LeMaitre Vascular, Inc. (LMAT)

Updated April 8th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$64	**5 Year CAGR Estimate:**	11.8%	**Market Cap:**	$1.48 B
Fair Value Price:	$66	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	05/16/2024[1]
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.7%	**Dividend Payment Date:**	06/03/2024[2]
Dividend Yield:	1.0%	**5 Year Price Target**	$107	**Years Of Dividend Growth:**	13
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Buy

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 February 27th, 2024, the company announced results for the fourth quarter of 2023. LeMaitre's Q4 2023 Financial Report revealed a robust performance with significant achievements. The company reported non-GAAP EPS of $0.38, beating analysts' estimates by $0.03 and showcasing growth.

LeMaitre Vascular reported a strong Q4 2023 with revenues at $48.9 million, marking a 19% increase over the previous year, driven by growth across key product lines and regions. The company's gross margin improved significantly to 68.1%, fueled by higher selling prices and manufacturing efficiencies, leading to a 46% rise in operating income to $10.2 million. Net income increased by 50% to $8.5 million, with earnings per share up 49% to $0.38. LeMaitre also announced a quarterly dividend of $0.16 per share and initiated a $50 million share repurchase program. Looking ahead, the company projects Q1 2024 sales between $50.5 and $52.9 million, with full-year sales expected to range from $209.7 million to $214.3 million, indicating continued growth and operational efficiency improvements.

In 2024, LMAT projects robust growth, with Q1 sales anticipated between $50.5 million and $52.9 million and annual sales forecasted to reach $209.7 million to $214.3 million, indicating 10% year-over-year growth. The company expects to maintain a strong gross margin of around 68% and projects significant increases in operating income growth of 33% in Q1 and 22% annually and EPS of $0.36 to $0.41 in Q1 and $1.60 to $1.71 for the year. These figures account for adjustments related to the St. Etienne factory closure, underscoring LMAT's strategic focus on growth and operational efficiency.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$0.23	$0.42	$0.55	$0.86	$1.13	$0.88	$1.04	$1.25	$0.93	$1.34	***$1.66***	***$2.67***
DPS	$0.14	$0.16	$0.18	$0.22	$0.28	$0.34	$0.38	$0.44	$0.50	$0.56	***$0.64***	***$1.29***
Shares[3]	17.0	18.3	19.2	20.0	20.2	20.3	20.5	21.5	22.2	22.4	***23.1***	***27.0***

We expect the company to post EPS of $1.66 in 2024, which is the midpoint of management estimates. Also, we expect EPS growth of 10.0% over the next five years, leading to our estimated EPS of $2.67 by 2029. 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 13 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 $1.29 in 2029.

[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] In millions of shares

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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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	33.6	27.9	32.4	35.6	29.2	35.3	30.3	41.7	49.9	41.4	***38.6***	***40.0***
Avg. Yld.	1.8%	1.4%	1.0%	0.7%	0.9%	1.1%	1.2%	0.8%	1.1%	1.0%	***1.0%***	***1.2%***

The healthcare equipment company trades at a forward P/E of 38.6, higher than the long-term average P/E of 35.7 and lower than the five-year average P/E of 39.7. We expect that rapid sales growth will benefit the company in the near term and we assign a P/E of 40.0 to the stock, which is a fair reflection of its value in our opinion. Accordingly, with our EPS estimates and a P/E target of 40.0, our target price for the stock stands at $107 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

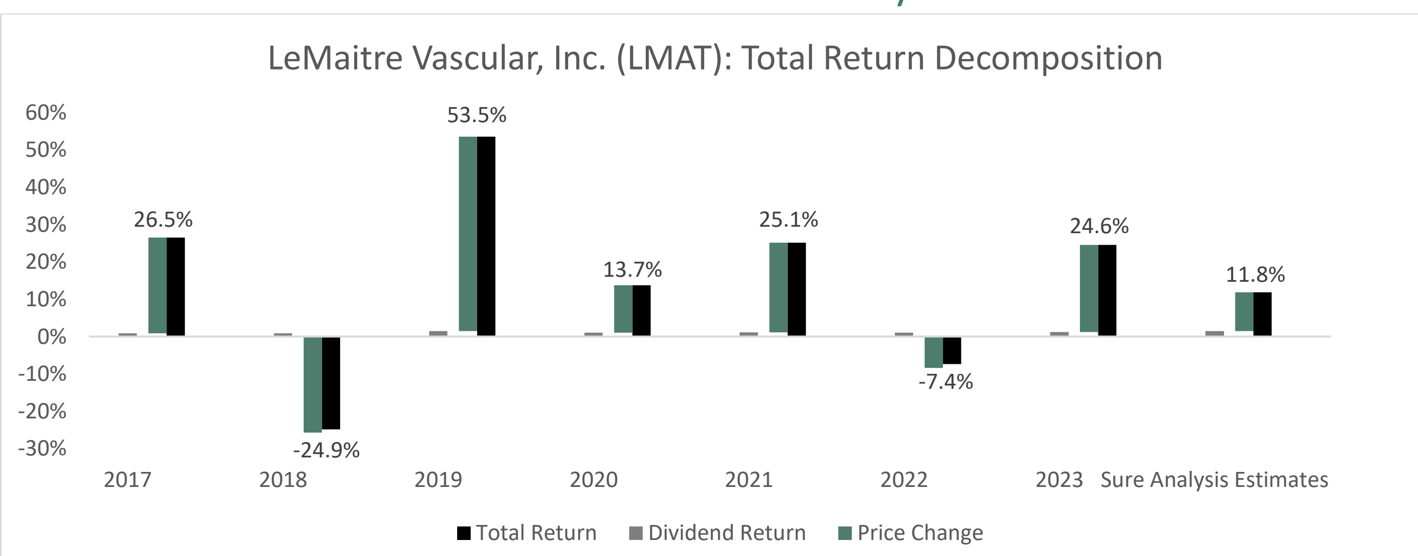
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	61%	38%	33%	26%	25%	39%	37%	35%	54%	42%	***39%***	***48%***

The company has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 38.8%, 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. On February 21, 2024, the Board of Directors of the Company gave its approval for the buyback of company shares, with an allocation of up to $50 million designated for the repurchase of the Company's common stock. This repurchase program is subject to modification, suspension, or discontinuation at the discretion of the Company at any time. The program is scheduled to end on February 21, 2025, but there is a possibility of an extension if the Board decides to do so.

Final Thoughts & Recommendation

While LeMaitre Vascular runs a competitive healthcare equipment business, increasing the topline this year will be a positive catalyst for EPS growth. Indeed, LeMaitre Vascular's dividend growth prospects could remain strong for a long time. Hence, we upgraded LMAT to a buy rating premised upon 11.8% 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 tailwind.

Total Return Breakdown by Year



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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.