

# Synektik

## BUY rating maintained

We maintain our BUY rating on Synektik as we expect a continued rebound in demand for radiopharmaceuticals and tenders for supplying medical devices as well as in the number of surgeries performed using the da Vinci surgical system. As a result, in 2021/22E, we expect 21% YoY revenue growth to PLN 155m and adj. EBITDA to improve 18% YoY to PLN 27m. We maintain our BUY recommendation and fair value of PLN 40/share.

**Medical equipment and IT segment – therapy devices to drive EBITDA margins.** As of the end of September, the backlog in the Medical equipment and IT segment came in at PLN18.1m, up 277% YoY, while active offers reached PLN45.5m, up 12% YoY. The company has recently won the first tender for supply of a ZAP-X system (radiosurgery for brain tumors) for PLN 17.6m and has also signed a contract to sell APOTECACHemo (a robotic system for chemotherapy preparation) for PLN 3.4m. In the coming quarters we expect a further rebound in tenders for medical equipment as well as in the volume of surgeries performed using da Vinci surgical systems (in 4Q20/21 there were 548 surgeries, up 110% YoY). In 2021/22E we expect sales in this segment to grow 23% YoY to PLN 124m, and EBITDA to improve 29% YoY to PLN 24m.

**Radiopharmaceuticals – post-COVID pandemic rebound.** Sales of radiopharmaceuticals were down 3% YoY in 2020/21 due to the COVID-19 pandemic, although a rebound started in 2H20/21. We expect the trend to continue in the coming quarters, also taking into account the launch of new products: Auxumin (18F tracer for prostate cancer diagnostics), FLT and FES. As a result, we forecast 2021/22E revenues to be up 10% YoY, with EBITDA up 9% YoY to PLN 8.3m.

**Innovative cardiotracer – ahead of Phase 3 study.** In 2013 Synektik in-licensed an innovative cardiotracer project for a myocardial perfusion imaging from Hadasit. The project completed its Phase 2 study in 2019 and has recently entered a Phase 3 study in ca. 200 patients with coronary artery disease. The company has been talking with a few potential partners for this project, but a deal seems likely to be signed once the company obtains interim results of the study vs. SPEC. Due to limited data concerning specificity and sensitivity of the cardiotracer, we do not include this project in our valuation.

**Valuation.** We value Synektik using a 5-year DCF model. We arrive at a fair value estimate of PLN 40/share, implying 37% upside and a BUY recommendation.

Figure 1. Synektik: Financial forecasts\* (PLNm)

	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Revenues	134.8	125.4	128.6	155.0	173.2	185.6
EBITDA adj.	20.3	21.6	23.0	27.2	31.3	33.6
Net income adj.	12.0	12.4	13.1	16.1	19.4	20.1
PER (x)	20.8	20.2	19.0	15.5	12.8	12.4
EV/EBITDA (x)	12.3	11.9	10.8	8.7	7.1	6.1
Dividend yield	0%	1%	2%	2%	2%	3%

\*12M ending September 30

Source: Company, IPOPEMA Research

Healthcare

## Synektik

BUY

FV PLN 40.00

37% upside

Price as of 9 December 2021 PLN 29.20

Maintained

### Share data

Number of shares (m)	8.5
Market cap (EUR m)	53.9
12M avg daily volume (k)	8.1
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	39.20/25.20
WIG weight	0.03%
Reuters	SNTP.WA
Bloomberg	SNT PW

### Total performance

1M	-4.6%
3M	-8.5%
12M	3.6%

### Shareholders

Mr Mariusz Książek	26.1%
Mr Cezary Kozanecki, CEO	25.0%
Others	48.4%

### Analyst

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The definitions of terms used in the document include:

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.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

#### IPOPEMA Research - Distribution by rating category (April 1 – June 30, 2021)

	Number	%
Buy	19	76%
Hold	6	24%
Sell	0	0%
Total	25	100%

#### Rating History – Synektik

Date	Recommendation	Fair Value	Price at recommendation	Author
2021-09-07	BUY	40.00	32.60	Beata Szparaga-Waśniewska
2021-12-13	BUY	40.0	29.20	Beata Szparaga-Waśniewska