

Synektik

Results momentum in 1Q22/23

In this report, we update our forecasts and valuation of Synektik following the 4Q21/22 results release. Based on new forecasts of financial results and FX rates and the current risk-free rate, we set our Fair Value at PLN 42.0ps, which implies 23% upside potential to the current share price. We maintain our Buy recommendation. Synektik is one of our top picks in the healthcare & biotech sector; the company is entering a period of soaring financial results, in 2022/23 we assume PLN 44m in adjusted EBITDA, and a significant improvement in cash generation thanks to higher profits and lower working capital requirements. Synektik is currently valued at 5.9x EV/EBITDA for 2022/23E, which in our opinion is an undemanding level for a growing business with an increasing share of recurring revenues and development prospects for surgical robots, especially on the Polish market.

Accumulation of contracts for da Vinci robots. Over the past few months, Synektik has issued a number of announcements concerning the submission of offers and signing of contracts for the supply of da Vinci surgical robots in all three of its markets. In 4Q21/22 the company booked four deliveries, while another seven systems should be booked in 1Q22/23. The high demand on the Polish market, but also from the commencement of reimbursement of procedures using robots by the National Health Fund from April 2022. On the other hand, on the Czech market, where the average utilization of devices is much higher than in Poland and close to its maximum level, the growth in the number of treatments results in further purchases from new as well as existing users.

Results momentum in 2022/23. Following the release of 4Q21/22 results with stronger than expected EBITDA margins in the medical equipment and IT segments, we upgraded our forecasts for 2022/23. In 1Q22/23, we assume the sale of seven da Vinci devices and the completion of a large contract for delivery of a ZAP-X system to a hospital in Olsztyn, which, according to our preliminary estimates, should translate into over PLN 125m in revenues and approximately PLN 20m in adjusted EBITDA. For the entire FY22/23, we estimate PLN 299m in revenue, PLN 43.8m in adjusted EBITDA and PLN 17.6m in net profit.

Valuation. We value Synektik using a 10-year DCF model. Taking into account the new financial and FX forecasts and the current risk-free rate, we are upgrading the company's Fair Value to PLN 42.0ps from PLN 39.9ps. The new valuation implies 23% upside potential relative to the current share price, and therefore we maintain our Buy recommendation.

Figure 1. Synektik: Financial forecasts* (PLNm)

PLN m	2020/21	2021/22	2022/23E	2023/24E	2024/25E	2025/26E
Revenues	128.6	166.9	299.2	253.7	268.6	281.4
EBITDA	19.2	29.1	37.2	31.8	42.7	45.7
Adj. EBITDA	23.0	31.7	43.8	38.1	42.7	45.7
EBIT	11.2	17.3	23.2	17.6	28.2	31.0
Net profit	8.4	10.7	17.6	13.7	22.2	24.5
EPS (PLN)	0.98	1.26	2.06	1.60	2.61	2.87
DPS (PLN)	0.40	0.45	0.50	0.82	0.64	1.04
EV/adj. EBITDA (x)	10.9	8.3	5.9	6.7	5.7	4.9
P/E (x)	30.1	22.2	16.6	21.3	13.1	11.9

Source: Company, IPOPEMA Research *12M ending September 30

Healthcare

Synektik

BUY

FV PLN 42.0 from PLN 39.9

23% upside

Price as of 8 December 2022 PLN 34.10

Maintained



Share data

Number of shares (m)	8.5
Market cap (EUR m)	61.9
12M avg daily volume (k)	6.3
12M avg daily turnover (EUR m)	0.0
12M high/low (PLN)	34.60/22.50
WIG weight	0.05%
Reuters	SNTP.WA
Bloomberg	SNT PW

Total performance

1M	10.0%
3M	35.0%
12M	17.5%

Shareholders

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

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SYNEKTIK

BUY

FV PLN 42

Mkt Cap EUR 62m

Upside 23%

Valuation multiple	20/21	21/22	22/23E	23/24E	24/25E
P/E (x)	30.1	22.2	16.6	21.3	13.1
EV/EBITDA (x)	13.0	9.0	6.9	8.0	5.7
EV/Sales (x)	1.9	1.6	0.9	1.0	0.9
P/BV (x)	3.13	2.71	2.88	2.70	2.34
FCF yield (%)	8%	-10%	25%	11%	11%
DY (%)	1%	2%	1%	2%	2%

Per share	20/21	21/22	22/23E	23/24E	24/25E
No. of shares (m units)	8.5	8.5	8.5	8.5	8.5
EPS (PLN)	0.98	1.26	2.06	1.60	2.61
BVPS (PLN)	9.45	10.27	11.83	12.61	14.57
FCFPS (PLN)	2.28	-2.69	8.45	3.82	3.58
DPS (PLN)	0.40	0.45	0.50	0.82	0.64

Change y/y (%)	20/21	21/22	22/23E	23/24E	24/25E
Revenues	2.6%	29.7%	79.3%	-15.2%	5.8%
EBITDA	3.2%	52.0%	27.7%	-14.3%	34.0%
EBITDA adj.	6.1%	38.0%	38.2%	-13.0%	12.1%
EBIT	-7.0%	54.5%	34.2%	-24.1%	60.0%
Net profit	-4.8%	27.7%	64.1%	-22.2%	62.6%

Leverage and return	20/21	21/22	22/23E	23/24E	24/25E
Gross margin (%)	23.5%	29.3%	25.7%	27.8%	28.6%
Adj. EBITDA margin (%)	17.8%	19.0%	14.6%	15.0%	15.9%
EBIT margin (%)	8.7%	10.4%	7.8%	6.9%	10.5%
Net margin (%)	6.5%	6.4%	5.9%	5.4%	8.3%
Net debt / EBITDA (x)	-0.14	0.82	-0.90	-1.14	-1.07
Net debt / Equity (x)	0.0	0.3	-0.3	-0.3	-0.4
Net debt / Assets (x)	-0.02	0.10	-0.14	-0.16	-0.19
ROE (%)	10.7%	12.7%	18.6%	13.1%	19.2%
ROA (%)	5.6%	5.4%	7.4%	5.9%	9.6%

Revenues (PLNm)	20/21	21/22	22/23E	23/24E	24/25E
Medical equipment anc	100.9	139.3	268.9	220.9	233.0
Radiopharmaceuticals	28.7	30.7	31.3	33.8	36.5
Cardiotracer	0.0	0.0	0.0	0.0	0.0
Total revenues	128.6	166.9	299.2	253.7	268.6

EBITDA (PLN m)	20/21	21/22	22/23E	23/24E	24/25E
Medical equipment, IT*	18.6	29.9	46.5	41.6	44.3
Radiopharmaceuticals	7.6	7.6	5.5	6.8	8.2
Adm. and other	-3.2	-0.3	-8.7	-10.3	-9.9
Cardiotracer	-3.8	-8.1	-6.1	-6.2	0.0
EBITDA	19.2	29.1	37.2	31.8	42.7

EBITDA adj. (PLN m)	20/21	21/22	22/23E	23/24E	24/25E
Medical equipment, IT*	18.6	29.9	46.5	41.6	44.3
Radiopharmaceuticals	7.6	7.6	5.5	6.8	8.2
Adm. and other	-3.2	-5.8	-8.2	-10.3	-9.9
Cardiotracer	0.0	0.0	0.0	0.0	0.0
EBITDA adj.	23.0	31.7	43.8	38.1	42.7

P&L* (PLN m)	19/20	20/21	21/22	22/23E	23/24E	24/25E
Revenues	125.4	128.6	166.9	299.2	253.7	268.6
COGS	-94.7	-98.4	-118.0	-222.2	-183.1	-191.8
Gross profit	30.7	30.3	48.8	77.0	70.6	76.8
Selling costs	-7.4	-7.6	-18.7	-34.5	-32.6	-34.5
G&A costs	-6.7	-6.8	-9.5	-12.1	-13.0	-14.1
R&D costs	-5.2	-6.1	-10.2	-8.0	-8.2	0.0
Other operating income (cost)	0.7	1.5	6.9	0.7	0.8	0.0
Reported EBITDA	18.6	19.2	29.1	37.2	31.8	42.7
EBITDA adj.**	21.6	23.0	31.7	43.8	38.1	42.7
D&A	-6.5	-8.0	-11.8	-14.0	-14.2	-14.5
EBIT	12.0	11.2	17.3	23.2	17.6	28.2
Financial income (cost) net	-0.6	-0.9	-3.6	-1.5	-0.7	-0.7
Income tax	-2.3	-1.8	-2.0	-4.1	-3.2	-5.2
Associates	-0.3	-0.1	-1.0	0.0	0.0	0.0
Net profit	8.8	8.4	10.7	17.6	13.7	22.2

BALANCE SHEET (PLN m)	19/20	20/21	21/22	22/23E	23/24E	24/25E
Non-current assets	92.9	95.7	124.6	122.2	118.7	115.0
Intangible assets	27.6	28.6	55.3	54.4	52.3	49.8
PP&E	43.7	45.6	39.2	34.4	32.4	31.1
Right-of-use assets	6.0	8.0	14.7	18.0	18.6	18.6
Other non-current assets	15.6	13.6	15.4	15.4	15.4	15.4
Current assets	48.7	63.9	110.3	114.8	108.7	121.4
Inventories	6.0	2.8	48.1	13.9	11.8	12.5
Trade receivables	28.4	39.3	48.2	46.6	40.3	42.7
Cash and equivalents	10.9	18.3	9.7	48.8	51.5	61.0
Other current assets	3.4	3.5	4.4	5.5	5.1	5.2
Total assets	141.6	159.7	234.9	237.1	227.5	236.4
Equity	76.0	80.6	87.6	100.9	107.5	124.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	29.1	24.1	42.8	46.4	35.4	26.2
Loans and borrowings	14.7	11.7	13.1	13.1	13.1	13.1
Other non-current liabilities	14.4	12.4	29.7	33.3	22.3	13.2
Current liabilities	36.5	55.0	104.5	89.8	84.5	85.9
Trade payables	27.6	44.4	71.6	74.5	69.5	70.7
Loans and borrowings	5.9	6.5	23.4	5.0	5.0	5.0
Other current liabilities	3.0	4.1	9.5	10.3	10.1	10.1
Equity & liabilities	141.6	159.7	234.9	237.1	227.5	236.4
Gross debt (PLN m)	20.6	18.2	36.5	18.1	18.1	18.1
Net debt (PLN m)	7.0	-2.8	23.9	-33.6	-36.3	-45.8

CASH FLOW* (PLN m)	19/20	20/21	21/22	22/23E	23/24E	24/25E
Operating cash flow	13.9	21.7	-7.0	67.6	23.5	29.7
Net income	8.8	8.4	10.7	17.6	13.7	22.2
D&A (incl. D&A of RoU)	6.5	8.0	11.8	14.0	14.2	14.5
Change in WC	-5.2	9.1	-27.0	38.6	3.4	-1.8
Other	3.7	-3.8	-2.6	-2.5	-7.8	-5.3
Investment cash flow	-4.7	-3.2	-3.4	-5.8	-13.8	-14.6
Change in PP&E and intangibles	-5.3	-10.8	-29.3	-3.5	-4.8	-4.8
Other	0.6	7.6	25.9	-2.3	-9.0	-9.8
Financial cash flow	-6.9	-11.1	1.9	-22.7	-7.0	-5.5
Change in equity	0.0	-0.4	0.1	0.0	0.0	0.0
Change in debt	8.4	-2.4	18.3	-18.4	0.0	0.0
Dividend	-3.1	-3.4	-3.8	-4.3	-7.0	-5.5
Other	-12.3	-4.8	-12.8	0.0	0.0	0.0
Change in cash	2.3	7.4	-8.6	39.1	2.7	9.5
Cash as of eop	10.9	18.3	9.7	48.8	51.5	61.0

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

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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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Hold	In between (and including) -10% and 10%
Sell	Below -10%

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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
07.09.2021	BUY	PLN 40	PLN 32.6	Beata Szparaga-Waśniewska
13.12.2021	BUY	PLN 40	PLN 29.2	Beata Szparaga-Waśniewska
10.01.2022	BUY	PLN 45	PLN 29.05	Beata Szparaga-Waśniewska
17.11.2022	BUY	PLN 39.9	PLN 30.55	Łukasz Kosiarski
14.12.2022	BUY	PLN 42.0	PLN 34.10	Łukasz Kosiarski