

Thursday, 27 June 2024 | update

Synektik: buy (reiterated)

SNT PW; SNTP.WA | Healthcare, Poland

Recurring sales and cardiotracer boost TP

We raise our earnings forecasts for Synektik to reflect higher-than-expected recurring revenue from da Vinci systems and the distribution agreement for Symani microsurgery robots signed in May. We currently expect norm. EBITDA to grow 37% to PLN 134m in 2023/24E and a further 20% to PLN 161m in 2024/25E.

Following the publication of Phase 2 results of Synektik's SYN2 PET/CT cardiotracer candidate at the International Conference on Nuclear Cardiology and Cardiac CT (ICNC) in May, showing promising and reproducible diagnostic efficacy, we include it into our valuation at PLN 12/share.

We reiterate our BUY recommendation for Synektik and raise our target price from PLN 100 to PLN 170/share, representing upside potential of 27%.

Recurring revenue from da Vinci systems to drive earnings

Looking at the CEE's robotic-assisted surgery market, with 1.5 robots per million inhabitants (vs. more than two in Europe and a dozen in the US), and considering the widening range of robotic procedures eligible for cost reimbursement from Poland's National Health Fund, we assume Synektik will sell 23 da Vinci systems each in FY2023/24 and 2024/25. The growing adoption of da Vinci systems by CEE hospitals should result in increasing recurring revenues for Synektik, forecast by us to grow at a 2022/23-25/26E CAGR of 40% to a target PLN 313m (43% of total revenue).

Symani microsurgery robot distribution

In May 2024, Synektik signed an exclusive distribution contract for Symani microsurgery robots in the CEE. The Symani System represents another high-margin product in Synektik's portfolio. We assume that Synektik will sell three Symani systems for EUR 2m each in 2024/25E, followed by five in 2025/26E.

RRF funding beneficiary

Synektik stands to be a beneficiary of Poland's unlocked Recovery and Resilience Facility disbursement as nearly PLN 20bn of these funds is allocated to the Healthcare system. The funds will likely have a positive impact on Synektik's results from 4Q24. A few da Vinci surgical systems, two ZAP-X systems, and several smaller projects have been recommended for RRF funding. The full impact of RRF is difficult to estimate at this point as hospitals continue to apply for the funds.

Cardiotracer candidate valued at PLN 12/share.

Synektik has been developing a tracer for PET myocardial perfusion imaging to detect coronary artery disease since 2013, and it has completed three clinical studies of the cardiotracer. Patient enrollment in a Phase 3 study has started in Europe, and in the US the transfer of manufacturing technology has yet to be completed ahead of the study startup.

With the Phase 2 results presented at ICNC in May showing promising and reproductive diagnostic efficacy with sensitivity of 80% and specificity of 75%, we opt to include the project into our valuation of Synektik. We assume Synektik will sign a partnering deal in the project in 2026/27 (upfront payment of USD 10m, biodollar value USD 45m).

Undemanding multiples

Based on our forecasts, Synektik is trading at 8.1x 2023/24E EV/EBITDA and 6.4x 2024/25E multiple – undemanding levels looking at forecast norm. EBITDA CAGR of 22% in 2022/23-25/26E.

(PLN m)	21/22*	22/23*	23/24E*	24/25E*	25/26E*
Revenues	166.9	446.9	590.9	683.5	733.5
Norm. EBITDA	32.2	97.3	133.8	160.7	177.5
Norm. Net income	12.3	65.3	92.9	115.8	129.3
Net Income	10.3	52.5	76.7	99.6	113.1
P/E (x)	92.6	17.5	12.3	9.9	8.8
EV/EBITDA (x)	36.4	11.3	8.1	6.4	5.5
Dividend yield	0%	0%	2%	4%	6%

*Fiscal year ending September 30
Source: Synektik, mBank, E - mBank estimates

current price*	PLN 134.00
target price	PLN 170.00
mCap	PLN 1,142.9m
free float	PLN 569.9m
ADTV (3M)	PLN 3.6m

*Price as of June 26, 2024, 5:00 PM

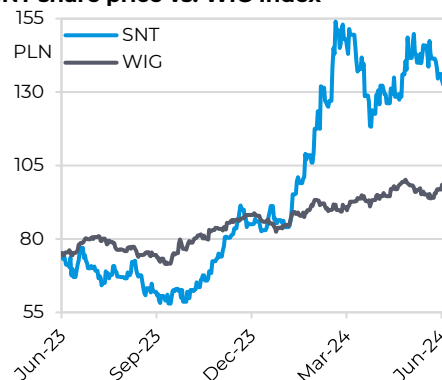
Shareholder structure

Książek Holding Sp. z o.o. (Mariusz Książek)	26.1%
Melhus Company Ltd (Cezary Kozanecki, CEO)	24.0%
Others	49.9%

About Synektik

Synektik is a CEE distributor of medical equipment, producer of IT solutions for hospitals and the largest producer of radiotracers for PET/CT scans in Poland. The company has also been developing its innovative cardiotracer that is currently in Phase 3 study.

SNT share price vs. WIG Index



company	target price		recommendation	
	new	old	new	old
Synektik	170.00	100.00	buy	buy

company	current price	target price	upside
Synektik	134.00	170.00	+27%

forecast update	2023/24E	2024/25E
	Revenues	+25%
Norm. EBITDA	+35%	+56%
Norm. net profit	+43%	+72%
net cash	+144%	+110%

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List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases)
EBITDA margin - EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
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NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following recommendations for Synektik in the 12 months prior to this publication:
Synektik (Beata Szparaga-Wasniewska)

Rating	buy	buy	suspended	buy	buy
Rating date	2023-12-01	2023-10-27	2023-10-23	2023-10-02	2023-08-28
Target price (PLN)	100.00	87.00	-	87.00	87.00
Price on rating day	80.80	59.80	58.60	60.60	67.00

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