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- **Initial Public Offering- Medilines**

**Distributors Inc. (MEDIC)**

## **MEDILINES DISTRIBUTORS**

Reuters: MEDIC.PS Bloomberg: MEDIC PM

IPO Price: P2.30

MEDIC will begin its Initial Public Offering (IPO) effective today till Nov 26. The company is set to tentatively list their shares in the Philippine Stock Exchange on Dec 7.

Last week, the company set their final offer price at P2.30/share, which is 6% below its high-end price range of P2.45/share. The company will be offering 550 million primary common shares and 275 million secondary shares. It will have proceeds of 1.88 billion based on the IPO price.

**A Pure play on healthcare services.** MEDIC stands to become the first pure-play listing on the healthcare segment. Starting in 2002, it is one of the leading distributors of quality medical equipment in the country. Due to pandemic, demand has remained resilient as its products are regarded as “essential goods.”

The company offers a number of significant Covid-19 related equipment that includes CT scans and mobile X-rays and also dialysis machines. Company Chair Virgilio Villar, brother of Vista Land Chair and former Senate President Manuel Villar, said that the company had considered its products essential even prior to the pandemic. He believes that there is always demand for medical products, in as much as there will always be a patient needing care.

Healthcare industry is seen to grow at a CAGR of 11%

to P1.5TN by 2025, driven by a growing and aging population, rising incidences of diseases and increasing efforts by the government to expand and modernize health facilities.

Since 2014 (in terms of expenditures) the healthcare industry has grown from P489 billion to P911 billion in 2020 or a CAGR of 10.9%.

**Good track record.** MEDIC has shown track record for growth higher than industry. From 2018 to 2020, their topline has increased by 16%. Villar said that this growth trend is seen to continue. He notes that their products are composed of medical devices that crucial to the basic operations of hospitals.

The company’s revenues for the first half of 2021 increased to P815 million (up 281% year-on-year). Net income for the period reached P100 million, twice as much compared to the year previous. Management attributed the rise to higher sales of cancer therapy machines.

**Proceeds to be used for product diversification.** MEDIC said that part of the proceeds will be used to move into the high-growth, high-margin medical consumables business. The move is in line with the company’s goal to provide critical medical supplies available to primary providers in the country.

The IPO is among those trying to complete their offerings before the end of the year. By our count, there will be 3-4 more IPOs set to list in 2021 assuming the timetables do not change. MEDIC reportedly was 2.7x oversubscribed during their roadshow with good demand from long-only institutional investors.

Incidentally, MEDIC will be the sixth Villar company to be listed although the previous ones are under Manuel’s control including Vista Land, All Home, Starmalls, Golden Bria, and Allday.

- We recommend SUBSCRIBE to the offer.