LeMaitre Vascular, Inc. (LMAT)

Updated December 29th, 2023, by Yiannis Zourmpanos

Key Metrics

Current Price:	$57.0	**5 Year CAGR Estimate:**	9.6%	**Market Cap:**	$1.31 B
Fair Value Price:	$53.2	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	03/07/2024[1]
% Fair Value:	107%	**5 Year Valuation Multiple Estimate:**	-1.4%	**Dividend Payment Date:**	03/22/2024[2]
Dividend Yield:	1.0%	**5 Year Price Target**	$86	**Years Of Dividend Growth:**	12
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

LeMaitre Vascular, Inc. (LMAT) develops, markets, services, and backs medical devices and implants to treat peripheral vascular disease. Their offerings include restore flow allografts, angioscopes, embolectomy and thrombectomy catheters, occlusion and perfusion catheters, artery graft biologic grafts, carotid shunts, radiopaque tape, valvulotomes, vascular grafts, cardiac patches, and closure systems.

On November 1st, 2023, the company announced results for the third quarter of 2023. LeMaitre's Q3 2023 Financial Report revealed a robust performance with significant achievements, reporting non-GAAP EPS of $0.33, beating analysts' estimates by $0.03, showcasing substantial growth. Moreover, the company's revenue reached $47.4 million, up 21.4% year-over-year, and its cash reserves surged by $6.8 million, reaching a commendable $97.0 million.

LeMaitre Vascular experienced a decline in cash to $18.1 million and an increase in short-term marketable securities to $79.0 million by September 30, 2023, from $19.1 million and $63.6 million, respectively, on December 31, 2022, which might suggest a move to safer, albeit lower-yield assets amid rising market interest rates. Future strategies involve balancing liquidity needs with investment returns while mitigating risks associated with interest rate fluctuations in short-term marketable securities.

As of September 30th, 2023, the remarkable revenue expansion was predominantly attributed to the strong sales growth observed in various segments, notably bovine patches (+22%), valvulotomes (+27%), bovine grafts (+15%), and carotid shunts (+24%). Noteworthy sales increases were also noted across regions, with the Asia-Pacific (APAC) region experiencing a substantial 30% surge. At the same time, Europe, the Middle East, and Africa (EMEA) witnessed a commendable 24% growth, and the Americas reported a solid 20% increase. These figures underscore a robust and widespread positive performance across LeMaitre's key markets during the third quarter of 2023. Finally, the management maintains its EPS target at $0.34 to $0.38, reflecting year-over-year revenue and margin growth for 2023.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$0.20	$0.23	$0.42	$0.55	$0.86	$1.13	$0.88	$1.04	$1.25	$0.93	***$1.33***	***$2.14***
DPS	$0.12	$0.14	$0.16	$0.18	$0.22	$0.28	$0.34	$0.38	$0.44	$0.50	***$0.56***	***$1.13***
Shares[3]	15.8	17.0	18.3	19.2	20.0	20.2	20.3	20.5	21.5	22.2	***23.1***	***27.9***

In line with the company's business environment, we are expecting the company to post EPS of $1.33 in 2023, which is the midpoint of the management's estimates. Also, we expect an EPS growth of 10.0% over the next five years, leading to our estimated EPS of $2.14 by 2028. Moreover, the company has a solid record of paying dividends despite operating in a competitive healthcare sector, as LeMaitre Vascular has paid an increasing dividend for the past 12 years. Thus, we expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 15.0%, leading to a dividend of $1.13 in 2028.

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[1] Estimated ex-dividend date

[2] Estimated dividend payment date

[3] In millions of shares

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	34.4	33.6	27.9	32.4	35.6	29.2	35.3	30.3	41.7	49.9	***42.9***	***40.0***
Avg. Yld.	1.7%	1.8%	1.4%	1.0%	0.7%	0.9%	1.1%	1.2%	0.8%	1.1%	***1.0%***	***1.3%***

The healthcare equipment company trades at a forward P/E of 42.9, considerably higher than the long-term average P/E of 35.0 and the five-year average P/E of 37.3. Even though the rapid sales growth will benefit the company in the near term, we assign a P/E of 40.0 to the stock, which is a fair reflection of its value. Accordingly, with an EPS of $2.14 and P/E of 40.0, our target price for the stock stands at $86.0 by 2028.

Safety, Quality, Competitive Advantage, & Recession Resiliency

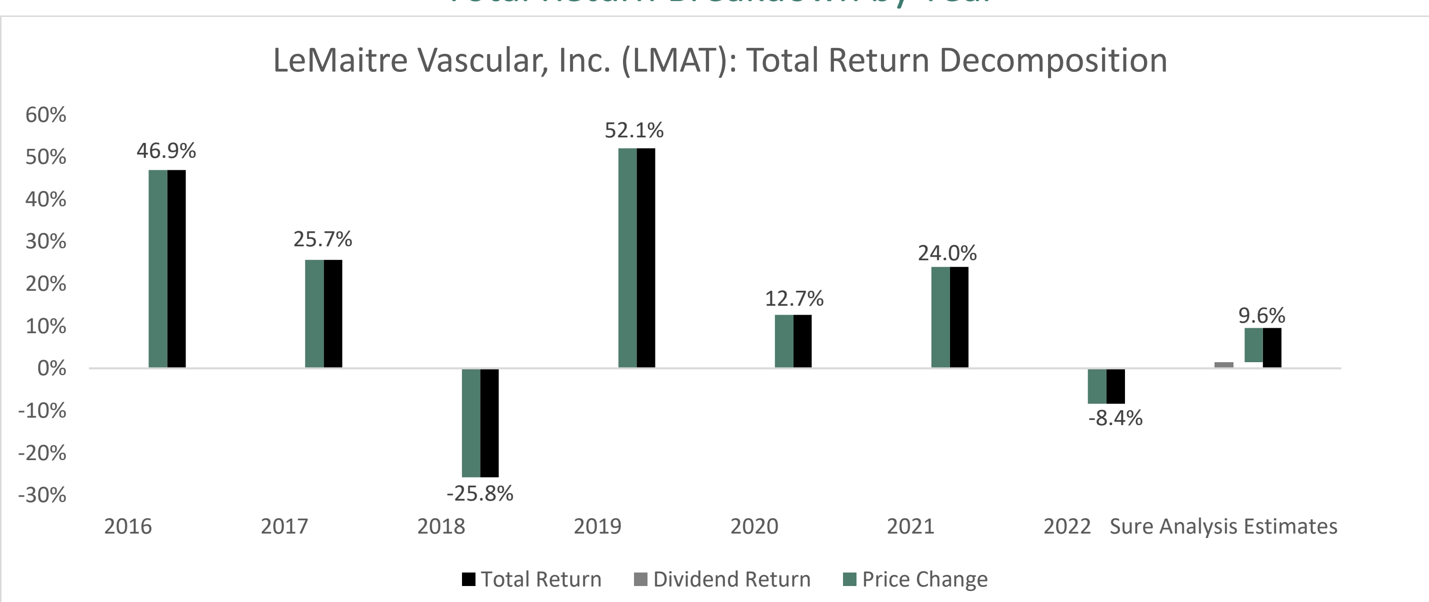
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	60%	61%	38%	33%	26%	25%	39%	37%	35%	54%	***42%***	***53%***

The company has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 40.6%, and we expect the company to maintain and increase its payout in the future. The company's EPS has experienced a rapid increase in recent quarters, and we expect the company to be in a much better position in the future than it is today. In addition, the margins may improve aggressively in a reducing rate environment and lead to lower-rivalry niche segments. Nevertheless, a case of hard landing could adversely affect its performance. The share buybacks by the company have also played a pivotal role in sustaining the high EPS growth rate. As of September 2023, the company's approved share repurchase program allows it to repurchase the shares to a maximum of $25 million.

Final Thoughts & Recommendation

While LeMaitre Vascular runs a competitive healthcare equipment business, increasing the topline and reducing rates next year will be positive catalysts for EPS growth. Indeed, LeMaitre Vascular's dividend growth prospects could remain strong for a long time. Hence, we have assigned a hold rating to the stock premised upon 9.6% annualized total returns for the long-term, derived from the forecasted earnings-per-share growth of 10.0%, the 1.0% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	65	71	78	89	101	106	117	129	154	162
Gross Profit	45	48	54	63	71	74	80	85	101	105
Gross Margin	69.9%	68.1%	69.1%	70.6%	70.1%	70.0%	68.1%	65.4%	65.7%	64.9%
SG&A Exp.	35	36	37	40	43	45	49	46	53	62
D&A Exp.	3	3	3	4	4	4	5	8	11	9
Operating Income	5	7	11	16	21	21	21	28	36	30
Operating Margin	7.0%	10.0%	14.2%	18.3%	20.9%	19.6%	18.1%	21.9%	23.6%	18.5%
Net Profit	3	4	8	11	17	23	18	21	27	21
Net Margin	5.0%	5.5%	9.9%	11.9%	17.0%	21.7%	15.3%	16.4%	17.4%	12.8%
Free Cash Flow	2	4	9	14	16	16	10	32	30	22
Income Tax	1	2	4	6	4	6	4	6	7	7

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	70	81	91	102	126	153	188	253	293	310
Cash & Equivalents	15	19	27	24	19	26	12	27	14	19
Acc. Receivable	11	11	12	13	15	16	17	20	20	22
Inventories	13	17	15	17	19	26	35	39	41	45
Goodwill & Int.	21	24	24	33	32	44	65	125	119	112
Total Liabilities	14	13	13	14	17	23	40	80	39	42
Acc. Payable	1	1	1	1	2	2	3	2	2	3
Long-Term Debt	-	-	-	-	-	-	-	38	-	-
Total Equity	57	68	78	88	110	130	148	173	254	268
LTD/E Ratio	-	-	-	-	-	-	-	0.22	-	-

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.8%	5.2%	9.0%	11.0%	15.1%	16.4%	10.5%	9.6%	9.9%	6.8%
Return on Equity	5.9%	6.3%	10.6%	12.8%	17.4%	19.1%	12.9%	13.2%	12.6%	7.9%
ROIC	5.9%	6.3%	10.6%	12.8%	17.4%	19.1%	12.9%	11.8%	11.6%	7.9%
Shares Out.	15.8	17.0	18.3	19.2	20.0	20.2	20.3	20.5	21.5	22.2
Revenue/Share	4.09	4.18	4.28	4.63	5.04	5.22	5.77	6.32	7.19	7.29
FCF/Share	0.16	0.25	0.50	0.73	0.82	0.81	0.51	1.55	1.41	1.00

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.