

ATRYX

A growth play on healthcare services

- What is Atrys?** Atrys is a Spanish healthcare services company created in 2015 from the merger of Althia and eDiagnostic. Atrys operates mostly in Spain (c.60% of sales) and LatAm (25%), providing precision medicine services (48% of 1H22 pro-forma sales), including oncology (#1 in Spain) and diagnostics (telemedicine, laboratory testing and nuclear medicine). Atrys is also #3 in preventive medicine (38% of sales). Lastly, Atrys also owns a non-core compliance business (15% of sales). The company has increased sales by 32X and EBITDA by 22X since 2016, with growth largely driven by intense M&A activity (16 deals, €540m EV deployed).
- Positives.** 1) Healthcare services is a structural growth industry (4pp ahead of GDP in L10Y p.a.) on ageing population, technology advancement and increasing public & private spending; 2) strong positioning, being one of the top-3 players in most businesses where it operates, and with highly valuable human capital that is hard to replicate due to a shortage of medical specialists; 3) highly profitable business with >20% EBITDA margin and low capital intensity (>20% marginal RoCE); and 4) M&A platform to continue boosting profitable growth. **Negatives.** 1) Labour-intensive business requiring specialised personnel which is scarce and has bargaining power; 2) potential dilution from capital raising for M&A; 3) leverage (2.6X22 EBITDA) limits flexibility for M&A, and >80% of debt is at floating rates; 4) non-core compliance business accounts for 15% of sales & brings no synergies.
- Strong growth prospects.** The recent M&A deals, industry growth, and Atrys' strong positioning should drive a 2021-25 CAGR of 23% in sales (o/w 9% organic), 29% adj. EBITDA and 45% EBITA, as margins expand on economies' scale and higher utilization of existing assets, and integration synergies (cross-selling, redundancies). EPS should break-even in 2022 and increase to €0.39 by 2025.
- Secular growth in healthcare compounded with M&A.** Atrys is a play on the strong prospects of the healthcare industry in Spain, without exposure to major technological or clinical risks, to which we should add the contribution from a solid M&A platform that in all likelihood will continue to boost profitable growth. As for how much the shares could be worth, we estimate a DCF-based valuation range of €7.2-9.2 p.s., excluding any additional LT value creation from M&A. Given the fragmented shareholding structure, we expect opportunities to increase the 29% free float and this should in turn attract investors' interest and improve liquidity.

| Financial Ratios | FY20 | FY21 | FY22E | FY23E | FY24E | FY25E |
|--------------------|--------|--------|-------|-------|-------|-------|
| EBITDA (€m) | 9.5 | 24.0 | 42.8 | 53.1 | 60.1 | 67.0 |
| Net profit (€m) | (3.5) | (0.0) | 16.8 | 20.0 | 24.8 | 30.2 |
| EPS (€) | (0.18) | (0.43) | 0.03 | 0.08 | 0.14 | 0.21 |
| Adj. EPS (€) | (0.11) | (0.00) | 0.24 | 0.26 | 0.32 | 0.39 |
| P/E (x) | - | - | - | 80.3 | 44.4 | 29.6 |
| P/E Adj. (x) | - | - | 30.2 | 24.0 | 19.3 | 15.9 |
| EV/EBITDA (x) | 24.4 | 25.8 | 14.7 | 11.4 | 9.6 | 8.1 |
| Debt/EBITDA (x) | 5.3 | 3.8 | 2.6 | 2.1 | 1.4 | 0.8 |
| P/BV (x) | 2.6 | 1.8 | 1.4 | 1.3 | 1.2 | 1.2 |
| ROE (%) | (4.91) | (0.00) | 4.63 | 5.41 | 6.53 | 7.62 |
| DPS (€) | - | - | - | - | - | - |
| Dividend yield (%) | - | - | - | - | - | - |

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

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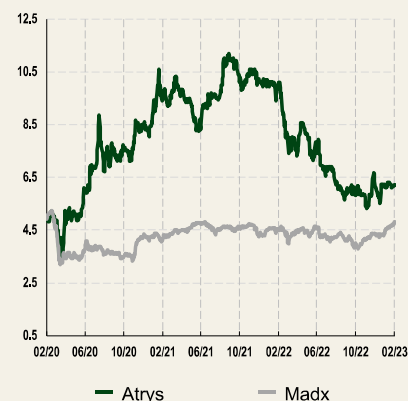
Share Price (*) € 6.16

*Share price at the close of 06 February 2023

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| | |
|----------------------|---------|
| Market Cap | € 468 m |
| Enterprise Value | € 603 m |
| Free Float | € 161 m |
| Nº Shares | 76 m |
| Average Daily Volume | € 0.2 m |

| Performance | 1m | 3m | 12m |
|-------------|------|------|-------|
| Absolute % | -0.3 | 6.2 | -38.2 |
| Relative % | -8.0 | -7.5 | -47.2 |



Shareholders

Mr. José Elías 24%, Global Investment Portfolio 6.2%, Inveready 8.8%, Onchena 6.6%, Ion Ion 5.3%, Caser 4.8%, MCH 7.2%, Management 8.0%, Free float 29%

Analyst

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