

Mabion – option for over a year

Mabion's experience over the past 12 months shows what a difficult and lengthy process it is to build a position in the CDMO market for a new entity. The liquidity cushion (about PLN 50 million) that the company has accumulated in recent quarters through its partnership with Novavax, and potentially the financial support of major shareholders, will allow Mabion to continue operations for at least another 12 months. Thus, Mabion has at least one more year to build up its portfolio with new orders and prove the right strategy. In view of the slower-than-expected contract acquisition, we are revising downward our forecasts for the next few years. We estimate that the company will generate losses in the next few quarters, with a steady decline. We are updating our 9-month valuation of the company from PLN 19.0 to PLN 17.3.

Good H1 2024 results, but second half under pressure

Mabion made the most of the guaranteed contract period with Novavax, reporting 2Q24 results above our expectations. Revenues in 2Q24 amounted to PLN 29.8 million (-17% y/y), EBITDA PLN 12.9 million (-33% y/y), net profit PLN 10.3 million (32% y/y). In our opinion, however, this was the last such good performance quarter for the company this year. We expect operating losses in subsequent quarters. For the year as a whole, we expect revenues of PLN 74 million and EBITDA of PLN 5 million.

Small orders for Novavax and new order for UK client

In a commentary to the half-year report, the company said that as of September 10, there are no plans to resume cooperation with Novavax on the current year's manufacturing contract, but Mabion continues to fulfill additional orders. Taking additionally into account the fact that Mabion has acquired and has been executing CDMO order for a new UK customer worth about PLN 5.5 million since September this year - we expect the additional orders for Novavax and the contract for the aforementioned new customer to be Mabion's two main sources of revenue in 3Q24, and, if the company does not win new orders, in subsequent quarters as well. As a reminder, operating expenses in 2Q24 amounted to about PLN 19 million, and we expect this level to persist in subsequent quarters, and the company will not be able to fully cover them with revenues from orders.

Option for more than 12 months

Management indicates that the company's expected quarterly level of operating expenses in subsequent quarters is about PLN 19-20 million. The level of cash at the end of H1 2024 was about PLN 50 million plus the declaration of major shareholders that they will potentially be able to support the company financially in terms of the company's ongoing operating activities, allows us to assume that Mabion will be able to continue operations for at least the next 12 months. During this period, it needs to build a revenue base to cover the organization's costs and create the prospect of returning to profitability.

Risks to valuation and recommendation

The main risk factor we see for our forecasts and valuation is the risk of failing to win orders to eventually replace the contract with Novavax.

Our valuation is based on DCF (PLN 16.8, 75% weight) and adjusted BV (PLN 13.7, 25% weight) which implies a valuation over a 9-month horizon of PLN 17.3/share.

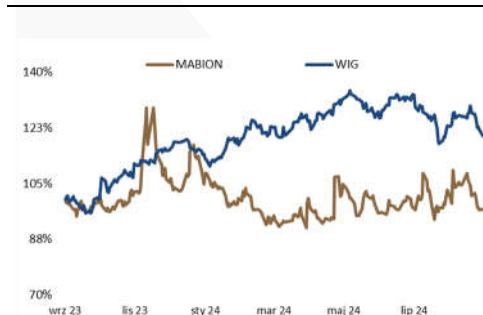
PLN m	2021	2022	2023	2024F	2025F
Revenues	57	164	152	74	52
EBITDA	-1	37	62	5	-16
Net profit.	2	23	41	0	-26
P/E (x)	na	11.8	6.6	na	na
EV/EBITDA (x)	na	5.9	4.1	45.2	na

Source: Mabion (results 2021-2023), Noble Securities (forecasts 2024-2025)

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**NOBLE
SECURITIES**
DOM MAKLECKI

Current price	PLN 16.9
Valuation (9m)	PLN 17.3
Upside/downside	2%
Market cap.	PLN 273 m
Free float	51.76%
Avg. Vol. 6M	40 101



Source: Bloomberg, Noble Securities

COMPANY PROFILE

Mabion is a biotechnology company with its own manufacturing facility in Konstancinów Łódzki. The company is working to develop its offerings and build its position in the biologics CDMO market. At the end of 2023 Mabion employed 247 people.

SHAREHOLDERS

Twiti Investments Ltd.	16.0%
Polfarmex S.A.	9.1%
Glatton sp. z o.o.	6.8%
Celon Pharma	3.8%
Pozostali	64.2%

Source: infostrefa.com, Noble Securities

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VALUATION

We valued Mabion shares using 2 methods: DCF and adjusted net assets, assigning weights of 75% and 25%, respectively, setting the valuation at a 9-month horizon equal to PLN 17.3 (previously PLN 19.0). We replaced the comparative method with the adjusted net assets method, as with a significant projected deterioration in financial results, comparative valuation is difficult or even impossible to apply.

In table below we present valuation summary:

Valuation summary	Weight (x)	Valuation (PLN m)	Per share (PLN)	Previously (PLN)	Change %
DCF	75%	272	16.8	18.6	-10%
Adjusted net assets	25%	222	13.7	nd	
Average valuation		259	16.0	17.5	-9%
Target price (9M)			17.3	19.0	-9%
Current price			16.9	16.2	4%
Upside/downside			2%	17%	

Source: Noble Securities

DCF VALUATION

Assumptions:

- Value of cash flows discounted at the beginning of Oct 2024 (previously: May 2024),
- Net debt as of December 31, 2023: -16 million PLN (net cash),
- Effective tax rate: in the period 2024-2026 we assume zero - the company at the end of 2023, in addition to the recognized deferred tax asset of PLN 4.7 million, had an unrecognized tax credit available under the zone permits of PLN 41 million; after 2026 we assume a rate of 19%,
- CAPEX: we assume capital expenditures of PLN 15 million per year; we do not assume new plant construction (Mabion II),
- Growth rate (g) 1%,
- risk free rate 5.34% (previously: 5.62%) avg 10Y Polish Treasuries yield); beta 1; market risk premium 5.15% (previously: 5.84%; Damodoran for Poland).

DCF (PLN k)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Revenues	73 753	52 000	80 000	120 000	143 000	157 300	173 030	190 333	209 366	230 303
NOPAT	-3 255	-25 066	-7 191	11 385	19 807	23 068	26 512	30 137	41 894	46 784
Depreciation and amortization	8 660	8 660	8 660	8 660	8 660	8 660	8 660	8 660	8 660	8 660
Change in WC	20 308	1 213	-1 561	-2 230	-1 282	-797	-877	-965	-1 061	-1 167
CAPEX	16 273	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	8 660
FCFF	9 440	-30 193	-15 092	2 815	12 184	15 930	19 295	22 832	34 493	45 616
WACC	10,2%	10,2%	10,2%	10,1%	10,1%	10,1%	10,1%	10,1%	10,1%	10,1%
Discount factor	0,98	0,89	0,80	0,73	0,66	0,60	0,55	0,50	0,45	0,41
DFCFF	9 214	-26 743	-12 131	2 056	8 087	9 607	10 573	11 369	15 606	18 754
Sum of DFCFF to 2033	46 392									
Growth rate (g)	1%									
Residual value 2033	509 020									
Discounted Residual value	209 276									
Enterprise Value (EV)	255 667									
Net debt 31/12/2023	-16 289									
Minorities	0									
Equity Value	271 956									
Shares (m.)	16 162									
Equity Value per share (PLN)	16,8									

Sensitivity analysis					
Growth rate (g)					
	-1%	0%	1%	2%	3%
WACC - 1,0%	16,6	18,1	20,0	22,4	25,7
WACC - 0,5%	15,4	16,7	18,3	20,4	23,0
WACC	14,3	15,4	16,8	18,6	20,8
WACC + 0,5%	13,3	14,3	15,5	17,0	18,9
WACC + 1,0%	12,4	13,3	14,3	15,6	17,3

Source: Noble Securities

Below we present Cost of Equity and WACC calculation:

WACC	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Risk free rate	5.34%	5.34%	5.34%	5.34%	5.34%	5.34%	5.34%	5.34%	5.34%	5.34%
Market risk premium	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Effective tax rate	0.0%	0.0%	0.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Cost of debt	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Cost of debt after tax bracket	7.50%	7.50%	7.50%	6.08%	6.08%	6.08%	6.08%	6.08%	6.08%	6.08%
Net debt/EV	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
WACC	10.2%	10.2%	10.2%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%

Source: Noble Securities

PEERS VALUATION

We present a comparative analysis based on selected foreign contract manufacturers (CDMOs), foreign CROs, and Poland's Selvita, which also operates in the CRO area, for illustrative purposes only, as our projected deterioration in financial performance has a materially negative impact on the ratio valuation. Therefore, we decided to exclude it from our analysis. For comparison, in the previous report from April this year, the implied comparative valuation was PLN 14.3/share.

Summary of peers valuation:

Spółka	Market cap. (PLN mln)	P/E (x)			EV/EBITDA (x)		
		2024F	2025F	2026F	2024F	2025F	2026F
LONZA GROUP AG-REG	181 985	40.1	33.1	27.8	22.3	18.5	16.0
THERMO FISHER SCIENTIFIC INC	896 713	28.1	25.5	22.8	24.1	22.2	20.3
MEDPACE HOLDINGS INC	41 875	30.2	27.0	23.2	23.2	20.9	18.2
CHARLES RIVER LABORATORIES	39 386	20.0	18.5	16.3	12.3	11.7	10.7
EUROFINS SCIENTIFIC	43 288	17.1	14.9	13.0	9.1	8.3	7.6
IQVIA HOLDINGS INC	167 137	21.3	19.2	17.1	14.8	13.6	12.6
LABORATORY CRP OF AMER HLDGS	71 313	15.1	14.0	12.6	10.5	10.1	9.4
WUXI APPTTEC CO LTD-A	61 633	12.0	10.9	9.9	8.1	7.5	6.7
EUROFINS SCIENTIFIC	43 288	17.1	14.9	13.0	9.1	8.3	7.6
SELVITA CRO SA	1 443	101.4	31.8	19.9	21.1	14.9	12.4
Median		20.6	18.8	16.7	13.6	12.7	11.5
Implied fair value of Mabion share		0.0	0.0	0.0	5.5	0.0	0.0
weight		na	na	na	na	na	na
Implied fair value of Mabion share					na		

Source: Bloomberg, Noble Securities, data on 16/09/2024 at 12:39 a.m.

Indicator	2020	2021	2022	2023	2024F	2025F	2026F
EPS, Adj+	-4,06	0,13	1,44	2,55	0,00	-1,61	-0,50
Revenue	0	57	164	152	74	52	80
Gross Margin %	n.d.	63%	82%	81%	81%	70%	68%
Operating Profit	-55	-10	28	55	-3	-25	-9
EBIT	-55	-10	28	55	-3	-25	-9
EBITDA	-45	-1	37	62	5	-16	0
Pre-Tax Profit	-56	-10	22	50	0	-26	-10
Net Income Adj+	-56	2	23	41	0	-26	-8
Net Debt	4	-33	-53	-16	-29	2	18
BPS	-5,6	3,6	4,7	7,3	7,3	5,7	5,2
CPS	-2,8	-2,2	2,4	-0,1	1,8	-1,0	-0,1
DPS	0	0	0	0	0	0	0
Return on Equity %	n.d.	n.d.	36%	42%	0%	-25%	-9%
Return on Assets %	n.d.	n.d.	13%	21%	0%	-14%	-5%
Depreciation	10	9	9	7	9	9	9
Amortization	0	0	0	0	0	0	1
Free Cash Flow	-42	-65	22	-40	13	-31	-16
CAPEX	3	32	17	38	16	15	15

Source: Noble Securities calculations

Profit and loss account	2020	2021	2022	2023	2024F	2025F	2026F
Net revenues	0	57	164	152	74	52	80
Gross profit from sales	0	21	30	28	14	16	26
Cost of sales	0	15	68	9	1	0	0
SG&A costs	36	14	15	6	1	1	1
R&D costs	20	30	29	40	60	60	62
Other operating revenues and expenses	2	-2	6	-13	-1	0	0
EBIT	-55	-10	28	55	-3	-25	-9
Financial income and costs	-1	0	-6	-5	3	-1	-1
Profit before tax	-56	-10	22	50	0	-26	-10
Income tax	0	12	1	-9	0	0	2
Net profit	-56	2	23	41	0	-26	-8
Depreciation and amortization	10	9	9	7	9	9	9
EBITDA	-45	-1	37	62	5	-16	0

Source: Mabion (2020-23), Noble Securities (2024F-2026F)

Assets	2020	2021	2022	2023	2024F	2025F	2026F
Non-current Assets	78	184	186	208	206	178	172
Tangible assets	67	102	104	118	125	132	138
Intangible assets	65	89	90	112	120	126	133
Other non-current assets	1	13	14	5	5	5	5
Current Assets	12	82	82	90	81	47	34
Inventories	6	8	8	7	4	3	4
Trade receivables	3	12	8	26	6	4	7
Cash and cash equivalents	2	49	54	48	61	29	13
Other current assets	1	13	12	10	10	10	10
	0	0	0	0	0	0	0
Liabilities	78	184	186	208	206	178	172
Equity	-77	53	77	118	118	92	84
Non-current liabilities	51	35	35	35	35	35	35
Current liabilities	105	96	74	55	53	51	54
Loans, borrowings and other financial liabilities	31	15	0	31	31	31	31
Accounts payable	18	23	13	8	6	4	6
Other	55	58	61	16	16	16	16

Source: Mabion (2020-23), Noble Securities (2024F-2026F)

Cash flow statement	2020	2021	2022	2023	2024F	2025F	2026F
Profit before tax	-56	2	23	41	0	-26	-8
Depreciation and amortization	10	9	9	7	9	9	9
Other	0	-58	-2	18	0	0	0
Change in working capital	8	15	8	-68	20	1	-2
CF from operating activities	-38	-33	39	-2	29	-16	-1
CAPEX	3	32	17	38	16	15	15
Divestments and other	0	0	1	0	0	0	0
CF from investment activities	-3	-31	-16	-38	-16	-15	-15
Increase of share capital	0	117	0	0	0	0	0
Change of financial liabilities	15	0	-15	38	0	0	0
Other	-2	-7	-2	-3	0	0	0
Dividends and other proceeds to shareholders	0	0	0	0	0	0	0
CF from financial activities	13	111	-18	34	0	0	0
CF	-29	46	5	-6	13	-31	-16
Cash at the beginning of the period	21	22	69	74	68	80	49
Cash at the end of the period	-7	69	74	68	80	49	33

Source: Mabion (2020-23), Noble Securities (2024F-2026F)

All recommendations distributed by NS in last 12 months:

Company	Direction	Cena docelowa (4)	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Aparator	Accumulate	21,4	18,3	19,50	10%	12.09.2024	9M	Michał Sztabler
Bioton	Na	4,3	3,5	3,40	27%	09.09.2024	9M	Krzysztof Radojewski
Aplisens	Na	24,9	21,2	21,60	15%	30.08.2024	9M	Michał Sztabler
Budimex	Reduce	552,0	587,0	595,50	-7%	28.08.2024	9M	Dariusz Nawrot
LPP	Buy	22500,0	14820,0	14540,00	55%	19.08.2024	9M	Dariusz Dadej
Auto Partner	Buy	36,3	22,2	22,25	63%	31.07.2024	9M	Mateusz Chrzanowski
InterCars	Buy	825,7	485,0	501,00	65%	31.07.2024	9M	Mateusz Chrzanowski
Celon Pharma	Buy	39,7	24,0	29,90	33%	17.07.2024	9M	Krzysztof Radojewski
Forte	Hold	23,0	22,5	20,60	12%	09.07.2024	9M	Dariusz Dadej
Toya	Na	12,0	8,4	7,27	65%	28.06.2024	9M	Dariusz Nawrot
Photon Energy	Na	7,3	7,5	6,50	12%	28.06.2024	9M	Michał Sztabler
Unibep	Na	12,8	9,4	9,30	38%	27.06.2024	9M	Dariusz Nawrot
Molecure	Buy	19,7	14,0	14,06	40%	25.06.2024	9M	Krzysztof Radojewski
Answer.com	Hold	23,7	22,6	21,50	10%	24.06.2024	9M	Dariusz Dadej
XTB	Hold	69,5	68,1	62,44	11%	18.06.2024	9M	Mateusz Chrzanowski
Selvita	Accumulate	75,6	65,0	64,20	18%	12.06.2024	9M	Krzysztof Radojewski
Aparator	Accumulate	17,9	16,0			11.06.2024	9M	Michał Sztabler
Ailleron	Buy	23,1	17,2	19,24	20%	10.06.2024	9M	Dariusz Dadej
Photon Energy	Na	6,8	7,7	6,50	5%	31.05.2024	9M	Michał Sztabler
MO-BRUK	Accumulate	375,8	320,0	299,00	26%	23.05.2024	9M	Dariusz Dadej
11bit studios	Buy	952,6	573,0	635,00	50%	22.05.2024	9M	Mateusz Chrzanowski
Ryvu Therapeutics	Buy	75,5	54,5	54,10	40%	21.05.2024	9M	Krzysztof Radojewski
Torpol	Hold	35,0	34,0	32,90	6%	16.05.2024	9M	Dariusz Nawrot
Pepco Group	Hold	21,9	21,4	17,20	27%	14.05.2024	9M	Dariusz Dadej
Torpol	Buy	35,0	28,5			10.05.2024	9M	Dariusz Nawrot
Unibep	Na	12,0	9,5			09.05.2024	9M	Dariusz Nawrot
Sonel	Na	15,8	15,0	16,25	-3%	06.05.2024	9M	Michał Sztabler
Mabion	Na	19,0	16,2	17,02	12%	29.04.2024	9M	Krzysztof Radojewski
Bioton	Na	4,5	3,5	3,40	31%	18.04.2024	9M	Krzysztof Radojewski
Toya	Na	11,5	7,2			11.04.2024	9M	Dariusz Nawrot
Captor Therapeutics	Buy	131,1	75,0	77,60	69%	11.04.2024	9M	Krzysztof Radojewski
LW Bogdanka	Sell	22,7	33,7	21,24	7%	10.04.2024	9M	Michał Sztabler
MCI Capital	Na	40,7	25,1	25,30	61%	05.04.2024	9M	Krzysztof Radojewski
Torpol	Reduce	35,5	38,0			19.03.2024	9M	Dariusz Nawrot
Dino Polska	Accumulate	445,1	412,0	303,30	47%	19.03.2024	9M	Dariusz Dadej
Eurocash	Hold	15,7	15,0	9,72	62%	19.03.2024	9M	Dariusz Dadej
CD Projekt	Buy	192,8	106,2	172,90	12%	05.03.2024	9M	Mateusz Chrzanowski
Torpol	Hold	31,5	30,4			05.03.2024	9M	Dariusz Nawrot
Celon Pharma	Buy	25,5	14,9			05.03.2024	9M	Krzysztof Radojewski
Tauron PE	Reduce	3,1	3,6	3,39	-9%	01.03.2024	9M	Michał Sztabler
LPP	Buy	19282,0	16000,0			16.02.2024	9M	Dariusz Dadej
Forte	Accumulate	25,2	23,8			12.01.2024	9M	Dariusz Dadej
Torpol	Buy	28,3	23,1			18.12.2023	9M	Dariusz Nawrot
Amica	Buy	109,2	80,7			12.12.2023	9M	Mateusz Chrzanowski
MCI Capital	Na	40,3	23,7			08.12.2023	9M	Krzysztof Radojewski
Answer.com	Hold	31,8	31,2			07.12.2023	9M	Dariusz Dadej
Sonel	Na	12,4	11,7			05.12.2023	9M	Michał Sztabler
Ailleron	Accumulate	22,7	19,2			04.12.2023	9M	Dariusz Dadej
Celon Pharma	Buy	29,1	14,2			01.12.2023	9M	Krzysztof Radojewski
LW Bogdanka	Reduce	28,6	33,8			30.11.2023	9M	Michał Sztabler
Captor Therapeutics	Buy	137,1	86,8			29.11.2023	9M	Krzysztof Radojewski
MO-BRUK	Buy	390,3	290,0			23.11.2023	9M	Dariusz Dadej
XTB	Buy	67,7	35,0			23.11.2023	9M	Mateusz Chrzanowski
Selvita	Accumulate	72,6	60,3			22.11.2023	9M	Krzysztof Radojewski
Aparator	Accumulate	16,9	14,9			21.11.2023	9M	Michał Sztabler
Molecure	Buy	23,5	17,9			20.11.2023	9M	Krzysztof Radojewski
Aplisens	Na	29,3	22,4			17.11.2023	9M	Michał Sztabler
Pepco Group	Hold	19,0	19,8			15.11.2023	9M	Dariusz Dadej
Ryvu Therapeutics	Buy	77,7	56,0			10.11.2023	9M	Krzysztof Radojewski
TIM	Dropped	40,6	47,7			06.11.2023	9M	Michał Sztabler
LPP	Buy	16795,0	13000,0			20.10.2023	9M	Dariusz Dadej
Auto Partner	Buy	33,9	22,8			04.10.2023	9M	Mateusz Chrzanowski
InterCars	Buy	708,0	557,0			04.10.2023	9M	Mateusz Chrzanowski
Mabion	Na	23,6	17,0			02.10.2023	9M	Krzysztof Radojewski
Wielton	In review	10,2	8,4			19.09.2023	9M	Michał Sztabler
Dino Polska	Accumulate	431,8	378,1			19.09.2023	9M	Dariusz Dadej
Eurocash	Hold	15,0	14,8			19.09.2023	9M	Dariusz Dadej
Bioton	Na	5,4	3,8			19.09.2023	9M	Krzysztof Radojewski

(1) Date of publication is simultaneously date of first publication, (2) recommendation is valid for a period of 9 months, unless it is previously updated,

(3) Job position: Krzysztof Radojewski – Deputy Head of Research and Advisory Department, Michał Sztabler – Equity Analyst, Dariusz Dadej – Equity Analyst, Mateusz Chrzanowski – Junior Equity Analyst, Dariusz Nawrot – Senior Equity Analyst

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FINAL REMARKS

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Recent research concerning Mabion SA

Direction	na	na	na
Date	08/09/2023 8:20 a.m.	02/10/2023 9:30 a.m.	29/04/2024 godz. 17:10
Stock price at the date of report	18.0	17.0	16.2
Valuation per share	22.9	23.6	19.0
WIG Index at the date of report	65 932.92	65 397.43	85 375.3

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