

Synektik

(Radio-)tracing the lucrative path

From several last quarters, Synektik has significantly increased the number of delivered medical systems and maintenance services. In February, Company expected to sell 6-8 da Vinci systems in the remaining part of 2023 (vs. 8 sold in calendar 4Q22), however, from 2023 SNT has already signed 6 contracts of da Vinci shipments (two in Czech and 4 in Poland). In our opinion, the assumption of the SNT's management board regarding potential sales of an additional 8 robots will be surpassed by additional 3-4 systems. Furthermore, due to the growing base of installed da Vinci systems and higher systems utilization, the share or recurring revenues (sale of instruments, service agreements) will rapidly grow in the coming years, outpacing revenues from sales of the systems in the long term. We believe, that a significant trigger for the SNT business, currently not valued by the market, is the cardiotracer project. We assume the scenario of self- project development under Phase 3 as a most valuable development path for SNT with partnering transaction in 2024/2025 translating to upfront value at USD 45m and royalty rate at 8,5%. Taking together, we believe that the business momentum is strong, and we initiate our recommendation for Synektik with "Buy" and 12M TP 74.8 PLN/share (+53% upside).

Record backlog value for 2023. In 2022, SNT's revenues increased by almost PLN 108 million (382% increase y/y), to PLN 136.2m. Dynamic sales growth and sales structure in the analysed period (including high share of disposable tools and services) resulted in a nearly 600% EBITDA increase up to PLN 30.3m. Significant impact on revenue growth had steadily growing revenues sales of services (maintenance, warranty, IT) with supply of disposable instruments and accessories (recurring revenue). At the end 2022, active offers for systems shipments reached value PLN 94m with backlog value of PLN 38,1 PLN. Up to date, contracts for over PLN 53m has been announced as realised within 2023. Based on continuing positive dynamics of sales, we assume the y/ y sales dynamics within 2023 will be maintained in the following quarters.

Da Vinci- growing perspectives of sales in upcoming quarters. At the end of 2022, 46 da Vinci systems were installed in total, whereas in Poland were 24 systems, Czech and Slovakia were 22 systems. From the beginning of 2023, SNT has signed 6 contracts of da Vinci shipments (two in Czech and 4 in Poland), with contracts value exceeding PLN 53m. In our forecasts, we assume that Synektik will install 12 systems in total, representing another year with strong systems sales.

Growing number of da Vinci procedures with positive impact on recurring EBIT and EBITDA levels. In 2022, the total number of da Vinci surgical procedures on Polish, Czech and Slovak market exceeded 9,000. We estimate that the number of procedures will increase in average dynamics of +25% y/y up to 2030, that will be driven by systematic increase in the number of installed systems and the growing system utilization. In our opinion, growing share of da Vinci recurring business (disposable tools sales and systems service) should outpace revenues from sales of the systems and will be a factor positively influencing the level of operating margins. In the forecast period, we assume an increase in EBIT and EBIT DA margins of 4-7 percentage points.

Overcoming da Vinci market saturation. Taking into account the degree of market development, healthcare financing policy and macroeconomic conditions, we expect 12 da Vinci systems installed annually in 2023-2024, whereas up to 2030 we expect slow market saturation with average 4-6 systems installed per year. On the other hand, the numbers of systems installed in long term can be additionally increased by expanding reimbursement policy as well as operational replacement of equipment in facilities that currently have da Vinci systems. Synektik also would like to extend the cooperation agreement with Intuitive by geographical markets, including Baltic countries and Ukraine.

Not only da Vinci systems. It is worth to mention that Synektik is a supplier not only of da Vinci systems, but also of other advanced medical systems, including ZAP and FUS, which prices depending on system version vary in a range of EUR 2-3m. We assume that there might be another sale agreement for the ZAP-X system signed within 2023 year and finalized in 2024. Similarly to da Vinci systems, distribution agreements for FUS and ZAP-X systems may be extended to include new markets (Baltic states, Czech Republic). New shipments and option of geographical extending the SNT's offer may be an additional factor increasing the level of revenues in the forecast period.

Cardiotracer – the gamechanger in SNT business. Synektik is currently conducting Phase 3 of clinical trial in Poland. So far, all endpoints included in the study protocol has been met, and scientific advice with the FDA has been initiated. In our opinion, the main goal now is to provide the project's further development path (US registration) and securing financing. We assume the scenario of self- project development under Phase 3, where the potential partnering transaction may occur in 2024/2025 at the stage of ongoing market registration on US and EU market. The partnering upfront value we estimate at USD 45m with royalty rate at 8,5%. In our valuation assumptions we also included USD 10-12m R&D costs.

Valuation. The SOTP approach implies the 12M target price of Synektik shares at PLN 74.8, with 1) medical devices supply and radiopharmaceuticals sale segment – 57.0 PLN/share (DCF method) and 2) cardiotracer project – 17.8 PLN/share (rNPV method)

Risk factors. The most important risk factors include: risk of lowered sales dynamics, risk of exclusive supply agreements termination, competition impact, risk of cardiotracer project failure. The description of risks factors is presented on page 34.

mIn PLN	2020	2021	2022	2023F	2024F	2025F
Revenues	121,9	130,0	275,3	305,2	324,2	336,9
EBITDA	19,8	16,2	53,0	49,6	51,4	73,6
EBITDA adj.*	24,8	23,0	63,7	68,6	73,4	80,6
EBIT	13,1	7,9	39,8	34,4	36,4	57,2
Net profit adj.*	14,9	13,0	38,7	44,5	49,1	51,0
P/E adj.* (x)	17,1	19,6	6,6	5,8	5,2	5,0
EV/EBITDA adj.* (x)	10,2	10,6	3,8	3,8	3,6	2,9
P/BV (x)	3,2	3,1	2,4	2,0	1,7	1,4
DY (%)	1,2%	1,5%	1,5%	2,0%	2,0%	2,0%

Source: the company, Trigon, * data adjusted by R&D costs

Buy

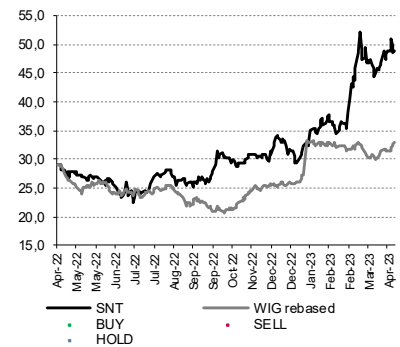
(Recent: Suspended)

Target price: 74,8 PLN
upside potential: +54%

FACT SHEET

Ticker	SNT		
Sector	Biotech & MedTech		
Price (PLN)	48,70		
52wk Range (PLN)	22,5 / 55,6		
Number of share (m)	8,5		
Market Cap (mPLN)	412		
Free-float	49%		
Avg Vol 3M (mPLN)	0,7		
Price performance	1M	3M	1Y
	7,9%	54,6%	61,1%

RELATIVE SHARE PRICE PERFORMANCE



RECOMMENDATION HISTORY

Recommendation	Date	Price
Suspended	07.12.2022	

SHAREHOLDERS

Shareholder	Share %
Mariusz Książek	26,1%
Melhus Company Ltd	25,0%
Other	48,8%

IMPORT AND DATES

1Q23 report	06.06.2023
1H23 report	08.08.2023

ANALYST

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**NAGRÓDY
PSIK**
2022



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Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

OCF – cash generated through the operational activities of the company
FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets
ROE – rate of return on equity
NWC – net working capital

Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

Gross profit margin – a ratio of gross profit to net revenue
EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue
EBIT margin – a ratio of operating profit to net revenue
net margin – a ratio of net profit to net revenue

EPS – earnings per share
DPS – dividends per share
P/E – a ratio of market price to earnings per share
P/BV – a ratio of market price to book value per share
EV/EBITDA – a company's EV to EBITDA ratio
EV – sum of a company's current capitalisation and net debt
DY – dividend yield, dividend paid to share price ratio

RFR - risk-free rate
WACC - weighted average cost of capital

ISSUER – Synektik SA

Recommendations of the Brokerage House

BUY – we expect that the rate of return on an investment will be at least 10%
NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%
SELL – we expect that an investment will make a loss greater than 0%

Recommendation prepared by: Katarzyna Kosiorek

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