LeMaitre Vascular, Inc. (LMAT)

Updated November 7th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$102	**5 Year CAGR Estimate:**	5.0%	**Market Cap:**	$2.36 B
Fair Value Price:	$78	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	11/21/2024
% Fair Value:	131%	**5 Year Valuation Multiple Estimate:**	-5.3%	**Dividend Payment Date:**	12/05/2024
Dividend Yield:	0.6%	**5 Year Price Target**	$125	**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 October 31st, 2024, the company announced results for the third quarter of 2024. LeMaitre's Q3 report revealed a robust performance with significant achievements. The company reported non-GAAP EPS of $0.49, beating analysts' estimates by $0.06.

The company achieved a gross margin of 67.8%, up 280 basis points, benefiting from pricing and manufacturing efficiencies. Operating income rose 43% to $13.1 million, reflecting effective cost management despite a 11.1% increase in operating expenses due to sales expansion efforts. Earnings per diluted share surged 46% to $0.49, showcasing robust profitability. Sales growth was supported by significant gains in grafts (+24%), patches (+13%), and carotid shunts (+18%), with regional sales climbing 24% in APAC, 22% in EMEA, and 12% in the Americas.

Looking ahead, LeMaitre provided Q4 guidance of $54.9-$56.9 million in sales (midpoint: $55.9 million, up 14% organically), a gross margin of 68.0%, and operating income of $12.6-$14.0 million (midpoint: $13.3 million, up 30%). For full-year 2024, the company anticipates sales of $219-$221 million and EPS of $1.91-$1.96, reflecting an operational margin increase to 24%, from 19% in 2023. On October 24, LeMaitre's Board declared a $0.16 quarterly dividend, payable December 5th, 2024. Additionally, the company has an active share repurchase program of up to $50 million, authorized in February 2024 and valid through February 2025.

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	***$1.94***	***$3.12***
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[1]	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 $1.94 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 $3.12 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] 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	***52.6***	***40.0***
Avg. Yld.	1.8%	1.4%	1.0%	0.7%	0.9%	1.1%	1.2%	0.8%	1.1%	1.0%	***0.6%***	***1.0%***

The healthcare equipment company trades at a forward P/E of 52.6, 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 $1.94 and P/E target of 40.0, our target price for the stock stands at $125 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

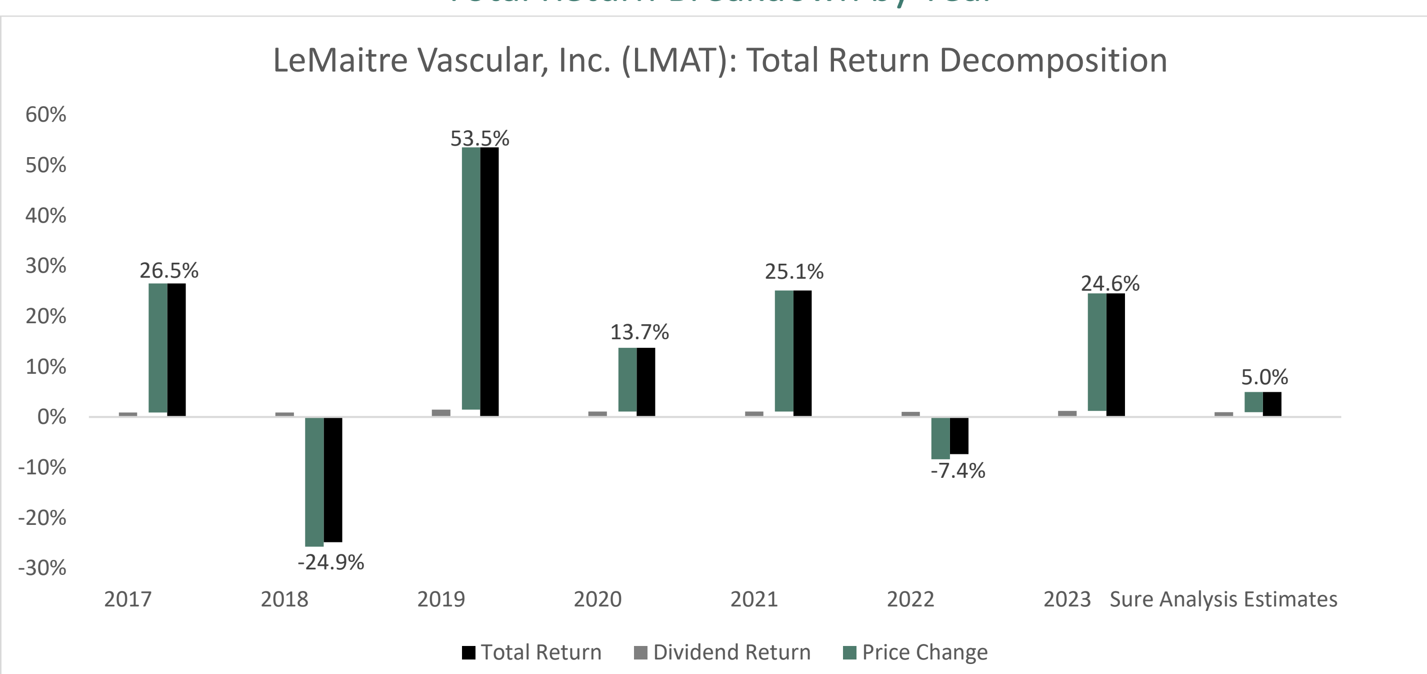
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	61%	38%	33%	26%	25%	39%	37%	35%	54%	42%	***33%***	***41%***

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, we maintain our hold rating premised upon the 5.0% annualized total returns for the long-term, derived from the forecasted earnings-per-share growth of 10.0%, the 0.6% 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.