

## Boston Scientific

## Another good BSX deal...adding more accretive growth

Maintain Rating: BUY | PO: 60.00 USD | Price: 58.16 USD

## BSX buying AXNX – fair valuation

This morning BSX announced the acquisition of Axonics (AXNX) for \$71/share, a 23% premium to AXNX last stock price of \$57.57. At an enterprise value of \$3.4bn and current Street 2024 revenue estimate of \$442m, BSX is paying 7.7x sales for AXNX. We think in an upside case AXNX could have generated \$150m of EBITDA in 2025 standalone, suggesting a low 20x EBITDA multiple. This valuation is right in line with historical medtech M&A takeout premiums of 6-7x sales.

## Adds 40-50bps of growth for BSX

We like this deal for BSX. It fits well with BSX's existing Urology call point and is accretive to revenue growth and likely becomes accretive to margins over time without taking any material upfront margin/EPS dilution. This asset could add 40-50bps to BSX's total company organic growth rate and 300-400bps to BSX's urology business growth rate which has already been growing at a high single digit CAGR. We assume BSX has gotten comfortable that tibial is not a material negative to sacral neuromodulation (SNM) market growth. BSX said SNM in the US could grow to \$1.6b in the next 5 years from \$800m in 2022, which represents a 15% CAGR (accretive to BSX's 8-10% long range plan). The acquisition is expected to complete in 1H24. BSX expects the transaction to have an immaterial impact to EPS in 2024 and to be accretive thereafter and for the transaction to have an immaterial impact to BSX's adjusted operating margin in the first two years and achieve total company adjusted operating margin in year 3.

08 January 2024

## Equity

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## Stock Data

Price	58.16 USD
Price Objective	60.00 USD
Date Established	16-May-2023
Investment Opinion	B-1-9
52-Week Range	44.35 USD - 58.52 USD
Mrkt Val (mn) / Shares Out (mn)	85,159 USD / 1,464.2
Free Float	99.8%
Average Daily Value (mn)	338.89 USD
BofA Ticker / Exchange	BSX / NYS
Bloomberg / Reuters	BSX US / BSX.N
ROE (2023E)	15.4%
Net Dbt to Eqty (Dec-2022A)	45.6%
ESGMeter™	High

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Timestamp: 08 January 2024 10:55AM EST

## Price objective basis & risk

### **Boston Scientific (BSX)**

Our PO of \$60 is derived from 28x our 2024E EPS estimate, which is a premium to the large cap medtech comp group. We believe this multiple is justified given our view of BSX's accelerating earnings growth outlook based on opportunities to drive above average top line growth.

Downside risks to our PO are: 1) Watchman slowdown if ABT becomes more competitive than expected, 2) supply chain/inflationary pressures impact margins more than expected, 3) BSX sees a major setback in a clinical trial or product pipeline failure, 4) unexpected COVID related headwinds.

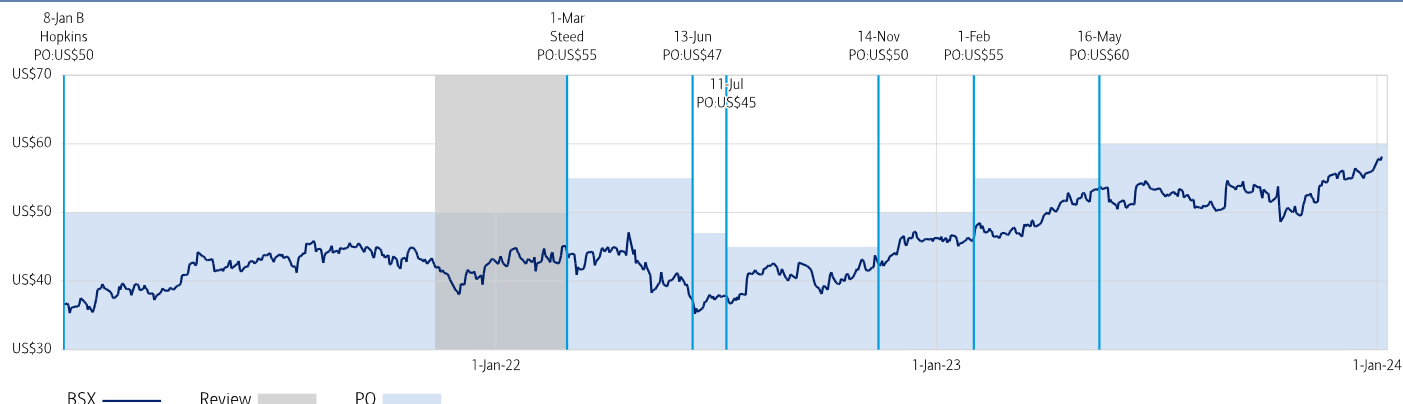
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### Boston Scientific (BSX) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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