

Scandinavian Medical Solutions



Market: First North DK

Ticker: SMSMED

Share price (DKK): 7.24

Market cap (DKK): 199.1

Net debt (DKK): 35.0 (H1 23/24)

Enterprise value (DKK): 234.1

Share information



YTD: -2.4% 1 year: -38.8%
1 month: -6.5% Since IPO*: 44.8%

Note: *IPO date was 3 November 2021 (subscription price of DKK 5.00). We apply the closing price from 17 May 2024. (Source: Nasdaq)

Financials

(DKKm)	21/22	22/23	23/24E*
Revenue	110.5	191.2	210.0-230.0
Revenue growth	54%	73%	10-20%
EBITDA	15.4	21.1	20.0-23.0
EBITDA margin	14%	11%	9-11%
Net income	11.4	12.2	N/A
Net income margin	10%	6%	N/A
Cash	27.8	7.9	N/A
Interest-bearing debt	0.1	28.6	N/A

Note: *Midpoint in SMS's own guidance. FY22/23 debt includes leasing liabilities. The accounting period runs from 1 October to 30 September.

Valuation multiples

	21/22	22/23	23/24E*
P/S (x)	1.1	1.5	0.9
EV/Sales (x)	0.9	1.6	1.1
EV/EBITDA (x)	6.2	14.3	10.9
EV/EBIT (x)	6.4	18.2	N/A
P/E (x)	10.8	23.0	N/A
P/B (x)	2.0	3.8	N/A
P/CF (x)	-11.6	-33.6	N/A

Note: *Multiples in 21/22 and 22/23 are based on historical values. *Multiples in 23/24E are based on the midpoint in SMS' own guidance.

Company description

Scandinavian Medical Solutions is a fully independent reseller of used diagnostic imaging equipment. The company sources, sells, and rents high-quality scanners such as MRI, CT, X-rays, and other supporting equipment to customers globally. The company was founded in 2018 by the current CEO of the US subsidiary and major shareholder, Jens Krohn, who has held leading positions in the industry. The company has approx. 25 full-time employees with HQ in Aalborg, Denmark, and a newly established US-based subsidiary.

Investment case

Following a successful IPO in the autumn of 2021 and a capital raise of DKK 30m, Scandinavian Medical Solutions has exceeded its IPO expectations and upgraded its financial guidance several times. With the capital injection, the company has scaled up its organization and business by building up its inventory and expanding into new areas such as its rental fleet.

The investment case is supported by market drivers such as i) cost savings to hospitals and healthcare providers with budgets under pressure and hit by increased financing costs, ii) an ongoing trend within the circular economy, and iii) increasing privatization of the healthcare sector with a higher share of pre-owned equipment due to profit focus. In a new market report, the global refurbished medical equipment market is expected to grow with a CAGR of 11.76% from 2022 to 2027. Over the past years, the market has been consolidated with high M&A activity from larger competitors and private equity firms, creating exit possibilities for investors.

Looking at valuation with a broader perspective, Danish-listed B2B resellers/distributors and larger Swedish-listed healthcare suppliers (no close peers) trade at a median multiple of 8.0x EV/EBITDA (2024E). Scandinavian Medical Solutions is valued higher at a multiple of 10.9x EV/EBITDA (23/24E) based on guidance midrange, which partly can be explained by a higher growth rate.

https://www.reportlinker.com/p06380019/Refurbished-Medical-Equipment-Market-Global-Outlook-Forecast.html?utm_sour-ce=GNW

Key investment reasons

Scandinavian Medical Solutions has delivered growth and profitability since its inception. This track record and trends supporting solid market growth support the growth story could continue.

The company is in a transformation year with heavy frontloading of growth investments, including new hirings, the establishment of a US-based subsidiary, and capital allocated to its rental and parts business units. If the investments yield returns, and the company can deliver on the 23/24 guidance, it should increase the investors' confidence that the foundation for the next growth phase has been built, keeping the company on growth rates above peers.

The new US subsidiary, led by the founder Jens Krohn, is important as this opens the attractive American market further for the company. Besides the very large market potential, it increases time to market and leads to cost advantages.

Key investment risks

Scandinavian Medical Solutions could face organizational challenges as the company becomes bigger, potentially affecting the agility of the company.

The company invests significantly into its inventory, rental solutions, and expansion to the US, binding much of its capital. A key business risk is the lack of performance (IRR) in its rental business; however, the equipment is tradeable and can easily be sold if necessary.

Scandinavian Medical Solutions is dependent on employee retention and attracting new employees to continue its growth. To mitigate the employee turnover risk, the company's management focuses on establishing incentive programs for key employees. Moreover, standard terms of employment are that full-time employees are subject to 12 months of non-compete clauses.

Peer group perspectives

Company	Total return	Market Cap (EURm)	EV/Sales (x)		Revenue growth (%)		EV/EBITDA (x)		EBITDA margin (%)	
	YTD (%)		2023	2024E	2023	2024E	2023	2024E	2023	2024E
Solar	-24.7%	303.1	0.3x	0.3x	-6%	-5%	4.8x	6.2x	7%	5%
Brdr. A&O Johansen	5.7%	222.7	0.4x	N/A	-2%	N/A	5.2x	N/A	8%	7%
Arjo	21.7%	1041.4	1.3x	1.5x	10%	4%	7.5x	8.0x	18%	19%
AddLife	5.3%	1160.2	1.8x	1.8x	7%	6%	15.4x	12.6x	12%	15%
Median	5.5%	672.2	0.9x	1.5x	2%	4%	6.3x	8.0x	10%	11%
Scandinavian Medical Solutions	-2.4%	26.7	1.6x	1.1x	73%	15%	14.3x	10.9x	11%	10%

Note: None of the selected companies are close peers to Scandinavian Medical Solutions. However, the table provides perspectives on how other Danish resellers/distributors (in other industries) are valued, and how two larger Swedish-listed healthcare suppliers are valued. Scandinavian Medical Solutions' 2023 numbers are realized 2022/2023 numbers and 2023/2024E is based on the midpoint in the company's own 23/24 guidance. Scandinavian Medical Solutions' 2023 multiples are based on the market cap on 30 September 2023, and 2024 multiples are based on the market cap on 17 May 2024. We also apply the midpoint in Brdr. A&O Johansen's guidance for 2024. Numbers for Solar, Arjo, and AddLife are based on Capital IQ consensus mean estimates extracted on 17 May 2024. Source: Company reports, Capital IQ, and HC Andersen Capital.



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Investment Case
One-pager