



Dom Maklerski BDM S.A.

SYNTHAVERSE

ANALYTICAL REPORT - SUMMARY

We are changing our recommendation for the company's shares from **ACCUMULATE** to **BUY**, with a target price of PLN 6.1/share (unchanged). We stand by our assumptions regarding the company's long-term growth path. A factor that has negatively impacted next years' forecasts is the vaccine price, which in H1'24 was lower than we expected, so we estimate increases from a lower base in subsequent periods. Due to the launch of the R&D Centre, the company is already facing increased costs, although the building is not yet fully operational.

Deliveries of tuberculosis vaccine to the Ministry of Health should be mostly completed in H2'24 (the first delivery took place in Q2'24). The tender for 2025 has not yet emerged, while we expect that, as in previous years, the company will win the proceedings. A risk that may affect the volume of vaccines ordered is the falling birth rate. In January-August'24, there were 171,000 live births in Poland, down -8.9% year-on-year.

The company maintains its plan to launch sales of Onko BCG produced at the new plant in mid-2026, so we maintain our expectations for sales volumes in the long term. In the traditional segment, we note good, as per the change of sales channel from a third-party distributor to our own sales team, sales volumes. We expect further growth in volumes and revenues in the following periods. We note that, along with the increase in sales, the company is recording an increase in operating expenses, which is partly due to the salaries of the new team.

The company has completed a share issue in recent months in connection with an incentive programme for key employees. The shares were subscribed in October, so we expect the related costs to impact Q4'24 earnings by approximately PLN -0.6m.

In the last report, the company announced an investment that will allow for an increase in profitability from Q4'24. Due to a lack of details, we do not include it in our model. However, we assume that the increased level of investment will result in higher cash requirements and the need for greater use of bank financing, which will increase financing costs and thus reduce net income 2024.

	2021	2022	2023	2024P	2025P	2026P
Revenues [PLNm]	41.2	50.4	58.6	65.3	75.1	137.6
EBIT [PLNm]	7.2	9.8	8.6	10.0	16.0	48.9
EBITDA [PLNm]	13.7	16.1	15.3	17.3	32.4	64.1
Net income [PLNm]	4.2	6.1	4.8	4.5	9.8	35.3
P/E	66.0	49.7	63.7	66.7	31.3	8.8
P/BV	3.8	2.9	2.7	2.6	2.4	1.9
EV/EBIT	37.9	29.5	42.9	37.7	23.5	7.3
EV/EBITDA	19.9	18.1	24.3	21.8	11.6	5.6
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%

BUY

(PREVIOUS: ACCUMULATE)

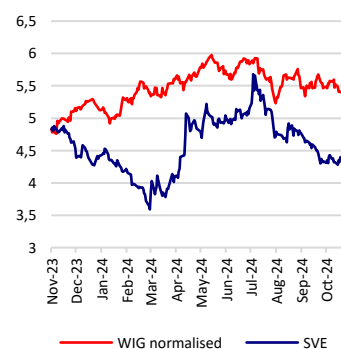
TARGET PRICE 6.1 PLN

6 NOVEMBER 2024, 07:55 CET

Target price [PLN]	6.1
DCF valuation [PLN]	6.4
Peer valuation [PLN]	4.9
Price upside/downside	42.0%
Cost of capital	12.1%
Price [PLN]	4.3
Market cap [PLNm]	302.1
No. of shares [mn]	70.3*
Max. price 6M [PLN]	5.7
Min. price 6m [PLN]	4.3
Rate of return 3M	-8.8%
Rate of return 6M	-10.4%
Rate of return 9M	1.9%
Shareholders (% of votes):	
Dariusz Kurowicz	12.0%
Wiktor Napióra	11.1%
Waldemar Sierocki	10.2%
Przemysław Sierocki	10.2%
OPDF	5.7%
Others	50.9%

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

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Valuation summary

	Share	Valuation
DCF valuation	80%	6.4
Peer valuation	20%	4.9
Target price [PLN]		6.1

Source: BDM S.A.

DCF valuation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues [PLNm]	65.3	75.1	137.6	196.6	203.7	207.6	211.6	215.7	219.8	224.0
EBIT [PLNm]	10.0	16.0	48.9	83.1	87.0	89.4	91.1	92.9	94.6	96.4
Incentive programme cost	0.6	1.4	1.4	1.4	1.4	0.0	0.0	0.0	0.0	0.0
EBIT Adj. [PLNm]	10.6	17.4	50.4	84.5	88.4	89.4	91.1	92.9	94.6	96.4
Tax rate	32.9%	25.0%	24.0%	23.0%	22.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax on EBIT [PLNm]	3.5	4.3	12.1	19.4	19.4	18.8	19.1	19.5	19.9	20.2
NOPLAT [PLNm]	7.1	13.0	38.3	65.1	68.9	70.7	72.0	73.4	74.7	76.2
Amortization [PLNm]	7.3	16.5	15.1	15.0	14.8	14.9	14.8	14.8	14.7	14.7
CAPEX [PLNm]	-43.3	-20.5	-12.6	-12.5	-13.6	-13.6	-14.1	-14.5	-14.7	-14.7
Working capital movement [PLNm]	8.8	0.6	-13.9	-12.7	-1.5	-0.8	-0.9	-0.9	-0.9	-0.9
FCF [PLNm]	-20.1	9.6	26.9	54.8	68.6	71.1	71.9	72.7	73.9	75.3
DFCF [PLNm]	-19.8	8.5	21.4	39.0	43.7	40.4	36.4	32.9	29.8	27.1
Total DFCF [PLNm]	259.3									
Terminal value [PLNm]	774.3									
Discounted terminal value [PLNm]	278.6									
Enterprise value [PLNm]	537.9									
Net debt [PLNm]*	67.9									
Equity value [PLNm]	470.1									
Number of shares [mn]	73.2									
Value per share [PLN]	6.4									

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	74.9%	77.0%	83.3%	89.1%	89.8%	99.8%	100.0%	100.0%	100.0%	100.0%
Cost of debt after tax	7.2%	8.0%	8.1%	8.2%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%
Contribution of debt	25.1%	23.0%	16.7%	10.9%	10.2%	0.2%	0.0%	0.0%	0.0%	0.0%
WACC	10.9%	11.2%	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%	7.0%		1.0%	2.0%	3.0%	7.0%		0.7	0.8	0.9
0.7	6.7	7.1	7.7	8.0%	6.7	7.1	7.7	8.0%	7.9	7.1	6.5	6.5	
0.8	6.0	6.4	6.9	8.0%	6.0	6.4	6.9	8.0%	7.1	6.4	5.8	5.8	
0.9	5.5	5.8	6.2	9.0%	5.5	5.8	6.2	9.0%	6.5	5.8	5.2	5.2	

Source: BDM S.A.

Peer valuation

	P/E			EV/EBITDA		
	2024P	2025P	2026P	2024P	2025P	2026P
MERCK & CO. INC.	13.1	10.7	9.8	10.5	8.4	7.5
GENMAB A/S	18.4	16.0	12.9	13.1	9.7	7.1
GRIFOLS SA	17.6	10.6	8.5	8.7	7.5	6.6
IPSEN	11.7	11.1	10.2	7.2	6.0	4.9
H LUNDBECK A/S	9.6	9.2	8.4	6.2	5.2	4.9
RECORDATI INDUSTRIA CHIMICA	20.1	18.1	15.8	14.6	12.8	11.9
SWEDISH ORPHAN BIOVITRUM AB	32.0	21.4	16.3	14.1	11.3	8.7
UCB SA	41.6	25.6	19.5	26.1	17.1	13.4
Median	18.0	13.6	11.5	11.8	9.1	7.3
SYNTHAVERSE	66.7	31.3	8.8	21.8	11.6	5.6
Premium/discount	270%	131%	-24%	85%	28%	-23%
Valuation [PLN/share]	1.3	2.1	5.9	3.1	7.5	9.4
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]		3.1			6.6	
Multiple's contribution		50%			50%	
Value per share [PLN]	4.9					

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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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	6.1	Accumulate	6.1	06.11.2024*	07:55 CET	4.30	80 271.30
Accumulate	6.1	Buy	6.5	12.07.2024*	15:50 CEST	5.62	88 398.89
Buy	6.5	Buy	6.7	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 Q4'24*:		, 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%	0%
Accumulate	2 25%	0 0%	0%
Hold	1 13%	0 0%	0%
Reduce	1 13%	0 0%	0%
Sell	0 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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