

Synektik

Nuclear medicine and therapy devices to drive results

Synektik's share price has risen 45% in the last 12M as despite the negative impact of the COVID-19 pandemic on radiopharmaceutical sales and tenders for medical equipment, the company posted good results and backlog growth. In 2020/21E (ending in September), we forecast flat results on a YoY basis. In 2021/22E we expect a 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 systems. As a result, in 2022/21E, we expect 16% YoY revenue growth to PLN 147m and adj. EBITDA to improve 22% YoY to PLN 27m. We initiate our coverage with a BUY recommendation and fair value of PLN 40/share.

Medical equipment and IT segment – therapy devices to drive the EBITDA margin. In the last quarters, the COVID pandemic caused a slowdown in tenders for medical equipment. In 9M20/21 revenues of this segment were down 25% YoY, but EBITDA remained flat YoY due to a higher share of therapy devices. The company's contract with Intuitive for exclusive distribution of da Vinci robotic surgical system in Poland was extended until 2026; Synektik is also a distributor of ZAP-X system (radiosurgery for brain tumors), APOTECA chemo (robotic system for chemotherapy preparation) and SagiNova HDR Brachytherapy. We expect a rebound in this segment from 3Q21 and assume flat revenues in 2020/21E, while in 2021/22E expect sales to grow 17% YoY to PLN 116m, while EBITDA to improve 25% YoY to PLN 25m.

Radiopharmaceuticals – post-COVID pandemic rebound. Sales of radiopharmaceuticals was down 29% YoY in 1Q20/21 and down 11% YoY in 2Q20/21 due to the COVID-19 pandemic, while in 3Q20/21 it rebounded 27% YoY. We expect the trend to continue in the coming quarters, also taking into account the company's plan to launch new products: Auxumin (18F tracer for prostate cancer diagnostics), FLT and FES. As a result, we forecast 2020/21E revenues of the segment to be down 3% YoY, but to rebound 10% YoY in 2021/22E. We expect EBITDA of this segment to be down 12% in 2020/21E to PLN 7.4m, to be up 13% YoY to PLN 8.3m in 2021/22E.

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 is about to enter 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 20% upside and a BUY recommendation.

Figure 1. Synektik: Financial forecasts* (PLNm)

	2017/18	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Revenues	76.4	134.8	125.4	126.9	146.8	155.6
EBITDA adj.	7.8	20.3	21.6	22.3	27.2	29.7
Net income adj.	2.9	12.7	12.8	11.7	17.1	13.3
PER (x)	99.0	22.3	22.1	24.2	16.5	21.3
EV/EBITDA (x)	37.7	14.0	13.5	13.1	10.3	9.1
Dividend yield	0%	0%	1%	1%	1%	2%

*12M ending September 30

Source: Company, IPOPEMA Research

Healthcare

Synektik

BUY

FV PLN 40.00

20% upside

Price as of 6 September 2021 PLN 33.20

Initiation of coverage



Share data

Number of shares (m)	8.5
Market cap (EUR m)	62.1
12M avg daily volume (k)	11.7
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	39.20/17.30
WIG weight	0.03%
Reuters	SNTP.WA
Bloomberg	SNT.PW

Total performance

1M	0.9%
3M	-8.0%
12M	45.0%

Shareholders

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

Analyst

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SYNEKTIK

BUY

FV PLN 40

Mkt Cap PLN283m

Upside 20%

Valuation multiple	2018/19	2019/20	2020/21E	2021/22E	2022/23E
P/E (x)	23.6	22.9	23.0	17.8	15.8
EV/EBITDA (x)	14.0	13.5	13.1	10.3	9.1
EV/Sales (x)	2.1	2.3	2.3	1.9	1.7
P/BV (x)	4.03	3.73	3.52	3.17	2.89
FCF yield (%)	3%	3%	1%	5%	6%
DY (%)	0%	1%	1%	1%	2%

Per share	2018/19	2019/20	2020/21E	2021/22E	2022/23E
No. of shares (m units)	8.5	8.5	8.5	8.5	8.5
EPS adj. (PLN)	1.40	1.45	1.44	1.87	2.10
BVPS (PLN)	8.24	8.91	9.43	10.48	11.49
FCFPS (PLN)	0.95	1.06	0.41	1.75	1.95
DPS (PLN)	0.00	0.36	0.45	0.45	0.55

Change y/y (%)	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Revenues	76.4%	-7.0%	1.2%	15.7%	6.0%
EBITDA adj.	160.6%	6.3%	3.3%	21.8%	9.1%
Net income adj.	354.6%	3.1%	-0.4%	29.4%	12.3%

Leverage and return	2018/19	2019/20	2020/21E	2021/22E	2022/23E
EBITDA adj. margin (%)	15.1%	17.3%	17.6%	18.5%	19.1%
EBIT adj. margin (%)	11.2%	12.0%	11.3%	12.8%	13.5%
Net margin adj. (%)	8.9%	9.9%	9.7%	10.8%	11.5%
Net debt/EBITDA (x)	0.1	0.4	0.5	-0.1	-0.5
Net debt/Equity (x)	0.0	0.1	0.1	0.0	-0.1
Current liquidity ratio (x)	1.3	1.5	1.5	2.0	2.3
Cash conversion (days)	-35.1	-32.5	-12.9	-0.1	-0.2
ROA (%)	7.8%	6.6%	5.7%	8.3%	8.3%
ROE (%)	13.8%	12.0%	10.6%	14.8%	14.2%

Revenues (PLNm)	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Medical equipment and IT	112.1	96.9	99.2	116.3	124.0
Radiopharmaceuticals	22.7	28.5	27.7	30.4	31.6
Cardiotracer	0.0	0.0	0.0	0.0	0.0
Total revenues	134.8	125.4	126.9	146.8	155.6

EBITDA (PLN m)	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Medical equipment and IT	19.7	17.8	20.2	25.2	28.2
Radiopharmaceuticals	7.8	8.4	7.4	8.3	8.7
Adm. and other expenses	-7.2	-4.5	-5.2	-6.3	-7.2
Cardiotracer	-2.4	-3.1	-3.6	-2.8	-4.3
EBITDA	18.0	18.6	18.8	24.5	25.4

EBITDA adj. (PLN m)	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Medical equipment and IT	19.7	17.8	20.2	25.2	28.2
Radiopharmaceuticals	7.8	8.4	7.4	8.3	8.7
Adm. and other expenses	-7.2	-4.5	-5.2	-6.3	-7.2
Cardiotracer	0.0	0.0	0.0	0.0	0.0
EBITDA adj.	20.3	21.6	22.3	27.2	29.7

P&L* (PLN m)	2017/18	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Revenues	76.4	134.8	125.4	126.9	146.8	155.6
COGS	-43.0	-83.6	-74.4	-71.5	-82.2	-86.0
COPS	-20.2	-18.5	-20.4	-22.5	-25.2	-26.7
Sales costs	-5.3	-7.4	-7.4	-9.1	-9.8	-10.3
GA costs	-4.7	-9.3	-6.7	-7.6	-8.7	-9.6
R&D costs	-13.2	-7.1	-5.2	-6.1	-6.2	-6.2
Other operating line	20.2	3.9	0.7	0.5	1.4	-0.1
Reported EBITDA	15.8	18.0	18.6	18.8	24.5	25.4
EBITDA adj.**	7.8	20.3	21.6	22.3	27.2	29.7
D&A	-5.5	-5.2	-6.5	-8.1	-8.5	-8.7
EBIT	10.2	12.7	12.0	10.7	16.0	16.7
EBIT adj.	2.3	15.1	15.1	14.3	18.7	21.0
Financial income (cost) net	-0.5	-0.9	-0.6	-0.3	-0.5	-0.3
Income tax	-0.2	-2.6	-2.3	-1.9	-2.9	-3.1
Net profit	9.3	9.1	8.8	8.3	12.5	13.3
Net profit adj.	2.6	12.0	12.4	12.3	15.9	17.9

BALANCE SHEET (PLN m)	2017/18	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Non-current assets	80.0	85.3	92.9	91.9	87.1	82.7
PP&E	48.6	47.1	49.8	50.8	47.9	45.3
Intangibles	23.6	25.5	27.6	26.5	25.5	24.4
Other non-current assets	7.8	12.8	15.6	14.6	13.8	13.0
Current assets	28.6	39.8	48.7	56.1	67.5	82.3
Cash and equivalents	5.3	8.6	10.9	11.0	15.7	27.7
Trade and other receivables	18.6	26.5	29.4	35.2	40.7	43.2
Inventories	4.2	2.7	6.0	7.4	8.6	9.0
Other current assets	0.5	2.0	2.5	2.5	2.5	2.5
Total assets	108.6	125.1	141.6	148.0	154.6	165.0
Equity	62.0	70.3	76.0	80.5	89.4	98.0
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities & provisions	46.6	54.8	65.6	67.5	65.3	67.0
Current debt	5.4	2.9	5.9	9.2	2.9	3.1
Trade payables	23.5	27.5	27.6	27.3	31.3	32.8
Provisions	0.8	2.7	2.9	2.9	3.0	3.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current debt	10.8	9.3	14.7	12.5	12.5	12.5
Other non-current liabilities	0.2	0.0	0.4	0.4	0.4	0.4
Settlement of grants	6.0	12.5	14.1	15.1	15.1	15.1
Equity & liabilities	108.6	125.1	141.6	148.0	154.6	165.0
Gross debt (PLN m)	16.2	10.5	18.9	20.0	13.7	13.9
Net debt (PLN m)	10.9	2.0	8.0	9.0	-2.0	-13.8

CASH FLOW* (PLN m)	2017/18	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Net income	9.3	9.1	8.8	8.3	12.5	13.3
Change in WC	9.2	-5.4	-3.3	-6.7	-1.9	-0.5
D&A	5.5	5.2	6.5	8.1	8.5	8.7
Other	-11.0	4.5	1.9	0.9	0.6	0.4
Operating cash flow	13.0	13.5	13.9	10.6	19.7	21.8
Investment expenditure	-12.0	-5.5	-5.1	-8.0	-4.5	-5.1
Other (including grants)	0.0	0.2	0.4	0.5	0.0	0.0
Investment cash flow	-12.0	-5.3	-4.7	-7.5	-4.5	-5.1
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	5.4	-4.3	-3.3	1.2	-6.3	0.2
Dividends	0.0	0.0	-3.1	-3.8	-3.6	-4.7
Other	-0.9	-0.7	-0.6	-0.3	-0.5	-0.3
Financial cash flow	4.5	-5.0	-6.9	-3.0	-10.4	-4.8
Change in cash	5.5	3.3	2.3	0.1	4.7	12.0
Cash as of eop	5.3	8.6	10.9	11.0	15.7	27.7

Source: Company data, IPOPEMA Research, *12M ending September 30, **adjusted for result of the cardiotracer segment

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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	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