

TBS GROUP

OUTPERFORM

SECTOR: Industrials

Price (Eu): 1.61
Target Price (Eu): 2.20

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Healthy Prospects Ahead

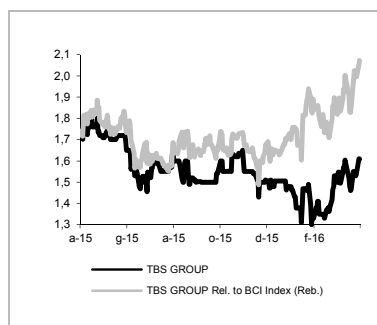
- FY15 results: sales broadly in line with estimates, margins softer, but debt better than expected.** On 25th March, the TBS Group released FY15 results. Revenue was basically in line with expectations at Eu233.8mn (+2% YoY), driven by a positive performance in both the main segments: Medical Devices and ICT Solutions (which account for 85.4% of the total annually) rose 1.5% YoY, while the Integrated e-Health and e-Government Solutions segment (14.6% of the total) was up 4.1% YoY. In terms of the geographical breakdown, most of the company's reference markets reported top line growth in the period: Italy +2.6%, France +19% YoY, Austria +17% YoY and the UK +11% YoY (together, around 92% of total revenues come from those countries). By contrast, sales outside Europe fell by Eu7mn YoY, penalised by the postponement of some international contracts (which are likely to be executed this year). Operating profitability was softer than projected (but partly due to the negative impact of around Eu1.5mn non-recurring costs, plus the above-mentioned delay in the execution of some international agreements). FY15 EBITDA was Eu22.6mn, or 9.7% of sales, while EBIT amounted to Eu10.8mn. The group posted FY15 net income of Eu2.4mn, after lower than expected net financial items and taxes. Finally, cash generation came in stronger than expected in the last part of the year (mainly thanks to better working capital management), bringing net debt down to Eu84.5mn at the end of December (from Eu89.8mn at the end of September and below our estimate of Eu89.3mn).
- Top line growth to be boosted by recently announced contracts and acquisitions. Profitability supported by the mix and efficiency-enhancing measures in Italy. Estimates fine-tuned.** We expect the group to benefit this year from new contracts such as those signed in India and France, as well as from the full consolidation of recently acquired activities (i.e. Crimo France and Tunemedix). The overall projected sales increase is around 10% YoY. Moreover, some international contracts on which the company experienced some execution delays in 2015 (and which hurt last year's margins) are likely to be recovered this year, which should additionally help the revenue mix. Finally, given an encouraging pipeline of new international tenders, the group could benefit from the awarding of new supply agreements in the coming quarters. On the top line, we have conservatively trimmed our 2016-17 forecasts slightly (by around 2% on average), while in terms of profitability we are now assuming FY16 and FY17 EBITDA margins of 10.3% and 11.3%, respectively (from 10.8% and 11.6% previously). All in all, we have reduced our FY16-17 EPS forecasts by around 4.6% on average. Despite the planned peak in investments in 2016 (at around Eu12mn), our updated forecasts envisage positive cash generation (leading to estimated net debt of Eu80.5mn at YE 2016), while financial charges should benefit from the improved conditions.
- OUTPERFORM, TP Eu2.2 confirmed.** After updating our estimates, we confirm our target price of Eu2.2 on the stock and reiterate our positive stance on the back of strong expected sales momentum, a projected slight profitability improvement (thanks to the geographical mix and effective cost-cutting measures in Italy) and cash generation. Potential new contracts in international markets would be an additional catalyst.

Key Figures	2014A	2015A	2016E	2017E	2018E
Sales (Eu mn)	230	234	257	270	281
Ebitda (Eu mn)	24	23	27	30	32
Net profit (Eu mn)	2	2	4	7	7
EPS - New (Eu)	0,045	0,073	0,094	0,159	0,176
EPS - Old (Eu)	0,045	0,075	0,097	0,168	
DPS (Eu)	0,017	0,000	0,024	0,024	0,024

Ratios & Multiples	2014A	2015A	2016E	2017E	2018E
P/E	35,8	22,1	17,1	10,2	9,2
Div. Yield	1,1%	0,0%	1,5%	1,5%	1,5%
EV/Ebitda	5,6	6,4	5,7	4,8	4,3
ROCE	11,9%	8,6%	10,3%	12,7%	13,6%

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TBS GROUP - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2016E	2017E
	-3.3%	-5.8%

STOCK DATA

Reuters code: TBS.MI
Bloomberg code: TBS IM

Performance	1m	3m	12m
Absolute	5,2%	8,8%	-10,3%
Relative	9,4%	17,3%	10,8%
12 months H/L:	1.80/1.30		

SHAREHOLDER DATA

No. of Ord. shares (mn):	42
Total No. of shares (mn):	42
Mkt Cap Ord (Eu mn):	68
Total Mkt Cap (Eu mn):	68
Mkt Float - ord (Eu mn):	18
Mkt Float (in %):	26,0%
Main shareholder:	
Founders	21,2%

BALANCE SHEET DATA

	2016
Book value (Eu mn):	55
BVPS (Eu):	1,37
P/BV:	1,2
Net Financial Position (Eu mn):	-80
Enterprise value (Eu mn):	151

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on the last page of this report

TBS GROUP - KEY FIGURES

		2014A	2015A	2016E	2017E	2018E
Fiscal year end		31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
PROFIT & LOSS (Eu mn)	Sales	230	234	257	270	281
	EBITDA	24	23	27	30	32
	EBIT	13	11	14	18	19
	Financial income (charges)	(7)	(6)	(6)	(6)	(5)
	Associates & Others	(0)	(0)	0	0	0
	Pre-tax profit (Loss)	7	5	8	12	13
	Taxes	(5)	(3)	(4)	(5)	(5)
	Tax rate (%)	67,0%	55,6%	48,0%	40,0%	40,0%
	Minorities & discontinue activities	(0)	0	(0)	(0)	(1)
	Net profit	2	2	4	7	7
	Total extraordinary items	0	(2)	0	0	0
	Ebitda excl. extraordinary items	24	24	27	30	32
Ebit excl. extraordinary items	13	12	14	18	19	
Net profit restated	2	3	4	7	7	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	42	42	42	42	42
	EPS stated fd	0,045	0,057	0,094	0,159	0,176
	EPS restated fd	0,045	0,073	0,094	0,159	0,176
	BVPS fd	1,224	1,268	1,367	1,513	1,678
	Dividend per share (ord)	0,017	0,000	0,024	0,024	0,024
	Dividend per share (sav)	0,000	0,000	0,000	0,000	0,000
	Dividend pay out ratio (%)	60,7%	0,0%	25,1%	15,0%	13,5%
CASH FLOW (Eu mn)	Gross cash flow	13	14	17	20	21
	Change in NWC	(1)	(14)	(0)	(3)	(3)
	Capital expenditure	(11)	(10)	(12)	(9)	(10)
	Other cash items	(3)	(7)	0	0	0
	Free cash flow (FCF)	(2)	(17)	4	7	9
	Acquisitions, divestments & others	(0)	(4)	(0)	0	0
	Dividend	0	(1)	0	(1)	(1)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(3)	(22)	4	6	8	
BALANCE SHEET (Eu mn)	Total fixed assets	84	95	95	91	88
	Net working capital	50	64	64	67	70
	Long term liabilities	(19)	(21)	(21)	(21)	(21)
	Net capital employed	114	138	138	138	137
	Net financial position	(63)	(85)	(80)	(74)	(66)
	Group equity	52	53	58	64	71
	Minorities	3	2	3	3	4
	Net equity	49	51	55	61	67
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	68	68	68	68	68
	Adjustments (associate & minorities)	(3)	(2)	(3)	(3)	(4)
	Net financial position	(63)	(85)	(80)	(74)	(66)
	Enterprise value	133	155	151	145	138
RATIOS(%)	EBITDA margin*	10,4%	10,3%	10,3%	11,3%	11,5%
	EBIT margin*	5,8%	5,3%	5,5%	6,5%	6,7%
	Gearing - Debt/equity	121,1%	158,0%	139,6%	115,9%	93,4%
	Interest cover on EBIT	2,0	1,9	2,5	3,1	3,5
	Debt/Ebitda	2,62	3,74	3,03	2,43	2,06
	ROCE*	11,9%	8,6%	10,3%	12,7%	13,6%
	ROE*	3,9%	4,8%	7,5%	11,6%	11,6%
	EV/CE	1,2	1,2	1,1	1,1	1,0
	EV/Sales	0,6	0,7	0,6	0,5	0,5
	EV/Ebit	9,9	12,6	10,6	8,3	7,4
Free Cash Flow Yield	-3,5%	-24,1%	5,9%	10,5%	12,3%	
GROWTH RATES (%)	Sales	5,2%	1,9%	10,0%	5,0%	4,0%
	EBITDA*	10,9%	1,0%	10,2%	14,6%	5,7%
	EBIT*	19,3%	-7,9%	15,4%	23,3%	6,6%
	Net profit	nm	27,1%	65,0%	68,2%	10,7%
	EPS restated	nm	62,2%	29,3%	68,2%	10,7%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Details

TBS Group - Quarterly results

(Eu mn)	4Q15A	4Q15E	A vs. E	2014A	2015A	YoY
Total Revenues	62,1	63,9	-3%	229,5	233,8	2%
EBITDA Adj.	7,5	8,2	-9%	23,9	24,1	1%
<i>EBITDA margin</i>	<i>12,0%</i>	<i>12,8%</i>		<i>10,4%</i>	<i>10,3%</i>	
EBITDA IFRS	6,0	8,2	-28%	23,9	22,6	-5%
<i>EBITDA margin</i>	<i>9,6%</i>	<i>12,8%</i>		<i>10,4%</i>	<i>9,7%</i>	
D&A	(3,2)	(3,6)		(10,5)	(11,8)	
EBIT IFRS	2,7	4,6	-41%	13,4	10,8	-19%
Fin. Income (Charges)	(1,2)	(1,6)		(6,6)	(5,6)	
Associates	0,0	0,0		(0,0)	(0,0)	
Pretax	1,6	3,0	-48%	6,8	5,2	-23%
Taxes	(1,0)	(1,6)		(4,5)	(2,9)	
<i>tax rate</i>	<i>-62%</i>	<i>-55%</i>		<i>-67%</i>	<i>-56%</i>	
Minorities/disc. op.	(0,1)	(0,1)		(0,3)	0,1	
Net income	0,5	1,2	-62%	1,9	2,4	27%

Source: Company Data & Intermonte SIM estimates

TBS Group - Revenue breakdown by business

(Eu mn)	2014A	2015A	YoY
MED	196,8	199,8	1,5%
on group sales	85,7%	85,4%	
e-Health	32,7	34,1	4,1%
on group sales	14,3%	14,6%	
Total revenues	229,5	233,8	1,9%

Source: Company Data & Intermonte SIM estimates

TBS Group - EBITDA breakdown by business

(Eu mn)	2014A	2015A	YoY
MED	21,2	19,4	-8,7%
on group sales	10,8%	9,7%	
e-Health	2,7	3,3	22,7%
on group sales	8,2%	9,7%	
Total EBITDA	23,9	22,6	-5,2%

Source: Company Data & Intermonte SIM estimates

TBS Group - Revenue breakdown by geographical area

(Eu mn)	2014A	2015A	YoY
Italy	156,8	160,9	2,6%
UK	26,6	29,6	11,2%
France	13,2	15,7	19,0%
Austria	8,3	9,7	17,2%
Germany	2,5	2,9	15,7%
Spain	4,8	4,6	-3,1%
Other EU	5,6	5,9	5,3%
Emerging c.	11,7	4,5	-61,4%

Source: Company Data & Intermonte SIM estimates

TBS Group - Change in estimates

(Eu mn)	2015A	2016E	2017E
Revenues new	233,8	257,2	270,1
Revenues old		262,4	275,2
% change		-2,0%	-1,8%
EBITDA bef. non recurring new	24,1	26,6	30,4
EBITDA before non recurring old		28,2	32,0
% change		-5,9%	-4,9%
EBITDA new	22,6	26,6	30,4
EBITDA old		28,2	32,0
% change		-5,9%	-4,9%
EBIT new	10,8	14,2	17,5
EBIT old		14,5	18,2
% change		-1,8%	-3,9%
PBT new	5,2	8,4	11,9
PBT old		8,7	12,6
% change		-3,0%	-5,6%
Net profit new	2,4	4,0	6,7
Net profit old		4,1	7,1
% change		-3,3%	-5,8%
Restated net profit new	3,1	4,0	6,7
Net profit old		4,1	7,1
% change		-3,3%	-5,8%

Source: Intermonte SIM estimates

TBS GROUP Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
TBS GROUP	1,61	EUR	68	5,2%	8,8%	1,9%	7,0%	-10,3%	7,3%
ABANO HEALTH	7.65	NZD	163	4,8%	4,8%	-5,6%	0,7%	-1,9%	18,1%
ALLSCRIPTS HEALTH	13.51	USD	2.558	4,6%	-5,3%	4,6%	-12,2%	10,0%	-14,4%
BASTIDE	16.92	EUR	124	-2,9%	-5,7%	-9,0%	-9,2%	-8,9%	12,8%
BOSTON SCIENTIFIC	19.31	USD	26.150	7,0%	8,5%	14,0%	4,7%	6,7%	52,2%
CERNER	55.50	USD	18.871	2,8%	-6,2%	-14,9%	-7,8%	-26,0%	6,5%
MCKESSON	164.33	USD	37.564	-1,2%	0,2%	-13,8%	-16,7%	-26,7%	-0,2%
MINDRAY MEDICAL INT	27.94	USD	2.464	0,0%	4,2%	13,8%	3,0%	-5,2%	-15,5%
NEXUS	16.04	EUR	252	-10,9%	-11,8%	-10,9%	-15,6%	-3,1%	35,5%
NOEMALIFE	7.18	EUR	60	-0,3%	10,6%	12,7%	6,8%	23,1%	30,1%
SMITH&NEPHEW	11.6	GBP	10.443	4,0%	0,5%	3,8%	-3,5%	-2,4%	31,9%
SYNERGY HEALTH	---	GBP	---	---	---	---	---	---	---
Mean performance				1,2%	0,8%	-0,3%	-3,9%	-4,1%	14,9%
Italy FTSE Mib	17.444,8	EUR	245.778	-8,1%	-12,6%	-21,0%	-18,6%	-26,9%	-17,7%

Source: FactSet

TBS GROUP Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
TBS GROUP	1,61	EUR	68	0,6	0,5	5,7	4,8	10,6	8,3	17,1	10,2	1,5%	1,5%
ABANO HEALTH	7,65	NZD	163	1,3	1,2	10,5	9,5	16,9	14,7	20,8	17,0	3,2%	3,7%
ALLSCRIPTS HEALTH	13,51	USD	2.558	2,0	1,8	10,8	9,1	16,4	12,8	23,3	19,7	0,0%	0,0%
BASTIDE	16,92	EUR	124	1,0	0,9	5,4	4,9	13,4	11,8	18,1	16,1	1,6%	1,9%
BOSTON SCIENTIFIC	19,31	USD	26.150	3,8	3,4	13,6	11,8	20,8	17,1	18,3	16,2	0,0%	0,0%
CERNER	55,50	USD	18.871	3,7	3,3	10,8	9,3	17,3	14,4	23,6	20,5	0,0%	0,0%
MCKESSON	164,33	USD	37.564	0,2		8,3		9,0		12,9	12,2	0,6%	0,7%
MINDRAY MEDICAL INT	27,94	USD	2.464										
NEXUS	16,04	EUR	252	2,0	1,8	9,6	8,3	17,0	13,6	19,9	17,8	1,1%	1,2%
NOEMALIFE	7,18	EUR	60	1,0	0,8	5,0	4,1	14,9	10,9	32,6	19,9	0,0%	0,0%
SMITH&NEPHEW	11,66	GBP	10.443	3,3	3,1	11,3	10,0	15,9	14,0	19,1	17,1	1,9%	2,1%
SYNERGY HEALTH		GBP											
Median				2,0	1,8	10,5	9,2	16,4	13,8	19,9	17,1	0,6%	0,7%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

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 BUY: stock expected to outperform the market by over 25% over a 12 month period;
 OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
 NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;
 UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
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 The stock price indicated is the reference price on the day prior to the publication of the report.

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 OUTPERFORM: 42.95%
 NEUTRAL: 31.55%
 UNDERPERFORM: 6.04%
 SELL: 0.0%

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 OUTPERFORM: 55.26%
 NEUTRAL: 18.42%
 UNDERPERFORM: 0.00%
 SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	TBS GROUP		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	2.20	Previous Target (Eu):	2.20
Current Price (Eu):	1.61	Previous Price (Eu):	1.47
Date of report:	13/04/2016	Date of last report:	17/12/2015

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