LeMaitre Vascular, Inc. (LMAT)

Updated September 4th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$87	**5 Year CAGR Estimate:**	7.3%	**Market Cap:**	$2.01 B
Fair Value Price:	$74	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	11/15/2024[1]
% Fair Value:	118%	**5 Year Valuation Multiple Estimate:**	-3.3%	**Dividend Payment Date:**	11/29/2024[2]
Dividend Yield:	0.7%	**5 Year Price Target**	$119	**Years Of Dividend Growth:**	13
Dividend Risk Score:	C	**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 August 1st, 2024, the company announced results for the second quarter of 2024. LeMaitre's Q2 report revealed a robust performance with significant achievements. The company reported non-GAAP EPS of $0.52, beating analysts' estimates by $0.05.

The gross margin for the company expanded significantly to 68.9%, helped by both manufacturing efficiencies and higher selling prices, with operating income increasing 52% to $14.4 million. Net income increased 46% to $11.8 million, translating into $0.52 earnings per diluted share, up 44% from Q2 2023. Other key drivers were allografts at +30%, bovine patches at +12%, and carotid shunts at +22%, with notable sales increases across APAC, up 20%; EMEA, up 13%; and the Americas, up 10%.

LeMaitre also increased its 2024 guidance to $216.8 million to $220.8 million in full-year sales, up 13% organically, and an operating income between $49.7 million and $52.5 million, implying a 23% operating margin. The company remains financially disciplined, as evidenced by the restrained headcount growth and lower regulatory spending. Furthermore, the LeMaitre Board declared a quarterly dividend of $0.16 per share payable on August 29, 2024, and maintained its share repurchase program, adding shareholder value. Looking ahead, the company expects continued healthy sales and profit growth through the remainder of the year.

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	***$1.84***	***$2.96***
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 $1.84 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 $2.96 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	***47.3***	***40.0***
Avg. Yld.	1.8%	1.4%	1.0%	0.7%	0.9%	1.1%	1.2%	0.8%	1.1%	1.0%	***0.7%***	***1.1%***

The healthcare equipment company trades at a forward P/E of 47.3, 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 we feel is a fair reflection of its value. Accordingly, with an EPS of $1.84 and P/E target of 40.0, our target price for the stock stands at $119 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

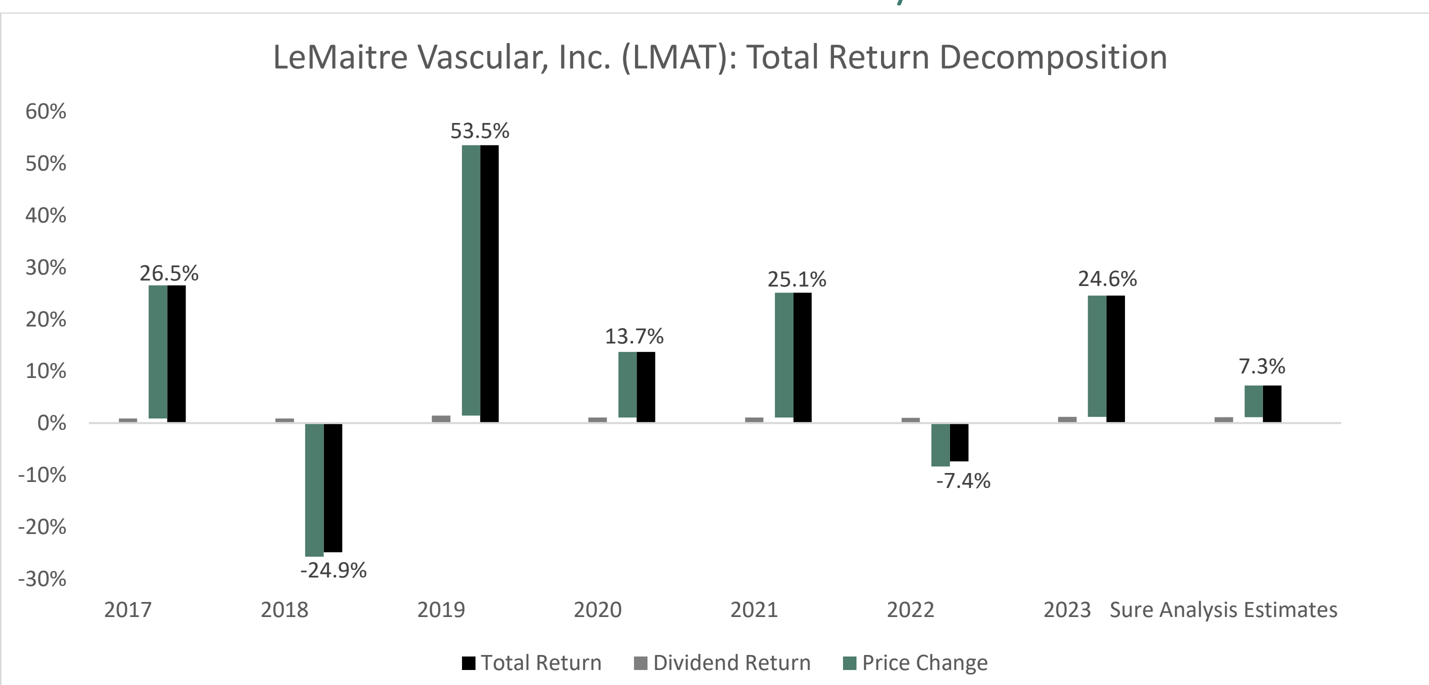
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	61%	38%	33%	26%	25%	39%	37%	35%	54%	42%	***35%***	***43%***

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. LeMaitre's Board of Directors authorized a $50 million share repurchase program, allowing the company to buy back its common stock until February 2025, further supporting shareholder value and capital return initiatives.

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 7.3% annualized total returns for the long-term, derived from the forecasted earnings-per-share growth of 10.0%, the 0.7% 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.