

PBKM

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Onboarding a new majority shareholder

Polski Bank Komórek Macierzystych (PBKM) is benefiting from market consolidation of cord blood banking services in Europe. It operates 14 stem cell banks cobranded under the FamiCord umbrella, covering one-third of the European market for newly acquired samples. Recent steady growth (2014–18 revenue CAGR of 17%) has been fuelled by both organic development and M&A. Further substantial acquisitions would require additional capital. The share price has stabilised at PLN62 – the price of the forthcoming PLN218m capital raise. This implies an FY19e P/E of 11.5x, c 64% below the peer-group average.

Solidifying its leading position in Europe

PBKM continues with its M&A agenda, recently acquiring IVI Cordon in Spain and taking full control over Bebecord. It is present in nine European countries, with partners in a further 14. Management seeks further M&A deals with an acquisition value in excess of €60m on its priority list and further potential targets worth c €150m. PBKM is initiating enrolment in clinical trials for the treatment of amyotrophic lateral sclerosis (starting in Q419/Q120). It is also engaged in three R&D consortia clinical trials with a 10–38% share of IP rights.

Securing capital for further expansion

PBKM's H119 adjusted net income was €2.2m (H118: €3.4m). Net revenue improved 21% y-o-y, driven by both M&A and organic growth, with number of stored samples increasing 89% y-o-y to 320k (like-for-like growth of 14%). The number of stored samples paid for under a subscription model increased 13.4% y-o-y to 110k. The profit decline was due to increased headcount, M&A-related one-offs and integration costs, as well as a €0.3m impact of the new VAT regime in Hungary. Meanwhile, the margin on sample storage increased slightly. PBKM guides to €0.8m in R&D costs (net of grants) in H219 (H119: €0.4m). Its net debt to LTM EBITDA was sound at 0.9x (H118: 0.0x). Its capital base will be strengthened by a €49.8m (62% dilution) equity issue subscribed to by Active Ownership Fund, which will increase its stake from 32% to 58% and in turn trigger a tender offer to reach 66%. The AGM approved the issue, which should close in 2019.

Valuation: In line with issue price

Based on current Refinitiv consensus, PBKM trades at an FY19e P/E and EV/EBITDA discount of 64% and 17% to medical services peers, respectively. This is despite its leading market position and the high proportion of predictable cash flows in its subscription model. The current share price is PLN62.0, which is the agreed price of the forthcoming capital raise.

Consensus estimates

Year end	Revenue (PLNm)	EBITDA (PLNm)	EPS (PLN)	DPS (PLN)	P/E (x)	Yield (%)
12/17	148.9	46.0	6.20	0.89	10.1	1.4
12/18	161.6	50.2	7.32	0.00	8.6	N/A
12/19e	189.9	39.9	5.40	N/A	11.5	N/A
12/20e	199.6	48.2	5.95	N/A	10.4	N/A

Source: PBKM, Refinitiv consensus as at 4 November 2019.

Price **PLN62.0**
Market cap **PLN352m**

H119 avg €/PLN4.2912; H118 avg €/PLN4.2395

Share price graph



Share details

Code	BKM
Listing	Warsaw
Shares in issue	5.7m

Business description

PBKM operates a group of stem cell banks under the FamiCord Group brand. The company is the largest industry player in Europe, operating mainly in Poland, Spain, Turkey, Hungary and Portugal. With 440k stored biological samples, it is among the five largest global players. It develops stem cell therapy for the treatment of a number of diseases, including amyotrophic lateral sclerosis.

Bull

- Clear sector leader.
- Business model based on subscriptions securing stable cash flow generation.
- Ongoing R&D projects are potential value kicker.

Bear

- Risk of reduced client trust following the default of competitors.
- Demand highly dependent on disposable income.
- Rapid inorganic growth and integration costs affecting short-term profitability.

Analysts

Michal Mordel	+44 (0) 20 3077 5700
Milosz Papst	+44 (0) 20 3077 5700

healthcare@edisongroup.com