

The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2020	2021	2022	
Price [PLN]	5,32	P/E	74,6	81,7	61,5	Analyst: Anna Tobiasz anna.tobiasz@bdm.pl tel.: (+48) 666 073 972
MC [mln PLN]	373,8	EV/EBITDA	29,2	24,7	22,5	
		EV/EBIT	57,8	47,2	36,8	
		P/BV	8,9	4,7	3,5	

Last recommendation BDM: BUY with target price 6,7 PLN/share (2023/09/13) [LINK](#)

Q2'23 operating results slightly below our expectations – neutral

Q2'23 was the company's best quarter in terms of revenue since its listing on the WSE. The BCG segment saw large orders for BCG vaccine, which significantly boosted its sales, while reducing the production of the Onko BCG drug (both products are manufactured on one production line). Distreptase also recorded strong growth (+97% y/y), with exports responsible for around 80% of the growth in H1'23. The gross margin on sales was 60.8%.

Behind the decline in operating and net margins were cost increases - higher personnel costs, an increase in product transport costs (exports) and the creation of an own promotional team in Poland. In addition, expenses for external services increased, as a result of due to higher consultancy costs and the company's rebranding.

The increase in finance costs, in our view, is related to an earlier-than-expected increase in loan commitments. In Q2'23, the company took out PLN 7.8m in loans and borrowings, mainly from ACP Credit, where the agreement provides for a maximum loan of EUR 13m. In the period under review, CAPEX amounted to PLN 26.6m (we assumed PLN 21m), with government subsidies of PLN 13m (we expected PLN 15m).

Work on the strategic capacity expansion project in the BCG segment is going according to plan. On 20.09.2023, the company received an occupancy permit for the Research and Development Centre, which was scheduled to be obtained by the end of September'23. The next stages of the investment process will be investor acceptance and final acceptance, which is planned for 20.12.2023.

BDM's comments: We view the Q2'23 results as neutral. We appreciate the high level of sales, which turned out to be very close to our strong forecasts. The lack of Lakcid sales in Q2'23 in our view is due to the negotiation of a new contract with ZF Polpharma. We view the gross margin on sales, despite the y/y decline, positively - with such a sales mix (lower revenues from Onco BCG and increased sales of the foreign vaccine), this is a very attractive result. Higher-than-we-expected operating expenses and a lower balance of financing activities resulted in lower results at the operating and net level, but in our opinion the company still has a chance to prove the full-year forecasts from the last recommendation.

Q2'23 results [PLNm]

	Q2'22	Q2'23	y/y	Q2'23 BDM	div.
Sales	14.0	18.4	31.1%	18.5	-0.6%
<i>Tuberculosis Vaccine BCG 10</i>	1.7	3.6	109.8%	3.8	-6.6%
<i>Onko BCG</i>	6.9	5.5	-20.7%	5.5	-0.8%
<i>Distreptaza</i>	3.8	7.5	96.9%	7.6	-1.3%
<i>Gamma Anty D</i>	1.1	1.0	-9.4%	1.0	-2.0%
<i>Lakcid</i>	0.0	0.0	-	0.0	-
<i>Other</i>	0.5	0.8	65.4%	0.5	65.4%
Gross profit	8.7	11.2	28.6%	10.4	7.6%
EBIT	3.6	4.1	14.4%	4.3	-6.1%
EBITDA	5.1	5.7	11.6%	6.0	-5.0%
Net profit	2.5	2.6	4.4%	3.0	-15.6%
Gross margin	62.0%	60.8%		56.2%	
EBIT margin	25.5%	22.2%		23.6%	
EBITDA margin	36.6%	31.1%		32.6%	
Net margin	17.5%	14.0%		16.5%	

Source: BDM S.A., company

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Explanations of terminology:

EBIT - earnings before interest and tax

EBITDA – earnings before interest, taxes, depreciation, and amortization

Net debt – interest bearing debt minus cash and equivalents

WACC - weighted average cost of capital

CAGR - cumulative average annual growth

EPS - earnings per share

DPS - dividend per share

CEPS - net profit plus depreciation per share

EV – market capitalization plus interest bearing debt minus cash and equivalents

EV/S – market capitalization / sales

EV/EBITDA – EV / sales

P/EBIT – market capitalization / EBIT

MC/S – market capitalization / sales

P/E – market capitalization / net profit

P/BV – market capitalization / book value

P/CE - market capitalization / net profit plus depreciation

ROE – net profit / equity

ROA - net income / assets

Gross margin - gross profit on sales / sales

EBITDA margin – EBITDA / sales

EBIT margin – EBIT / sales

Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);

Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);

Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);

Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);

Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).

Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	6.7	---	---	13.09.2023*	11:30 CEST	5.2	66 571.93

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme.

Distribution of BDM's recommendations in Q3'23*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	10	71%	0	0%
Accumulate	2	14%	0	0%
Hold	1	7%	0	0%
Reduce	1	7%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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