b>	<b>94.2</b>	<b>99.6</b>	<b>98.6</b>	<b>105.0</b>	<b>103.2</b>	<b>110.6</b>
Share capital	20.6	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	23.7
Accumulated profit/loss	6.8	9.6	13.1	13.1	17.6	17.6	22.4	23.9	28.1	30.5
Net profit	3.6	5.1	5.0	5.0	5.4	7.0	6.4	7.3	7.9	8.5
Minority share	0.0	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>62.4</b>	<b>62.4</b>	<b>67.2</b>	<b>68.9</b>	<b>73.1</b>	<b>75.5</b>	<b>80.4</b>	<b>83.3</b>
<b>Net debt (cash)</b>	<b>21.7</b>	<b>23.8</b>	<b>27.0</b>	<b>27.0</b>	<b>27.0</b>	<b>30.7</b>	<b>25.5</b>	<b>29.4</b>	<b>22.9</b>	<b>27.2</b>

Source: Banca Profilo elaborations and estimates on Company data

Table 4: FCF 24-28E (€, mln)

FCF (€/mln)	2024E		2025E		2026E		2027E		2028E	
	old	new	old	new	old	new	old	new	old	new
EBIT	9.3	9.3	9.2	11.4	10.3	11.5	12.1	12.9	13.2	14.7
taxes	(2.8)	(2.8)	(2.8)	(3.4)	(3.1)	(3.5)	(3.6)	(3.9)	(4.0)	(4.4)
<b>NOPAT</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>8.0</b>	<b>7.2</b>	<b>8.1</b>	<b>8.5</b>	<b>9.0</b>	<b>9.3</b>	<b>10.3</b>
D&A	5.9	5.9	7.0	6.0	6.8	7.2	6.0	6.9	5.8	6.2
<b>Operating cash flow</b>	<b>12.4</b>	<b>12.4</b>	<b>13.4</b>	<b>14.0</b>	<b>14.0</b>	<b>15.3</b>	<b>14.5</b>	<b>15.9</b>	<b>15.1</b>	<b>16.4</b>
NWC change (ex M&A)	(7.6)	(7.6)	(2.9)	(2.9)	(2.1)	(3.2)	(2.9)	(3.6)	(3.1)	(3.0)
Other funds	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capex (ex M&A)	(5.6)	(5.6)	(8.5)	(5.5)	(8.7)	(8.7)	(7.3)	(8.5)	(7.3)	(7.3)
<b>FCF</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>2.1</b>	<b>5.7</b>	<b>3.4</b>	<b>3.5</b>	<b>4.4</b>	<b>4.0</b>	<b>4.8</b>	<b>6.2</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 3: 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, for the relative valuation through market multiples.

#### DCF value at €12.1/sh

Our DCF model leads to an Equity Value of €67.7mIn or €12.1/share (vs previous €9/share), thanks to higher expected FCF following the acquisitions. For net debt we considered FY24E of €27mIn + €6.8mIn related to the acquisitions including the first earn out.

#### Market multiples valuation: €20.2 /share

To assess our relative market multiples valuation, we chose the median EV/EBITDA 2025E, which is at 10.5x (as of January 30, 2025) discounted by 20% to reflect Svas lower exposure to the production of medical devices. We derived an implied Equity Value of €113.1mIn or €20.2/share (vs previous €23/share).

#### BUY confirmed; 12-month TP €14.7/sh (from €13.5)

Our weighted average of DCF (68%) and relative market multiples (32%) valuation brings our 12-month Target Price to €14.7/share (from €13.5). Given the significant upside on Svas closing price (as of January 28, 2025), we confirm our BUY recommendation.

### DCF valuation

#### €19.3mIn of cumulated FCFs in 25E-28E

To run the DCF model, we used our projections of FCFs for the 2025-28E explicit period: €19.3mIn of cumulated FCFs (vs previous 2025-28E of €14.6mIn).

We consider the FY28E FCF of €6.2mIn as the Terminal Value cash flow (vs previous €4.8mIn).

#### 7.5% WACC

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

- 4.2% Risk Free rate (vs previous 4.3%) 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 5: DCF Valuation

DCF	2025E	2026E	2027E	2028E	TV	Valuation	WACC Assumption		
Free Cash Flows (€ mln)	5.7	3.5	4.0	6.2	6.2	Enterprise Value €	101.5	Perpetual growth rate	2.0%
years (#)	1	2	3	4		Net debt (cash) €	33.8	<b>WACC</b>	<b>7.5%</b>
discount factor	0.93	0.86	0.80	0.75		Equity Value €	67.7	Risk free rate (30Y)	4.2%
Terminal Value					114.2	Number of shares	5.6	Equity risk premium	5.5%
NPV	5.3	3.0	3.2	4.6	85.4	<b>Price per share €</b>	<b>12.1</b>	Beta	1.2
<b>Sum of NPVs (€ mln)</b>	<b>5.3</b>	<b>8.3</b>	<b>11.5</b>	<b>16.1</b>	<b>101.5</b>			KE	10.9%
								Cost of debt	6%
								Tax rate	30%
								KD	4.2%
								Target D/E	100%

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 October 18, 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 6: Sample EBITDA margin and Revenue Growth**

	Revenue Growth				EBITDA Margin			
	2022	2023	2024E	2025E	2022	2023	2024E	2025E
GVS	14.6%	9.6%	2.3%	10.7%	17.3%	21.7%	24.3%	25.9%
Medtronic	5.2%	-1.4%	7.5%	4.7%	27.3%	26.9%	29.0%	30.1%
Coloplast	16.2%	8.5%	18.7%	8.4%	32.6%	32.0%	32.5%	33.3%
Convatec	1.7%	3.4%	6.8%	3.7%	20.1%	22.3%	24.9%	25.8%
Stryker Corp	7.8%	11.1%	9.9%	8.4%	21.6%	24.8%	27.5%	28.2%
Becton Dickinson	2.7%	13.4%	4.7%	4.5%	23.5%	28.4%	28.8%	29.4%
Cardinal Health	11.6%	13.0%	7.9%	8.0%	0.1%	0.8%	1.4%	1.4%
Terumo	14.6%	16.6%	24.9%	7.7%	24.9%	22.9%	24.8%	25.7%
Teleflex	-0.7%	6.6%	3.5%	4.7%	27.3%	26.2%	29.1%	29.7%
Integra LifeSciences	1.0%	-1.0%	4.7%	6.1%	24.4%	16.8%	19.9%	19.6%
Shandong Weigao Medical	4.1%	-3.8%	3.1%	6.6%	31.0%	24.3%	24.9%	24.8%
Ontex	18.7%	10.4%	4.7%	4.1%	0.6%	12.1%	12.4%	12.6%
<b>Mean</b>	<b>8.1%</b>	<b>7.2%</b>	<b>8.2%</b>	<b>6.5%</b>	<b>20.9%</b>	<b>21.6%</b>	<b>23.3%</b>	<b>23.9%</b>
<b>Median</b>	<b>6.5%</b>	<b>9.0%</b>	<b>5.8%</b>	<b>6.4%</b>	<b>23.9%</b>	<b>23.6%</b>	<b>24.9%</b>	<b>25.8%</b>
Svas	19.9%	21.7%	3.2%	10.2%	12.2%	12.0%	12.5%	13.0%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of January 30, 2025)

EV/EBITDA 2025 at 10.5x

In order to assess our relative market multiples valuation, we chose the median EV/EBITDA 2025E, which is at 10.5x as of January 30 (vs previous 12x) to which we apply a 20% discount, as Svas is less exposed to the production of advanced medical devices.

**Table 7: Comparable EV/EBITDA multiples**

	EV/EBITDA			
	2023	2024E	2025E	12M
GVS	13.5	11.6	9.8	12.1
Medtronic	16.2	14.2	13.1	17.3
Coloplast	26.0	22.4	20.1	24.6
Convatec	13.3	11.3	10.5	15.2
Stryker Corp	31.8	26.2	23.6	29.1
Becton Dickinson	14.6	13.7	12.9	18.7
Cardinal Health	20.9	10.7	9.8	13.3
Terumo	24.4	17.6	15.8	18.4
Teleflex	13.0	11.2	10.5	16.5
Integra LifeSciences	13.0	9.8	9.4	11.3
Shandong Weigao Medical	6.0	5.4	5.1	5.8
Ontex	6.0	5.6	5.3	8.6
<b>Mean</b>	<b>16.6</b>	<b>13.3</b>	<b>12.2</b>	<b>15.9</b>
<b>Median</b>	<b>14.0</b>	<b>11.4</b>	<b>10.5</b>	<b>15.8</b>
Svas	4.7	4.4	3.8	3.6

Source: Banca Profilo estimates and elaborations on Bloomberg (as of January 30, 2025)

**Table 8: Multiple Valuation**

Multiples Valuation	
Median EV/EBITDA25	10.5x
Discount	20%
<b>EV/EBITDA 2025</b>	<b>8.4x</b>
EBITDA 2025E	17.5
Enterprise Value	146.8
Net Debt FY24E	33.8
Equity Value (Multiples)	113.1
<b>Price per share (Multiples)</b>	<b>20.2</b>

# APPENDIX

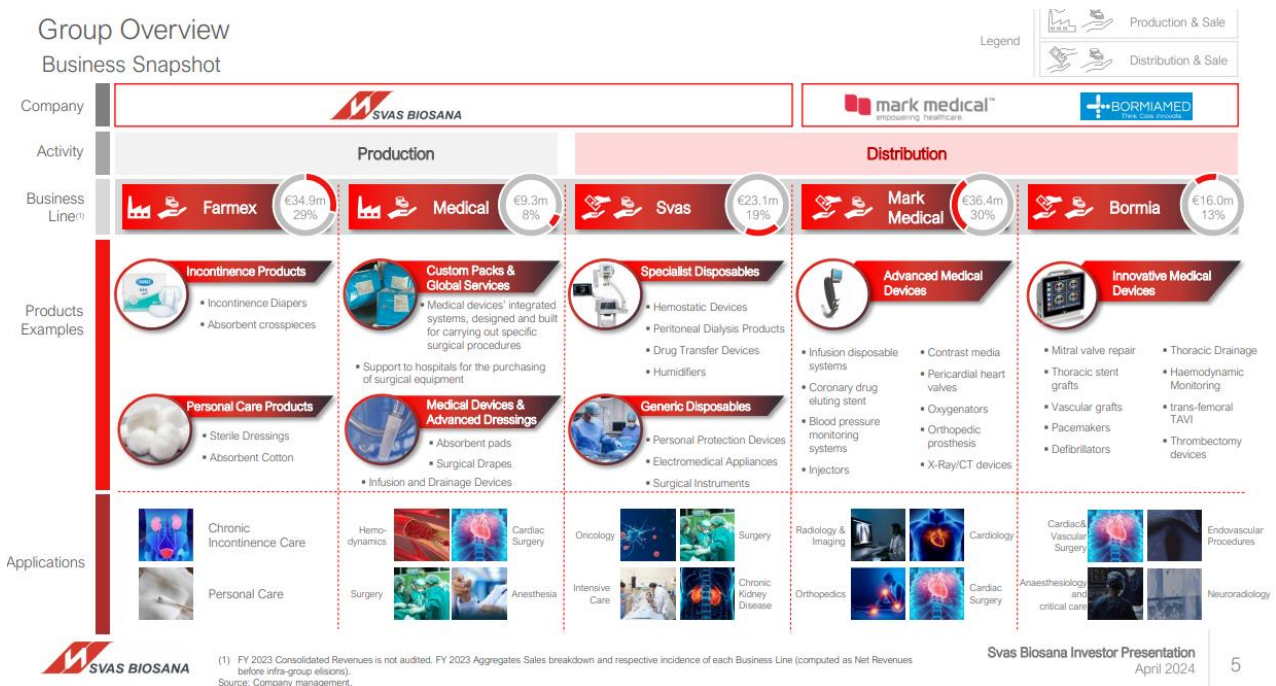
## Overview and business model

### Business model and activities

5 business units Svas business model comprises 5 business units:

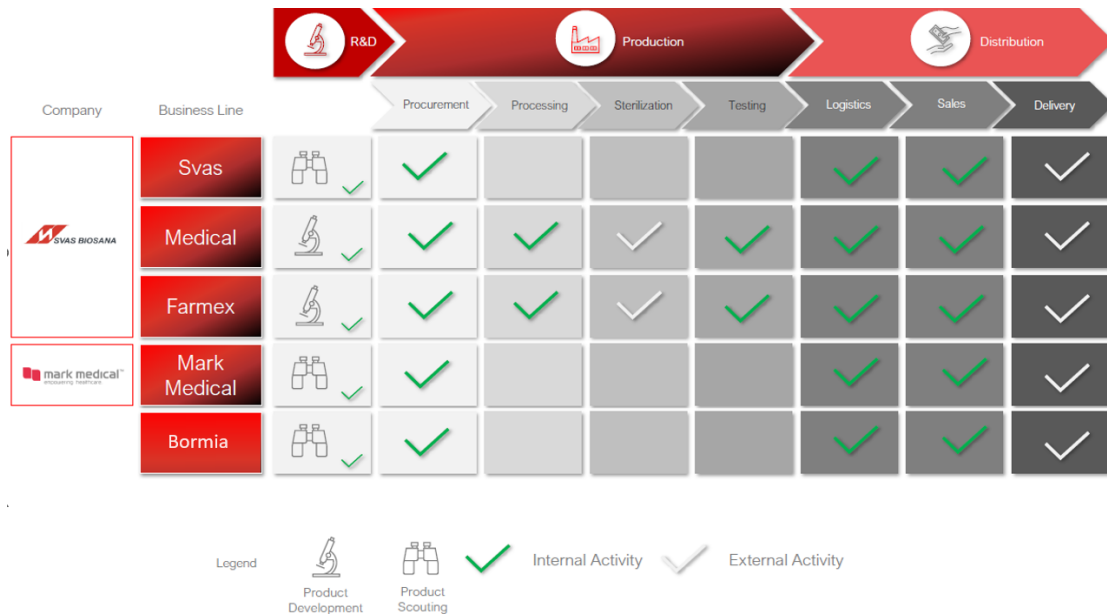
- Farmex (Svas Biosana): production and sale of incontinence aids, traditional dressing, cotton wool and personal care products;
- Svas (Svas Biosana): distribution of consumables addressed to a vast range of medical and surgical situations;
- Medical (Svas Biosana): production and sale of procedural 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 4: Svas Biosana's business snapshot



Source: Company data

Figure 5: Svas Biosana's supply chain



Source: Company data and Banca Profilo Elaborations

### Company History

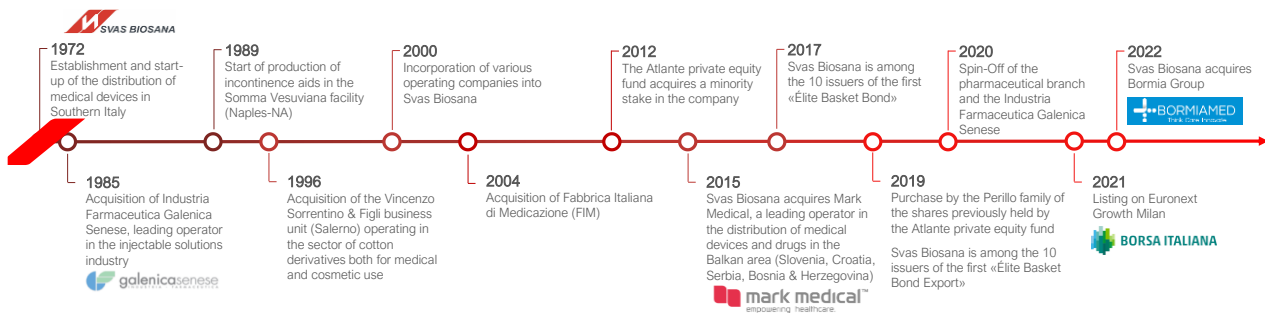
A successful M&A track record since the '90s

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:

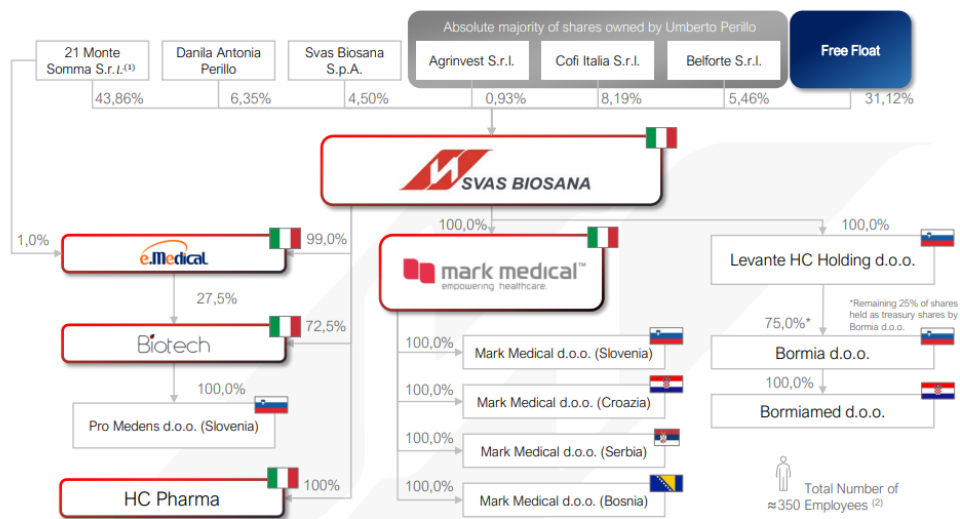
- in 1985 it acquired Galenica Senese to start the production of injectable solutions;
- in the '90s it acquired Vincenzo Sorrentino & Figli and started the production of cotton derivatives, used in health care and cosmetics;
- in 2004, it acquired Fabbrica Italiana di Medicazione (FIM);
- in 2015 it 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 6: Svas Biosana's timeline



Source: Company data

Figure 7: 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).

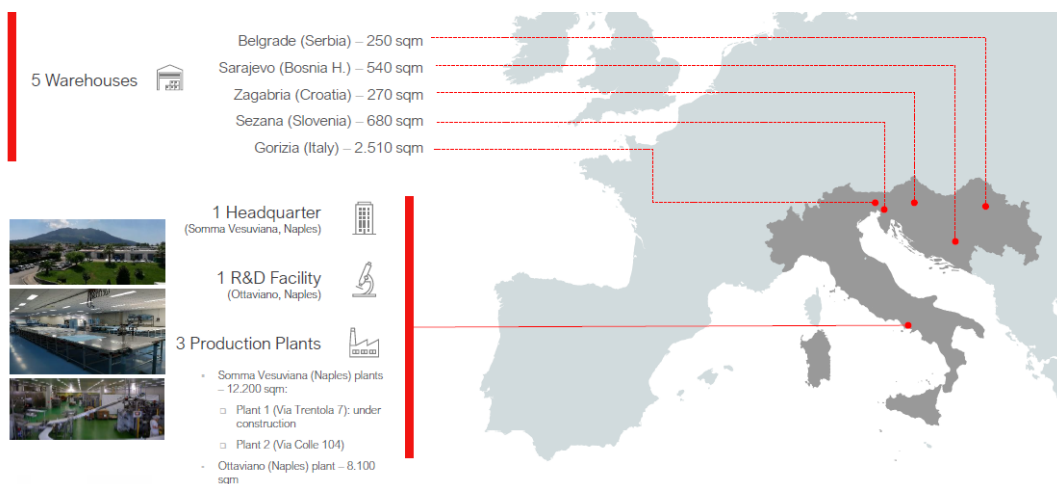
Svas Biosana has three production plants:

- 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 8: Group's plants and facilities



Source: Company data

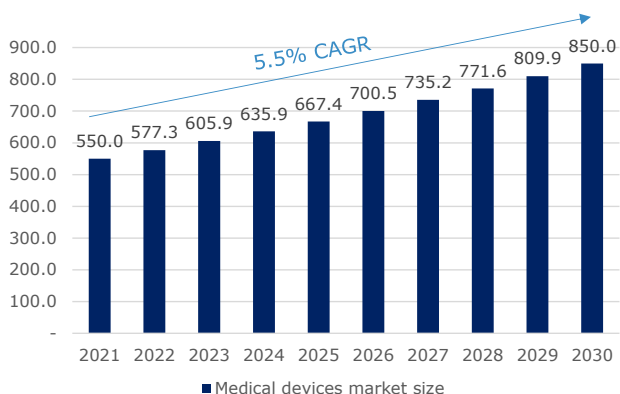
## The reference market

### The Global Medical Devices Industry

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

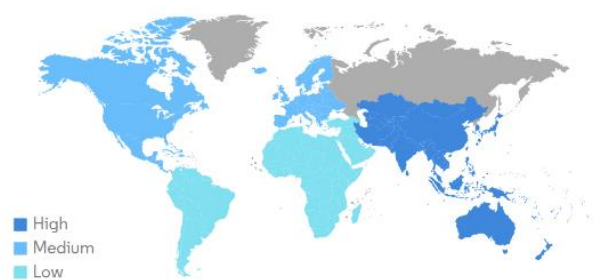
In 2021, the Global Medical Devices market held a market value of \$550bn, it is expected to reach a value of \$850bn in 2030, growing at a 5.5% CAGR, mainly driven by the increase in chronic diseases, such as cancer and diabetes. The sector growth will also be driven by unhealthy lifestyle and eating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

**Figure 9: Value of Global Medical Devices market 2021-2030E (\$/bn)**



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

**Figure 10: 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.

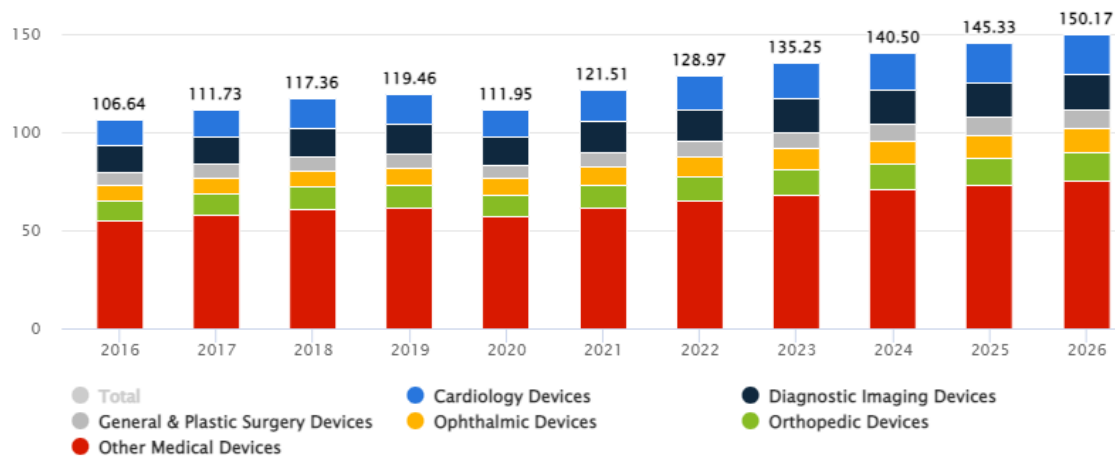
**Germany is expected to lead European market**

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



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

**The Italian market**

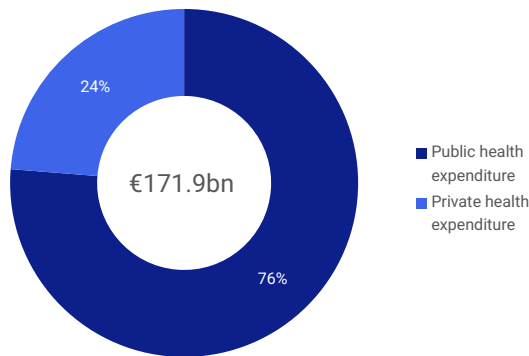
**Italian market worth €18.3bn**

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).

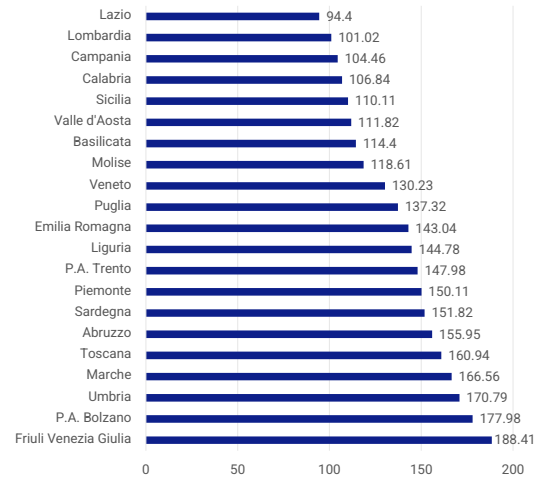
**Public health expenditure increased by 6.7% in 2023**

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



**Figure 13: Italian healthcare expenditure/person (€)**



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

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

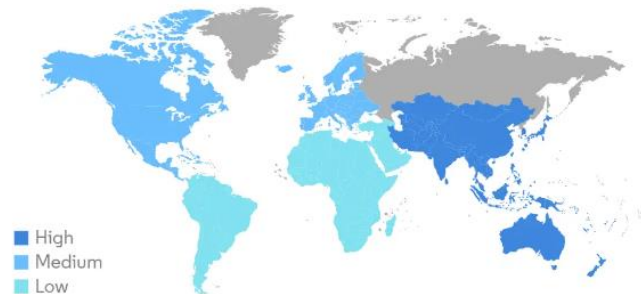
In the Center of Italy, small and large companies coexist, especially in Lazio and Toscana. Finally, in the South, where Svas Biosana is based, there is less concentration of large companies and a strong presence of start-ups.

## 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 14: 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 15: Medical Disposables key players by market category



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

**A moderately competitive market**

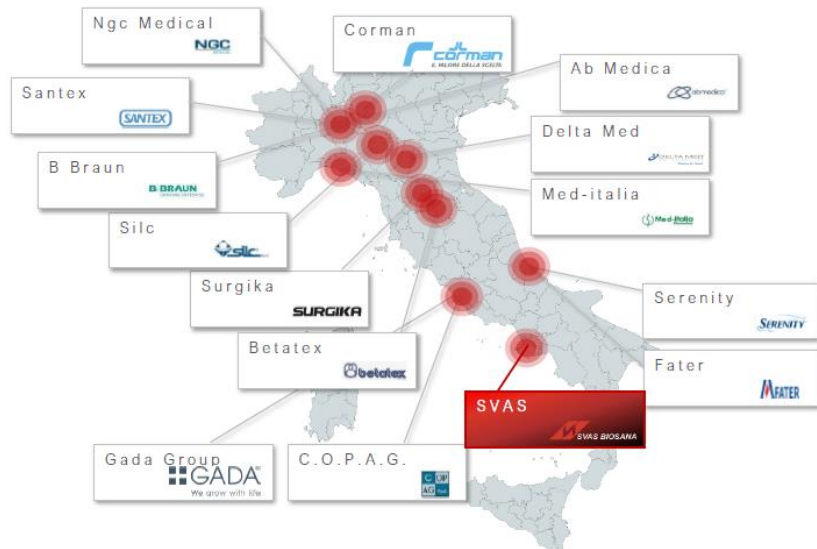
The Disposable market's primary strategies include product launches, M&A, joint ventures, and R&D activities. The Disposable market is moderately competitive and consists of several major players which currently have a dominant positioning. However, there are many small as well as medium-sized manufacturers 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 16: 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 17: 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

**14.7 €**

Upside

**92%**

### 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
- 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

**14.7 €**

Upside

**92%**

## Main Financials

(€/mln)

	2023	2024E	2025E	2026E	2027E
<b>Total revenue</b>	<b>118.3</b>	<b>122.1</b>	<b>134.6</b>	<b>141.9</b>	<b>148.4</b>
<i>yoY change</i>	<i>21.7%</i>	<i>3.2%</i>	<i>10.2%</i>	<i>5.4%</i>	<i>4.6%</i>
<b>EBITDA</b>	<b>14.2</b>	<b>15.2</b>	<b>17.5</b>	<b>18.7</b>	<b>19.8</b>
<i>EBITDA margin (%)</i>	<i>12.0%</i>	<i>12.5%</i>	<i>13.0%</i>	<i>13.2%</i>	<i>13.4%</i>
<b>EBIT</b>	<b>8.6</b>	<b>9.3</b>	<b>11.4</b>	<b>11.5</b>	<b>12.9</b>
<i>EBIT margin (%)</i>	<i>7.2%</i>	<i>7.6%</i>	<i>8.5%</i>	<i>8.1%</i>	<i>8.7%</i>
<b>Group Net income</b>	<b>5.1</b>	<b>5.0</b>	<b>7.0</b>	<b>7.3</b>	<b>8.5</b>
<i>Margin (%)</i>	<i>4.3%</i>	<i>4.1%</i>	<i>5.2%</i>	<i>5.1%</i>	<i>5.8%</i>
<b>Net debt/(cash)</b>	<b>23.8</b>	<b>27.0</b>	<b>30.7</b>	<b>29.4</b>	<b>27.2</b>
Shareholders Equity	59.0	62.4	68.9	75.5	83.3
Net Operating Working Capital	46.7	54.3	59.7	62.9	66.5
Capex and acquisitions	(5.8)	(5.6)	(5.5)	(8.7)	(8.5)
Free Cash Flow	0.0	(0.7)	5.7	3.5	4.0

## 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	45.1	49.2	52.6
Bormia	16.0	17.5	20.5	21.3	22.0

## Key Ratios

	2023	2024E	2025E	2026E	2027E
Net Debt (cash)/Equity	0.4x	0.4x	0.4x	0.4x	0.3x
Net Debt (cash)/EBITDA	1.7x	1.8x	1.8x	1.6x	1.4x
Tax rate	25%	23%	23%	23%	23%
ROE	9%	8%	10%	10%	10%
ROIC	7%	7%	8%	8%	8%
Days Inventory Outstanding	101	113	115	115	116
Days Sales Outstanding	128	131	131	134	135
Days Payables Outstanding	126	124	125	128	128
Capex/VoP	5%	5%	4%	6%	6%

Source: Bloomberg, Banca Profilo estimates and elaborations

## Company Description

Company Sector	Health Care Equipment and Supplies
Price (€)	7.65
Number of shares (mln)	5.6
Market Cap (€ mln)	42.8
Reference Index	FTSE ITALIA GROWTH
Main Shareholders	Perillo's Family
Main Shareholder stake	65%
Free Float	31%
Daily Average Volumes	4,167
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	13.3x	12.2x	15.9x
Median EV/EBITDA	11.4x	10.5x	15.8x

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