

# Scandinavian Medical Solutions



Market: First North DK

Ticker: SMSMED

Share price (DKK): 8.28

Market cap (DKK): 226.2

Net debt (DKK): 20.7

Enterprise value (DKK): 246.9

## Share information



YTD: 20.5% 1 year: 58.6%  
1 month: -14.6% Since IPO\*: 65.6%

Note: \*IPO date was 3 November 2021 (subscription price of DKK 5.00).  
We apply the closing price from 21 November 2023.

## 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	1.0
EV/Sales (x)	0.9	1.6	1.1
EV/EBITDA (x)	6.2	14.3	11.5
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 and major shareholder, Jens Krohn, who has extensive market knowledge following a career in leading positions in the industry. The company has approx. 20 full-time employees with HQ in Aalborg, Denmark.

## 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, 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<sup>1</sup>. Over the past years, the market has been consolidated with high M&A activity from larger competitors and private equity firms. This includes an acquisition of a larger private US peer company in 2022 for a rumored EV/EBITDA multiple of approx. 15x<sup>2</sup>.

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 6.3x EV/EBITDA (2024E). Scandinavian Medical Solutions is valued higher at a multiple of 11.5x EV/EBITDA (23/24E) based on guidance midrange, which partly can be explained by a higher growth rate.

<sup>1</sup> [https://www.reportlinker.com/p06380019/Refurbished-Medical-Equipment-Market-Global-Outlook-Forecast.html?utm\\_source=ce=GNV](https://www.reportlinker.com/p06380019/Refurbished-Medical-Equipment-Market-Global-Outlook-Forecast.html?utm_source=ce=GNV)

<sup>2</sup> <https://www.axios.com/2022/02/15/avista-probo-medical-450-million>

## Key investment reasons

Scandinavian Medical Solutions has a solid track record of growth and profitability since its inception. With impressive growth following key hirings and investments into its After Sales & Parts and Rental Solutions business areas, Scandinavian Medical Solutions has established itself as one of the leading European resellers in the market for used diagnostic imaging equipment.

There is a potential for an upgrade of its new guidance for 2023/2024, taking its history of upgrading its guidance several times into account. This is supported by potential upsides, including higher price levels and improved margins for CT scanners, and a higher utilization rate of its rental fleet.

If Scandinavian Medical Solutions succeeds with its investments in rental solutions and the US, establishing a US subsidiary led by the founder and CEO, the company can deliver high returns on its investments and continue to outgrow the market.

## 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 in rental solutions; 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	EV/Sales (x)		Revenue growth (%)		EV/EBITDA (x)		EBITDA margin (%)	
	YTD (%)		2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Solar	-30.9%	371.1	0.3x	0.3x	-4%	-2%	4.7x	4.9x	7%	7%
Brdr. A&O Johansen	-25.2%	186.4	0.4x	N/A	1%	N/A	4.8x	N/A	8%	N/A
Arjo	-5.0%	824.9	1.3x	1.2x	10%	5%	7.1x	6.3x	18%	20%
AddLife	-18.2%	919.4	1.6x	1.5x	7%	7%	10.7x	10.5x	15%	15%
<b>Median</b>	<b>-21.7%</b>	<b>598.0</b>	<b>0.9x</b>	<b>1.2x</b>	<b>4%</b>	<b>5%</b>	<b>6.0x</b>	<b>6.3x</b>	<b>12%</b>	<b>15%</b>
<b>Scandinavian Medical Solutions</b>	<b>20.5%</b>	<b>30.3</b>	<b>1.6x</b>	<b>1.1x</b>	<b>73%</b>	<b>15%</b>	<b>14.3x</b>	<b>11.5x</b>	<b>11%</b>	<b>10%</b>

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 (from 20 November 2023). 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 21 November 2023. We also apply the midpoint in Brdr. A&O Johansen's guidance for 2023. Numbers for Solar, Arjo, and AddLife are based on Refinitiv analyst mean estimates extracted on 21 November 2023. Source: Company reports, Refinitiv, and HC Andersen Capital.