

ATRY'S HEALTH

Strong organic delivery in H1, but debt still too high

- Strong operating performance.** Sales grew by 30% to €118m (4% above), or +9% LFL (+10% ex-Covid testing), with organic growth accelerating (6% in Q1, 13% in Q2, 18% in July). Adjusted EBITDA rose by 18% to €26m (2% above) at a 21.8% margin, lower than in 1H22 (24%) due to the dilution of the Bienzobas acquisition but showing a sequential improvement vs. the 20.3% reported in 2H22. Management also highlighted several agreements in LatAm and new openings in Spain that should continue to fuel organic growth in H2 and 2024. On the back of this, and on an easier comparison base in H2, we believe that Atrys is well on track to deliver comfortably on its double-digit organic sales and EBITDA growth target for 2023.
- Net profit and debt hit by one-offs.** For 2023, Atrys is focused on integrating the companies acquired over the past few years and is incurring restructuring charges, which amounted to €3m in severance costs and €10m in impairments (Switzerland). Additionally, Atrys renegotiated the debt covenants to improve leverage headroom, which came with an €8m financial cost. As a result, Atrys reported a net loss of €23m (vs. our €3m loss estimate), and would have been roughly break-even excluding these one-off impacts (in line).
- Leverage remains high.** Net debt rose by €25m during H1 reaching €189m, this being higher than we expected (€166m) and mainly due to the payment of an €18m earn-out from the Bienzobas acquisition (which we expected in H2) and the €8m financial cost from the covenant novation. Leverage stands at 4.4X ND/EBITDA, which is below the updated covenant ceiling of 5X, yet we highlight that this ceiling falls gradually (4.5X23, 4.0X24, 3.3X25 & 2.8X26). We believe that leverage is high, but with Atrys focused on organic growth, and with no additional earn-out payments, we expect leverage to fall thanks to organic CF generation and EBITDA growth (we look for 3.5X by year-end).
- Trimming estimates.** We raise our 2023-25 sales and EBITDA estimates by c.3% p.a. on higher organic growth due to the positive trends seen in H1 and the new initiatives launched. However, we incorporate the one-off items in 2023, leading us to expect net losses, while also reflecting higher interest rates (>80% of debt is at variable rates) impacting financial costs in 2024-25, and thus we trim our EPS estimates for 2024-25. We value positively the organic developments, but believe that Atrys must start cutting debt (both in absolute and relative to EBITDA terms), especially in the context of rising interest rates.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	9.5	24.0	41.3	53.7	61.9	68.6
Net profit (€m)	(2.3)	(3.6)	(4.6)	3.8	16.4	21.6
EPS (€)	(0.18)	(0.43)	(0.32)	(0.36)	0.08	0.15
Adj. EPS (*) (€)	(0.07)	(0.07)	(0.06)	0.05	0.21	0.28
P/E (x)	-	-	-	-	50.7	25.5
P/E Adj. (x)	-	-	-	79.8	18.5	14.0
EV/EBITDA (x)	24.4	25.8	16.3	9.4	7.7	6.5
Debt/EBITDA (x)	5.2	3.4	3.5	3.5	2.5	1.8
P/BV (x)	2.6	1.8	1.5	1.0	1.0	0.9
ROE (%)	(3.24)	(1.32)	(1.44)	1.29	5.47	6.95
DPS (€)	-	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-	-

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

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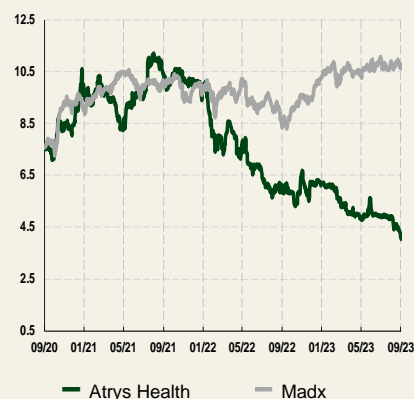
Share Price (*) € 4.05

*Share price at the close of 29 September 2023

ATRY.MC / ATRY SM

Market Cap	€ 315 m
Enterprise Value	€ 493 m
Free Float	€ 91 m
Nº Shares	76 m
Average Daily Volume	€ 100 k

Performance	1m	3m	12m
Absolute %	-16.8	-23.0	-32.5
Relative %	-16.7	-22.6	-67.3



— Atrys Health — Madx

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ATRY'S HEALTH: 1H23 RESULTS REVIEW

(€ m)	2H21	1H22	2H22	1H23	YoY	HoH	1H23E	Diff %
Precision medicine	34	35	53	60	70%	13%	60	(0%)
Preventive medicine	35	40	33	43	6%	27%	41	4%
Compliance	10	16	10	16	3%	62%	13	23%
Sales	79	91	96	118	30%	23%	114	4%
Cost of sales	(13)	(14)	(23)	(32)	125%	39%	(31)	4%
Gross profit	66	77	73	86	13%	18%	83	4%
Opex	(54)	(55)	(54)	(60)	10%	13%	(58)	4%
Adjusted EBITDA	12	22	20	26	18%	32%	25	2%
Non-recurring items	(14)	(4)	(14)	(3)	(30%)	(78%)	(3)	3%
EBITDA	(2)	17	6	23	30%	301%	22	2%
D&A	(14)	(13)	(18)	(17)	35%	(5%)	(15)	16%
Other items	(0)	(1)	(3)	(6)	n.m.	n.m.	(1)	n.m.
EBIT	(16)	4	(15)	(0)	(100%)	(100%)	7	(100%)
Net financials	(6)	(4)	(9)	(17)	293%	82%	(10)	69%
Pretax profit	(22)	(1)	(24)	(17)	n.m.	(30%)	(3)	n.m.
Income taxes	2	1	0	4	n.m.	2787%	0	n.m.
Minorities & discontinued	(0)	0	0	(10)	n.m.	(10523%)	(1)	n.m.
Net profit	(21)	1	(24)	(23)	n.m.	(4%)	(3)	n.m.
Adjustments to profits	11	3	6	27	n.m.	331%	2	n.m.
Net profit adjusted	(10)	4	2	4	7%	129%	(1)	n.m.
Gross margin	83.7%	84.3%	76.0%	72.9%			73.0%	
EBITDA margin, adjusted	15.5%	24.0%	20.3%	21.8%			22.2%	
EBITDA margin	(2.4%)	19.1%	5.9%	19.2%			19.5%	
EBIT margin	(20.2%)	4.1%	(15.4%)	(0.0%)			6.4%	
Tax rate	8.2%	193.3%	0.5%	21.7%			3.7%	
Net debt	124	158	164	189			166	
ND/EBITDA (x)	5.2	4.6	4.0	4.4			3.7	

Source: Bloomberg, Alantra Equities

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	261	280	Net profit	(6)	(23)	(23)	(28)	6	12
CoGS	(10)	(23)	(37)	(60)	(65)	(70)	Depreciation	4	26	25	18	14	13
Gross margin	22	98	150	181	195	210	Minorities	-	0	(0)	1	1	1
Opex	(12)	(74)	(108)	(127)	(134)	(141)	Non-cash adjustments	1	3	8	20	21	21
Adj EBITDA	10	24	41	54	62	69	Total cash-flow (CF)	0	5	10	12	42	47
D&A	(5)	(12)	(18)	(20)	(21)	(21)	Capex	(8)	(9)	(14)	(16)	(13)	(13)
Other items	(0)	(0)	(9)	(5)	(1)	(1)	Working capital investment	(4)	0	(10)	(5)	(1)	(0)
Adj. EBITA	4	11	14	28	40	47	Operating FCF	(11)	(3)	(14)	(9)	29	34
PPA amortization	(1)	(8)	(12)	(13)	(13)	(12)	Financial investments	-	-	-	-	-	-
Non-recurring items	(4)	(18)	(13)	(5)	(1)	(1)	Disposals (acquisitions)	(64)	(293)	(99)	(13)	-	-
EBIT	(0)	(15)	(11)	10	26	34	Rights issues	39	215	87	-	-	-
Net financials	(4)	(8)	(12)	(29)	(17)	(16)	Others (*)	7	7	(13)	-	-	-
Other financials	(1)	(2)	(1)	-	-	-	FCF before dividends	(29)	(74)	(40)	(22)	29	34
EBT	(5)	(25)	(25)	(20)	9	18	Dividends paid	-	-	-	-	-	-
Income tax expense	(0)	2	1	3	(2)	(4)	Free-cash-flow (FCF)	(29)	(74)	(40)	(22)	29	34
Discontinued operations	-	(0)	(0)	(10)	-	-	Share buybacks	-	-	-	-	-	-
Minorities	-	(0)	0	(1)	(1)	(1)	FCF after buy backs	(29)	(74)	(40)	(22)	29	34
Net profit, reported	(6)	(23)	(23)	(28)	6	12							
Adjustments	3	20	19	32	10	10							
Net profit adjusted	(2)	(4)	(5)	4	16	22							
Nº of shares (m)	28	50	69	76	76	76	Balance sheet (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Nº of shares adjusted (m)	31	54	72	78	78	78	Shareholders equity	71	274	322	294	300	312
							Minorities	-	-	16	23	25	26
YoY Growth	FY20	FY21	FY22	FY23E	FY24E	FY25E	Net debt (cash)	50	124	164	185	157	123
Sales	112%	285%	55%	29%	8%	7%	Capital invested	121	398	501	502	481	460
Adj. EBITDA	108%	151%	72%	30%	15%	11%	Goodwill	124	387	519	501	487	474
Adj. EBITA	55%	166%	23%	107%	42%	17%	Fixed assets	12	63	69	84	75	67
EBIT	(119%)	n.m.	(26%)	(188%)	166%	29%	Other assets, net	(26)	(63)	(99)	(99)	(99)	(99)
Net profit	n.m.	n.m.	0%	20%	(121%)	99%	Working capital	11	12	12	17	18	18
							Capital employed	121	398	501	502	481	460
Sales by division	FY20	FY21	FY22	FY23E	FY24E	FY25E	Working capital/sales	34.2%	10.0%	6.2%	7.0%	6.8%	6.5%
Precision	100%	55%	60%	54%	55%	57%							
Prevention	0%	37%	39%	35%	34%	34%	Financial ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Compliance	0%	11%	14%	11%	10%	10%	Net debt/EBITDA	5.2X	5.2X	4.0X	3.5X	2.5X	1.8X
							Net debt/Adj. EBITDA	5.2X	3.4X	3.5X	3.5X	2.5X	1.8X
EBITDA by division	FY20	FY21	FY22	FY23E	FY24E	FY25E	Gearing	70%	45%	51%	63%	52%	39%
Precision	100%	86%	78%	75%	76%	76%	Interest cover	(0.1X)	(1.8X)	(0.9X)	0.3X	1.5X	2.1X
Prevention	0%	27%	36%	25%	25%	24%							
Compliance	0%	10%	15%	12%	10%	10%	Margins & ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Corporate	0%	(18%)	(14%)	(12%)	(11%)	(10%)	EBITDA margin	30%	20%	22%	22%	24%	25%
							EBITA margin	13%	9%	7%	12%	15%	17%
Per share data	FY20	FY21	FY22	FY23E	FY24E	FY25E	Effective tax rate	(3%)	7%	5%	15%	20%	25%
EPS	(0.18)	(0.43)	(0.32)	(0.36)	0.08	0.15	Pay-out	0%	0%	0%	0%	0%	0%
EPS adjusted	(0.07)	(0.07)	(0.06)	0.05	0.21	0.28	ROCE (EBIT/CE)	3.4%	2.8%	2.7%	5.6%	8.3%	10.1%
CFPS	0.01	0.11	0.14	0.16	0.55	0.62	ROE	(3.2%)	(1.3%)	(1.4%)	1.3%	5.5%	6.9%
FCFPS	(0.40)	(0.06)	(0.21)	(0.11)	0.38	0.45							
BVPS	2.52	5.45	4.68	3.86	3.94	4.10							
DPS	-	-	-	-	-	-							

(*) Includes impact of IFRS16

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