

# Expedeon

## Organic growth boosted by acquisitions

Expedeon (formerly Sygnis) is a rapidly growing life science reagents business: H1 sales grew 89% to €5.6m. Growth was boosted by several recent acquisitions. It operates across Europe, the US and Australia largely selling consumable laboratory products. Expedeon also aims to build group sales by better promotion and distribution. Financially, the business is gaining strength with an H118 €23k positive EBITDA, although depreciation gave an overall EBT H1 loss of €1.1m, reduced from a €2.2m loss in H117. Operating H1 cash flow improved from €1.6m to €0.7m.

### Acquisitions drive headline growth

The company changed name from Sygnis to Expedeon in August 2018. In mid-2016, Sygnis, a Germany-listed, Madrid-based genomic enzyme company acquired Expedeon, a larger UK proteomics business. In mid-2017, Innova (a UK supplier of antibody and protein labelling products) was acquired for €11.5m. CBS Scientific (US) with \$1.5m of instrument sales was acquired for \$0.9m in Dec 2017. In May 2018, TGR, a profitable Australian protein capture company with €3.6m of sales was acquired for €10.4m. Most deals involve cash, shares and loans. Risk is controlled by partly funding acquisitions with deferred contingent share payments.

### Underlying organic growth

Company guidance for 2018 is of €13–14m sales. We expect EBITDA to rise in H2 and 2019 as the full benefit of the TGR acquisition is gained. Like-for-like sales growth over 2017 was 19% (annual report). The laboratory consumables and equipment market is dominated by large companies, both sophisticated instrument suppliers and large online catalogue companies. However, the market is driven by innovations, like Expedeon's 2view range (launched in May 2018), so nimble innovative business like Expedeon can continue to grow strongly in niches.

### Valuation: Growth expectations

The market cap of c €50m reflects market growth expectations of further strong growth as it is c 4x guided 2018 sales and an H1 EBITDA multiple of 1,000-fold. The company had €1m cash and €10.7m debt in June 2018. Expedeon, with its high organic growth rate, can probably continue to acquire more, smaller, specialist life science consumable producers. As a growth business, Expedeon may need more cash as working capital to fund growth and make acquisitions.

#### Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	1.79	(4.01)	(0.2)	0.0	N/A	N/A
12/17	7.80	(4.73)	(0.8)	0.0	N/A	N/A
12/18e	13.4	(0.87)	(0.02)	0.0	N/A	N/A
12/19e	18.1	0.75	0.01	0.0	N/A	N/A

Source: Company reports, Bloomberg estimates

Healthcare equipment and supplies

Price €0.99  
Market cap €51m

#### Share price graph



#### Share details

Code EXN:GR  
Shares in issue 51.3m  
Net debt (€m) as at 30 June 2018 9.7

#### Business description

Expedeon aims to become a market leader in molecular biology through its grow, buy and build strategy. It operates across Europe and in the US and Australia.

#### Bull

- Can make small acquisitions globally using mix of cash, shares and earn outs.
- Able to quickly develop and sell innovative new products as science evolves.
- Positive EBITDA with about 25% organic revenue growth.

#### Bear

- Market dominated by very large competitors.
- Small niche markets limit growth and need constant innovation.
- Multiple sites with different specialities across widespread countries limit cost control potential.

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