

BioDue (BIO2.IM)

Sector: Healthcare

Flash Note: 9-month revenue grows more than 4%

October 25th, 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 pharmaceutical companies (Industrial division), both under its own brands (Pharcos, Biofta and Selerbe).
- The BoD of BioDue S.p.A. on August 3, 2017 resolved to initiate a feasibility study for admission to MTA negotiations, possibly STAR segment. This decision is in line with the strategic development plan and consistent with the desire to focus on dimensional growth even for external lines, as well as internationalization process.

Latest news

- BioDue adopted the IFRS accounting standards since January 1, 2017.
- Revenues from sales in the first nine months of fiscal year 2017 amounted to 26.2M€, up 4.2% from the same period of 2016.
- The Industrial Division achieved revenues of 14.6M€, in line with the 9M2016.
- Pharcos division achieved revenues of 5.8M€, up 5.0% on 2016, essentially due to higher sales to the American Joint Venture Pharmed Corp; Selerbe division achieved revenues of 3.9M€ (+19.6% yoy), thanks to a further increase in domestic sales in the Private Label segment for pharmacies and herbalists; Biofta division achieved revenues of 1.9M€ (+10.5% yoy), mainly thanks to a more significant presence of the brand in the field of ophthalmologists.
- "Own-brand" revenues accounted for 44.4% of total sales at September 30, 2017, according to the Company's medium-term strategic development guidelines.
- The geographical distribution of revenues shows both domestic market (+ 3.7%) and foreign market (+ 7.7%) growth; foreign sales accounted for 12% of total sales.
- The Company also recorded the following additional cash flows related to its REWCAP TM patent: non-recurring revenues for REWCAP TM machinery sales for 279k€ with final destination the Chinese market; royalties deriving from the production license of its REWCAP TM patent for 49k€.

Valuation

- BioDue has a thirty-year history of growth, the listing on the AIM market was the first step on a path of growth and strengthening, now it has officially started the process of switching to the main market.
- In light of 9M results and BioDue expectations for the FY2017 we confirm our valuation and a fair value of 7.11€ per share.

Risks

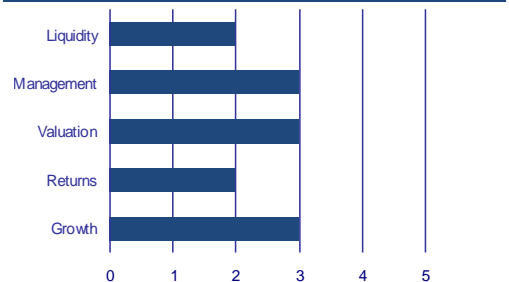
- Further slowdown in the full implementation of the investments in production capacity.
- Difficulties to finalize and manage external growth.

Forecast	16A	17E	18E	19E
Sales (€M)	34.6	37.2	40.1	43.2
EBIT (€M)	3.1	3.8	4.9	5.9
EPS (€)	0.18	0.20	0.26	0.31
Valuation	16A	17E	18E	19E
SHARE PRICE	4.50	5.41	7.49	7.88
EV/EBITDA	11.8	11.9	13.4	11.9
P/E	25.2	26.8	28.9	25.1
Dividend yield	1.3%	1.1%	1.1%	1.4%

Key Data

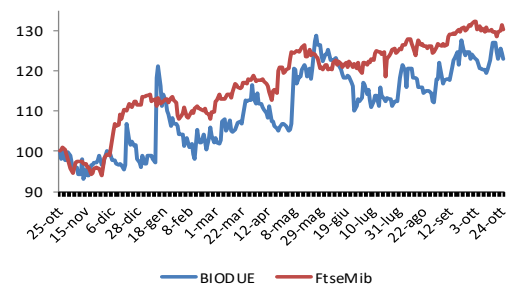
Price (€)	5.41
Market cap (€M)	60.3
Fair Equity Val. (€M)	79.3
Fair Value (€)	7.11
P/E LTM	25.2
P/E TTM	27.2

Investment Profile from 1 worst to 5 best



Stock data

Ticker Bloomberg	BIO2.IM
N° of shares (M)	11.1
Free float	21.5%
Main shareholder	Benedetti family (60.3%)
Daily trading volume	9,804 shares



Share Price perf (%)	3M	6M	1A
Absolute	8.9%	16.1%	22.9%
Rel. to FtseMib	4.2%	8.2%	-7.3%

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FINANCIALS

Income statement (€M)	16A	17E	18E	19E	Balance sheet (€M)	16A	17E	18E	19E
Sales	34.6	37.2	40.1	43.2	LONG LIVED ASSETS	14.2	14.4	14.6	14.5
COGS	16.2	17.4	18.7	20.1	WC	7.5	8.0	8.4	8.8
Gross Profit	18.5	19.9	21.4	23.0	CAPITAL EMPLOYED	21.7	22.4	23.0	23.4
EBITDA	4.7	5.4	6.5	7.5	EQUITY	15.1	16.7	18.7	20.9
Depreciation, Amortization	1.3	1.6	1.6	1.6	MINORITY INTEREST	0.0	0.0	0.0	0.0
EBIT	3.1	3.8	4.9	5.9	PROVISIONS	1.0	1.0	1.0	1.0
Net Financial Results	-0.1	-0.1	0.0	0.0	PENSIONS (e.g. TFR)	0.0	0.0	0.0	0.0
Income tax	-1.0	-1.5	-2.0	-2.4	NET DEBT	5.5	4.7	3.3	1.4
Net result	2.0	2.3	2.9	3.5	CAPITAL INVESTED	21.7	22.4	23.0	23.4
EPS (€)	0.18	0.20	0.26	0.31					
DPS (€)	0.06	0.06	0.09	0.11					
Margin (%)	16A	17E	18E	19E	Ratios	16A	17E	18E	19E
Gross Margin	53.3%	53.3%	53.3%	53.3%	ROCE after tax	8.4%	10.3%	12.8%	15.1%
EBITDA Margin	13.6%	14.6%	16.2%	17.3%	ROE	13.1%	13.5%	15.5%	16.7%
EBIT Margin	8.8%	10.3%	12.2%	13.6%	Capital Turnover	1.6	1.7	1.7	1.8
Net Margin	5.8%	6.0%	7.2%	8.1%	Net Debt / EBITDA	1.2	0.9	0.5	0.2
					Gearing	36.5%	27.9%	17.9%	6.7%
Growth (%)	16A	17E	18E	19E	WC / Sales	21.8%	21.5%	21.0%	20.5%
Sales growth	3.0%	7.6%	7.7%	7.6%	Amortization / Sales	3.8%	4.3%	4.0%	3.7%
EBIT growth	-16.0%	25.8%	27.4%	20.2%	Capex / Sales	13.9%	8.1%	4.5%	3.5%
Net growth	-15.8%	13.1%	28.4%	21.0%	EPS growth	-15.8%	13.1%	28.4%	21.0%
					PEG	-159.0	204.5	101.5	119.7
Cash Flow statement (€M)	16A	17E	18E	19E	Valuation	16A	17E	18E	19E
Cash Flow	3.3	3.9	4.5	5.1	EV/Sales	1.6	1.7	2.2	2.1
+/- Var. Working Capital	-0.3	-0.5	-0.4	-0.4	EV/EBITDA	11.8	11.9	13.4	11.9
Operating Cash Flow	3.0	3.4	4.1	4.7	EV/EBIT	18.2	16.9	17.7	15.2
Op. Cash Flow / Sales	8.7%	9.1%	10.2%	10.8%	P/E	25.2	26.8	28.9	25.1
Capex	-4.8	-3.0	-1.8	-1.5	P/B	3.3	3.6	4.5	4.2
FCF	-1.8	0.4	2.3	3.2	EV/CE	2.6	2.9	3.8	3.8
FCF / Sales	-5.2%	1.0%	5.7%	7.3%	FCF Yield	-3.6%	0.6%	2.7%	3.6%
					Dividend yield	1.3%	1.1%	1.1%	1.4%
Stock data	16A	17E	18E	19E					
Number of Shares (M)	11.1	11.1	11.1	11.1					
Share price	4.50	5.41	7.49	7.88					
Market cap (€M)	50.2	60.3	83.5	87.9					

Source: Company data, Twice estimates

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