LeMaitre Vascular, Inc. (LMAT)

Updated July 11th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$83	**5 Year CAGR Estimate:**	7.6%	**Market Cap:**	$1.92 B
Fair Value Price:	$71	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	08/16/2024[1]
% Fair Value:	116%	**5 Year Valuation Multiple Estimate:**	-3.0%	**Dividend Payment Date:**	08/30/2024[2]
Dividend Yield:	0.8%	**5 Year Price Target**	$115	**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 May 2nd, 2024, the company announced results for the first quarter of 2024. LeMaitre's Q1 2024 Financial Report revealed a robust performance with significant achievements. The company reported non-GAAP EPS of $0.44, beating analysts' estimates by $0.05.

Net sales were $53.5 million, up 14% compared to Q1 2023, with organic growth of 11%. The gross margin expanded 300 basis points to 68.6% on higher average selling prices and manufacturing efficiencies. Operating income rose 51% to $11.9 million; the operating margin increased to 22%. Net income grew 64% to $9.9 million while earnings-per-share were up 62%. The company also reported a sequential cash increase of $3.2 million to $108.3 million, driven primarily by Allografts, Bovine Patches, Carotid Shunts, and Distributed Porcine Patches. Looking ahead, LeMaitre provided Q2 2024 guidance for sales of $53.7 million to $56.1 million with mid-point growth of 10%, both reported and organically.

The company now expects full-year 2024 sales to be between $212.7 million and $217.3 million. Meanwhile, the gross margin target remains 68.6% and operating income for the year is still expected to be $46.7 million to $49.8 million. At the midpoint, this represents an increase of 31%. It also expects to post an operating margin of 22% and earnings per share of $1.73 to $1.84 in 2024.

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	***$1.79***	***$2.87***
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 $1.79 in 2024, which is the midpoint of management estimates. Also, we expect annual EPS growth of 10.0% over the next five years, leading to our estimated EPS of $2.87 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	***46.5***	***40.0***
Avg. Yld.	1.8%	1.4%	1.0%	0.7%	0.9%	1.1%	1.2%	0.8%	1.1%	1.0%	***0.8%***	***1.1%***

The healthcare equipment company trades at a forward P/E of 46.5, higher than the long-term average P/E of 35.7 and the five-year average P/E of 39.7. 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 $1.79 and P/E target of 40.0, our target price for the stock stands at $115 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

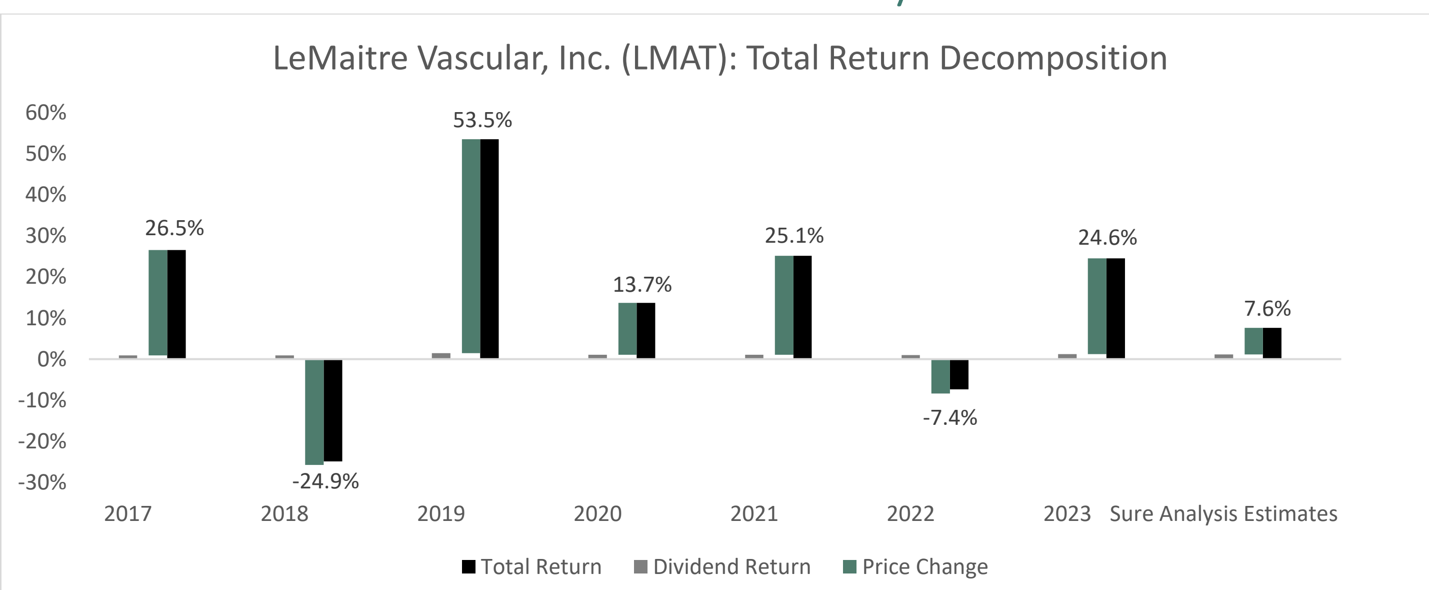
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	61%	38%	33%	26%	25%	39%	37%	35%	54%	42%	***36%***	***45%***

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 operates a competitive healthcare equipment business, a decrease in interest rates could further enhance EPS growth. Indeed, LeMaitre Vascular's dividend growth prospects could remain strong for a long time. Thus, our hold rating is premised upon the 7.6% annualized total returns for the long-term, derived from the forecasted earnings-per-share growth of 10.0%, the 0.8% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	71	78	89	101	106	117	129	154	162	193
Gross Profit	48	54	63	71	74	80	85	101	105	127
Gross Margin	68.1%	69.1%	70.6%	70.1%	70.0%	68.1%	65.4%	65.7%	64.9%	65.8%
SG&A Exp.	36	37	40	43	45	49	46	53	62	73
D&A Exp.	3	3	4	4	4	5	8	11	9	9.5
Operating Income	7	11	16	21	21	21	28	36	30	37
Operating Margin	10.0%	14.2%	18.3%	20.9%	19.6%	18.1%	21.9%	23.6%	18.5%	19.2%
Net Profit	4	8	11	17	23	18	21	27	21	30
Net Margin	5.5%	9.9%	11.9%	17.0%	21.7%	15.3%	16.4%	17.4%	12.8%	15.5%
Free Cash Flow	4	9	14	16	16	10	32	30	22	29
Income Tax	2	4	6	4	6	4	6	7	7	9.4

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	81	91	102	126	153	188	253	293	310	347
Cash & Equivalents	19	27	24	19	26	12	27	14	19	24
Acc. Receivable	11	12	13	15	16	17	20	20	22	25
Inventories	17	15	17	19	26	35	39	41	45	52
Goodwill & Int.	24	24	33	32	44	65	125	119	112	108
Total Liabilities	13	13	14	17	23	40	80	39	42	49
Acc. Payable	1	1	1	2	2	3	2	2	3	3.7
Long-Term Debt	-	-	-	-	-	-	38	-	-	-
Total Equity	68	78	88	110	130	148	173	254	268	298
LTD/E Ratio	-	-	-	-	-	-	0.22	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.2%	9.0%	11.0%	15.1%	16.4%	10.5%	9.6%	9.9%	6.8%	9.2%
Return on Equity	6.3%	10.6%	12.8%	17.4%	19.1%	12.9%	13.2%	12.6%	7.9%	10.6%
ROIC	6.3%	10.6%	12.8%	17.4%	19.1%	12.9%	11.8%	11.6%	7.9%	10.6%
Shares Out.	17.0	18.3	19.2	20.0	20.2	20.3	20.5	21.5	22.2	22.4
Revenue/Share	4.18	4.28	4.63	5.04	5.22	5.77	6.32	7.19	7.29	8.63
FCF/Share	0.25	0.50	0.73	0.82	0.81	0.51	1.55	1.41	1.00	1.32

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