

3m 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).

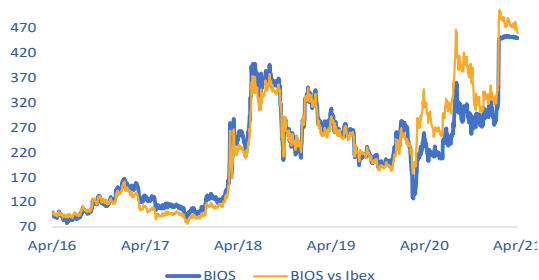
Market Data

Market Cap (Mn EUR and USD)	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 OVERTHADOWED...

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 take-over 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

