

12m Results 2020

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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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)	122.9	149.7
EV (Mn EUR and USD) ⁽²⁾	122.2	148.8
Shares Outstanding (Mn)	57.7	
-12m (Max/Med/Min EUR)	2.15 / 1.26 / 0.61	
Daily Avg volume (-12m Mn EUR)	0.63	
Rotation ⁽³⁾	131.7	
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	55.0	57.5	87.5	395.3
vs Ibex 35	47.2	54.6	108.5	389.3
vs Ibex Small Cap Index	42.7	43.1	45.9	137.8
vs Eurostoxx 50	49.5	50.1	81.8	286.8
vs Sector benchmark ⁽⁴⁾	65.1	58.6	100.2	305.2

(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

Excellent 2020 that reinforces our estimates (+2y),...although overshadowed by the takeover bid

HEALTHY 2020 REVENUE GROWTH (EUR 26.5Mn, +13.8% Y/Y), favoured by less demanding comps (destocking by Asian clients). Good performance by natural extracts (+30.0% y/y; strengthening of the immune system) and probiotics (+18.2% y/y; infant and women's healthcare products), both favoured by the current Covid situation. Conversely, lipids stagnated circumstantially (-2.4% y/y), with sales likely to pick up +1y.

UNDERPINNING THE IMPROVEMENT IN MARGINS (REC. EBITDA /REVENUE 14.7%, +3.6p.p. y/y), resulting in EUR 3.9Mn of Rec. EBITDA (+50.9% y/y), due to the revenue mix (larger contribution from premium products) and cost control (containment of operating expenses).

APPROACHING EUR 2Mn OF EBIT (EUR 1.9Mn, c.+1.3x y/y), despite the bigger impact of restructuring (EUR -0.5Mn, c. +2x y/y). The improvement in NP accelerated (EUR 1.5m; c. +2x y/y) due to the lower tax rate (14.6%, -15.5p.p. y/y).

AND REINFORCING THE FINANCIAL POSITION (EUR 1.6Mn OF NET CASH vs. EUR 4.3Mn ND -1Y), thanks to the accelerated collection of milestones (EUR 1.5Mn) and a significant optimisation of inventories (26.2% inventories/revenues, -9.3p.p. y/y), with an impact on working capital of EUR +3.7Mn (vs. our neutral scenario for 2020e).

WHILE THE PIPELINE (R+D) CONTINUES TO ADVANCE. BIOS's firm commitment to R+D (c. 20% of its headcount) has resulted in its filing 3 new patents (-1y) 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) taking advantage of the Covid situation to begin 2 clinical trials in this area (whose results could be known in 2021).

IN CONCLUSION, GOOD RESULTS THAT REFLECT THE RESILIENCE OF THE BIOS BUSINESS, BUT WHICH HAVE BEEN OVERSHADOWED BY THE KERRY TAKEOVER BID... The diversification of the business (triple revenue platform: probiotics, omega 3 and medicinal herbs) together with its progress on R+D will enable the company to record, on its own, increasing CAGRs for revenue (c. +10% CAGR +2y), exceeding the threshold of EUR 6Mn in EBITDA +2y, reinforcing our estimates (+2y). These factors have sparked the interest of the Irish giant, whose industry has to deal with the economic consequences of the pandemic, with differentiation (R+D; functional ingredients) being key.

...A DEAL WITH A GOOD CHANCE OF SUCCESS. Although the bid depends on 50% of capital accepting it, BIOS's large freefloat (60.5% of capital) and the backing of Lactalis (its core shareholder; 29.5% of capital), together with the cash payment (EUR 126.9Mn) will smooth the way. Although the multiples offered are still attractive in the short term (37.0x EV/EBITDA 2020, c. 1.7x vs. the average of its peers), these will fall into line with those of the sector +2y (20x EV/EBITDA 2022e; EUR 6.3Mn Rec. EBITDA 2022e), in a business which, moreover, could lever its growth on the Kerry Group. The share price (latest close) maintains a spread of c. 3% vs the price of the bid, discounting the success of the deal.

Appendix 1. Results table

(EUR Mn)	2020	2019(2)	2020 vs 2019	2020 (Est)	2020e vs 2019	4Q20	4Q20 vs 4Q19
Total Revenues	26.5	23.3	13.8%	28.2	21.3%	7.0	10.0%
Lipids	10.2	10.1	0.8%	11.4	12.2%	2.7	11.1%
Probiotics	5.7	4.8	18.7%	5.4	12.7%	1.2	-21.8%
Extracts	9.8	7.5	30.0%	10.8	44.5%	2.5	30.6%
Services & others	0.9	0.9	-1.4%	0.7	-24.8%	0.7	19.3%
Rec. EBITDA ⁽¹⁾	3.9	2.6	50.9%	3.5	46.4%	1.0	10.1%
Rec. EBITDA / Rev.	14.7%	11.1%	3.6 p.p.	12.4%	2.1 p.p.	14.4%	0.0 p.p.
EBITDA	3.4	2.3	48.3%	3.1	25.6%	1.0	18.7%
EBITDA / Rev.	12.9%	9.9%	3.0 p.p.	11.8%	1.3 p.p.	14.0%	1.0 p.p.
EBIT	1.9	0.8	130.4%	1.5	28.3%	0.7	23%
PBT	1.8	0.7	148.3%	1.4	62.5%	0.6	24%
NP	1.5	0.5	203.4%	1.1	74.9%	0.4	80%
Ordinary NP	2.6	1.3	97.3%	1.4	145.5%	0.7	9%
Rec. FCF	9.5	-7.7	224%	1.1	739.0%		
Rec. FCF Yield	7.8%	n.a.	n.a.	0.9%	7.4 p.p.		
Net Debt	-1.6	4.3	-138%	2.5	-41%		
ND/Rec. EBITDA	-0.4 x	1.7 x	-2.1 x	0.7 x	-1.0 x		

⁽¹⁾ EBITDA and Rec. EBITDA adjusted. It excludes capitalized expense. Without IFRS-16 impact (BIOS reports according to national accounting standards).

⁽²⁾ BIOS has recorded adjustments for errors in 2019 (resulting in EUR -0.1Mn in NP).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	122.9	
+ Minority Interests	-	12m Results 2020
+ Provisions & Other L/T Liabilities	1.9	12m Results 2020
+ Net financial debt	(1.6)	12m Results 2020
- Financial Investments	0.9	12m Results 2020
+/- Others		12m Results 2020
Enterprise Value (EV)	122.2	

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

