

Synektik S.A.



Price target: PLN 95.50

Re-initiation

Rating: BUY

Synektik S.A. (SNT PW) is a founder-managed Polish market leader in distribution of therapeutic & diagnostic equipment and production of radiopharmaceuticals for PET-CTs with a track record of >20 years. The company is also an exclusive distribution partner of US-based Intuitive Surgical for its da Vinci surgical robots in Poland, Czech Republic and Slovakia. Especially, the da Vinci business line is highly attractive as it generates a significant share of recurring revenues from sales of usable materials. In the last few years, Synektik has sold 31 da Vinci surgical robots in PL and 21 in CZ and SK, whereby in Poland (partial reimbursement) and Czech Republic (full reimbursement) these exams are paid for by public health systems. In the Radiopharma segment, in which it offers 9 tracers and which is characterized by high market entry barriers, Synektik is set to benefit from an increasing focus on prevention and a still low number of diagnostic imaging exams in CEE compared to OECD average. Based on our forecasts, we expect that SNT's revenues will increase by 156.6% in 2022/23E and by 3.8% in 2023/24E. With a net income 2022/23E and 2023/24E of PLN 52.9m and PLN 56.9m respectively, which implies a P/E of 11x and 10.2x, the stock seems attractively valued at present. Our 12-months PT (40% DCF, 40% SOTP, 20% peer group) equals PLN 95.50, which is 40% above current level. The rNPV-based present value of the cardiac tracer, which is currently in Phase III, equals PLN 27.37.

Due to high demand for diagnostic equipment and the da Vinci robots Synektik's EBITDA margin improved from 11.1% in 2014 to 17.8% in the last fiscal year. By 2030E, we expect an average sales growth of 18.6% and a target EBITDA margin of >20%. In our view, the market potential in SNT's countries for the da Vinci robots is significant (reasons: more robots in each hospital, introduction of full reimbursement especially in Poland and Slovakia) and all of them will generate recurring revenues for the company over min. 7 years after installation. We expect that within the next 4 years the share of recurring revenues in SNT's total sales will grow from >26% this year to >40%, which should significantly boost profitability. While SNT's contract with Intuitive has a duration until 2026E, we do not see a risk that the agreement will be terminated afterwards as SNT has very strong sales results.

in PLNm	2019/20	2020/21	2021/22	2022/23E	2023/24E	2024/25E
Net sales	125.39	128.63	166.86	428.23	444.35	487.68
EBITDA	18.57	19.16	29.66	77.46	82.33	92.80
EBIT	12.03	11.19	17.62	63.96	68.76	78.40
Net income	8.81	8.38	10.30	52.94	56.85	64.67
EPS	1.03	0.98	1.21	6.21	6.67	7.58
DPS	0.45	0.45	0.60	1.20	1.50	1.80
Dividend yield	0.66%	0.66%	0.88%	1.76%	2.20%	2.64%
RoE	12.05%	10.71%	12.23%	47.37%	35.76%	31.06%
Net gearing	13.70%	0.91%	32.25%	-30.78%	-53.89%	-64.73%
EV/Sales	4.60x	4.48x	3.46x	1.35x	1.30x	1.18x
EV/EBITDA*	31.06x	30.10x	19.45x	7.45x	7.01x	6.22x
P/E	66.02x	69.38x	56.47x	10.99x	10.23x	8.99x

* EV/Sales & EV/EBITDA account for IFRS 16 related leasing liabilities. 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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Share information

Last price	68.20
Number of shares (m)	8.53
Market cap. (PLNm)	581.69
Market cap. (EURm)	129.84
52-weeks range	PLN 77.80 / PLN 24
Average volume (shares)	15,529

Performance

4-weeks	3.30%
13-weeks	5.52%
26-weeks	57.62%
52-weeks	160.32%
YTD	136.50%

Shareholder structure

Ksiazek Holding Sp. z o.o	26.13%
Melhus Company Ltd.*	25.03%
Free float	48.84%

* vehicle of Mr Cezary Kozanecki (CEO & founder)

Financial calendar

Fiscal-year 2022/23 report (exp.) November 22, 2023

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Investment Case

- Over the last years, Synektik S.A. (SNT), which is controlled by Mr Mariusz Ksiazek – a well-known Polish entrepreneur from the real estate sector – and its CEO & founder Mr Cezary Kozanecki, has successfully transformed from being focused on domestic distribution, installation and service of diagnostic devices e.g. Magnetic Resonances, Angiographs, Computer Tomographs and PET-CTs and production of own radiopharmaceuticals to a provider of therapeutic (e.g. ZAP-X) & diagnostic devices, radiopharmaceuticals, own AI- and SaaS-based software solutions and da Vinci surgical robots that operates not just in Poland, but also in the Czech Republic and Slovakia. The new business areas are more profitable and generate significant recurring revenues. Another project, which could potentially bring Synektik's valuation at a completely new level, is the innovative cardiac tracer that is targeting a market with c. 330m patients worldwide and is currently in the Phase III clinical study. While SNT is able to finance the Phase III alone, it plans to gain a partner for its cardiac tracer shortly before market registration, which would be most rewarding from the perspective of its shareholders.
- In the recent past, significant investments have been conducted in new diagnostic equipment in Eastern Europe. However, as the number of exams per 1k inhabitants in the region is still below OECD average and the respective exams are increasingly refunded by the public health insurances, there is strong growth potential related to the demand for radiopharmaceuticals. Regarding equipment sales, we see a much higher potential in the area of therapeutic devices and surgical robots. With the global market leader Intuitive Surgical and creator of the da Vinci robots, Synektik has been successfully co-operating since June 2018. In December 2021, the agreement was prolonged until 2026E and extended to Slovakia and Czech Republic, a country with much higher health spending per capita than Poland and full reimbursement of surgeries with robots.
- In the last 10 years, Synektik has grown from revenues of PLN 61.5m in fiscal-year 2012 to PLN 166.9m in 2021/22. At the same time, EBITDA increased from PLN 2.8m to PLN 29.7m. Since the start of distribution of the da Vinci surgical robots in Poland, EBITDA has significantly improved from PLN 19m in 2018/19. On the back of strong sales of da Vinci robots and respective usable materials, in 9M 2022/23, which ended in June, Synektik generated revenues of PLN 311.2m (+186.9% y-o-y), an EBITDA of PLN 55.7m (+176.3%; 17.9% margin) and net income of PLN 36.6m (+355.1%). Based on discussions with management, we believe that for fiscal-year 2022/23E the company will report revenues of PLN 428.2m (+156.6% y-o-y), an EBITDA of PLN 77.5m (+161.2%; 18.1%) and a net income of PLN 52.9m (+413.9%). While sales of diagnostic devices should slightly decline in the coming years, we believe that the main growth drivers will be sales of ZAP-X devices and high-margin recurring revenues related to da Vinci surgical robots, whose likely installed base of 35 devices by 9/2023 should grow by 17 next year.
- We have valued Synektik's established business with a 12-months PT of PLN 95.50 per share and the cardiac tracer with a rNPV-based present value of PLN 27.37 per share. Given an upside of 40%, we rate the stock a BUY. We like Synektik's leading position in a promising market, its committed management team and the fact that the company has been a dividend payer for the last 4 years. Risks include issues with commercialisation of the cardiac tracer and lack of EU and government funds for investments in healthcare equipment. In our view, a spin-off of the Radiopharma segment (incl. the cardiac tracer) would significantly increase the value of the combined group.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> - Leading distributor of therapeutic & diagnostic devices in Poland and leader in the area of radiopharmaceuticals. Only company in Poland that manufactures and distributes own FDG and special radiopharmaceuticals for PET that is considered the most secure and accurate diagnostic imaging method - Compared to operators of diagnostic centers only small CAPEX requirements - Distribution agreements with leading global providers of medical equipment: Intuitive Surgical, Philips, ZAP-X Surgical Insightec, Carl Zeiss Meditec, Loccioni, Medtronic, Beckton Dickinson, Comcer, Theraclion, Eckert & Ziegler, Capnomed - Management and Mr. Ksiazek are long-term shareholders and have a combined stake of c. 53% in SNT - Increasing dividends since 2019 	<ul style="list-style-type: none"> - The business line related to the sale of therapeutic & diagnostic equipment and surgical robots is heavily dependent on the availability of financing for healthcare facilities (from government budgets and the EU) - The duration of the contract with Intuitive Surgical for the distribution of da Vinci robots in Poland, the Czech Republic and Slovakia is limited until 2026E, however is likely to be prolonged if SNT continues to perform well as distributor
Opportunities	Threats
<ul style="list-style-type: none"> - In Poland, public spending on health is supposed to increase from 5.1% of GDP in 2023 to 7% by 2027E. For the government, preventive medicine and medical innovations are increasingly important - Further sales of da Vinci surgical robots and ZAP-X and rapidly increasing high-margin recurring revenues from usable materials - Growth of the zbadani.pl online platform for radiologists that is distributed in the SaaS model - High barriers to entry in the radiopharmaceutical segment: 1. The construction of a cyclotron costs several million EUR 2. The registration of radiopharmaceuticals and acquisition of clients takes time - Commercialisation of the proprietary cardiac tracer in the coming years. MarketsandMarkets estimates the global market for radiopharmaceuticals incl. cardiac tracers at USD 5.5bn in 2023 and the CAGR until 2028E at 11.3% - Poland and the whole CEE region are still behind OECD average in terms of health spending per capita and diagnostic exams per 1,000 inhabitants - Expansion to other countries, especially the Baltic region and Ukraine in the coming years - A potential spin-off of the Radiopharma segment (incl. the cardiac tracer) in the future could significantly increase the value of the combined group 	<ul style="list-style-type: none"> - Decreasing prices for radiopharmaceuticals due to competition (by Voxel, potentially another one) - Loss of key employees - Increasing market share of competitors in the area of surgical robots in CEE e.g. by Medtronic, CMR, Johnson & Johnson

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 95.50 per share, which implies an upside of 40% and a BUY rating. Our valuation would increase by PLN 27.37 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 5.78% (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 1.06x (Source: damodaran.com)
- (4) *Equity risk premium (Poland)*: 7.4% (Source: damodaran.com)
- (5) *Effective tax rate*: 19%
- (6) *After-tax debt costs*: 6.5%
- (7) *Equity cost = WACC*: 13.6%
- (8) *Sales growth in the terminal period*: 2%
- (9) Free cash flows are discounted to August 30th, 2023

in PLNm	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28E	2028/29E	2029/30E	2030/31E
Net sales	428.23	444.35	487.68	529.63	573.35	619.16	667.41	718.56	773.12
(y-o-y change)	156.6%	3.8%	9.8%	8.6%	8.3%	8.0%	7.8%	7.7%	7.6%
EBIT	63.96	68.76	78.40	88.14	98.52	109.59	121.42	134.08	146.77
(EBIT margin)	14.9%	15.5%	16.1%	16.6%	17.2%	17.7%	18.2%	18.7%	19.0%
NOPLAT	51.81	55.70	63.50	71.39	79.80	88.77	98.35	108.61	118.88
+ Depreciation & amortisation	13.50	13.56	14.40	15.11	15.78	16.42	17.04	17.62	18.19
= Net operating cash flow	65.31	69.26	77.90	86.50	95.58	105.19	115.39	126.23	137.07
- Total investments (Capex and WC)	17.17	-14.25	-19.07	-20.14	-22.04	-23.76	-25.50	-27.37	-32.06
Capital expenditure	-13.78	-13.56	-14.40	-15.11	-15.78	-16.42	-17.04	-17.62	-18.19
Working capital	30.94	-0.68	-4.67	-5.03	-6.26	-7.34	-8.46	-9.75	-13.88
= Free cash flow (FCF)	82.48	55.01	58.83	66.36	73.54	81.43	89.89	98.86	105.01
PV of FCF's	81.59	47.90	45.08	44.75	43.65	42.54	41.33	40.00	37.40
PV of FCFs in explicit period 424.24									
PV of FCFs in terminal period 364.83									
Enterprise value (EV)	789.06								
+ Net cash / - net debt (30 June 2023, excl. IFRS 16)	2.97								
Shareholder value	792.04								
Number of shares outstanding (m)	8.53								
Terminal EBIT margin									
WACC	13.6%	16.0%	17.0%	18.0%	19.0%	20.0%	21.0%	22.0%	
Cost of equity	13.6%	9.6%	148.05	153.36	158.67	163.98	169.30	174.61	179.92
Pre-tax cost of debt	8.0%	10.6%	131.01	135.38	139.74	144.10	148.47	152.83	157.20
Normal tax rate	19.0%	11.6%	117.56	121.19	124.83	128.47	132.10	135.74	139.37
After-tax cost of debt	6.5%	12.6%	106.67	109.74	112.80	115.87	118.93	121.99	125.06
Share of equity	100.0%	13.6%	97.69	100.30	102.90	105.51	108.12	110.73	113.33
Share of debt	0.0%	14.6%	90.15	92.39	94.63	96.87	99.10	101.34	103.58
Fair value per share in PLN (today)	92.86								
Fair value per share in PLN (in 12 months)	105.51								

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 935.1m 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
	2023E	2024E	2023E	2024E	2023E	2024E	Latest	Last FY	Latest
Ion Beam Applications SA (EUR)	0.58x	0.51x	7.54x	5.63x	27.28x	17.09x	3.23x	3.59%	-110.86%
Jubilant Pharmova Ltd. (INR)	1.45x	n.a	8.51x	n.a	14.31x	n.a	1.38x	10.29%	49.31%
Voxel S.A. (PLN)	1.65x	1.53x	6.41x	5.66x	12.78x	10.50x	2.48x	23.67%	38.34%
Lantheus Holdings Inc. (USD)	3.76x	3.41x	7.34x	6.71x	11.72x	10.83x	8.26x	8.99%	32.28%
Median	1.55x	1.53x	7.44x	5.66x	13.55x	10.83x	2.85x	9.64%	0.35x
Synektik S.A. (PLN)	1.35x	1.30x	7.47x	7.03x	10.99x	10.23x	4.93x	17.77%	-2.52%
Premium/Discount	-12.8%	-14.6%	0.4%	24.2%	-18.9%	-5.5%			
Fair value Synektik (PLN)	72.85								

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 24 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
	2023E	2024E	2023E	2024E	Last FY
McKesson Corporation (USD)	0.20x	0.19x	11.58x	10.83x	1.8%
Amerisource Bergen Inc. (USD)	0.16x	0.15x	11.13x	10.49x	1.5%
Henry Schein Inc. (USD)	0.93x	0.88x	10.60x	9.89x	8.6%
Median	0.20x	0.19x	11.13x	10.49x	1.8%
<i>Est. Sales and EBITDA of SNT's Distribution segment</i>	<i>393.00</i>	<i>403.60</i>	<i>77.03</i>	<i>80.72</i>	<i>21.5%</i>
Implied EV SNT's Distribution segment	79.62	76.56	857.08	846.79	
Median	463.21				

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	2021/22 sales of SNT's Radiopharma segment
Acquisition of Progenics by Lantheus	14.9x	28.87
Implied EV SNT's Radiopharma segment (PLNm)		430.13

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

In the area of Radiopharmaceuticals, which is highly profitable, Synektik is the undisputed leader in Poland with a long track record and strong client relationships. The market is characterized by high entry barriers as a new player would have to build a cyclotron for several million Euro first, register the radiopharmaceuticals and find clients. Hence, a high sales multiple for this segment is justified, in our view.

Sum-of-the-Parts (in PLNm)	
Implied EV (Distribution + Radiopharma)	893.34
+ Net cash (30/06/2023, incl. IFRS 16)	2.97
Equity Value (PLNm)	896.31
Number of shares (m)	8.53
Fair value per share (Distribution + Radiopharma)	105.09
<i>Discount</i>	<i>30%</i>
Discounted FV per share (Distribution + Radiopharma)	80.84

Source: East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	92.86	40%
Sum-of-the-Parts	80.84	40%
Peer Group Analysis	72.85	20%
Weighted average (present value)	84.05	
In 12-months (PV * (1+WACC))	95.50	

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 14.6m during Phase III and registration in the US and Europe (2022/23E-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	464.00	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

	2022/2 3E	2023/2 4E	2024/2 5E	2025/2 6E	2026/2 7E	2027/2 8E	2028/2 9E	2029/3 0E	2030/3 1E	2031/3 2E	2032/3 3E	2033/3 4E	2034/3 5E	2035/3 6E	2036/3 7E	2037/3 8E	2038/3 9E	2039/4 0E	2040/4 1E	2041/4 2E	2042/4 3E	
CF before investments and taxes (USDm)	0.00	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	17.64
Probability of successful Phase III*	n.a	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%	57.8%
Probability of successful registration*	n.a	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%	90.6%
Cumulative probability	0.0%	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%	52.4%
Probability-weighted CF before investments and taxes (USDm)	0.0	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	9.2
Investments in the cardiac tracer project (USDm)	-3.66	-3.66	-3.66	-3.66	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	0.00
CF after accounting for investments (USDm)	-3.66	-3.66	8.10	17.65	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	9.24
PLN-USD rate	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11
CF accounting for investments (PLNm)	-15.04	-15.04	33.30	72.56	87.60	125.56	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96	37.96
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%	19.0%	19.0%
CF accounting for investments and taxes (PLNm)	-12.18	-12.18	26.97	58.77	70.95	101.70	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75	30.75
Discount factor	1.01	1.15	1.31	1.48	1.68	1.91	2.18	2.47	2.81	3.19	3.62	4.12	4.68	5.32	6.04	6.86	7.80	8.86	10.07	11.44	13.00	
Discounted CF accounting for investments and taxes (PLNm)	-12.05	-10.61	20.67	39.63	42.11	53.13	14.14	12.44	10.95	9.64	8.48	7.47	6.57	5.78	5.09	4.48	3.94	3.47	3.05	2.69	2.37	
rNPV (PLN m)			233.44																			
Number of SNT's shares			8.53																			
rNPV per share (PLN)			27.37																			

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

Source: East Value Research GmbH

9M 2022/23 results

Revenues and Profitability

Between October 2022 and June 2023, Synektik generated total sales of PLN 311.2m, which corresponds to a y-o-y increase of 186.9%.

Sales of the largest segment “Medical equipment/software/services” equalled PLN 284.7m and were 230.6% higher y-o-y. In 9M 2022/23, Synektik sold 15 surgical robots, thereof 8 to the Czech Republic and 1 to Slovakia (in the current fiscal-year, 19 have been sold to date). Over the last 12 months, there have been c. 4,200 surgical exams, which all require high-margin usable materials that cost on average c. EUR 1,500. This is 80% above the previous 12 months and 3.6x more than in fiscal-year 2020/21, when the respective figure equalled 1,153. At the end of 9M 2022/23, the value of recurring revenues – mainly sales of usable materials, but also service revenues and sales of the zbadani.pl SaaS-based platform for radiologists – reached PLN 100.3m over the previous 12 months compared to PLN 41.6m at the end of June 2022. This resulted in a significantly higher EBITDA margin y-o-y (22.8% vs. 18.8% in 9M 2021/22).

In 9M 2022/23, Synektik signed new contracts for delivery of medical equipment worth PLN 228.1m compared to a value of PLN 48.9m last year. The combined value of the backlog and active offers equalled PLN 164.2m, 61% above 9M 2021/22.

In the “Production of radiopharmaceuticals” segment, revenues went up by 18.5% y-o-y to PLN 26.5m and the EBITDA margin from 27.3% to 29.7%. As of today, SNT is the owner of three production facilities (Kielce, Warsaw, Mszczonow) and produces eight proprietary radiopharmaceuticals as well as a licensed one.

in PLNm	9M 2022/23	9M 2021/22
Medical equipment & IT	284.69	86.13
<i>Share in total sales</i>	<i>91.5%</i>	<i>79.4%</i>
<i>EBITDA margin</i>	<i>22.8%</i>	<i>18.8%</i>
Production of radiopharmaceuticals	26.50	22.36
<i>Share in total sales</i>	<i>8.5%</i>	<i>20.6%</i>
<i>EBITDA margin</i>	<i>29.7%</i>	<i>27.3%</i>
Total net sales	311.18	108.48

Source: Company information, East Value Research GmbH

in PLNm	9M 2022/23	9M 2021/22	change y-o-y
Net sales	311.18	108.48	186.9%
EBITDA	55.73	20.17	176.3%
<i>EBITDA margin</i>	<i>17.9%</i>	<i>18.6%</i>	
EBIT	44.85	11.70	283.3%
<i>EBIT margin</i>	<i>14.4%</i>	<i>10.8%</i>	
Net income	36.63	8.05	355.1%
<i>Net margin</i>	<i>11.8%</i>	<i>7.4%</i>	

Source: Company information, East Value Research GmbH

In 9M 2022/23, the Group's EBITDA and EBIT advanced by 176.3% y-o-y to PLN 55.7m and by 283.3% to PLN 44.9m respectively. While the share of distribution (7.5% vs. 11.5% in 9M 2021/22), administration (2.8% vs. 6.4%), R&D (3.4% vs. 5.4%) and D&A expenses (3.5% vs. 7.8%) declined significantly y-o-y, the share of CoGS (direct sales costs & costs of equipment that SNT buys from global MedTech companies) increased by 4.1% to 68.7%. Net income (+355.1% to PLN 36.6m) increased even more than the operating income due to higher interest income (PLN 1.2m vs. PLN -2.6m in 9M 2021/22).

Balance sheet and Cash flow

At the end of June 2023, Synektik had equity of PLN 117.9m, which corresponds to an equity ratio of 45.4%. This is a strong improvement compared to 9M 2021/22, when the ratio equalled 41.9%. Property, plant and equipment (especially equipment and the three cyclotrons – production facilities for radiopharmaceuticals - in Kielce, Warsaw and Mszczonow, plus assets with a right to use) equalled PLN 60.5m (9M 2021/22: PLN 54.9m), while intangible assets (rights relating to special radiopharmaceuticals and software) were valued at PLN 51.7m (PLN 56.1m) respectively. We estimate the working capital at PLN 28m (PLN 8.5m). Its value went up significantly due to much higher sales y-o-y.

In 9M 2022/23, Synektik generated an operating cash flow of PLN 42.8m compared to PLN -6.4m last year. The main reasons were a much higher profit y-o-y and PLN 20.9m lower inventories. Cash flow from investing amounted to PLN -9.4m (PLN -2.2m) and cash flow from financing PLN -22.4m (PLN 1.5m) as the company repaid PLN >20m of financial debt and paid out a higher dividend (PLN 5.1m vs. PLN 3.8m in 9M 2021/22). At the end of June 2023, Synektik had financial debt of PLN 25.6m, thereof 47.5% short-term. However, we estimate that c. PLN 7.8m thereof was related to IFRS 16 (Leasing) and thus not interest-bearing.

Our forecasts

Revenues and Profitability

We expect that SNT's results will continue to develop well due to growing sales of da Vinci robots and related usable materials, but also other recurring revenues such as SaaS-based sales of the AI-powered online platform for radiologists zbandani.pl. Sales of da Vinci robots will be supported by reimbursement of respective surgeries that has recently been introduced in Poland - for surgical treatment of prostate, endometrial and colorectal cancer - but e.g. in the Czech Republic already covers all surgical exams. Sales of radiopharmaceuticals should be positively impacted by the fact that the public health insurance NFZ – the most important payer for diagnostic imaging exams in Poland – puts a strong focus on preventive care and SNT remains the only producer in Poland with own special tracers. When it comes to the cardiac tracer, its Phase III study has been delayed by the COVID-19 pandemic, which limited the activity of laboratories worldwide. While negotiations with potential commercialization partners only intensified again at the end of 2021, SNT's management is confident that it will be able to finance the Phase III study alone and plans to sign an agreement with an international partner shortly before registration of the tracer, which in its opinion would generate the highest value for Synektik's shareholders. Synektik has worldwide exclusive distribution rights for the cardiac tracer from Israeli Hadasit Medical Research Services & Development Ltd. and the tracer has a patent protection in Europe until the end of 2042E and until 2031E in the US.

For this fiscal-year, we forecast revenues of PLN 428.2m (+156.6% y-o-y), whereby recurring revenues should make up 26.9% of total sales. Regarding EBITDA and net income, we expect PLN 77.5m (+161.2% y-o-y; 18.1% margin vs. 17.8% in 2021/22) and PLN 52.9m (+413.9%) respectively. In the next two years, we estimate that Synektik's total revenues will grow to PLN 487.7m (CAGR of 6.7%), the share of recurring revenues to 36.8% and consequently the EBITDA margin to 19%.

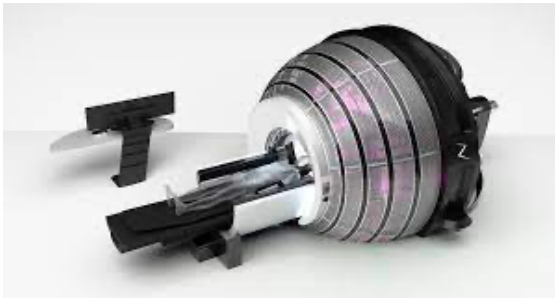
Below is a short overview over SNT's segments "Medical equipment/software/services" and "Production of radiopharmaceuticals" and our estimates for 2022/23E-2024/25E. In our opinion, it would make sense to show a more detailed split of the respective revenue sources in the company's financial reports. Especially, investors would be interested to see how sales of the respective equipment and software that generate recurring revenues are actually developing.

Medical equipment/software/services. This segment (82.7% of SNT's total revenues in 2021/22) covers the distribution and installation of diagnostic (MRIs, CTs, PET-CTs, Agiographs) and therapeutic (ZAP-X and da Vinci surgical robots) devices plus the related services and training. Synektik, which has been operating on the Polish healthcare market since 2001, has long-term distribution agreements with global MedTech companies such as Philips, Intuitive Surgical, ZAP Surgical Insightec, Carl Zeiss Meditec, Beckton Dickinson, Medtronic, Loccioni, Comacer, Theraclion, Eckert & Ziegler and Capnomed. Apart from devices, the company is also selling its own AI-based modular cloud-based software for radiologists in the SaaS model and a proprietary ArPACS solution for archiving, distribution, presentation and processing of radiological images and administrative data.

Due to rapidly increasing sales of therapeutic devices and recurring revenues, including those related to SNT's software products, we expect that this segment will grow at a CAGR of 18.5% with a target EBITDA margin of >22% (2022/23E: 19.6%).



The da Vinci robot is a robotic surgical system that uses a minimally invasive surgical approach. It has been used in the first ever lung transplantation that was performed by a robot. Apart from this, da Vinci can perform the following surgeries: Radical prostatectomy, pyeloplasty, cystectomy, nephrectomy and ureteral reimplantation, Hysterectomy, myomectomy and sacrocolpopexy, Hiatal hernia and inguinal hernia repair; resections and cholecystectomy; Transoral robotic surgery (TORS) for head and neck cancer



The ZAP-X Gyroscopic Radiosurgery platform is used in the treatment of brain tumors, lesions, and other conditions of the head and neck.



Magnetic resonance imaging (MRI) is a medical imaging technique that uses strong magnetic fields, magnetic field gradients, and radio waves to generate images of the organs. Compared to Computer Tomographs (CTs), MRIs provide better contrast in images of soft tissues, e.g. in the brain or abdomen.



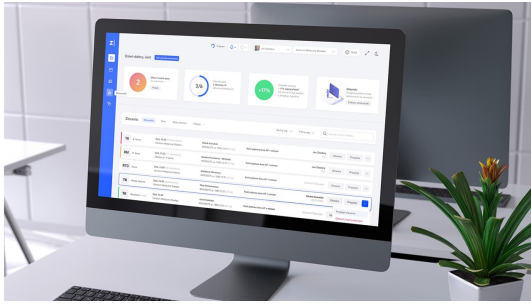
CT scanners use a rotating X-ray tube and a row of detectors placed in a gantry to measure X-ray attenuations by different tissues inside the body. The X-ray measurements taken from different angles are then processed on a computer using tomographic reconstruction algorithms to produce cross-sectional images of the body. CTs can be used in case of patients with metallic implants, for whom a MRI is too risky.



Angiography or arteriography is used to visualize the inside of blood vessels and organs e.g. arteries, veins, heart chambers. Modern angiography is performed by injecting a contrast agent into the blood vessel and imaging using X-ray based techniques.



Positron emission tomography (PET) uses radioactive substances known as radiotracers to visualize and measure changes in metabolic processes, blood flow etc. Different tracers are used for various imaging purposes. PET devices are often combined with CTs or SPECTs.



Zbadani.pl is SNT's proprietary modular teleradiology platform for archiving, distribution, presentation and processing of radiological images and data. The cloud-based platform enables free communication and secure exchange of documentation. Through the Patient Portal, everyone can collect and share their examinations, including diagnostic-quality imaging. Through the

Medical Facility Portal, it is possible to order examinations from remote radiologists and descriptive centres for description, as well as to issue full examinations online to patients. The Physician Portal is used by radiologists to describe examinations ordered by facilities, and by doctors in other specialities to provide paid consultation of results to patients. Zbadani.pl also has Online Medical Surveys and SynDose modules for recording radiation doses and is able to integrate with various AI algorithms to improve radiology workflow.

Production of radiopharmaceuticals: Under this segment (17.3% of SNT's total revenues in 2021/22), Synektik sums up sales of its radiopharmaceuticals, which the company produces in its own cyclotrons in Warsaw, Kielce (both were build from scratch by SNT) and Mszczonow (was acquired from Turkish company Monrol in 2017). Currently, the company produces and distributes the following tracers, all of which except Axumin are proprietary ones.

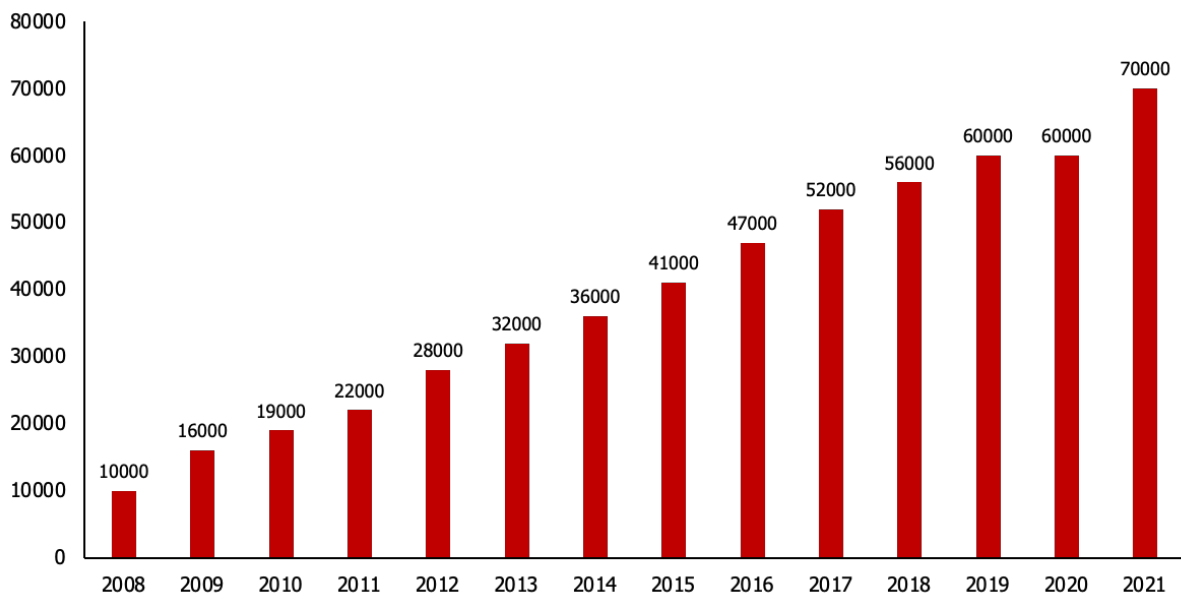
Radiopharmaceutical	Description
FDG	Diagnosis, staging, and monitoring treatment of Hodgkin's disease, non-Hodgkin lymphoma, colorectal cancer, breast cancer, melanoma, and lung cancer as well as Alzheimer's disease
MetaFlu	Used for detection and localization of bone metastases in case of cancer in adults
CHOLINE	Prostate, urin bladder, kidney, liver cancer
FES	Breast and birth organ cancer
PSMA	Prostate cancer
DOPA	Parkinson, neurodoctrynne cancer
FET	Brain and outside-skull cancer
FLT	Cancer with a wide area applications
AXUMIN	Based on a license from Blue Earth Diagnostics; for patients, who are suspected of having a relapse of prostate cancer; complementary to Choline

Source: Company information, East Value Research GmbH

Regarding the results of the Radiopharma segment, we expect that they will grow at a CAGR of 18.7% with a target EBITDA margin of >20% (2022/23E: 22%). As main growth drivers, we see (1) the fact that Poland and other CEE countries still lag behind developed OECD countries in terms of diagnostic exams per 1,000 inhabitants (2) the introduction of new tracers, and (3) potential abolishment of limits when it comes to the number of conducted PET-CT exams by public insurer NFZ. Our estimates are based on an average current price of FDG and special tracers of PLN 900 and PLN 2,500 respectively, which however should grow by 2% per annum due to only two commercial producers in Poland and rapidly increasing number of PET exams. We believe that the share of special tracers in the segment's sales will grow from >40% currently to 51.6% by 2030E.

According to Polish NIK, the number of PET exams (incl. PET-CT or PET-SPECT) has increased in Poland from c. 10,000 in 2008 to c. 70,000 in 2021 (CAGR of 16.1%). Synektik, which only produces radiopharmaceuticals for PET exams, estimates the market potential at <100,000 exams in the long run.

Number of PET exams in Poland – 2008 to 2021



Source: NIK, East Value Research GmbH

in PLNm	2022/ 23E	2023/ 24E	2024/ 25E
Medical equipment/software/services	393.00	403.60	439.32
(% of net sales)	91.8%	90.8%	90.1%
EBITDA margin	19.6%	20.0%	20.4%
thereof: Diagnostic equipment & IT	40.00	40.00	39.50
thereof: ZAP-X	17.00	21.00	21.42
thereof: da Vinci surgical robots	221.00	193.10	198.90
thereof: Recurring sales of surgical materials	115.00	149.50	179.50
Production of radiopharmaceuticals	35.23	40.74	48.37
(% of net sales)	8.2%	9.2%	9.9%
EBITDA margin	22.0%	21.9%	21.7%
Number of sold doses	22,413	25,102	28,868
Share of FDG	58.0%	56.8%	55.6%
Share of special tracers	42.0%	43.2%	44.4%
Price per dose FDG	900	918	936
Price per dose - special tracers	2,500	2,550	2,601
Total net sales	428.23	444.35	487.68
(change y-o-y)	156.6%	3.8%	9.8%

Source: East Value Research GmbH

in PLNm	2022/ 23E	2023/ 24E	2024/ 25E
Net sales	428.23	444.35	487.68
EBITDA	77.46	82.33	92.80
EBITDA margin	18.1%	18.5%	19.0%
EBIT	63.96	68.76	78.40
EBIT margin	14.9%	15.5%	16.1%
Net income	52.94	56.85	64.67
Net margin	12.4%	12.8%	13.3%

Source: East Value Research GmbH

in PLNm	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	2019/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	2020/21
Net sales	37.59	36.98	22.29	28.53	125.39	34.07	26.97	15.72	51.87	128.63
y-o-y change	-43.0%	96.6%	35.1%	-14.9%	-7.0%	-9.4%	-27.1%	-29.5%	81.8%	2.6%
EBITDA	4.87	4.97	3.13	5.60	18.57	6.13	4.80	1.59	6.64	19.16
EBITDA margin	13.0%	13.4%	14.0%	19.6%	14.8%	18.0%	17.8%	10.1%	12.8%	14.9%
EBIT	3.29	3.39	1.50	3.85	12.03	4.32	2.77	-0.52	4.62	11.19
EBIT margin	8.8%	9.2%	6.7%	13.5%	9.6%	12.7%	10.3%	-3.3%	8.9%	8.7%
Net income	2.47	2.33	1.16	2.85	8.81	3.59	1.99	-0.37	3.17	8.38
Net margin	6.6%	6.3%	5.2%	10.0%	7.0%	10.5%	7.4%	-2.4%	6.1%	6.5%

in PLNm	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	2021/22	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23E	2022/23E
Net sales	35.42	37.30	35.77	58.38	166.86	143.81	65.66	101.71	117.05	428.23
y-o-y change	4.0%	38.3%	127.5%	12.6%	29.7%	306.0%	76.1%	184.4%	100.5%	156.6%
EBITDA	4.19	10.42	5.57	9.48	29.66	28.04	6.84	20.85	21.73	77.46
EBITDA margin	11.8%	27.9%	15.6%	16.2%	17.8%	19.5%	10.4%	20.5%	18.6%	18.1%
EBIT	2.11	7.41	2.19	5.92	17.62	24.63	3.18	17.04	19.11	63.96
EBIT margin	5.9%	19.9%	6.1%	10.1%	10.6%	17.1%	4.8%	16.8%	16.3%	14.9%
Net income	1.78	5.92	0.35	2.25	10.30	19.08	4.03	13.52	16.31	52.94
Net margin	5.0%	15.9%	1.0%	3.9%	6.2%	13.3%	6.1%	13.3%	13.9%	12.4%

Source: East Value Research GmbH

CAPEX and Working capital

We have assumed that in 2022/23E and 2023/24E gross CAPEX will reach PLN 13.8m and PLN 13.6m respectively, and will mainly be spent on new radiopharmaceuticals and the cloud-based IT platform Zbadani.pl. Regarding working capital, we have assumed that the cash conversion cycle will converge towards 60 days in the future (2021/22: 74 days).

Market environment

Health spending in Poland and CEE

The Polish health market consist of a public segment and private one. The public segment – represented by the National Health Fund NFZ – has a budget of PLN 142bn in 2023, which corresponds to 5.1% of Polish GDP. In 2024E, the budget is supposed to grow to PLN 167.2bn (+16% y-o-y). By 2027E, the Polish government plans to increase the share of public health spending to 7% of GDP.

According to PMR, the private health segment, which however is irrelevant for Synektik, is expected to grow from a volume of PLN >70bn in 2022 at a CAGR of 7% by 2028E. Similar to other Eastern European countries, the growth of the private health market is mainly driven by increasing incomes and relatively low quality of public health services.

When it comes to health spending per 1,000 inhabitants, Poland, like other Eastern European countries, lags behind developed Western countries and the OECD average. The table below provides an overview:

Health spending per 1,000 inhabitants

in USD, purchasing power parity (as of 2022)	Total health expenditures per capita	Public health expenditures (% GDP)
USA	12,555	14.1%
Germany	8,011	10.9%
United Kingdom	5,493	9.3%
Switzerland	8,049	7.8%
Slovakia	2,691	6.0%
Slovenia	4,114	6.6%
Estonia	3,091	5.2%
Hungary	2,840	4.9%
Poland	2,973	5.0%
Latvia	3,445	5.9%
Lithuania	3,587	5.1%
Czech Republic	4,499	7.7%
Average OECD*	5,010	7.1%

Source: OECD Health data, East Value Research GmbH

The market for diagnostic imaging & radiopharmaceuticals

According to Research Nester, the global market for diagnostic imaging was valued at c. USD 29bn in 2022 and is expected to grow to c. USD 79bn (CAGR of c. 8.7%) by 2035E. The growth of the market stems from an increasing incidence of chronic diseases such as cardiovascular and neurological ones and the consequent emphasis on early diagnosis and prevention. Another factors supporting the growth of the market include a rising geriatric population, technological advancements e.g. with AI and an increasing number of diagnostic imaging centers in developing countries.

As the below tables show, most Eastern European countries are still far behind other developed countries and the OECD average when it comes to the number of diagnostic imaging exams per 1,000 inhabitants.

Country	MRI exams per 1k inhabitants (2020)	MRI exams per 1k inhabitants (2021)
USA	82.7	107.6
Germany	149.9	157.7
Slovakia	68.4	76.1
Slovenia	79.5	97.1
Estonia	50.5	55.8
Hungary	44.7	49.8
Poland	40.6	52.9
Latvia	71.5	82.5
Lithuania	54.2	79.5
Czech Republic	57.7	66.1
Average OECD*	74.5	85.5

Country	CT exams per 1k inhabitants (2020)	CT exams per 1k inhabitants (2021)
USA	220.2	254.6
Germany	150.0	159.8
Slovakia	143.7	167.1
Slovenia	84.3	99.9
Estonia	127.6	143.8
Hungary	175.6	204.4
Poland	89.9	116.5
Latvia	191.5	217.8
Lithuania	110.7	148.7
Czech Republic	108.1	119.9
Average OECD*	142.6	164.2

Country	PET exams per 1k inhabitants (2020)	PET exams per 1k inhabitants (2021)
USA	6.7	n.a
Germany	1.8	1.9
Slovakia	2.5	2.7
Slovenia	0.3	0.3
Estonia	1.7	1.8
Hungary	2.4	2.8
Poland	1.6	1.8
Latvia	0.5	0.6
Lithuania	1.1	1.0
Czech Republic	5.0	4.9
Average OECD*	4.5	5.2

Source: OECD Health Data, East Value Research GmbH

Based on forecasts from MarketsandMarkets, the global radiopharmaceuticals market is worth USD 5.5bn and is forecast to grow at a CAGR of 11.3% to USD 9.4bn by 2028E. In Europe, the CAGR is expected to reach 11.3% and the value USD 2.2bn by 2028E.

Patient have to take radiopharmaceuticals before undergoing a PET or SPECT exam. They are being produced either in generators (for SPECT), which are movable, or cyclotrons (for PET), which cost several million EUR to build. However, those produced in cyclotrons are characterized by a much longer half-life - can thus be used in facilities remote from the production site – improved image resolution and contrast as well as lower radiation dose. In the area of cardiologic diseases, they are particularly promising as SPECT exams with generator-based tracers are currently the standard.

The market for surgical robots

According to MarketsandMarkets, the global surgical robots market is expected to grow from a volume of USD 8.5bn in 2022 to USD 18.4bn by 2027E. This corresponds to a CAGR of 16.6%. The main growth drivers include 1. significant advantages of robotic procedures such as e.g. greater accuracy, control, efficiency, safety and considerable cost savings and 2. favorable reimbursement policies.

When it comes to Synektik's current markets, in the Czech Republic the reimbursement by the government health insurance covers all surgical procedures. This is the reason, why the number of surgical procedures per year equals >300 per robot, according to Synektik. In Poland, where for now reimbursement only covers the treatment of prostate cancer, endometrial cancer and colorectal cancer, the number of surgical procedures per robot and hospital per year equals >200. In Slovakia, where Synektik also sells the da Vinci robots, there is no reimbursement by the government yet.

Profit and loss statement

in PLNm	2019/20	2020/21	2021/22	2022/23E	2023/24E	2024/25E
Net sales	125.39	128.63	166.86	428.23	444.35	487.68
Cost of goods sold	-88.19	-90.39	-106.32	-291.63	-300.38	-327.24
Gross profit	37.19	38.24	60.54	136.61	143.97	160.45
Other operating income	0.73	1.47	7.60	3.04	3.07	3.10
Distribution costs	-7.42	-7.63	-18.75	-32.12	-33.33	-36.58
Administration expenses	-6.72	-6.78	-9.52	-11.99	-12.44	-13.66
R&D expenses	-5.22	-6.14	-10.22	-16.27	-16.89	-18.53
Other operating expenses	0.00	0.00	0.00	-1.81	-2.06	-1.99
EBITDA	18.57	19.16	29.66	77.46	82.33	92.80
Depreciation & Amortization	-6.54	-7.97	-12.04	-13.50	-13.56	-14.40
EBIT	12.03	11.19	17.62	63.96	68.76	78.40
Net financial results	-0.94	-0.97	-5.33	1.40	1.42	1.44
EBT	11.09	10.22	12.29	65.36	70.18	79.84
Income taxes	-2.28	-1.84	-1.99	-12.42	-13.33	-15.17
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Net income / loss	8.81	8.38	10.30	52.94	56.85	64.67
EPS	1.03	0.98	1.21	6.21	6.67	7.58
DPS	0.45	0.45	0.60	1.20	1.50	1.80
Share in total sales						
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-70.34 %	-70.27 %	-63.72 %	-68.10 %	-67.60 %	-67.10 %
Gross profit	29.66 %	29.73 %	36.28 %	31.90 %	32.40 %	32.90 %
Other operating income	0.58 %	1.15 %	4.56 %	0.71 %	0.69 %	0.64 %
Distribution costs	-5.92 %	-5.93 %	-11.24 %	-7.50 %	-7.50 %	-7.50 %
Administration expenses	-5.36 %	-5.27 %	-5.71 %	-2.80 %	-2.80 %	-2.80 %
R&D expenses	-4.16 %	-4.78 %	-6.13 %	-3.80 %	-3.80 %	-3.80 %
Other operating expenses	0.00 %	0.00 %	0.00 %	-0.42 %	-0.46 %	-0.41 %
EBITDA	14.81 %	14.90 %	17.77 %	18.09 %	18.53 %	19.03 %
Depreciation & Amortization	-5.21 %	-6.20 %	-7.22 %	-3.15 %	-3.05 %	-2.95 %
EBIT	9.60 %	8.70 %	10.56 %	14.94 %	15.47 %	16.08 %
Net financial results	-0.75 %	-0.75 %	-3.19 %	0.33 %	0.32 %	0.30 %
EBT	8.85 %	7.95 %	7.36 %	15.26 %	15.79 %	16.37 %
Income taxes	-1.82 %	-1.43 %	-1.19 %	-2.90 %	-3.00 %	-3.11 %
Minority interests	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	7.03 %	6.52 %	6.17 %	12.36 %	12.79 %	13.26 %

Balance sheet

in PLNm	2019/20	2020/21	2021/22	2022/23E	2023/24E	2024/25E
Cash and cash equivalents	10.87	18.27	9.68	70.65	124.92	176.26
Other financial assets	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	6.03	2.84	48.28	27.96	24.69	26.90
Trade accounts and notes receivables	27.23	36.69	44.77	70.39	73.04	80.17
Prepaid expenses, deferred charges and others	4.58	6.15	7.02	18.03	18.71	20.53
Current assets	48.71	63.94	109.75	187.04	241.36	303.85
Property, plant and equipment	49.76	53.57	54.89	60.00	60.00	60.00
Other intangible assets	27.58	28.57	56.63	51.80	51.80	51.80
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term assets	7.57	5.52	1.59	1.60	1.62	1.64
Deferred tax assets	8.00	8.08	13.61	15.70	5.64	0.00
Non-current assets	92.90	95.74	126.73	129.10	119.06	113.44
Total assets	141.61	159.69	236.48	316.14	360.42	417.29
Trade payables	19.22	33.09	55.39	63.92	60.90	60.96
Short-term financial debt	5.86	6.46	23.67	13.00	12.70	12.40
Other liabilities	10.77	14.69	24.72	63.45	65.84	72.26
Pension provision	0.55	0.71	1.04	2.67	2.77	3.04
Provision	0.08	0.08	0.08	0.22	0.23	0.25
Current liabilities	36.47	55.03	104.91	143.26	142.43	148.91
Long-term financial debt	14.72	11.71	13.21	13.00	11.00	9.00
Other long-term liabilities	12.68	11.22	22.83	24.00	24.48	24.97
Pension provision	0.15	0.12	0.08	0.22	0.22	0.25
Deferred tax liabilities	1.59	1.04	7.60	0.00	0.00	0.00
Long-term liabilities	29.14	24.09	43.73	37.22	35.70	34.22
Total liabilities	65.62	79.13	148.63	180.47	178.14	183.13
Shareholders equity	76.00	80.56	87.85	135.67	182.28	234.16
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities and equity	141.61	159.69	236.48	316.14	360.42	417.29

Cash Flow Statement

in PLNm	2019/20	2020/21	2021/22	2022/23E	2023/24E	2024/25E
Net income / loss	8.81	8.38	10.30	52.94	56.85	64.67
Depreciation & Amortization	6.54	7.97	12.04	13.50	13.56	14.40
Change of working capital	-3.04	4.58	-25.55	30.94	-0.68	-4.67
Others	1.62	0.77	-2.98	9.55	-10.07	-5.66
Net operating cash flow	13.93	21.71	-6.18	106.94	59.66	68.74
Cash flow from investing	-4.68	-3.23	-4.55	-13.78	-13.56	-14.40
Free cash flow	9.25	18.48	-10.73	93.16	46.10	54.34
Cash flow from financing	-6.93	-11.07	2.14	-32.19	8.17	-3.00
Change of cash	2.32	7.40	-8.59	60.97	54.27	51.34
Cash at the beginning of the period	8.55	10.87	18.27	9.68	70.65	124.92
Cash at the end of the period	10.87	18.27	9.68	70.65	124.92	176.26

Financial ratios

Fiscal year	2019/20	2020/21	2021/22	2022/23E	2023/24E	2024/25E
Profitability and balance sheet quality						
Gross margin	29.66%	29.73%	36.28%	31.90%	32.40%	32.90%
EBITDA margin	14.81%	14.90%	17.77%	18.09%	18.53%	19.03%
EBIT margin	9.60%	8.70%	10.56%	14.94%	15.47%	16.08%
Net margin	7.03%	6.52%	6.17%	12.36%	12.79%	13.26%
Return on equity (ROE)	12.05%	10.71%	12.23%	47.37%	35.76%	31.06%
Return on assets (ROA)	7.31%	6.21%	7.89%	18.65%	16.38%	16.26%
Return on capital employed (ROCE)	9.09%	8.77%	11.22%	29.97%	25.55%	23.66%
Economic Value Added (in PLNm)	-4.77	-5.08	-3.15	28.26	26.00	26.95
Net debt (in PLNm)	10.41	0.73	28.33	-41.77	-98.23	-151.57
Net gearing	13.70%	0.91%	32.25%	-30.78%	-53.89%	-64.73%
Equity ratio	53.66%	50.45%	37.15%	42.91%	50.58%	56.11%
Current ratio	1.34	1.16	1.05	1.31	1.69	2.04
Quick ratio	1.04	1.00	0.52	0.98	1.39	1.72
Net interest cover	12.82	11.58	3.31	-45.69	-48.42	-54.44
Net debt/EBITDA	0.56	0.04	0.96	-0.54	-1.19	-1.63
Tangible BVPS	8.91	9.45	10.30	15.91	21.37	27.45
Capex/Sales	-9.03%	-9.93%	-24.83%	-3.22%	-3.05%	-2.95%
Working capital/Sales	6.26%	-1.64%	11.96%	-2.56%	-2.32%	-1.15%
Cash Conversion Cycle (in days)	25	-18	74	15	16	22
Trading multiples						
EV/Sales	4.66	4.55	3.50	1.37	1.32	1.20
EV/EBITDA	31.49	30.51	19.71	7.55	7.10	6.30
EV/EBIT	48.59	52.26	33.19	9.14	8.50	7.46
P/E	66.02	69.38	56.47	10.99	10.23	8.99
P/Tangible BVPS	7.65	7.22	6.62	4.29	3.19	2.48
P/FCF	62.90	31.48	-54.19	6.24	12.62	10.70

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