

Synektik

Strong 4Q21/22 adj. EBITDA

Synektik reported its 4Q21/22 (calendar 3Q22) results yesterday. Adjusted EBITDA came 25% higher than we expected, while reported EBITDA came in line with consensus and our expectations on higher R&D outlays. The beat on adjusted EBITDA came from strong gross margin in Medical equipment and IT segment, where company sold four da Vinci devices during the quarter. SG&A costs came in line with expectations, financial costs likely includes FX loss. Mediocre OpCF (PLN -0.6m) ahead of 4Q high season. Key points:

- Sales stood at PLN 58.4m (+13% y/y) – 1% below consensus and 19% below our forecasts.
- Medical equipment and IT segment delivered 17% sales growth y/y to PLN 51.9m, of which PLN 12.4m from Czechia/Slovakia – flat q/q and in line with our expectations of PLN 11.9m. Segment's gross margin stood at 33.1%, while we assumed 23.4%, segment's EBITDA came in at PLN 13.7m vs. PLN 11.2m expected by us.
- Radiopharmaceuticals segment delivered 12% sales decline (below our forecasts mostly on other sales) and PLN 1.5m EBITDA (we assumed PLN 1.7m).
- R&D segment had EBITDA loss of PLN 3.9m, deeper than we expected (PLN -1.2m).
- Sales costs came at PLN 6.3m (10.7% of sales vs. 4.2% in 4Q20/21 and 12-15% in past two quarters), in line with our expectations.
- G&A costs came in at PLN 2.6m (+50% y/y), we assumed PLN 2.8m.
- Reported EBITDA reached PLN 8.9m (+35% y/y) and came in line with expectations. Adjusted EBITDA came 73% up y/y and 25% above our expectations.
- EBIT came in at PLN 5.6m (+21% y/y) beating consensus by 9%, 9% below our forecasts.
- Financial costs (net) stood at PLN 2.0m (vs. PLN 0.8m in 4Q20/21), mostly non-cash FX loss; tax rate at 25.8% vs. 14.4% in 1Q20/21.
- Net profit at 2.7m (-16% y/y) vs. consensus of PLN 3.7m and our forecasts of PLN 5.0m.
- Net debt at PLN 26.8m, up PLN 3.2m q/q (0.92x trailing 4Q EBITDA, +0.04pp q/q).

Opinion: Positive. We assumed higher sales and lower gross margin in Medical equipment and IT segment, however segment's EBITDA came above our expectations. Radiopharmaceuticals segment as expected show rather weak results, lower y/y on costs pressure. R&D costs came higher than expected, however EBITDA adjusted for R&D costs came much above our forecasts. We note that in 1Q22/23 company should book twice as many da Vinci sales as in 4Q21/22, moreover OpCF should be much stronger on decline in working capital. Overall, we expect positive reaction to the results.

Healthcare

Synektik

BUY

FV PLN 39.9

32% upside

Price as of 22 November 2022 PLN 30.30

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Figure 1. Synektik: 4Q21/22 results review

PLN m	1Q20/21	2Q20/21	3Q20/21	4Q20/21	1Q21/22	2Q21/22	3Q21/22	4Q21/22	Y/Y	Q/Q	Cons. 4Q21/22 E	Actual vs Cons.	Ipopema 4Q21/22 E	Actual vs Ipopema
Revenue	34.1	27.0	15.7	51.9	35.4	37.3	35.8	58.4	12.6%	63.2%	58.9	-0.9%	71.8	-18.7%
Medical equipment and IT	28.2	19.8	8.5	44.4	28.2	29.4	29.8	51.9	16.8%	74.2%	-	-	64.1	-19.0%
Radiopharmaceuticals	6.2	7.4	7.5	7.7	7.4	8.9	7.5	6.8	-11.9%	-10.1%	-	-	8.0	-14.9%
Gross profit	8.5	7.6	4.3	9.9	8.0	9.9	12.1	18.9	91.8%	56.6%	-	-	16.8	12.9%
Gross margin	25.0%	28.1%	27.4%	19.0%	22.5%	26.4%	33.8%	32.4%	13.4%	-1.4%	-	-	23.4%	9.1%
Adjusted EBITDA	6.8	5.6	3.2	7.4	5.5	6.2	7.1	12.8	73.2%	80.6%	-	-	10.2	25.0%
EBITDA	6.1	4.8	1.6	6.6	4.2	10.4	5.6	8.9	34.6%	60.5%	8.6	4.0%	9.0	-1.0%
EBITDA margin	18.0%	17.8%	10.1%	12.8%	11.8%	27.9%	15.6%	15.3%	2.5%	-0.3%	14.6%	0.7%	12.6%	2.7%
Medical equipment and IT	6.3	4.7	1.2	6.4	4.4	4.9	6.9	13.7	113.2%	97.2%	-	-	11.2	22.2%
Radiopharmaceuticals	1.3	2.0	2.2	2.2	2.1	2.3	1.7	1.5	-30.6%	-9.6%	-	-	1.7	-9.0%
R&D	-0.6	-0.8	-1.6	-0.7	-1.4	-1.4	-1.5	-3.9	416.5%	154.1%	-	-	-1.2	219.7%
Other	-0.8	-1.1	-0.2	-1.2	-0.9	4.6	-1.5	-2.4	99.5%	57.7%	-	-	-2.1	15.0%
D&A	-1.8	-2.0	-2.1	-2.0	-2.1	-3.0	-3.4	-3.4	66.1%	-0.5%	-	-	-2.9	16.9%
EBIT	4.3	2.8	-0.5	4.6	2.1	7.4	2.2	5.6	20.8%	155.0%	5.1	9.4%	6.2	-9.4%
EBIT margin	12.7%	10.3%	-3.3%	8.9%	5.9%	19.9%	6.1%	9.6%	0.6%	3.4%	8.7%	0.9%	8.6%	1.0%
Financials, net	0.2	-0.2	0.0	-0.8	0.1	-0.4	-1.3	-2.0	130.4%	49.8%	-	-	0.0	-195.8%
Pre-tax income	4.5	2.6	-0.5	3.8	2.2	7.0	0.9	3.6	-3.9%	311.1%	-	-	6.2	-253.7%
Tax	-0.9	-0.6	0.2	-0.5	-0.4	-0.2	-0.5	-0.9	71.9%	107.1%	-	-	-1.2	23.5%
Effective tax rate	20.0%	21.9%	33.2%	14.4%	19.8%	2.7%	51.3%	25.8%	11.4%	-25.4%	-	-	19.0%	6.8%
Net income	3.6	2.0	-0.4	3.2	1.8	5.9	0.3	2.7	-16.1%	666.0%	3.7	-28.1%	5.0	-46.7%
Net margin	10.5%	7.4%	-2.3%	6.1%	5.0%	15.9%	1.0%	4.6%	-1.6%	3.6%	6.3%	-1.7%	6.9%	-2.4%

Source: Company, PAP, IPOPEMA Research

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NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

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	Number	%
Buy	29	44%
Hold	20	30%
Sell	17	26%
Total	66	100%

Rating History – Synektik

Date	Recommendation	Fair Value	Price at recommendation	Author
2021-09-07	BUY	40.0	32.60	Beata Szparaga-Waśniewska
2021-12-13	BUY	40.0	29.20	Beata Szparaga-Waśniewska
2021-01-10	BUY	45.0	29.05	Beata Szparaga-Waśniewska
2022-11-17	BUY	39.9	30.55	Łukasz Kosiarski