



Dom Maklerski BDM S.A.

SYNTHAVERSE

ANALYTICAL REPORT - SUMMARY

Following the successful tender for the supply of the tuberculosis vaccine and the improved sales volume outlook for Onko BCG, we are raising our earnings forecasts for 2024. On the other hand, management announced at the last conference that sales from the new production facility will not start until mid-2026. As a result, we are downgrading our 2025 and 2026 earnings estimates, and we are lowering our 2024-2026 comparative valuation. As a result of these changes and the increase in the share price (PLN 5.62 vs. PLN 4.81 previously), we are downgrading our recommendation from BUY to ACCUMULATE, setting our price target at PLN 6.1/share (previously PLN 6.5/share).

In July'24, the company signed the final acceptance protocol for the Onko BCG Production Plant, while it is now necessary to pass the registration and validation path for the equipment and the drug that will be produced there. In our previous recommendation, we assumed that the process would be completed in 2025 and that the company would be able to start selling vials of Onko BCG at the end of the year (the drug is currently sold in ampoules, which is why it has a lower price). The current forecasts are based on the assumption that sales of vials will start in Q3'26. Due to the modifications being made to the bacterial multiplication technique, it is possible to produce more of the drug in the old plant, so at the same time we have raised the forecast for sales of ampoules to Q2'26. As a result of these changes, forecasts for 2024 have increased, while those for 2025-2026 have decreased.

This outlook will be supported by the delivery of the drug to the French market, where the company can obtain favourable prices. We expect sales in this market to start in Q4'24. With the current production capacity, the company will not be able to serve the entire demand for the drug, but we count on the surplus Onko BCG that can be produced in the old plant to be directed to this market and sold at a favourable margin.

The improved result in 2024 is also supported by more favourable order conditions for the BCG10 vaccine from the Ministry of Health. Higher y/y volumes and a more favourable price have significantly improved the outlook, especially in Q2'24. The risk in this area for sales in future periods is the declining number of births in Poland, while we count on the company being able to distribute the product also in other markets. Currently, the vaccine is sold to Hungary and Romania, among others.

The company is expanding its portfolio of drugs used in urology. At the end of the year, a drug containing dutasteride, manufactured by Chemo and sold by Synthaverse under its own brand name, is to be launched on the Polish market.

	2021	2022	2023	2024P	2025P	2026P
Revenues [PLNm]	41.2	50.4	58.6	63.8	72.4	137.3
EBIT [PLNm]	7.2	9.8	8.6	10.3	14.6	49.8
EBITDA [PLNm]	13.7	16.1	15.3	17.4	31.4	65.3
Net income [PLNm]	4.2	6.1	4.8	5.9	9.6	36.6
P/E	86.3	64.9	83.3	67.1	41.9	11.1
P/BV	4.9	3.7	3.5	3.4	3.1	2.5
EV/EBIT	49.9	38.9	53.7	45.7	32.3	9.1
EV/EBITDA	26.1	23.8	30.4	27.2	15.0	7.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

ACCUMULATE

(PREVIOUS: BUY)

TARGET PRICE 6.1 PLN

12 JULY 2024, 15:50 CEST

Target price [PLN]	6.1
DCF valuation [PLN]	6.3
Peer valuation [PLN]	5.3
Price upside/downside	8.8%
Cost of capital	12.1%
Price [PLN]	5.6
Market cap [PLNm]	394.9
No. of shares [mn]	70.3*
Max. price 6M [PLN]	5.7
Min. price 6m [PLN]	3.6
Rate of return 3M	27.7%
Rate of return 6M	24.4%
Rate of return 9M	8.9%
Shareholders (% of votes):	
Dariusz Kurowicz	12.0%
Wiktor Napióra	11.1%
Waldemar Sierocki	10.2%
Przemysław Sierocki	9.7%
OPDF	5.7%
Others	51.3%

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

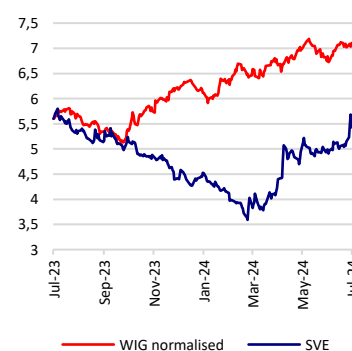
Anna Tobiasz, DI

anna.tobiasz@bdm.pl

tel. (+48) 666 073 972

Dom Maklerski BDM S.A.

ul. 3-go Maja 23, 40-096 Katowice



Valuation summary

	Share	Valuation
DCF valuation	80%	6.3
Peer valuation	20%	5.3
Target price [PLN]		6.1

Source: BDM S.A.

DCF valuation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues [PLNm]	63.8	72.4	137.3	196.1	203.0	206.9	210.8	214.8	218.9	223.1
EBIT [PLNm]	10.3	14.6	49.8	84.1	88.0	90.5	92.2	93.9	95.7	97.5
Incentive programme cost	1.6	1.6	1.6	1.6	1.6	0.0	0.0	0.0	0.0	0.0
EBIT Adj. [PLNm]	11.9	16.2	51.5	85.7	89.6	90.5	92.2	93.9	95.7	97.5
Tax rate	27.0%	25.0%	24.0%	23.0%	22.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax on EBIT [PLNm]	3.2	4.1	12.4	19.7	19.7	19.0	19.4	19.7	20.1	20.5
NOPLAT [PLNm]	8.7	12.2	39.1	66.0	69.9	71.5	72.8	74.2	75.6	77.0
Amortization [PLNm]	7.0	16.9	15.5	15.3	15.1	15.1	15.0	14.9	14.9	14.9
CAPEX [PLNm]	-42.6	-20.5	-12.8	-12.7	-13.8	-13.7	-14.2	-14.7	-14.9	-14.9
Working capital movement [PLNm]	13.2	-1.2	-16.5	-12.6	-1.5	-0.8	-0.9	-0.9	-0.9	-0.9
FCF [PLNm]	-13.6	7.3	25.3	56.0	69.7	72.0	72.7	73.6	74.7	76.1
DFCF [PLNm]	-12.9	6.3	19.4	38.5	43.0	39.5	35.6	32.2	29.1	26.5
Total DFCF [PLNm]										
	257.2									
Terminal value [PLNm]	783.0									
Discounted terminal value [PLNm]	272.5									
Enterprise value [PLNm]	529.7									
Net debt [PLNm]*	67.9									
Equity value [PLNm]	461.8									
Number of shares [mn]	73.2									
Value per share [PLN]	6.3									

Terminal growth rate: 2.0%

WACC calculation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Risk-free rate	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
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	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
Contribution of equity	75.0%	76.4%	82.2%	89.5%	90.2%	99.8%	100.0%	100.0%	100.0%	100.0%
Cost of debt after tax	7.8%	8.0%	8.1%	8.2%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%
Contribution of debt	25.0%	23.6%	17.8%	10.5%	9.8%	0.2%	0.0%	0.0%	0.0%	0.0%
WACC	11.0%	11.1%	11.4%	11.7%	11.7%	12.1%	12.1%	12.1%	12.1%	12.1%

Source: BDM S.A.

Sensitivity analysis

Beta	Terminal growth rate				Risk premium	Terminal growth rate				Risk premium	Beta		
	1.0%	2.0%	3.0%			1.0%	2.0%	3.0%			0.7	0.8	0.9
0.7	6.6	7.0	7.6		7.0%	6.6	7.0	7.6		7.0%	7.8	7.0	6.4
0.8	5.9	6.3	6.8		8.0%	5.9	6.3	6.8		8.0%	7.0	6.3	5.7
0.9	5.4	5.7	6.1		9.0%	5.4	5.7	6.1		9.0%	6.4	5.7	5.1

Source: BDM S.A.

Peer valuation

	P/E			EV/EBITDA		
	2024P	2025P	2026P	2024P	2025P	2026P
MERCK & CO. INC.	15.1	13.0	12.0	11.9	10.0	8.9
GENMAB A/S	23.0	18.7	14.0	15.3	10.9	7.7
GRIFOLS SA	14.6	10.2	8.3	8.5	7.4	6.2
IPSEN	12.1	11.1	10.6	7.4	6.4	5.5
H LUNDBECK A/S	9.6	8.6	7.9	5.8	4.8	4.0
RECORDATI INDUSTRIA CHIMICA	19.3	18.1	16.6	14.1	12.9	11.9
SWEDISH ORPHAN BIOVITRUM AB	23.4	16.2	12.5	12.9	9.9	7.7
UCB SA	33.5	21.6	17.3	21.7	14.9	12.0
Median	17.2	14.6	12.2	12.4	9.9	7.7
SYNTHAVERSE	67.1	41.9	11.1	27.2	15.0	7.0
Premium/discount	290%	187%	-10%	120%	51%	-9%
Valuation [PLN/share]	1.8	2.3	6.5	3.0	8.5	10.1
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]		3.5			7.1	
Multiple's contribution		50%			50%	
Value per share [PLN]	5.3					

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

RESEARCH DEPARTMENT:**Maciej Bobrowski**

Director

tel. (032) 208 14 12

e-mail: maciej.bobrowski@bdm.pl[strategy, industry, media/entertainment, TMT](#)**Krzysztof Pado**

Deputy Director

Investment Adviser

tel. (032) 208 14 32

e-mail: krzysztof.pado@bdm.pl[oil&gas, construction, building materials, real estate](#)**Krzysztof Tkocz**

Analyst

tel. (032) 208 14 38

e-mail: krzysztof.tkocz@bdm.pl[gaming](#)**Anna Tobiasz**

Junior analyst

Investment Adviser

tel. (032) 208 14 35

e-mail: anna.tobiasz@bdm.pl**Andrzej Wodecki**

Junior analyst

Investment Adviser

tel. (032) 208 14 39

e-mail: andrzej.wodecki@bdm.pl**INSTITUTIONAL SALES DEPARTMENT:****Leszek Mackiewicz**

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl**Piotr Dedećus**

tel. (022) 62-20-100

e-mail: piotr.dedecjus@bdm.pl**Maciej Fink-Finowicki**

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl**Piotr Komorowski**

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl**Tomasz Grzeszczyk**

tel. (022) 62-20-854

e-mail: tomasz.grzeszczyk@bdm.pl**Ratings and price targets history:**

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Accumulate	6.1	6.5	Buy	12.07.2024*	15:50 CEST	5.62	88 398.89
Buy	6.5	6.7	Buy	10.05.2024*	08:30 CEST	4.81	87 427,54
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 3Q'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	1	50%	0	0%
Accumulate	1	50%	0	0%
Hold	0	0%	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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