

## BioDue (BIO2.IM)

Sector: Healthcare

### Flash Note: Ready for the big step

August 4<sup>th</sup>, 2017

#### Investment summary

- BioDue S.p.A. develops, manufactures and markets cosmetics, solid and liquid food supplements and medical devices both on behalf of national and international pharma companies (industrial division), both under its own brands (Pharcos, BiOfta and Selerbe).
- In 1H2017 Biodue set up the JV Pharcomed Corp. (50% each) with Suco International Group for the distribution on American territory of products branded *Pharcos* and established a second JV (50% each) with Fufarma Albania for the realization of a production plant of capsules and pills.

#### Latest news

- The BoD of BioDue S.p.A. decided to initiate the feasibility study and the structuring of a transaction aimed at switching from listing on AIM Italia to the MTA.
- This project is in line with the company's strategic development plan in particular, it is consistent with the desire to focus on dimensional growth even for external lines as well as on strengthening the internationalization process, already initiated by the opening of new markets and new product sectors.
- The minimum floating requirements for access to MTA, or STAR, can be achieved, in addition to through capital upgrades or reserved ones, also through the sale of shares by existing reference shareholders. The Company believes that the transaction process could be completed by the second half of 2018.
- The BoD appointed Sempione SIM as financial advisor and Corporate Broker and proceeded with the appointment of Invest Banca S.p.a. as *Specialist* on AIM Italia.
- On August 3<sup>rd</sup> 2017, Ruffo Benedetti, who already holds no. 3,490,560 ordinary shares equal to 31.3% of the share capital, concluded through an *accelerated bookbuilding* procedure, the placement on the stock market with Italian and foreign institutional investors totaling 910,000 ordinary shares, thus holds a residual stake of 2,580,560 ordinary shares, equal to 23.1% of the share capital.
- In the 1H2017 BioDue's turnover increased 3.3% yoy and amounted to 18.4M€ driven by the own brand Selerbe and the growth of the foreign market.

#### Valuation

- BioDue has a thirty-year history of growth, the listing on the AIM market was the first step on a path of growth. 2016 was a year of investment both in terms of production capacity and for internationalization, in 2017 the Company is laying the foundations for the actual leap in size.
- In the light of the latest news and pending full data of 1H2017, we confirm our assessment, the model returns a fair value of 7.11€ per share.

#### Risks

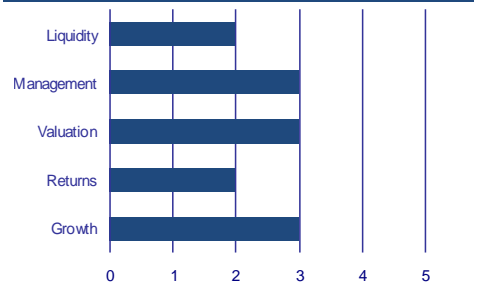
- Uncertainty about finalizing the process just started.

Forecast	16A	17E	18E	19E
Sales (€M)	34.6	37.3	40.2	43.2
EBIT (€M)	3.1	4.0	4.9	5.9
EPS (€)	0.18	0.21	0.26	0.31
Valuation	16A	17E	18E	19E
SHARE PRICE	4.50	5.34	7.49	7.89
EV/EBITDA	11.8	11.4	13.3	11.9
P/E	25.2	25.3	28.8	25.1
Dividend yield	1.3%	1.2%	1.1%	1.4%

#### Key Data

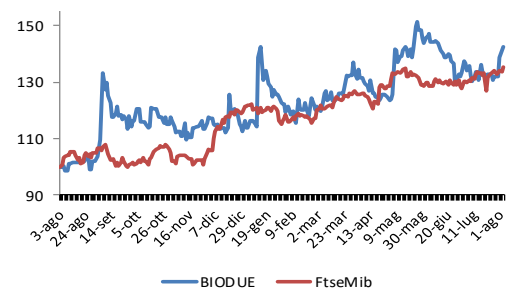
Price (€)	5.34
Market cap (€M)	59.5
Equity Value (€M)	79.3
<b>Fair Value (€)</b>	<b>7.11</b>
P/E LTM	25.2
P/E TTM	25.9

#### Investment Profile from 1 worst to 5 best



#### Stock data

Ticker Bloomberg	BIO2.IM
N° of shares (M)	11.1
Free float	10.1%
Main shareholder	Benedetti family (68.5%)
Daily trading volume	11,068 shares



Share Price perf (%)	3M	6M	1A
Absolute	15.6%	19.7%	42.6%
Rel. to FtseMib	10.6%	5.7%	7.4%

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## FINANCIALS

<b>Income statement (€M)</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
<b>Sales</b>	<b>34.6</b>	<b>37.3</b>	<b>40.2</b>	<b>43.2</b>
COGS	16.2	17.4	18.8	20.1
Gross Profit	18.5	19.9	21.4	23.0
<b>EBITDA</b>	<b>4.7</b>	<b>5.6</b>	<b>6.5</b>	<b>7.5</b>
Depreciation, Amortization	1.3	1.6	1.6	1.6
<b>EBIT</b>	<b>3.1</b>	<b>4.0</b>	<b>4.9</b>	<b>5.9</b>
Net Financial Results	-0.1	-0.1	0.0	0.0
Income tax	-1.0	-1.6	-2.0	-2.4
<b>Net result</b>	<b>2.0</b>	<b>2.4</b>	<b>2.9</b>	<b>3.5</b>
<b>EPS (€)</b>	<b>0.18</b>	<b>0.21</b>	<b>0.26</b>	<b>0.31</b>
<b>DPS (€)</b>	<b>0.06</b>	<b>0.06</b>	<b>0.09</b>	<b>0.11</b>

<b>Margin (%)</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
Gross Margin	53.3%	53.3%	53.3%	53.3%
EBITDA Margin	13.6%	15.0%	16.2%	17.3%
EBIT Margin	8.8%	10.8%	12.2%	13.6%
Net Margin	5.8%	6.3%	7.2%	8.1%

<b>Growth (%)</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
Sales growth	3.0%	7.9%	7.7%	7.3%
EBIT growth	-16.0%	31.4%	22.3%	19.8%
Net growth	-15.8%	18.3%	23.2%	20.6%

<b>Cash Flow statem (€M)</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
Cash Flow	3.3	4.0	4.5	5.1
+/- Var. Working Capital	-0.3	-0.5	-0.4	-0.4
<b>Operating Cash Flow</b>	<b>3.0</b>	<b>3.5</b>	<b>4.1</b>	<b>4.7</b>
Op. Cash Flow / Sales	8.7%	9.3%	10.2%	10.9%
Capex	-4.8	-3.0	-1.8	-1.5
<b>FCF</b>	<b>-1.8</b>	<b>0.5</b>	<b>2.3</b>	<b>3.2</b>
FCF / Sales	-5.2%	1.3%	5.7%	7.4%

<b>Stock data</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
Number of Shares (M)	11.1	11.1	11.1	11.1
Share price	4.50	5.34	7.49	7.89
<b>Market cap (€M)</b>	<b>50.2</b>	<b>59.5</b>	<b>83.5</b>	<b>87.9</b>

<b>Balance sheet (€M)</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
LONG LIVED ASSETS	14.2	14.4	14.6	14.5
WC	7.5	8.0	8.4	8.8
<b>CAPITAL EMPLOYED</b>	<b>21.7</b>	<b>22.4</b>	<b>23.1</b>	<b>23.4</b>
EQUITY	15.1	16.8	18.7	21.0
MINORITY INTEREST	0.0	0.0	0.0	0.0
PROVISIONS	1.0	1.0	1.0	1.0
PENSIONS (e.g. TFR)	0.0	0.0	0.0	0.0
NET DEBT	5.5	4.6	3.3	1.3
<b>CAPITAL INVESTED</b>	<b>21.7</b>	<b>22.4</b>	<b>23.1</b>	<b>23.4</b>

<b>Ratios</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
<b>ROCE after tax</b>	<b>8.4%</b>	<b>10.7%</b>	<b>12.8%</b>	<b>15.1%</b>
ROE	13.1%	14.0%	15.5%	16.7%
<b>Capital Turnover</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>
<b>Net Debt / EBITDA</b>	<b>1.2</b>	<b>0.8</b>	<b>0.5</b>	<b>0.2</b>
Gearing	36.5%	27.5%	17.5%	6.3%
<b>WC / Sales</b>	<b>21.8%</b>	<b>21.5%</b>	<b>21.0%</b>	<b>20.5%</b>
Amortization / Sales	3.8%	4.3%	4.0%	3.7%
<b>Capex / Sales</b>	<b>13.9%</b>	<b>8.0%</b>	<b>4.5%</b>	<b>3.5%</b>
EPS growth	-15.8%	18.3%	23.2%	20.6%
<b>PEG</b>	<b>-159.0</b>	<b>138.2</b>	<b>124.3</b>	<b>121.9</b>

<b>Valuation</b>	<b>16A</b>	<b>17E</b>	<b>18E</b>	<b>19E</b>
<b>EV/Sales</b>	<b>1.6</b>	<b>1.7</b>	<b>2.2</b>	<b>2.1</b>
<b>EV/EBITDA</b>	<b>11.8</b>	<b>11.4</b>	<b>13.3</b>	<b>11.9</b>
EV/EBIT	18.2	16.0	17.7	15.2
<b>P/E</b>	<b>25.2</b>	<b>25.3</b>	<b>28.8</b>	<b>25.1</b>
P/B	3.3	3.5	4.5	4.2
<b>EV/CE</b>	<b>2.6</b>	<b>2.9</b>	<b>3.8</b>	<b>3.8</b>
<b>FCF Yield</b>	<b>-3.6%</b>	<b>0.8%</b>	<b>2.7%</b>	<b>3.6%</b>
<b>Dividend yield</b>	<b>1.3%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>1.4%</b>

Source: Company data, Twice estimates

(\*) Financial results at 31/12/2016 expressed in accordance with IAS accounting principles.