

Synektik S.A.



Price target: PLN 138.10

Update

Rating: BUY

Synektik's fiscal-year Q1 2023/24 results were between 13.6% and 24.7% above sell-side consensus and were very strong especially in terms of top-line growth (+88.6% y-o-y) and cash flow generation (Operating cash flow: +168.2% y-o-y to PLN 122m, free cash flow: +188.3% to PLN 113.4m). In January, SNT received the award for the best da Vinci distributor worldwide during a conference of Intuitive Surgical, which significantly increased the company's brand recognition in the US and, in our view, makes both a prolongation of the distribution contract beyond 2026E and extension to other markets (e.g. the Baltics, Ukraine after the war) very likely. Given a 10y lifetime of a da Vinci robot and based on our research on the penetration of da Vinci in Western markets, we have increased our assumption for the number of new robots sold to 22 (prev. 20) in 2024E and 20 (14-18) afterwards until 2031/32E. Together with adjusted estimates after Q1 2023/24, a higher net cash figure (PLN 158.8m vs. PLN 48.8m previously) and lower WACC (12.8% vs. 13.5%), we derive a new 12-months PT (40% DCF, 40% SOTP, 20% peer group) of PLN 138.10 (prev. PLN 109.70), which despite SNT's very strong 12-months performance still implies an upside of 14.6% at present. On our estimates, SNT is currently trading at a P/E 2024E of 14.1x and PEG of 0.36. Major share price triggers in the short term could be: 1. Extension of reimbursement for robotic surgeries in PL 2. Funds from the EU Recovery and Resilience Fund for PL (PLN 18.3bn only for healthcare) 3. Official start of Phase III of the cardiac tracer (rNPV of PLN 29.83 on top of our PT) in the US.

In Q1 2023/24E, Synektik grew significantly y-o-y and increased its net cash position by PLN 110m since the end of September 2023. On Group level (Revenues: +88.6% y-o-y to PLN 271.3m; EBITDA margin: 18.2% vs. 19.5% in Q1 2022/23), the main driver was the Medical equipment & IT segment (+91.9% to PLN 261.4m, 20.3% vs. 22.3%), which significantly benefitted from strong sales of da Vinci robots and other equipment as well as increasing recurring revenues (PLN 133.6m over last 12-months, +77.2% compared to 31/12/2022). The Radiopharmaceuticals segment (+30.1% to PLN 9.9m) also performed well, however especially in terms of profitability (EBITDA margin: 41.6% vs. 19.2%). Due to an impressive growth of operating cash flow Synektik had PLN 173.9m (31/12/2022: PLN 29.2m) of cash at the end of 2023.

in PLNm	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Net sales	128.63	166.86	446.87	518.10	548.57	608.26
EBITDA*	19.16	29.66	82.64	107.27	112.98	124.58
EBIT	11.19	17.62	67.86	91.27	96.59	107.02
Net income	8.38	10.30	52.45	73.12	77.44	85.91
EPS	0.98	1.21	6.15	8.57	9.08	10.07
DPS	0.45	0.60	3.03	3.43	3.63	4.03
Dividend yield	0.37%	0.50%	2.51%	2.85%	3.01%	3.34%
RoE	10.71%	12.23%	47.24%	46.32%	37.67%	33.41%
Net gearing	0.91%	32.25%	-31.86%	-43.36%	-55.11%	-60.21%
EV/Sales	9.22x	7.11x	2.66x	2.29x	2.16x	1.95x
EV/EBITDA	61.92x	40.01x	14.36x	11.06x	10.50x	9.52x
P/E	122.59x	99.77x	19.59x	14.06x	13.27x	11.96x

* EBITDA reflects expenses for the cardiac tracer

Company profile

Synektik S.A. is a leading Polish player in the area of distribution of therapeutic & diagnostic devices and production of radiopharmaceuticals, which patients have to take before undergoing a PET-CT exam. The company's strategy foresees the expansion in the area of devices for medical therapy, which require additional products and services on a regular basis. Currently, Synektik has >150 employees.

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Country	Poland
ISIN	PLSNKTK0001
Reuters	SNTPW.WA
Bloomberg	SNT PW

Share information

Last price	120.50
Number of shares (m)	8.53
Market cap. (PLNm)	1027.76
Market cap. (EURm)	238.46
52-weeks range	PLN 123.50 / PLN 41.50
Average volume (shares)	28,408

Performance

4-weeks	43.45%
13-weeks	58.55%
26-weeks	75.66%
52-weeks	182.20%
YTD	40.12%

Shareholder structure

Ksiazek Holding Sp. z.o.o	26.13%
Melhus Company Ltd.*	24.00%
Free float	49.87%

* vehicle of Mr Cezary Kozanecki (CEO & founder)

Financial calendar

H1 2023/24 report	June 11, 2024
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Changes to our forecasts

Revenues and Profitability

For Q1 2023/24, Synektik again delivered a very strong set of numbers, which beat market expectations on all levels. In our view, the award for the best da Vinci distributor in 2023 makes the prolongation of the distribution contract with da Vinci in 2026E and its extension to other countries (e.g. the Baltics, Ukraine after the war) very likely. Moreover, given that Intuitive Surgical is a large and widely-followed stock, we believe that since January 2024 it has resulted in significant interest of international investors for Synektik, which would explain the massive spike in daily trading turnover of the stock.

Due to the above and our research on the penetration of da Vinci robots in Western markets we have decided to increase our estimates for Synektik for 2023/24E and beyond. In Poland, the share of da Vinci robots as percentage of the total number of hospitals equals c. 4.1% compared to 9.3% in Germany, 10% in the UK and 69.7% in the US (please note that in developed markets many hospitals have several robots installed). Furthermore, the robots need replacement every 10 years. Even in the unlikely event that Intuitive does not extend the contract beyond 2026, Synektik will continue providing accessories for the sold robots until that time.

In addition to c. PLN 20m higher expected sales of diagnostic equipment in 2023/24E and afterwards, we now assume that the number of da Vinci robots sold per year will equal 22 (previously: 20) in 2023/24E and 20 (14-18) afterwards until 2031/32E. This and growing service sales and sales of the zbadani.pl cloud-based platform for radiologists should increase the share of recurring revenues from 25.3% in the last fiscal year to 47.1% (previously: c. 46%) by 2025/26E.

	United States	United Kingdom	Germany	Poland	Czech Republic	Slovakia
Number of hospitals	7,335	1,148	1,893	1,127	266	135
Number of da Vinci robots	5,111	115	176	46	24	5
<i>% share</i>	69.7%	10.0%	9.3%	4.1%	9.0%	3.7%

Source: destatis.de, Intuitive Surgical, GUS, klinikradar, Google search, East Value Research GmbH

Our detailed estimates until 2025/26E now look as follows:

	2023/24E	2024/25E	2025/26E
Total number of robots	79	99	119
Avg. number of exams/robot	252	255	257
Costs per exam (PLN)	6,500	6,500	6,500
Total sales from usables	129,598	163,866	198,641
Software & Services	27,543	43,289	61,528
Recurring revenues (PLNk)	157,140	207,155	260,169

Source: Company information, East Value Research GmbH

in PLNm	2023/ 24E	2024/ 25E	2025/ 26E
Medical equipment/software/services	475.18	499.83	552.92
<i>(% of net sales)</i>	<i>91.7%</i>	<i>91.1%</i>	<i>90.9%</i>
EBITDA margin	21.0%	20.8%	20.6%
thereof: Diagnostic equipment & IT	70.00	69.65	69.30
thereof: ZAP-X	21.00	21.42	21.85
thereof: da Vinci surgical robots	227.04	201.60	201.60
thereof: Recurring sales	157.14	207.16	260.17
Production of radiopharmaceuticals	42.92	48.74	55.34
<i>(% of net sales)</i>	<i>8.3%</i>	<i>8.9%</i>	<i>9.1%</i>
EBITDA margin	35.0%	34.0%	33.0%
Number of sold doses	26,447	29,092	32,001
<i>Share of FDG</i>	<i>56.8%</i>	<i>55.6%</i>	<i>54.4%</i>
<i>Share of special tracers</i>	<i>43.2%</i>	<i>44.4%</i>	<i>45.6%</i>
Price per dose FDG	918	936	955
Price per dose - special tracers	2,550	2,601	2,653
Total net sales	518.10	548.57	608.26
<i>(change y-o-y)</i>	<i>15.9%</i>	<i>5.9%</i>	<i>10.9%</i>

Source: Company information, East Value Research GmbH

	2023/ 24E		2024/ 25E		2025/ 26E	
in PLNm	new	old	new	old	new	old
Net sales	518.10	474.91	548.57	505.72	608.26	530.10
EBITDA	107.27	101.33	112.98	107.45	124.58	112.07
<i>EBITDA margin</i>	<i>20.7%</i>	<i>21.3%</i>	<i>20.6%</i>	<i>21.2%</i>	<i>20.5%</i>	<i>21.1%</i>
EBIT	91.27	83.76	96.59	88.99	107.02	92.99
<i>EBIT margin</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.5%</i>
Net income	73.12	67.68	77.44	71.94	85.91	75.19
<i>Net margin</i>	<i>14.1%</i>	<i>14.3%</i>	<i>14.1%</i>	<i>14.2%</i>	<i>14.1%</i>	<i>14.2%</i>

Source: Company information, East Value Research GmbH

	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
in PLNm	20/21	20/21	20/21	20/21	2020/21	21/22	21/22	21/22	21/22	2021/22
Net sales	34.07	26.97	15.72	51.87	128.63	35.42	37.30	35.77	58.38	166.86
<i>y-o-y change</i>	-9.4%	-27.1%	-29.5%	81.8%	2.6%	4.0%	38.3%	127.5%	12.6%	29.7%
EBITDA	6.13	4.80	1.59	6.64	19.16	4.19	10.42	5.57	9.48	29.66
<i>EBITDA margin</i>	18.0%	17.8%	10.1%	12.8%	14.9%	11.8%	27.9%	15.6%	16.2%	17.8%
EBIT	4.32	2.77	-0.52	4.62	11.19	2.11	7.41	2.19	5.92	17.62
<i>EBIT margin</i>	12.7%	10.3%	-3.3%	8.9%	8.7%	5.9%	19.9%	6.1%	10.1%	10.6%
Net income	3.59	1.99	-0.37	3.17	8.38	1.78	5.92	0.35	2.25	10.30
<i>Net margin</i>	10.5%	7.4%	-2.4%	6.1%	6.5%	5.0%	15.9%	1.0%	3.9%	6.2%

	Q1	Q2	Q3	Q4		Q1
in PLNm	22/23	22/23	22/23	22/23	2022/23	23/24
Net sales	143.81	65.66	101.71	135.69	446.87	271.30
<i>y-o-y change</i>	306.0%	76.1%	184.4%	132.4%	167.8%	88.6%
EBITDA	28.04	6.84	20.85	26.91	82.64	49.31
<i>EBITDA margin</i>	19.5%	10.4%	20.5%	19.8%	18.5%	18.2%
EBIT	24.63	3.18	17.04	23.02	67.86	45.37
<i>EBIT margin</i>	17.1%	4.8%	16.8%	17.0%	15.2%	16.7%
Net income	19.08	4.03	13.52	15.82	52.45	34.67
<i>Net margin</i>	13.3%	6.1%	13.3%	11.7%	11.7%	12.8%

Source: East Value Research GmbH

CAPEX and Working capital

We have forecast that in 2023/24E and 2024/25E gross CAPEX will reach PLN 16m (previously: PLN 17.6m) and PLN 16.4m (PLN 18.5m) respectively, and will mainly be spent on new radiopharmaceuticals and the cloud-based IT platform Zbadani.pl. Our forecasts are lower than the previous ones due to a PLN 1.6m lower estimate for depreciation & amortization expenses. Regarding working capital, we have assumed that the cash conversion cycle will converge towards 60 days in the future (2022/23: 6 days).

Valuation

Our model for Synektik consists of a DCF valuation of the company’s traditional business (incl. “Medical equipment/software/services” and sales of radiopharmaceuticals), Sum-of-the Parts (Distribution business + Radiopharmaceuticals), peer group analysis as well as a risk-adjusted Net Present Value (rNPV) calculation of the cardiac tracer. It derives a 12-months PT of PLN 138.10 per share (previously: PLN 109.70), which implies an upside of 14.6% and a BUY rating. Our valuation would increase by PLN 29.83 per share if we were to take the value of SNT’s cardiac tracer into account.

DCF model

Below are the key assumptions of our DCF valuation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 5.44% (Source: boerse-stuttgart.de)
- (2) *Target equity ratio*: 100%
- (3) *Beta*: Average 4-year unlevered beta for companies from the Healthcare Products sector, which are based in Emerging Markets, is 1.26x (Source: damodaran.com)
- (4) *Equity risk premium (Poland)*: 5.84% (Source: damodaran.com)
- (5) *Effective tax rate*: 19%
- (6) *After-tax debt costs*: 6.5%
- (7) *Equity cost = WACC*: 12.8%
- (8) *Sales growth in the terminal period*: 2%
- (9) Free cash flows are discounted to February 28th, 2024

in PLNm	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E	2029/30E	2030/31E	2031/32E
Net sales	518.10	548.57	608.26	657.22	708.25	761.50	817.16	875.44	936.60
(y-o-y change)	15.9%	5.9%	10.9%	8.1%	7.8%	7.5%	7.3%	7.1%	7.0%
EBIT	91.27	96.59	107.02	115.44	124.11	133.04	142.25	151.75	162.00
(EBIT margin)	17.6%	17.6%	17.6%	17.6%	17.5%	17.5%	17.4%	17.3%	17.3%
NOPLAT	73.93	78.24	86.68	93.51	100.53	107.77	115.23	122.92	131.22
+ Depreciation & amortisation	16.00	16.39	17.57	18.32	19.04	19.71	20.33	20.91	21.43
= Net operating cash flow	89.93	94.63	104.25	111.83	119.57	127.48	135.56	143.82	152.65
- Total investments (Capex and WC)	-31.10	-25.46	-28.26	-30.93	-33.39	-36.02	-38.57	-41.11	8.25
Capital expenditure	-16.00	-16.39	-17.57	-18.32	-19.04	-19.71	-20.33	-20.91	-21.43
Working capital	-15.10	-9.06	-10.69	-12.60	-14.35	-16.31	-18.24	-20.20	29.69
= Free cash flow (FCF)	58.83	69.17	76.00	80.90	86.18	91.46	96.98	102.72	160.91
PV of FCF's	54.80	57.13	55.65	52.52	49.60	46.67	43.87	41.20	57.21
PV of FCFs in explicit period 458.64									
PV of FCFs in terminal period 423.58									
Enterprise value (EV) 882.22									
+ Net cash / - net debt (31 December 2023) 158.80									
Shareholder value 1,041.02									
Number of shares outstanding (m) 8.53									
WACC 12.8%									
Terminal EBIT margin									
		14.3%	15.3%	16.3%	17.3%	18.3%	19.3%	20.3%	
Cost of equity	12.8%	8.8%	191.97	199.28	206.58	213.88	221.19	228.49	235.80
Pre-tax cost of debt	8.0%	9.8%	169.68	175.56	181.45	187.33	193.22	199.10	204.99
Normal tax rate	19.0%	10.8%	152.44	157.27	162.09	166.92	171.74	176.57	181.40
After-tax cost of debt	6.5%	11.8%	138.73	142.74	146.75	150.76	154.77	158.78	162.79
Share of equity	100.0%	12.8%	127.56	130.93	134.30	137.67	141.04	144.41	147.78
Share of debt	0.0%	13.8%	118.28	121.14	124.00	126.86	129.72	132.58	135.44
Fair value per share in PLN (today)	122.05	14.8%	110.46	112.90	115.35	117.80	120.24	122.69	125.13
Fair value per share in PLN (in 12 months)	137.67								

Source: East Value Research GmbH

Peer Group Analysis

We have compared Synektik to four listed companies, which supply diagnostic equipment and/or radiopharmaceuticals:

- (1) *Ion Beam Applications SA*: Ion Beam Applications (IBA), which is headquartered in Louvain-La-Neuve/Belgium, is the world leader in particle accelerator technology. The company is the leading supplier of equipment and services in the field of proton therapy, considered to be the most advanced form of radiation therapy available today. IBA is also a leading player in the fields of industrial sterilization, radiopharmaceuticals and dosimetry. The company employs >1,800 people worldwide and operates through three business segments: Proton Therapy (61% of total sales in 2022), Dosimetry (15%) and Other accelerators (24%). In 2022, Ion Beam generated revenues of EUR 361.3m and an EBITDA margin of 3.6%.
- (2) *Jubilant Pharmova Ltd.*: Jubilant Pharmova, which is based in Noida/India, is an integrated global pharmaceuticals company with the three business segments Pharmaceuticals (manufacturing and supply of radiopharmaceuticals, allergy therapy products, contract manufacturing of sterile injectables and non-sterile products, active pharma ingredients and solid dosage formulations), Contract Research and Development Services for global pharma innovators and Proprietary Novel Drugs (development of breakthrough therapies in the area of oncology and auto-immune disorders). In fiscal-year 2022/23, Jubilant had revenues of INR 62.8bn and generated an EBITDA margin of 10.3%.
- (3) *Voxel S.A.*: Voxel, which is based in Krakow, is the No 2 private provider of diagnostic services in Poland (incl. for example diagnostic imaging, nuclear medicine, isotope therapy, neuroradiosurgery and production of radiopharmaceuticals). The company is also the leading provider of software for medical facilities. Apart from Synektik, it is the only private company with own cyclotrons (Krakow and Warsaw). In 2022, Voxel generated revenues of PLN 414.8m at an EBITDA margin of 23.7%.
- (4) *Lantheus Holdings Inc.*: Lantheus Holdings, Inc., which is based in North Billerica/US, provides innovative diagnostics, targeted therapeutics and artificial intelligence (AI) solutions for clinicians. The company offers a broad portfolio of products including PYLARIFY® (Piflufolastat F18), a PSMA PET radiopharmaceutical for the detection of suspected recurrent or metastatic prostate cancer; PYLARIFY AI™, an artificial intelligence platform that assists in the evaluation of PSMA PET images; DEFINITY® Vial for (Perflutren Lipid Microsphere) Injectable Suspension, an ultrasound enhancing agent for patients with suboptimal echocardiograms; TechnelLite® (Technetium Tc99m Generator), a technetium-based generator that provides the essential medical isotope used in nuclear medicine procedures; and AZEDRA® (Iobenguane I 131) for the treatment of certain rare neuroendocrine tumors. 11 radiopharmaceuticals are currently in the development stage, thereof the cardiac tracer Flurpiridaz F 18 has already completed Phase III clinical trials. The Holding includes the following subsidiaries: Lantheus Medical Imaging Inc., Progenics Pharmaceuticals Inc. (a developer of radiopharmaceuticals and AI for oncological applications that was acquired in 2019 at an implied EV/Sales multiple of 14.9x) and EXINI Diagnostics AB (a Swedish developer of radiopharmaceuticals and AI-based solutions).

For 2022, Lantheus reported revenues of USD 1.3bn and an EBITDA margin of 9%.

Flurpiridaz F 18 is a fluorine 18-labeled agent that binds to mitochondrial complex 1 (MC-1) and is a novel PET imaging agent that may better evaluate patients with known or suspected coronary artery disease, which affects c. 15.5m people in America alone. In the first Phase III study, flurpiridaz F 18, which has a half-life of 110 min, demonstrated improved CAD detection and reduced radiation exposure over SPECT. The Phase III clinical study was conducted together with GE Healthcare, with whom Lantheus signed a commercialization deal on February 22, 2017. The transaction with GE included the following payments for Lantheus: (1) USD 5m upfront cash payment (2) up to USD 60m in regulatory and sales milestone payments as well as (3) tiered double-digit royalties on US sales and mid-single-digit royalties on sales outside the US. Lantheus also received an option to co-promote in the U.S.

Company	EV/Sales		EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2024E	2025E	2024E	2025E	2024E	2025E	Latest	Last FY	Latest
Ion Beam Applications SA (EUR)	0.45x	0.39x	8.20x	4.40x	24.15x	10.85x	3.25x	3.59%	-71.00%
Jubilant Pharmova Ltd. (INR)	n.a	n.a	n.a	n.a	n.a	n.a	1.65x	10.29%	49.79%
Voxel S.A. (PLN)	2.28x	2.12x	7.01x	6.56x	11.89x	10.93x	3.56x	23.67%	29.64%
Lantheus Holdings Inc. (USD)	3.20x	3.00x	6.91x	6.49x	10.37x	10.49x	5.73x	8.99%	-11.62%
Median	2.28x	2.12x	7.01x	6.49x	11.89x	10.85x	3.40x	9.64%	0.09x
Synektik S.A. (PLN)	1.68x	1.58x	8.10x	7.69x	14.06x	13.27x	6.09x	18.49%	-94.04%
Premium/Discount	-26.3%	-25.4%	15.6%	18.6%	18.2%	22.3%			
Fair value Synektik (PLN)	120.64								

Source: CapitalIQ, marketscreener.com, East Value Research GmbH

Other peers:

- (1) *Advanced Accelerator Applications SA (AAA)*: Advanced Accelerator Applications, which is headquartered in Rueil-Malmaison Cedex/France, develops, produces and commercializes diagnostic and therapeutic molecular nuclear medicine products in the fields of oncology, neurology, cardiology and infectious & inflammatory diseases. According to its website, it has one of the broadest commercial PET portfolios in Europe: GLUSCAN/BARNASCAN, SOMAKIT TOC, FLUOROCHOL, DOPAVIEW/PADOVIEW, NETSPOT as well as third party manufacturing agreements. In 2017, AAA received approval for its first therapeutic product, LUTATHERA (USAN: lutetium Lu 177 dotatate/INN: lutetium (177Lu) oxodotreotide) in Europe and in 2018 in the US. In its pipeline, there are currently >11 tracers against prostate cancer, glioblastoma, multiple solid tumours lung cancer and neuroendocrine tumours. Four of them – Lu-DOTATATE, LU-PSMA-617, F-CTT1057, Ga-NeoB – are currently in the Phase III stage. The company is active in 12 countries (incl. US and Canada) with distribution in >30.

In 2017, the Swiss pharma giant Novartis bought 100% in AAA for an equity value of USD 3.9bn. The transaction implied a P/Sales of 30.1x based on 2016 results and 27.4x based on estimated full-year 2017 sales.

- (2) *Eczacıbaşı-Monrol Nuclear Products*: The privately-held Istanbul/Turkey-based company, which was established in 2008, is a joint-venture between Monrol Nuclear Products and Eczacıbaşı Pharmaceuticals Manufacturing. According to its website, it sells own radiopharmaceuticals to >60 countries worldwide. The company also conducts clinical trials for third parties. In December 2017, Monrol signed a sale agreement with Synektik related to its cyclotron in Mszczonow as it had decided to withdraw from the Polish market.
- (3) *Eckert & Ziegler AG*: EZAG, which is headquartered in Berlin, is one of the world's largest providers of isotope technology for medical, scientific and industrial use. The core businesses of the Group are cancer therapy, industrial radiometry and nuclear-medical imaging. Eckert & Ziegler operates >20 subsidiaries and has offices in Europe, India, Brazil, Argentina and the US. The company has been listed on the Frankfurt Stock Exchange since 1999 and in 2022 generated total revenues of EUR 222.3m at an EBITDA margin of 21.8%.

On 5 May 2017, Alliance Medical Holding Ltd., an Irish operator of diagnostic centers and producer of radiopharmaceuticals, which itself was taken over by South-African Life Healthcare Group Holdings in November 2016 for GBP 800m (implied EV/Sales 2016 of 3.4x and EV/EBITDA of 12.4x), announced the acquisition of EZAG's cyclotron business (part of its Radiopharma segment, incl. operations in Poland, Germany and Austria) for EUR 13m. The transaction implied an EV/Sales 2016 of 0.7x.

Sum-the-Parts valuation

Our price target calculation also accounts for a Sum-of-the-Parts to better reflect the value of Synektik's different segments, "Medical equipment/software/services" (mostly distribution of diagnostic/therapeutic devices and surgical robots of third-party producers) and "Production of radiopharmaceuticals" (SNT produces and distributes 8 own tracers - FDG, FLT, Choline, PSMA, Dopa, FET, FES, Metaflu - and a licensed one Axumin).

We have valued the "Medical equipment/software/services" segment based on trading multiples of three listed US-based medical distributors. For the calculation of the fair value of the "Production of radiopharmaceuticals" segment, we have used the transaction multiple of the Lantheus-Progenics Pharmaceuticals deal. In order to account for the fact that Synektik is a Polish company, we have applied a discount of 30% to the combined value of both segments.

Valuation of the Medical equipment, IT & services segment

Company	EV/Sales		EV/EBITDA		EBITDA margin
	2024E	2025E	2024E	2025E	Last FY
McKesson Corporation (USD)	0.24x	0.22x	13.76x	12.72x	1.8%
Cencora Inc. (USD)	0.17x	0.16x	12.40x	11.82x	1.3%
Henry Schein Inc. (USD)	0.94x	0.90x	10.85x	10.12x	8.6%
Median	0.24x	0.22x	12.40x	11.82x	1.8%
<i>Est. Sales and EBITDA of SNT's Distribution segment</i>	<i>475.18</i>	<i>499.83</i>	<i>99.56</i>	<i>103.73</i>	<i>24.4%</i>
Implied EV SNT's Distribution segment	112.53	110.00	1234.99	1226.56	
Median	669.54				

Source: CapitalIQ, East Value Research GmbH

When it comes to its agreements with Intuitive Surgical or ZAP-X, Synektik does not act as a typical medical distributor. As in its markets it has exclusivity and is in charge of servicing, training, marketing and registration of devices, the company is able to generate higher EBITDA margins than US-based distributors such as McKesson or Henry Schein. Also, we would like to emphasize that in the US trading multiples and valuations are different than in Poland as the US has the largest and most liquid capital market worldwide.

Valuation of the Radiopharma segment

	Trans. EV/Sales	2022/23 sales of SNT's Radiopharma segment
Acquisition of Progenics by Lantheus	14.9x	36.47
Implied EV SNT's Radiopharma segment (PLNm)		543.43

Source: Lantheus' website, CapitalIQ, East Value Research GmbH

In the field of Radiopharmaceuticals, Synektik stands as the undisputed leader in Poland, boasting a long track record and robust client relationships. The market presents high entry barriers, as a new entrant would be required to initially invest several million Euros in constructing a cyclotron, registering radiopharmaceuticals, and securing clients. Given these significant challenges, we believe a high sales multiple for this segment is justified.

Sum-of-the-Parts (in PLNm)	
Implied EV (Distribution + Radiopharma)	1212.97
+ Net cash (31/12/2023)	158.80
Equity Value (PLNm)	1371.78
Number of shares (m)	8.53
Fair value per share (Distribution + Radiopharma)	160.83
<i>Discount</i>	<i>30%</i>
Discounted FV per share (Distribution + Radiopharma)	123.72

Source: East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	122.05	40%
Sum-of-the-Parts	123.72	40%
Peer Group Analysis	120.64	20%
Weighted average (present value)	122.44	
In 12-months (PV * (1+WACC))	138.10	

Source: East Value Research GmbH

rNPV model (Risk-adjusted Net Present Value) - Cardiac tracer

We have estimated the value of the cardiac tracer, which is currently undergoing Phase III clinical studies in Poland and soon also in the US, with the probability-weighted rNPV method, which accounts for project-related CAPEX of USD 14.9m during Phase III and registration in the US and Europe (2022/23-2026E/27E). Since 2020, the whole process has been significantly delayed by restrictions related to the COVID-19 pandemic. We have applied the latest average probabilities for the completion of the different stages of drug commercialization (Source: QLS Advisors – “Clinical Development Success Rates 2011-2020”), however would like to stress that the commercialization of radiopharmaceuticals is much less complicated and costly than in case of drugs. We now expect that SNT will sign a commercialization contract for its cardiac tracer, which in December 2022 received a 20-year patent protection in Europe and has a patent in the US until 2031E, with a partner in 2024/25E. This could be (1) producers of medical devices, which are interested in expansion into the cardiovascular area with PET-CTs (2) manufacturers of radiopharmaceuticals, which would like to grow their product portfolio and (3) Big Pharma companies.

As benchmark for our calculation, we have taken the Phase III partnering deal between Lantheus Holdings and GE Healthcare in 2017, which is the most recent one. According to the press release, GE Healthcare was supposed to pay Lantheus USD 5m initially, up to USD 60m in regulatory and sales milestone payments as well as tiered double-digit royalties on US sales and mid-single-digit royalties on sales outside the US. While the number of cardio exams in the US is known (9.1m per year; Source: <https://www.ncbi.nlm.nih.gov/books/NBK567716/>), of which almost all are currently conducted with SPECT devices, we have assumed that on average 10% thereof will be done on PET-CT in the future. With an average price of a PET-CT cardiac tracer of USD 400-USD 600, this conservative approach leads to a total value of the US market alone of USD >360m per year. With an estimated average royalty rate of 8.5%, we arrive at yearly royalty payments for Lantheus of c. USD 30.9m or USD 464.1m over 15 years. Including initial and regulatory/sales milestones, the total deal value equals USD 529.1m.

Estimation of the total value of Lantheus' partnering deal

Phase	Milestone payment (USDm)	Share of total value
Initial payment	5.00	0.9%
Regulatory & sales milestones	max. 60	11.3%
Total sales royalties over 15 years	464.10	87.7%
Total value (initial payment, milestones and royalties)	529.10	100.0%

Source: Lantheus, GE Healthcare, East Value Research GmbH

For the calculation of the total deal value of Synektik's cardiac tracer, we have applied a 30% discount on the estimated value of Lantheus' deal, however have used higher shares of initial and regulatory/sales milestones as according to our research Lantheus has had issues with the clinical studies on its tracer. Our approach results in a total deal value of USD 407m and the following shares of the different components: Upfront payment (5% of total deal value), Development & Registration milestone (20%), Sales & Others (75%). We have assumed that Synektik's cardiac tracer will be introduced on the market in 2027/28E and generate yearly royalties until 2042/43E, when its patent in Europe expires.

Below are our detailed assumptions for the rNPV model:

SNT's cash flows from the cardiac tracer

Phase	Year	Milestone payment (USDm)	Share of total value
Initial payment	2024/25	20.35	5.0%
Phase III	2025/26	40.70	10.0%
Registration in the US and EU	2026/27	40.70	10.0%
Start of commercial sales	2027/28	40.70	10.0%
Yearly sales royalties in 2028E-43E*	2027/28	264.55	65.0%
Total value (initial payment, milestones and royalties)		407.00	100.0%

* until patent expiration

Source: East Value Research GmbH

rNPV model of the cardiac tracer

	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E	2029/30E	2030/31E	2031/32E	2032/33E	2033/34E	2034/35E	2035/36E	2036/37E	2037/38E	2038/39E	2039/40E	2040/41E	2041/42E	2042/43E
CF before investments and taxes (USDm)	0.00	20.35	40.70	40.70	58.34	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64	17.64
Probability of successful Phase III*	n.a	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%	57.8%
Probability of successful registration*	n.a	n.a	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%	90.6%
Cumulative probability	0.0%	57.8%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%	52.4%
Probability-weighted CF before investments and taxes (USDm)	0.0	11.8	21.3	21.3	30.5	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Investments in the cardiac tracer project (USDm)	-5.11	-5.11	-5.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CF after accounting for investments (USDm)	-5.11	6.65	16.20	21.31	30.55	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24	9.24
PLN-USD rate	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99	3.99
CF accounting for investments (PLNm)	-20.40	26.53	64.64	85.04	121.89	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85	36.85
Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
CF accounting for investments and taxes (PLNm)	-16.52	21.49	52.36	68.88	98.73	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85	29.85
Discount factor	1.07	1.21	1.37	1.54	1.74	1.96	2.21	2.49	2.81	3.17	3.58	4.04	4.55	5.13	5.79	6.53	7.37	8.31	9.37	10.57
Discounted CF accounting for investments and taxes (PLNm)	-15.39	17.75	38.34	44.72	56.82	15.23	13.50	11.97	10.61	9.41	8.34	7.40	6.56	5.81	5.15	4.57	4.05	3.59	3.18	2.82
rNPV (PLN m)																				
Number of SNT's shares																				
rNPV per share (PLN)																				

* Source: Clinical Development Success Rates 2011-2020* by QLS Advisors

Source: East Value Research GmbH

Profit and loss statement

in PLNm	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Net sales	128.63	166.86	446.87	518.10	548.57	608.26
Cost of goods sold	-90.39	-106.32	-300.27	-323.82	-341.76	-388.68
Gross profit	38.24	60.54	146.60	194.29	206.81	219.58
Other operating income	1.47	7.60	0.00	0.00	0.00	0.00
Distribution costs	-7.63	-18.75	-32.81	-40.41	-42.79	-47.44
Administration expenses	-6.78	-9.52	-13.67	-18.13	-19.20	-21.29
R&D expenses	-6.14	-10.22	-15.98	-22.28	-23.59	-15.21
Other operating expenses	0.00	0.00	-1.50	-6.20	-8.25	-11.06
EBITDA	19.16	29.66	82.64	107.27	112.98	124.58
Depreciation & Amortization	-7.97	-12.04	-14.78	-16.00	-16.39	-17.57
EBIT	11.19	17.62	67.86	91.27	96.59	107.02
Net financial results	-0.97	-5.33	-2.19	-1.00	-0.98	-0.96
EBT	10.22	12.29	65.67	90.27	95.61	106.06
Income taxes	-1.84	-1.99	-13.22	-17.15	-18.17	-20.15
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Net income / loss	8.38	10.30	52.45	73.12	77.44	85.91
EPS	0.98	1.21	6.15	8.57	9.08	10.07
DPS	0.45	0.60	3.03	3.43	3.63	4.03
Share in total sales						
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-70.27 %	-63.72 %	-67.19 %	-62.50 %	-62.30 %	-63.90 %
Gross profit	29.73 %	36.28 %	32.81 %	37.50 %	37.70 %	36.10 %
Other operating income	1.15 %	4.56 %	0.00 %	0.00 %	0.00 %	0.00 %
Distribution costs	-5.93 %	-11.24 %	-7.34 %	-7.80 %	-7.80 %	-7.80 %
Administration expenses	-5.27 %	-5.71 %	-3.06 %	-3.50 %	-3.50 %	-3.50 %
R&D expenses	-4.78 %	-6.13 %	-3.58 %	-4.30 %	-4.30 %	-2.50 %
Other operating expenses	0.00 %	0.00 %	-0.34 %	-1.20 %	-1.50 %	-1.82 %
EBITDA	14.90 %	17.77 %	18.49 %	20.70 %	20.60 %	20.48 %
Depreciation & Amortization	-6.20 %	-7.22 %	-3.31 %	-3.09 %	-2.99 %	-2.89 %
EBIT	8.70 %	10.56 %	15.19 %	17.62 %	17.61 %	17.59 %
Net financial results	-0.75 %	-3.19 %	-0.49 %	-0.19 %	-0.18 %	-0.16 %
EBT	7.95 %	7.36 %	14.70 %	17.42 %	17.43 %	17.44 %
Income taxes	-1.43 %	-1.19 %	-2.96 %	-3.31 %	-3.31 %	-3.31 %
Minority interests	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	6.52 %	6.17 %	11.74 %	14.11 %	14.12 %	14.12 %

Balance sheet

in PLNm	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Cash and cash equivalents	18.27	9.68	62.66	96.48	142.16	184.79
Other financial assets	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	2.84	48.28	21.27	26.61	28.09	31.95
Trade accounts and notes receivables	36.69	44.83	72.69	85.17	90.18	99.99
Prepaid expenses, deferred charges and others	6.15	6.96	12.00	13.91	14.73	16.33
Current assets	63.94	109.75	168.62	222.17	275.16	333.06
Property, plant and equipment	53.57	54.89	60.31	60.31	60.31	60.31
Other intangible assets	28.57	56.63	50.35	50.35	50.35	50.35
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term assets	5.52	1.59	2.42	2.45	2.47	2.50
Deferred tax assets	8.08	13.61	18.21	8.25	0.00	0.00
Non-current assets	95.74	126.73	131.29	121.35	113.13	113.15
Total assets	159.69	236.48	299.92	343.52	388.28	446.21
Trade payables	33.09	55.39	65.27	62.40	57.44	55.74
Short-term financial debt	6.46	23.67	4.87	4.57	4.27	3.97
Other liabilities	14.69	24.72	47.04	54.53	57.74	64.02
Pension provision	0.71	1.04	1.05	1.22	1.29	1.44
Provision	0.08	0.08	0.00	0.00	0.00	0.00
Current liabilities	55.03	104.91	118.23	122.73	120.74	125.17
Long-term financial debt	11.71	13.21	13.85	11.85	9.85	7.85
Other long-term liabilities	11.22	22.83	26.78	27.31	27.86	28.42
Pension provision	0.12	0.08	0.13	0.15	0.16	0.18
Deferred tax liabilities	1.04	7.60	6.72	0.00	0.00	0.00
Long-term liabilities	24.09	43.73	47.48	39.31	37.87	36.44
Total liabilities	79.13	148.63	165.71	162.05	158.61	161.61
Shareholders equity	80.56	87.85	134.20	181.48	229.67	284.60
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities and equity	159.69	236.48	299.92	343.52	388.28	446.21

Cash Flow Statement

in PLNm	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Net income / loss	8.38	10.30	52.45	73.12	77.44	85.91
Depreciation & Amortization	7.97	12.04	14.78	16.00	16.39	17.57
Change of working capital	4.58	-25.55	24.65	-15.10	-9.06	-10.69
Others	0.77	-2.98	4.24	-3.24	-8.25	0.00
Net operating cash flow	21.71	-6.18	96.13	70.77	76.53	92.79
Cash flow from investing	-3.23	-4.55	-11.55	-16.00	-16.39	-17.57
Free cash flow	18.48	-10.73	84.58	54.77	60.13	75.22
Cash flow from financing	-11.07	2.14	-31.60	-20.96	-14.45	-32.59
Change of cash	7.40	-8.59	52.98	33.81	45.68	42.63
Cash at the beginning of the period	10.87	18.27	9.68	62.66	96.48	142.16
Cash at the end of the period	18.27	9.68	62.66	96.48	142.16	184.79

Financial ratios

Fiscal year	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Profitability and balance sheet quality						
Gross margin	29.73%	36.28%	32.81%	37.50%	37.70%	36.10%
EBITDA margin	14.90%	17.77%	18.49%	20.70%	20.60%	20.48%
EBIT margin	8.70%	10.56%	15.19%	17.62%	17.61%	17.59%
Net margin	6.52%	6.17%	11.74%	14.11%	14.12%	14.12%
Return on equity (ROE)	10.71%	12.23%	47.24%	46.32%	37.67%	33.41%
Return on assets (ROA)	6.21%	7.89%	20.37%	23.04%	21.43%	20.82%
Return on capital employed (ROCE)	8.77%	11.22%	29.83%	33.48%	29.24%	27.00%
Economic Value Added (in PLNm)	-3.05	-0.60	32.97	48.13	46.98	49.17
Net debt (in PLNm)	0.73	28.33	-42.76	-78.68	-126.58	-171.36
Net gearing	0.91%	32.25%	-31.86%	-43.36%	-55.11%	-60.21%
Equity ratio	50.45%	37.15%	44.75%	52.83%	59.15%	63.78%
Current ratio	1.16	1.05	1.43	1.81	2.28	2.66
Quick ratio	1.00	0.52	1.14	1.48	1.92	2.28
Net interest cover	11.58	3.31	31.02	91.27	98.56	111.48
Net debt/EBITDA	0.04	0.96	-0.52	-0.73	-1.12	-1.38
Tangible BVPS	9.45	10.30	15.73	21.28	26.93	33.37
Capex/Sales	-9.93%	-24.83%	-3.11%	-3.09%	-2.99%	-2.89%
Working capital/Sales	-1.64%	11.96%	-1.42%	1.69%	3.25%	4.69%
Cash Conversion Cycle (in days)	-18	74	6	20	29	38
Trading multiples						
EV/Sales	9.22	7.11	2.66	2.29	2.16	1.95
EV/EBITDA	61.92	40.01	14.36	11.06	10.50	9.52
EV/EBIT	106.06	67.35	17.48	13.00	12.28	11.09
P/E	122.59	99.77	19.59	14.06	13.27	11.96
P/Tangible BVPS	12.76	11.70	7.66	5.66	4.47	3.61
P/FCF	55.63	-95.74	12.15	18.76	17.09	13.66

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The respective supervisory authority is:

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