

3m Results 2020

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

Ana Isabel González García, CIIA – ana.gonzalez@lighthouse-ieaf.com

+34 915 904 226

Business description

Biosearch (BIOS) is a small Spanish biotech company based in Granada, specialising in the research, development and sale of functional ingredients (natural extracts, omega-3 and probiotics) for the nutrition and healthcare markets. It has an international presence (80% of revenues). A former subsidiary of the former EBRO-Puleva, its core shareholder remains the Lactalis group (30% of capital).

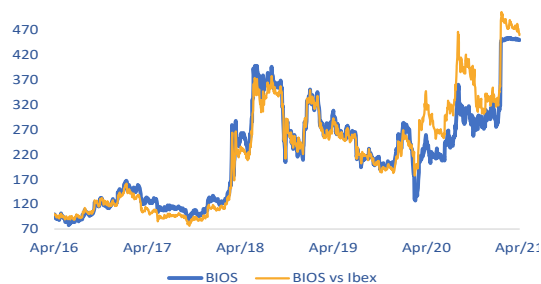
Market Data

Market Cap (Mn EUR and USD)	123.2	149.3
EV (Mn EUR and USD) ⁽²⁾	121.9	147.8
Shares Outstanding (Mn)	57.7	
-12m (Max/Med/Mín EUR)	2.16 / 1.46 / 0.96	
Daily Avg volume (-12m Mn EUR)	0.63	
Rotation ⁽³⁾	131.0	
Refinitiv / Bloomberg	BIOS.MC / BIO SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Lactalis Group	29.5
Pescaderías Coruñesas, S.A.	10.0
Free Float	60.5

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-0.7	61.7	85.7	349.5
vs Ibex 35	-4.4	42.2	48.5	359.8
vs Ibex Small Cap Index	0.4	46.1	23.8	139.9
vs Eurostoxx 50	-3.5	40.9	39.2	240.5
vs Sector benchmark ⁽⁴⁾	-2.0	58.3	88.3	255.4

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Eurostoxx 600 Health Care.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Refinitiv and Lighthouse

Kerry takeover gets green light. 2021, a year that will improve as it progresses

CIRCUMSTANTIAL CONTRACTION OF REVENUE (EUR 6.0Mn 1Q21, -9.6% Y/Y)...

affected by overstocking of probiotics (-26.1% y/y 1Q21; 15.3% of the total) and more demanding comps for extracts (-13.6% y/y 1Q21; 40.1% of the total), due to lower sales of products for the immune system and the impact of the pandemic on the sales channel in Asia (c. 68% of sales of extracts). Conversely, the lipids line continues to progress, +3.9% y/y 1Q21 (44.0% of revenues).

...WITH A LIKELY RECOVERY (2H),

backed by the circumstantial transfer (to 2Q) of orders for premium products (extracts; caronositol), the signing of new commercial contracts drawn up in 1Q (lipids and extracts) and the commercial pipeline in probiotics (Europe).

IMPACTING (WORSE MIX) THE MARGIN (REC. EBITDA/REVENUE 7.8%, -2.8p.p. Y/Y).

The smaller contribution from probiotics (higher margin; -3.4p.p. y/y) and premium products (extracts) resulted in EUR 0.5Mn of Rec. EBITDA (-33.4% y/y).

WITHOUT HINDERING THE STRENGTHENING OF THE FINANCIAL POSITION.

EUR 2.2Mn in net cash 1Q21 (vs. EUR 2.8Mn ND -1y and EUR 1.6Mn net cash 2020), thanks to the collection of milestone payments (EUR 1.5Mn; the bulk in 2H20) and tight control of costs (stable y/y).

AND WITHOUT LOSING SIGHT OF THE PROGRESS IN THE PIPELINE (R+D),

with requests for new patents for products aimed at expanding healthcare markets: 1) the GERAS project (for the elderly), products focused on mitigating cognitive decline associated with ageing and the prevention of cardiovascular disease; 2) the Gesta Health project (pregnancy and breastfeeding) and 3) 2 clinical trials in the Covid area (Hereditum Immunactiv K8; which is demonstrating an improved immune system response to the attenuated/dead virus of the vaccines against Covid-19) whose results could be known in 2021.

IN CONCLUSION, RESULTS IN LINE IN A YEAR WHICH WILL GET BETTER AS IT PROGRESSES AND WHICH CONTINUES TO BE OVERSHADOWED...

The diversification of the business (triple revenue platform: probiotics, omega 3 and medicinal herbs), together with progress on R+D will enable the company to record "on its own" increasing CAGRs in revenue (c. +10% CAGR +2y), exceeding the threshold of EUR 4.5Mn in Rec. EBITDA 2021e and EUR 6Mn in Rec. EBITDA +2y, confirming our estimates (based on a larger contribution from premium products).

...AFTER TODAY'S GREEN LIGHT FOR THE KERRY TAKEOVER.

The Council of Ministers has today authorised the Irish group's takeover bid involving payment of up to a total of EUR 126.9Mn for 100% of BIOS (2.20 EUR/share). The multiples offered imply 26.5x EV/EBITDA 2021e, vs. 27.1x on average for peers in probiotics and 15.3x in lipids (c. 20% and 40% of 2021e revenue respectively; these being the business lines with the highest margins). The EV/EBIT multiple would be 41.6x 2021e (vs. 34.7x in probiotics and 21.1x in lipids). In terms of 2022e EV/EBIT, the ratio would decline to c. 28.3x.

The bid (dependent on obtaining 50% of capital) has the backing of Lactalis (its core shareholder; 29.5% of capital). In coming days, the takeover bid prospectus will be made available to the public, followed by a period of 20 calendar days for taking up the offer, followed by around one week for settlement and c. 10 days for a possible squeeze out. At yesterday's close, the share price showed a spread of c. 3% vs the offer price.

Appendix 1. Results table

(EUR Mn)	1Q21 (Real)	1Q20	1Q21 vs 1Q20	2021e (Est)	2022e (Est)
Total Revenues	6.0	6.6	-9.6%	30.8	34.7
Lipids	2.6	2.5	3.9%	12.5	13.7
Probiotics	0.9	1.2	-26.1%	6.1	8.8
Extracts	2.4	2.8	-13.6%	11.5	11.7
Services & others	0.0	0.1	-44.3%	0.6	0.6
Rec. EBITDA ⁽¹⁾	0.5	0.7	-33.4%	4.7	6.3
Rec. EBITDA / Rev.	7.8%	10.6%	-2.8 p.p.	15.4%	18.2%
EBITDA	0.3	0.5	-37.9%	4.7	6.3
EBITDA / Rev.	5.5%	8.1%	-2.5 p.p.	11.8%	11.8%
PBT	(0.1)	0.1	-151.8%	2.9	4.4
NP	(0.1)	0.1	-164.8%	2.4	3.6
Net Debt	(2.2)	2.8	-178.4%		
ND/Rec. EBITDA	-4.7 x	4.0 x	-8.6 x		

(1) EBITDA and Rec. EBITDA adjusted. It excludes capitalized expense. Without IFRS-16 impact.

(2) 2021r EBITDA does not consider the costs related to the takeover bid offer (c. EUR 0,5Mn).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	123.2	
+ Minority Interests	-	3m Results 2021
+ Provisions & Other L/T Liabilities	1.9	3m Results 2021
+ Net financial debt	(2.2)	3m Results 2021
- Financial Investments	0.9	3m Results 2021
+/- Others		3m Results 2021
Enterprise Value (EV)	121.9	

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
30-Apr-2021	n.a.	2.13	n.a.	n.a.	3m Results 2020	Ana Isabel González García, CIIA
26-Feb-2021	n.a.	2.13	n.a.	n.a.	12m Results 2020	Ana Isabel González García, CIIA
16-Feb-2021	n.a.	2.11	n.a.	n.a.	Important news	Ana Isabel González García, CIIA
05-Nov-2020	n.a.	1.30	n.a.	n.a.	9m Results 2020	Ana Isabel González García, CIIA
28-Jul-2020	n.a.	1.22	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIIA
30-Apr-2020	n.a.	1.15	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
02-Mar-2020	n.a.	1.10	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIIA
29-Oct-2019	n.a.	0.95	n.a.	n.a.	9m Results 2019 - Estimates downgrade	Ana Isabel González García, CIIA
30-Jul-2019	n.a.	1.02	n.a.	n.a.	6m Results 2019 - Estimates downgrade	Ana Isabel González García, CIIA
14-May-2019	n.a.	1.24	n.a.	n.a.	3m Results 2019	Ana Isabel González García, CIIA
28-Feb-2019	n.a.	1.62	n.a.	n.a.	12m Results 2018	Ana Isabel González García, CIIA
31-Jan-2019	n.a.	1.56	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

