

## EQUITY - SPAIN

Sector: Biotechnology - Functional Ingredients

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3m Results 2019  
Closing price: EUR 1.24 (13 May 2019)

### 3m Results 2019

Opinion <sup>(1)</sup>: Below expectations

Impact <sup>(1)</sup>: We will maintain our estimates

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### Business description

Biosearch 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 (78% of revenues). A former subsidiary of the former EBRO-Puleva, its core shareholder remains the Lactalis group (30% of capital)

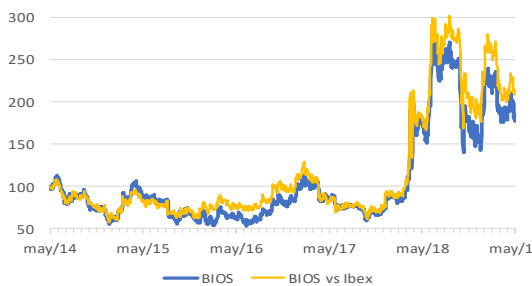
### Market Data

Market Cap (Mn EUR and USD)	71.3	80.0
EV (Mn EUR and USD)	73.0	81.9
Shares Outstanding (Mn)	57.7	
-12m (Max/Med/Min EUR)	1.89 / 1.44 / 0.97	
Daily Avg volume (-12m Mn)	0.85	
Rotation <sup>(2)</sup>	305.4	
Thomson Reuters / Bloomberg	BIOS.MC / BIO SM	
Close fiscal year	31-Dec	

### Shareholders Structure (%)

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

### Relative performance -5y (Base 100)



### Stock performance (%)

(%)	-1m	-3m	-12m	-5Y
Absolute	-0.6	-17.9	-1.1	77.8
vs Ibex 35	4.0	-18.5	12.3	108.1
vs Ibex Small Cap Index	0.1	-17.5	14.2	57.8
vs Eurostoxx 50	3.2	-20.8	6.2	72.0
vs Sector benchmark <sup>(3)</sup>	1.7	-17.8	-6.7	51.0

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(3) vs Eurostoxx 600 Health Care.

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

## A difficult start to the year (although 2H should be better)

**FALL IN REVENUES (-9.2% y/y vs. 1Q18)** due to the poor performance of the probiotics division (-29.6% y/y), impacted by cumulative delays to the marketing schedule of the agreement with Nestlé and a circumstantial drop in demand (due to inventory standardization) from one of its principal clients in Asia and main contributor to the demanding basis for comparison (1Q18 revenue accounted for 27% of 2018 revenues). BIOS is negotiating new marketing agreements to offset this impact. Conversely, lipids did well, +16% y/y (vs. -22% y/y in 4Q18), contributing 39.4% of revenues (+8.6p.p. in the year), while the fall in sales of extracts slowed (-6.2% y/y vs. -9.4% y/y 4Q18).

**WORSENING OF THE EBITDA/REVENUE MARGIN (15.2%, -6.1p.p.)**, due to a worse revenue mix, resulting in -35.3% y/y at the EBITDA level. The contribution from the higher added value probiotics business declined 7.9p.p. y/y (27.2% of revenue).

**DEBT CONTINUES TO DECREASE (-24% y/y)** and this should accelerate in coming months due to contractual cash inflows (> EUR 1Mn). The delay to investment (CAPEX EUR 0.24mn vs. EUR 1.9Mn 2019e) should support cash generation (rec. FCF EUR 4.2Mn in 2019e).

**OUR ESTIMATES ARE UNCHANGED** despite a weak 1Q (PBT -49% y/y), on the basis of:

- The materialisation of new probiotics contracts (Nestlé), and the resumption of orders in Asia (which will provide greater visibility in 2Q),
- The room for improvement in lipids after strong growth in 1Q,
- The launch of higher added value products (margins > +30p.p.) in extracts (5 new products) which should soften the fall in this division's revenues and its impact on EBITDA.

However, the performance of the probiotics division will remain critical to obtaining 2019e EBITDA of EUR 6.9Mn.

	1Q19	1Q18	1Q19 vs 1Q18	2019e	2019 vs 2018
<b>Total Revenues</b>	5.6	6.2	-9.2%	31.0	14.0%
Lipids	2.2	1.9	16.0%	9.8	6.0%
Probiotics	1.5	2.2	-29.6%	11.0	38.4%
Extracts	1.8	1.9	-6.2%	9.6	7.7%
Services	0.1	0.2	-57.7%	0.4	-48.0%
<b>Rec. EBITDA</b>	0.9	1.3	-35.3%	6.9	18.2%
Rec. EBITDA / Rev.	15.2%	21.3%	-6.1 p.p.	22.3%	0.8 p.p.
<b>EBT</b>	0.5	0.9	-48.9%	5.1	24.6%
<b>NP</b>	n.a.	n.a.	n.a.	4.1	22.7%
<b>Ordinary NP</b>	n.a.	n.a.	n.a.	0.1	22.7%
Net Debt	3.3	4.3	-24%	-1.1	n.a.
ND / EBITDA	n.a.	n.a.	n.a.	-0.2 x	-0.3 x

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
14-May-2019	n.a.	1.24	n.a.	n.a.	3m Results 2019	Ana Isabel Gonzalez Garcia
28-Feb-2019	n.a.	1.62	n.a.	n.a.	12m Results 2018	Ana Isabel Gonzalez Garcia
31-Jan-2019	n.a.	1.56	n.a.	n.a.	Initial Coverage	Ana Isabel Gonzalez Garcia