

Source: Atrys Health



| EXECUTIVE SUMMARY

Atrys Health is a **biomedical company** whose main area of expertise is **oncology**. Provides medical diagnosis and treatment services. Atrys Health is a **global leader in telemedicine services in Spanish**.

VALUE PROPOSAL, MAIN BUSINESS AREAS AND COMPETITIVE ADVANTAGES

Atrys Health has 5 business segments:

1. **Telemedicine** (17% of 2021's revenue),
2. **Oncology/ radiotherapy** (13%),
3. **Laboratory/ pathology** (8%)
4. **Big data/ data services** (2%),
5. **ASPY** excluding Conversia (45.9%), and **Conversia** (13.5%).

Since 2021, the company breaks down its results considering three business lines: **precision medicine** (includes segments 1-4 above), **preventive medicine** (ASPY) and **compliance** services (Conversia).

In the **telemedicine** segment, teleradiology is its main area of activity. Teleradiology means obtaining medical images and transmitting them over electronic networks so that they can be interpreted for diagnostic purposes by professionals based in another location. Atrys has a team of medical specialists in neurological, musculoskeletal, paediatric, chest, abdomen and breast radiology diagnostics. Atrys Health has developed its own technological platform, used by more than 100 hospitals and health groups in Spain and Latin America. The company overcomes the barriers of physical location between doctors and patients since its specialists can offer their services in the cloud.

Its work in complementary time zones allows them to reduce waiting times and delivery of results. As an example, doctors from Colombia who work during the day may offer their services throughout the night in Spain due to the time difference.

The global teleradiology market is expected to grow at double-digit rates, as the implementation of teleradiology services in diagnostic centers or hospitals reduces their costs by 15-25%. Atrys Health is the world's largest company in the Spanish-speaking teleradiology market and penetration rates

are extremely low. The UK has the highest penetration rate in the world at just 7.4% in 2018 according to Signify Research. It is a market that tends to have a leading company with a very high market share, as has been seen in countries such as the United States or the United Kingdom.

Regarding medical treatments in the **oncology/ radiotherapy** division, Atrys Health is a pioneer in the use of single-dose radiotherapy for the treatment of cancer, which reduces the number of radiotherapy sessions to treat a tumor from 30-40 sessions to between 1 and 6 sessions. Single-dose radiation therapy has been proven to be as effective as the traditional approach but with lower radiation doses over many days.

Atrys Health highlights the importance of its relationship with the Champalimaud Foundation Center for the Unknown in Lisbon, Portugal, indicating that it is currently at least a couple of years ahead of its main competitors with respect to effective implementation of single dose treatments.

At the end of 2021, Atrys Health reached a strategic alliance with the Foundation, which not only gives it access to the Champalimaud Foundation's protocols, doctors and training, but also means a flow of patients for Atrys Health as the Champalimaud Foundation currently has excess patient demand. Atrys Health has Dr. Carlos Greco, who has developed the innovative technique that allows the use of single-dose radiation as a non-invasive and viable alternative to surgery.

The company also operates different cancer centers, with its own methodology. Atrys Health intends to open two new centers a year in the European market, continuing its successful international expansion

(it already has a presence in countries such as Portugal, Spain and Switzerland). Investors should expect high returns on their investments to offset their research and expertise efforts.

Atrys Health owns **laboratories** in Spain, where it performs diagnostic services, mainly cancer. Barriers to entry are high as the company benefits from relationships it has developed with hospitals and health groups over many years, and laboratories have to be located close to those health groups that require their services.

Atrys Health also has the largest **database** in the health sector in Spain and develops research and development projects, benefiting its specialists and clients. Finally, through the acquisition of **ASPY**, the company operates more than 200 occupational risk prevention centers and has gone from being a provider of medical services to being an entity capable of referring more than a million clients to hospitals once pathologies have been detected. This strengthens Atrys Health's ability to establish strategic alliances with hospital groups. The ASPY acquisition also allowed Atrys Health to add **Conversia**, a small business-focused regulatory compliance company that was acquired by ASPY in 2020, to its business. Atrys Health has always seen great value in Conversia. According to Atrys Health, Conversia is a business that is not capital intensive and has great growth potential and the ability to multiply its EBITDA several times over the next few years.

Atrys Health has the advantage that it can offer hospitals and health groups different and complementary services to improve their care. Cross-selling is very common. For example, they win a contract to offer teleradiology services, and then they may ask them for more information about their pathology services, their data services, or even to launch a new cancer center.

It also has tailwinds as the demand for its diagnostic and treatment services increases as the population ages. Efforts to reduce costs, the current shortage of specialists and the search for advantages in health services give rise to the growth of telemedicine.

MANAGEMENT TEAM FOCUSED ON CREATING VALUE

Atrys Health not only has a management team with great technical and sector knowledge, but also integrates the directors of the companies it buys. In addition, the financial director is a member of the board of one of the most prestigious independent

managers in Spain, an entity that follows the principles of value investing. Atrys Health applies the same investment philosophy to its acquisitions. Atrys Health **seeks to purchase companies at mid-market multiples or below, which allows it to guarantee an IRR of 15% before synergies**. The ideal purchase for the entity is an opportunity in which they see clear cost synergies, improvements in EBITDA, additional income and cross-selling opportunities.

The **business is not very capital intensive** and most of the expansion CAPEX goes to new facilities and equipment in the radiotherapy division and the return on investment is very high.

FINANCIAL DATA AND VALUATION

Atrys Health has been able to show **an average organic growth of more than 20% from 2016 to 2021**, including a year as difficult as 2020 due to COVID-19. During the same period, the pro forma adjusted **EBITDA per share has multiplied by almost 6 times**. Assuming levels of future organic growth that the company considers reasonable and, in our view, being conservative with our estimates of future margins and terminal value, the expected **IRR for investors in a base case is double digits**.

CAGR – Reported revenue (7 years)	86.6%
CAGR – Proforma revenue (7 years)	96.6%
Avg organic growth (6 years)	20.4%
Proforma adjusted EBITDA margin 2021	22.0%
	2021
Net debt/ adjusted proforma EBITDA	3.41x

