

## ATRY'S HEALTH

### Sells its 75% stake in Conversia for €35m

- Details.** Atrys has sold its 75% stake in Conversia (the compliance business integrated with the acquisition of Aspy) to Arraigo (a private investment group 20% owned by Inveready, the latter also owns 4% of Atrys) for €35m. Atrys had already sold a 25% stake in December last year to Arraigo for €20m, so the total valuation stands at €55m (9X EV/EBITDA).
- 2023 guidance** has been updated to the new perimeter (Conversia accounted for c.13% of EBITDA), maintaining the 10-13% adjusted EBITDA growth target but from an updated pro-forma base, leading to €45-46m EBITDA (vs. €52-53m previously).
- Good news.** The sale is good news, as Conversia has no strategic fit with the rest of the group (no involvement in healthcare), thus improving the group's capital allocation. The sale will help to reduce leverage by c.0.2X to 3.5X, with the proceeds amounting to c.20% of the group's gross debt, and allowing Atrys to reach a lower tranche within the debt covenant, leading to a 75bps reduction in the interest spread (to 575bps). This should lead to c.€3.8m of annual pre-tax financial cost savings (vs. break-even profits). While the price for the 75% is much less than implied in the 25% sale a year ago, we highlight that it is reasonable (9X EV/EBITDA, higher than the independent appraisal of €47-51m), especially considering the increase in interest rates and the deteriorating macro prospects (Conversia is a cyclical business).
- €25m convertible bond.** Additionally, Atrys will launch a contingent convertible bond for up to €25m (10% of market cap), with a 6.5Y maturity and a minimum conversion price of €7p.s. that will not compute to leverage calculations under the covenant and with a maximum yearly coupon of 9.5%, all paid-in-kind (PIK).
- Updating our estimates.** We update our estimates to exclude Conversia from 2024 onwards, and cut our 2024-25 EBITDA by 10-11%, whilst we cut EPS by 15% in 2024 and by 9% in 2025 as we also reflect the lower financial costs. All in all, we value the sale positively. Atrys should continue to focus on integrating the different companies acquired over the past few years, delivering on organic growth targets, and reducing leverage further. And after a year of "digestion" in 2023 with a stronger B/S, the company can resume its M&A-driven growth strategy from 2024.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	9.5	24.0	41.3	53.7	54.7	60.9
Net profit (€m)	(2.3)	(3.6)	(4.6)	4.0	14.9	20.6
EPS (€)	(0.18)	(0.43)	(0.32)	(0.36)	0.06	0.14
Adj. EPS (*) (€)	(0.07)	(0.07)	(0.06)	0.05	0.19	0.26
P/E (x)	-	-	-	-	66.9	27.6
P/E Adj. (x)	-	-	-	74.3	20.1	14.5
EV/EBITDA (x)	24.4	25.8	16.3	8.8	8.2	6.9
Debt/EBITDA (x)	5.2	3.4	3.5	3.5	2.4	1.7
P/BV (x)	2.6	1.8	1.5	1.0	1.0	0.9
RoE (%)	(3.24)	(1.32)	(1.44)	1.37	4.99	6.66
DPS (€)	-	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-	-

(\*) Historical multiples based on average share price of the year

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Share Price (\*) € 3.65

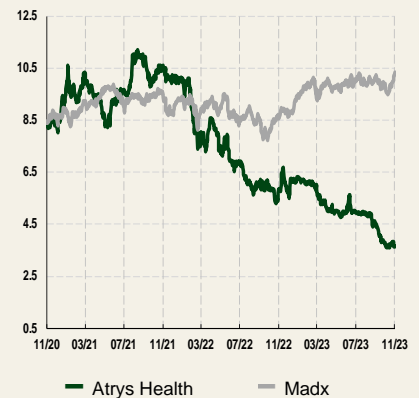
\*Share price at 11:00 AM, 20<sup>th</sup> November 2023

### ATRY.MC / ATRY SM

Market Cap	€ 277 m
Enterprise Value	€ 456 m
Free Float	€ 80 m
Nº Shares	76 m
Average Daily Volume	€ 7 k

### Performance

	1m	3m	12m
Absolute %	-3.4	-26.1	-37.7
Relative %	-11.5	-32.0	-64.1



— Atrys Health — Madx

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## KEY DATA

P&L account (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E	Cash flow (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	31	121	187	241	234	252	Net profit	(6)	(23)	(23)	(28)	4	11
CoGS	(10)	(23)	(37)	(60)	(58)	(63)	Depreciation	4	26	25	18	14	13
<b>Gross margin</b>	<b>22</b>	<b>98</b>	<b>150</b>	<b>181</b>	<b>175</b>	<b>189</b>	Minorities	-	0	(0)	1	-	-
Opex	(12)	(74)	(108)	(127)	(121)	(128)	Non-cash adjustments	1	3	8	20	19	19
<b>Adj EBITDA</b>	<b>10</b>	<b>24</b>	<b>41</b>	<b>54</b>	<b>55</b>	<b>61</b>	<b>Total cash-flow (CF)</b>	<b>0</b>	<b>5</b>	<b>10</b>	<b>13</b>	<b>37</b>	<b>43</b>
D&A	(5)	(12)	(18)	(20)	(19)	(19)	Capex	(8)	(9)	(14)	(17)	(13)	(13)
Other items	(0)	(0)	(9)	(5)	(1)	(1)	Working capital investment	(4)	0	(10)	(12)	1	(2)
<b>Adj. EBITA</b>	<b>4</b>	<b>11</b>	<b>14</b>	<b>28</b>	<b>35</b>	<b>41</b>	<b>Operating FCF</b>	<b>(11)</b>	<b>(3)</b>	<b>(14)</b>	<b>(17)</b>	<b>25</b>	<b>28</b>
PPA amortization	(1)	(8)	(12)	(13)	(13)	(12)	Financial investments	-	-	-	-	-	-
Non-recurring items	(4)	(18)	(13)	(5)	(1)	(1)	Disposals (acquisitions)	(64)	(293)	(99)	22	-	-
<b>EBIT</b>	<b>(0)</b>	<b>(15)</b>	<b>(11)</b>	<b>10</b>	<b>21</b>	<b>28</b>	Rights issues	39	215	87	-	-	-
Net financials	(4)	(8)	(12)	(29)	(15)	(14)	Others (*)	7	7	(13)	-	-	-
Other financials	(1)	(2)	(1)	-	-	-	<b>FCF before dividends</b>	<b>(29)</b>	<b>(74)</b>	<b>(40)</b>	<b>5</b>	<b>25</b>	<b>28</b>
<b>EBT</b>	<b>(5)</b>	<b>(25)</b>	<b>(25)</b>	<b>(19)</b>	<b>6</b>	<b>14</b>	Dividends paid	-	-	-	-	-	-
Income tax expense	(0)	2	1	3	(1)	(4)	<b>Free-cash-flow (FCF)</b>	<b>(29)</b>	<b>(74)</b>	<b>(40)</b>	<b>5</b>	<b>25</b>	<b>28</b>
Discontinued operations	-	(0)	(0)	(10)	-	-	Share buybacks	-	-	-	-	-	-
Minorities	-	(0)	0	(1)	-	-	<b>FCF after buy backs</b>	<b>(29)</b>	<b>(74)</b>	<b>(40)</b>	<b>5</b>	<b>25</b>	<b>28</b>
<b>Net profit, reported</b>	<b>(6)</b>	<b>(23)</b>	<b>(23)</b>	<b>(28)</b>	<b>4</b>	<b>11</b>							
Adjustments	3	20	19	32	10	10							
<b>Net profit adjusted</b>	<b>(2)</b>	<b>(4)</b>	<b>(5)</b>	<b>4</b>	<b>15</b>	<b>21</b>							
N° of shares (m)	28	50	69	76	76	76	<b>Balance sheet (€ m)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
N° of shares adjusted (m)	31	54	72	78	78	78	Shareholders equity	71	274	322	294	298	309
							Minorities	-	-	16	23	23	23
<b>YoY Growth</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Net debt (cash)	50	124	164	159	134	105
Sales	112%	285%	55%	29%	(3%)	8%	<b>Capital invested</b>	<b>121</b>	<b>398</b>	<b>501</b>	<b>476</b>	<b>455</b>	<b>438</b>
Adj. EBITDA	108%	151%	72%	30%	2%	11%	Goodwill	124	387	519	501	487	474
Adj. EBITA	55%	166%	23%	107%	24%	17%	Fixed assets	12	63	69	50	44	38
EBIT	(119%)	n.m.	(26%)	(188%)	115%	33%	Other assets, net	(26)	(63)	(99)	(99)	(99)	(99)
Net profit	n.m.	n.m.	0%	19%	(116%)	142%	Working capital	11	12	12	24	23	25
							<b>Capital employed</b>	<b>121</b>	<b>398</b>	<b>501</b>	<b>476</b>	<b>455</b>	<b>438</b>
<b>Sales by division</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Working capital/sales	34.2%	10.0%	6.2%	10.0%	10.0%	10.0%
Precision	100%	55%	60%	54%	62%	63%							
Prevention	0%	37%	39%	35%	38%	37%							
Compliance	0%	11%	14%	11%	0%	0%							
<b>EBITDA by division</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	<b>Financial ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Precision	100%	86%	78%	75%	84%	85%	Net debt/EBITDA	5.2X	5.2X	4.0X	3.0X	2.4X	1.7X
Prevention	0%	27%	36%	25%	28%	27%	Net debt/Adj. EBITDA	5.2X	3.4X	3.5X	3.5X	2.4X	1.7X
Compliance	0%	10%	15%	12%	0%	0%	Gearing	70%	45%	51%	54%	45%	34%
Corporate	0%	(18%)	(14%)	(12%)	(12%)	(11%)	Interest cover	(0.1X)	(1.8X)	(0.9X)	0.3X	1.4X	2.1X
<b>Per share data</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	<b>Margins &amp; ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	(0.18)	(0.43)	(0.32)	(0.36)	0.06	0.14	EBITDA margin	30%	20%	22%	22%	23%	24%
EPS adjusted	(0.07)	(0.07)	(0.06)	0.05	0.19	0.26	EBITA margin	13%	9%	7%	12%	15%	16%
CFPS	0.01	0.11	0.14	0.16	0.49	0.56	Effective tax rate	(3%)	7%	5%	15%	20%	25%
FCFPS	(0.40)	(0.06)	(0.21)	(0.22)	0.33	0.37	Pay-out	0%	0%	0%	0%	0%	0%
BVPS	2.52	5.45	4.68	3.87	3.93	4.07	ROCE (EBIT/CE)	3.4%	2.8%	2.7%	5.9%	7.7%	9.4%
DPS	-	-	-	-	-	-	ROE	(3.2%)	(1.3%)	(1.4%)	1.4%	5.0%	6.7%

(\*) Includes impact of IFRS16

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