

# Research

Poland | Equity Research

## Scope Fluidics

*Priced-in diagnosis of the innovative potential*

**Buy**  
Initiation

**Target price: 224,8 PLN**  
**upside potential: +13%**

Scope Fluidics is the one of most recognizable Polish MedTech company, which in 2022 led to the largest R&D transaction in Polish Biotech and MedTech sector. Acquisition of the Curiosity Diagnostics subsidiary to the American laboratory solutions giant Bio-Rad Inc. gave the company's shareholders a record level of dividend and secured the company's further R&D development plans up to 2025. In our opinion, the business potential resulting from the sale of the PCR|ONE is now a priced-in element in the SCP's valuation. In our view, interesting pipeline projects with BacterOMIC system and Scope Discovery platform represents interesting field of additional valuation upsides and business options. In our opinion, Scope Fluidics interestingly diversifies the Polish sector of technology companies, which led us to start the coverage for the company with a "Buy" recommendation and 12M TP PLN 224.8 /share.

**Platform (venture studio) that generates and sells innovative MedTech (DeepTech) projects in a repeatable business model.** Scope Fluidics develops innovative solutions using microfluidic technologies for applications in molecular diagnostics in global healthcare market. In 2022, SCP closed the largest transaction in the history of the Polish life science sector. Transaction covered the sale of the PCR|ONE project (by acquisition of Curiosity Diagnostics) to the global lab-equipment concern Bio-Rad for USD 100m with potential sales and regulatory milestones up to USD 70m.

**Pipeline.** The Scope Fluidics pipeline currently includes: 1) the BacterOMIC project, dedicated to the automatic detection of bacterial susceptibility to a wide range of antibiotics with the estimation of the minimum growth inhibitory concentration (MIC); 2) the Scope Discovery - a R&D platform for the development and verification of new MedTech products, using microflow technology and other solutions to design innovative diagnostic devices.

**Validated business diversifies SCP among the WSE's biotech sector.** Concluding the Curiosity Diagnostics acquisition to Bio-Rad Laboratories provided important validation of SCP business model. Therefore, we identify SCP as well-established and diversifying investment option among Biotech and MedTech sector at the WSE. In our view, interesting R&D pipeline with BacterOMIC system may provide subsequent large-scale acquisition transaction at 2024/2025, whereas Scope Discovery platform represents upside for valuation after revealing information on the potential devices application (we assume the possible timing in upcoming 6-12 months).

**Upcoming milestone payments on the horizon.** Under the terms of the agreement with BIO-Rad, Scope Fluidics is entitled to obtain additional development and sales payments: 1) Development payments - we identify the possibility of obtaining up to USD 40m (EUR 37m) for device registration in the area of additional diagnostic applications (we estimate potential timing of milestone recognition in 2H24);, and 2) sales milestones: in our forecasts, we assumed the possibility of obtaining milestones when reaching 10%, 25% and 50% of the target sales level, the timing of which we identify in 2024, 2025 and 2027, respectively.

**Upside for record dividends in BioTech & MedTech sector.** Among biotech companies listed on WSE, SCP paid the highest level of dividend in the sector's history. In March 2023, the SCP allocated PLN 233.3m from 2022 net profit for dividend (PLN 85.57 / share; DY = 43%). Due to the SCP statute, the Company intends to pay as dividend at least 50% of future payments from SPV's sales and milestones received. What is worth to mention, the additional milestone payments from Bio-Rad (up to USD 70m) will also be subject to SCP dividend payments.

**Scope Discovery - additional valuation option.** Due to the early stage of development of projects within the Scope Discovery platform, we do not include them in our current Scope Fluidics valuation at the moment. However, SCP is currently working on several early stage projects, among which an information on the potential applications and stage of development may be revealed 6-12 months. For this reason, the Scope Discovery platform is an attractive investment upside that may be added to the company's valuation when more details of current projects are revealed.

**SCP's current pipeline- TDM's view and potential development milestones.** We distinguished important newslow in main R&D projects, which includes: 1) PCR|ONE- regulatory milestones from Bio-Rad in the closest horizon of 2024 2) BacterOMIC-acquisitions plans with timing of 2024/2025; 3) Scope Discovery – valuation option. We estimate revealing the information on the potential purpose of the devices and their stage of development may be revealed in 2H23/1H24.

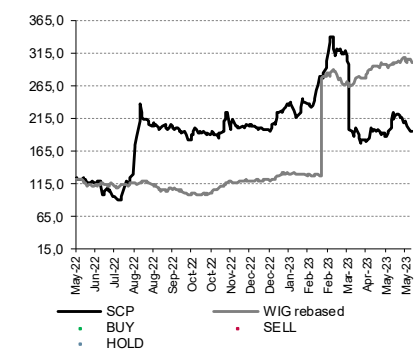
**Valuation.** The SOTP approach implies the 12M target price of Scope Fluidics shares at 224.8 PLN. The valuation is based on the SOTP approach with rNPV valuation method of R&D projects: 1) PCR|ONE automated system for real-time gene diagnostics of patients, acquired by Bio-Rad in 2022; 2) BacterOMIC automated system for antibiotic susceptibility testing.

**Risk factors.** Detailed section in presented in the report on page 30.

### FACT SHEET

Ticker	SCP		
Sector	Biotech & MedTech		
Price (PLN)	199,00		
52wk Range (PLN)	83 / 348		
Number of share (m )	2,7		
Market Cap (mPLN)	542		
Free-float	13%		
Avg Vol 3M (mPLN)	1,6		
Price performance	1M	3M	1Y
	1,6%	-42,2%	57,1%

### RELATIVE SHARE PRICE PERFORMANCE



### RECOMMENDATION HISTORY

Date	Price
10.10.2023	224,8 PLN
29.11.2023	224,8 PLN

### SHAREHOLDERS

Shareholder	Share %
Total FIZ	23,0%
Piotr Garstecki	13,5%
Marcin Izydorczak	13,1%

### IMPORT AND DATES

1H23 report	02.10.2023
3Q23 report	29.11.2023

### ANALYST

Katarzyna Kosiorek

mIn PLN	2020	2021	2022	2023F	2024F	2025F
Revenues	0,0	0,0	0,4	0,0	204,3	38,7
EBITDA	-17,9	-15,9	394,0	-34,5	146,1	596,9
EBIT	-18,1	-16,0	393,3	-35,2	144,7	594,9
Net profit	-18,1	-22,8	318,5	-25,2	120,5	485,1
P/E (x)	-	-	1,7	-	4,4	1,1
EV/EBITDA (x)	-	-	0,5	-	2,7	0,1
P/BV (x)	10,8	10,2	1,6	7,2	2,7	0,9
DY (%)	0,0%	0,0%	0,0%	45,2%	0,0%	19,8%

Source: the company, Trigon

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**NAGRODY  
PSIK**  
2022



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## Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

OCF – cash generated through the operational activities of the company

FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets

ROE – rate of return on equity

NWC – net working capital

Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

Gross profit margin – a ratio of gross profit to net revenue

EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – a ratio of operating profit to net revenue

net margin – a ratio of net profit to net revenue

EPS – earnings per share

DPS – dividends per share

P/E – a ratio of market price to earnings per share

P/BV – a ratio of market price to book value per share

EV/EBITDA – a company's EV to EBITDA ratio

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, dividend paid to share price ratio

RFR - risk-free rate

WACC - weighted average cost of capital

ISSUER – Scope Fluidics S.A.

Recommendations of the Brokerage House

BUY – we expect that the rate of return on an investment will be at least 10%

NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%

SELL – we expect that an investment will make a loss greater than 0%

Recommendation prepared by: Katarzyna Kosiorek

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