EBITDA 7% above our expectation

Sales in Q2 rose to SEK 859m (705), which was 3% above our expectation of SEK 832m. The difference was primarily generated by higher organic growth, which was 2.5% compared with our expectation of 2%. The ten priority brands showed growth of 12.2%. EBITDA rose to SEK 97m (59), and was driven by good cost control, acquired operations and volume growth in the underlying business. Our expectation was SEK 91m.

Gainomax acquired for SEK 60m (EV/EBITDA 8.2x 2019)

At the end of the quarter, Midsona acquired the Gainomax brand and strengthened its position in sports nutrition. Gainomax had sales in 2019 of SEK 80m and sells in Sweden and Finland. The company’s EBITDA margin is in line with Midsona’s, leading to an estimated acquisition multiple of 8.2x EV/EBITDA. Through the acquisition, Midsona will take over all trademark rights from 1 September 2020.

More acquisitions underway, and strong performance for SEK indicates strong H2 2020

Following the report, we are upping our EPS estimate for 2021 by 11% on the acquisition market starting to thaw with a high probability of more acquisitions in H2’20. Also, the SEK has strengthened 3.4% in early Q3’20 compared to Q2’20. On our revised estimates, the share is trading at EV/EBIT 12.8x ’21e, which represents a 15% discount to its peers.
Overview

Above our expectation

Investment Case

Midsona is a Nordic leader in health and well-being. The company’s ambition is to make it easier for people to make their own contribution to a healthier everyday life. The company develops, manufactures and markets products in the areas of dietary supplements, natural remedies and health foods. Midsona currently has a strong position in the Nordic market, with several well-known own brands in its product portfolio. We anticipate growth in excess of 10% per year for the company’s eight priority brands over the next two years.

Company Profile

Midsona states that cost synergies from Davert will be achieved primarily in areas such as production, purchasing and cross-selling. In 2022, these synergies are expected to have an annual effect on EBITDA of approximately SEK 40m. The first synergies are expected to be realised in 2019. We forecast that the company will manage to achieve synergies of SEK 10m and SEK 20m for 2019e and 2020e respectively. Midsona’s Nordic programme aimed at streamlining the organisation alongside the international expansion is expected to provide annual cost savings of SEK 40m by 2021.

Valuation approach

The company is traded on our projections at P/E 14,7 for ’21e, compared with 18.7x for the Nasdaq all share index. The sector (comprising Atria, Cloetta, HKScan and Olvi) is traded on average at P/E 18,1x for ’21e. We believe that Midsona is undervalued based on: 1) the strong brand portfolio; 2) the company’s successful acquisition strategy and strong cash flows; 3) the distribution of HRA Pharma’s brands, which is starting to accelerate; and 4) the niche in health, well-being and organic, which we regard as structurally growing.

Target Price

Driven by the company’s growing EPS trend, we see no reason for the company to trade at a discount to the sector, which means that an upside of 20% is justified. As a result, we see a continued high potential for medium risk in the share, motivated value SEK 75 - 80
Acquisitions of Eisblüm erl, Ekko Gourmet & Alimentation Santé

During July 2019, Midsona purchased companies that have sales in excess of SEK 530m (Alimentation SEK 420m, Eisblüm erl around SEK 100m and Ekko SEK 10m). German Eisblüm erl was acquired for SEK 83 million (EV/EBITDA 4.6x) and was financed through bank loans. Eisblüm erl will be integrated into Midsona’s German operations, Davert, which we believe will lift Davert’s EBITDA margin. Alimentation Santé is a leading player in organic and plant-based foods in France and Spain. It is worth pointing out that the company is active in the rapidly growing segment for plant-based meat alternatives. The purchase price for Alimentation corresponded to an EV/EBITDA multiple of 11.5x. Midsona expects to capitalise cost synergies of approximately SEK 21m annually from 2021, leading the acquisition multiple to drop to 8.2x.

Share Structure, Management

Största aktirägere
Röster Akter
Stena Adactum AB 23,43% 28,03%
Creades AB 5,90% 5,34%
La Financière de l’Echiquier 5,54% 5,01%
Peter Wahlberg 4,98% 4,50%
Övriga 60,15% 60,15%

Ordförande
Ola Erici
Verkställande direktor
Peter Åsberg
Finansdirektör
Lennart Svensson
Investerarkontakt -
Hemsida midsona.com

Sales by Market

Nordics 62%
North Europe 26%
South Europe 12%

Nordics
North Europe
South Europe

Midsona – Peers

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<th>Kurs (lokal)</th>
<th>MV (milj.)</th>
<th>EV/EBIT (just.)</th>
<th>P/E (just.)</th>
<th>Dir.avk.</th>
<th>EBIT-marg.</th>
<th>EPS-växt</th>
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Källa: Factset, Bolagsdata
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