

Scandinavian Medical Solutions



Market: First North DK

Ticker: SMSMED

Share price (DKK): 6.70

Market cap (DKKm): 184.3

Net debt (DKKm): 28.2 (23/24)

Enterprise value (DKKm): 212.5

Share information



YTD: -9.7% 1 year: -35.9%
1 month: 9.5% Since IPO*: 34.0%

Note: *IPO date was 3 November 2021 (subscription price of DKK 5.00). We apply the closing price from 20 November 2024. (Source: Capital IQ)

Financials

(DKKm)	22/23	23/24	24/25E*
Revenue	191.2	226.7	240.0-270.0
Revenue growth	73%	19%	6-19%
EBITDA	21.1	21.0	24.0-29.0
EBITDA margin	11%	9%	9-12%
Net income	12.2	7.8	N/A
Net income margin	6%	3%	N/A
Cash	7.9	11.0	N/A
Interest-bearing debt	28.6	39.2	N/A

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

Valuation multiples

	22/23	23/24	24/25E*
P/S (x)	1.5	0.8	0.7
EV/Sales (x)	1.6	0.9	0.8
EV/EBITDA (x)	14.3	10.0	8.0
EV/EBIT (x)	18.2	15.3	N/A
P/E (x)	23.0	23.3	N/A
P/B (x)	3.8	2.2	N/A
P/CF (x)	-33.6	53.5	N/A

Note: Multiples in 22/23 and 23/24 are based on historical values. *Multiples in 24/25E 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 as well as parts to customers globally. The company was founded in 2018 by the CEO of the US subsidiary and major shareholder, Jens Krohn. In 2023/24, Scandinavian Medical Solutions had an average of 26 FTEs. The company is headquartered in Aalborg, Denmark with a subsidiary in the US.

Investment case

Following a successful IPO in 2021 and a capital raise of DKK 30m, Scandinavian Medical Solutions has invested significantly over the past years in the organization and infrastructure, new business areas (Aftersales & Parts and Rental), and its US subsidiary.

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.

Over the past years, the market has been consolidated with high M&A activity from larger competitors and US private equity firms at attractive valuation levels. With the investments in the US subsidiary, Scandinavian Medical Solutions is utilizing the opportunities in the US market which accounted for nearly 50% of the refurbished medical equipment market in 2023, with solid expected market growth rates going forward.

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 6.2x EV/EBITDA (2025E). Scandinavian Medical Solutions is valued higher at a multiple of 8.0x EV/EBITDA (2024/25E) based on guidance midrange, which partly can be explained by its higher growth rate.

Key investment reasons

Scandinavian Medical Solutions has delivered growth and profitability since its inception. This track record and trends with solid expected market growth support that the profitable growth story will continue.

Following a transformation year with many growth investments, the company expects to capitalize on its investments in the financial year 2024/25, including a higher contribution from its US-based subsidiary and also an improved free cash flow on a group level. After successfully delivering on the 2023/24 guidance, investors may be more confident that the foundation for the next growth phase has been built.

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

Key investment risks

In the 2023/24 report, the company mentioned that partners are taking longer time to make decisions, and the procurement team is experiencing that many hospitals and clinics are more hesitant to replace their equipment. A deterioration of this situation can challenge the company in delivering on its short-term expectations.

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

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 (%)		2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Solar	-37.1%	286.2	0.3x	0.3x	-7%	1%	6.5x	5.7x	5%	5%
Brdr. A&O Johansen	11.4%	285.2	0.6x	N/A	3%	N/A	9.7x	N/A	7%	N/A
Arjo	-16.2%	775.3	1.2x	1.2x	2%	4%	6.9x	6.2x	18%	19%
AddLife	17.3%	1347.9	2.1x	1.9x	4%	6%	14.0x	12.9x	15%	15%
Median	-2.4%	530.8	0.9x	1.2x	3%	4%	8.3x	6.2x	11%	15%
Scandinavian Medical Solutions	-9.7%	24.7	0.9x	0.8x	19%	12%	10.0x	8.0x	9%	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' 2024 numbers are realized 2023/2024 numbers and 2024/2025E is based on the midpoint in the company's 24/25 guidance. Scandinavian Medical Solutions' 2024 multiples are based on the market cap on 30 September 2024, and 2025E multiples are based on the market cap on 20 November 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 20 November 2024. Source: Company reports, Capital IQ, and HC Andersen Capital.



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Investment Case
One-pager