



Dom Maklerski BDM S.A.

## SYNTHAVERSE

### ANALYTICAL REPORT - SUMMARY

We are maintaining our BUY rating on Synthaverse, setting a target price of PLN 6.5/share (previously PLN 6.7/share). Increased operating costs and a decline in short-term sales potential in individual products resulted in a lowering of forecasts for subsequent periods. The increase in the cost of equity (from 11.5% to 12.0%) was also a significant factor in the downgrade. In the long term, we continue to expect a surge in earnings once the new production capacity comes on stream.

In March'24, the drug Onko BCG was approved for marketing in Romania. According to the agreement, the registration was to be completed by the end of 2024. Accelerating the process, in our opinion, will allow the drug to increase sales in the short term. In addition, the Ministry of Health has still not issued a tender for the supply of the anti-tuberculosis vaccine this year. It is produced on the same line as Onko BCG and the company is currently using 100% capacity in this segment. This will reduce sales of the BCG 10 vaccine, but on the other hand, it provides an opportunity to increase Onko production and sales in export markets.

We also expect sales of Distreptase to decline in future quarters. The company has ended its cooperation with the distributor Symphar. In our view, the sales team established in 2023 will need several months to develop relationships with the entities previously reached by the distributor, so we expect it will take two quarters to rebuild volumes. In the long term, we view the change of distribution channel positively - the company will save on commission and be more flexible in adjusting prices and production to market demand.

A new contract manufacturing agreement for Lakcid is still being negotiated. The company has still not communicated the agreement, so we expect sales revenue for this product to come in Q3'24 at the earliest.

Capacity expansion is going according to plan. The final acceptance of the new production facility is expected to take place in July'24. We are not changing our assumptions regarding potential sales - we expect first results at the end of 2025 (sales of unused formulations produced at CBR for research), while we should see full potential in 2026 once full production capacity is operational.

# BUY

(PREVIOUS: BUY)

## TARGET PRICE 6.5 PLN

10 MAY 2024, 08:30 CEST

Target price [PLN]	6.5
DCF valuation [PLN]	6.3
Peer valuation [PLN]	7.0
Price upside/downside	34.8%
Cost of capital	12.0%
Price [PLN]	4.8
Market cap [PLNm]	338.0
No. of shares [mn]	70.5*
Max. price 6M [PLN]	5.1
Min. price 6m [PLN]	3.6
Rate of return 3M	16.0%
Rate of return 6M	-1.4%
Rate of return 9M	-9.2%
Shareholders (% of votes):	
Dariusz Kurowicz	11.9%
Wiktor Napióła	11.0%
Waldemar Sierocki	10.5%
Przemysław Sierocki	10.2%
OPDF	5.7%
Others	50.6%

\* current number of shares (the incentive programme assumes the issuance of a maximum of 3.2 million shares)

Anna Tobiasz, DI

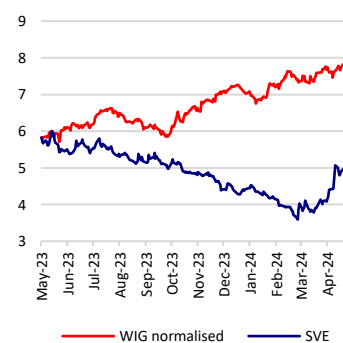
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Dom Maklerski BDM S.A.

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	2021	2022	2023	2024P	2025P	2026P
Revenues [PLNm]	41.2	50.4	58.6	58.4	93.3	174.6
EBIT [PLNm]	7.2	9.8	8.6	6.5	25.7	73.2
EBITDA [PLNm]	13.7	16.1	15.3	15.5	41.3	87.6
Net income [PLNm]	4.2	6.1	4.8	4.5	19.1	55.4
P/E	73.9	55.6	71.3	75.5	18.1	6.3
P/BV	4.2	3.2	3.0	2.9	2.5	2.0
EV/EBIT	42.6	33.1	47.1	63.4	16.0	5.1
EV/EBITDA	22.3	20.3	26.6	26.5	10.0	4.3
DPS	0.0	0.0	0.0	0.0	0.0	0.2
DY	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%



**Valuation summary**

	Share	Valuation
DCF valuation	80%	6.3
Peer valuation	20%	7.0
<b>Target price [PLN]</b>		<b>6.5</b>

Source: BDM S.A.

**DCF valuation**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues [PLNm]	58.4	93.3	174.6	192.1	198.8	202.6	206.4	210.4	214.4	218.5
EBIT [PLNm]	6.5	25.7	73.2	81.6	85.4	87.9	89.5	91.2	93.0	94.7
Incentive programme cost	1.4	1.4	1.4	1.4	1.4	0.0	0.0	0.0	0.0	0.0
EBIT Adj. [PLNm]	7.9	27.1	74.6	83.0	86.8	87.9	89.5	91.2	93.0	94.7
Tax rate	26.0%	25.0%	24.0%	23.0%	22.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax on EBIT [PLNm]	2.1	6.8	17.9	19.1	19.1	18.5	18.8	19.2	19.5	19.9
NOPLAT [PLNm]	5.8	20.3	56.7	63.9	67.7	69.4	70.7	72.1	73.4	74.8
Amortization [PLNm]	9.0	15.6	14.4	14.2	14.1	14.0	13.9	13.9	13.8	13.8
CAPEX [PLNm]	-38.0	-15.9	-11.9	-11.8	-12.9	-12.8	-13.2	-13.6	-13.8	-13.8
Working capital movement [PLNm]	4.8	-15.3	-1.9	-3.8	-1.4	-0.8	-0.8	-0.8	-0.9	-0.9
FCF [PLNm]	-18.3	4.7	57.2	62.5	67.5	69.8	70.6	71.5	72.6	74.0
DFCF [PLNm]	-17.1	3.9	43.2	42.3	40.9	37.8	34.1	30.8	28.0	25.4
Total DFCF [PLNm]	269.3									
Terminal value [PLNm]	768.9									
Discounted terminal value [PLNm]	264.4									
Enterprise value [PLNm]	533.7									
Net debt 2023 [PLNm]*	67.9									
<b>Equity value [PLNm]</b>	<b>465.9</b>									
Number of shares [mn]	73.4									
<b>Value per share [PLN]</b>	<b>6.3</b>									

Terminal growth rate: 2.0%

**WACC calculation**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Risk-free rate	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Risk premium	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Beta	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Credit premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of equity	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Contribution of equity	75.9%	78.6%	84.5%	89.8%	90.5%	99.9%	100.0%	100.0%	100.0%	100.0%
Cost of debt after tax	7.8%	8.0%	8.1%	8.2%	8.3%	8.4%	8.4%	8.4%	8.4%	8.4%
Contribution of debt	24.1%	21.4%	15.5%	10.2%	9.5%	0.1%	0.0%	0.0%	0.0%	0.0%
<b>WACC</b>	<b>11.0%</b>	<b>11.1%</b>	<b>11.4%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>

Source: BDM S.A.

**Sensitivity analysis**

Beta	Terminal growth rate				Risk premium	Terminal growth rate				Risk premium	Beta		
	1.0%	2.0%	3.0%	7.0%		1.0%	2.0%	3.0%	7.0%		0.7	0.8	0.9
0.7	6.6	7.1	7.6	8.0%	6.6	7.1	7.6	8.0%	7.8	7.1	6.4	6.4	
0.8	6.0	6.3	6.8	8.0%	6.0	6.3	6.8	8.0%	7.1	6.3	5.7	5.7	
0.9	5.4	5.7	6.1	9.0%	5.4	5.7	6.1	9.0%	6.4	5.7	5.2	5.2	

Source: BDM S.A.

**Peer valuation**

	P/E			EV/EBITDA		
	2024P	2025P	2026P	2024P	2025P	2026P
MERCK & CO. INC.	15.1	13.1	12.1	11.9	10.0	9.0
GENMAB A/S	25.6	19.7	15.9	16.9	12.1	8.7
GRIFOLS SA	12.0	8.0	7.1	8.0	6.7	5.9
IPSEN	13.0	11.9	11.1	7.9	6.9	5.9
H LUNDBECK A/S	7.5	7.4	6.7	5.0	4.0	3.1
RECORDATI INDUSTRIA CHIMICA	19.2	18.1	16.5	14.1	12.9	12.0
SWEDISH ORPHAN BIOVITRUM AB	23.3	16.3	12.6	12.8	9.8	7.6
UCB SA	27.5	18.4	15.2	18.2	12.6	10.1
<b>Median</b>	<b>17.1</b>	<b>14.7</b>	<b>12.3</b>	<b>12.3</b>	<b>9.9</b>	<b>8.1</b>
<b>SYNTHAVERSE</b>	<b>75.5</b>	<b>18.1</b>	<b>6.3</b>	<b>26.5</b>	<b>10.0</b>	<b>4.3</b>
Premium/discount	340%	23%	-49%	114%	1%	-47%
<b>Valuation [PLN/share]</b>	<b>1.4</b>	<b>4.2</b>	<b>9.7</b>	<b>5.3</b>	<b>11.5</b>	<b>10.6</b>
Year's contribution	33%	33%	33%	33%	33%	33%
<b>Average valuation [PLN/share]</b>		<b>5.1</b>			<b>9.0</b>	
Multiple's contribution		50%			50%	
<b>Value per share [PLN]</b>	<b>7.0</b>					

Source: BDM S.A., Bloomberg

**Main risks:** 1) Risk of delay in commissioning new capacity; 2) Risk of delayed registration processes; 3) Foreign exchange and interest rate risk; 4) Risk of rising energy and gas prices; 5) risk of new competitive products entering the market; 6) Product withdrawal risk; 7) Risk of side effects or interactions with new drugs

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rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
<b>Buy</b>	<b>6.5</b>	<b>6.7</b>	<b>Buy</b>	<b>10.05.2024</b>	<b>08:30 CEST</b>	<b>4.81</b>	<b>87 427,54</b>
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 Coverage Support Programme

**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.

**The strengths and weaknesses of the valuation methods used in the report:**

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).  
 DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.  
 Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in 2Q'24*:		, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months		
	numbers	%	numbers	%
Buy	4	50%	0	0%
Accumulate	2	25%	0	0%
Hold	2	25%	0	0%
Reduce	0	0%	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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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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