TRIGON DOM MAKLERSKI

Research

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Synektik

Keeping up upside in medical systems sales

Buy

(Recent: Buy)

Target price: 275.4 PLN
upside potential: +21%

Throughout 2024, Synektik has significantly increased the number of delivered medical systems and maintenance services. In our opinion, the upcoming quarters should also present strong revenues, with significant upside potential from the launch of the National Recovery Plan (KPO). In our assessment, the program's provisions will cover both da Vinci robots and other equipment from SNT's portfolio (Hologic, Symani, and Zapp systems) - we estimate that in 2025F–2026F, SNT could deliver an additional 6–8 da Vinci systems and achieve sales of other medical equipment at a level of approximately PLN 40–60m. Furthermore, due to the growing base of installed da Vinci systems and higher system utilization, the share of recurring revenues (from the sale of instruments and service agreements) is expected to grow rapidly in the coming years, outpacing revenues from system sales in the long term. Taking all this into account, we maintain our positive view on Synektik's business momentum and reiterate our "Buy" recommendation with a 12-month target price (TP) of PLN 275.4per share (+21% upside).

Upside in KPO funds. According to the plans, funds from the National Recovery Plan (KPO) are to be allocated to improving the quality of oncological care in Poland, strengthening medical infrastructure, and developing innovative solutions in cancer diagnosis and treatment. Hospitals located across the country, classified within the three levels of the National Oncology Network (Krajowa Sieć Onkologiczna, KSO), are eligible to participate in the program. The maximum project value for a hospital at SOLO I level is PLN 60m, for SOLO II – PLN 80m, and for SOLO III – PLN 125m. The funds will not only be directed to hospitals included in the KSO but also to outpatient oncology specialist care facilities operating within these hospitals. The funds can be used to purchase or modernize medical equipment and devices necessary for providing oncology diagnostic and treatment services, as well as for investments in hospital infrastructure. This includes the reconstruction and renovation of existing buildings, as well as the construction of new infrastructure.

Changes in SNT's financial forecasts and valuation. Considering the strong potential growth in the medical supply segment, driven by the National Health Recovery Plan (KPO) starting in January 2025, we have increased our assumptions regarding system sales by approximately 6–8 da Vinci systems in 2025–2026. Additionally, we have factored in possible additional sales of other systems (Zapp, Hologic, Symani), with a revenue upside of PLN 40–60m in the coming two years. Compared to our previous recommendation, we have raised our forecasts for the Group's top line and recurring EBITDA due to the favorable sales mix of da Vinci systems, disposable materials, and other medical systems. SNT's sales performance significantly exceeded strategic assumptions, driven by: **1)** strong support for the modernization of medical facilities from public funds, **2)** the expansion of da Vinci procedure reimbursements in the Polish market, and **3)** the geographical extension of existing cooperation agreements (e.g., Insightec).The current valuation reflects favorable multiples, with EV/EBITDA for 2024–2026 at 7.8–11.3x and P/E for 2024–2026 at 11.3–16.1x (data adjusted for cardiotracer project costs).

Valuation. The SOTP approach implies the 12M target price of Synektik shares at PLN 275.4 (+21% upside), including 1) medical devices supply and radiopharmaceuticals sale segment – PLN/share 254 (DCF method) and 2) cardiotracer project – PLN/share 21.4 (rNPV method). Relative valuation to other companies operating in medical devices or pharmaceuticals sales implies a valuation of SNT at PLN 192 / share. However, due to the different Synektik's business model compared to other listed companies, we use the DCF method as the main method for the valuation of medical systems and radiopharmaceuticals sales.

Risk factors. Among the main risk factors for the recommendation for the Synektik valuation, we identify elements related to currently business activities, including the risk of failure to achieve the assumed sales dynamics, risk of termination of exclusive supply agreements, competition impact, risk of cardiotracer project failure. Among the other factors, we identify risks related mostly to the macroeconomic situation. The detailed description of risks factors is presented on page 10.

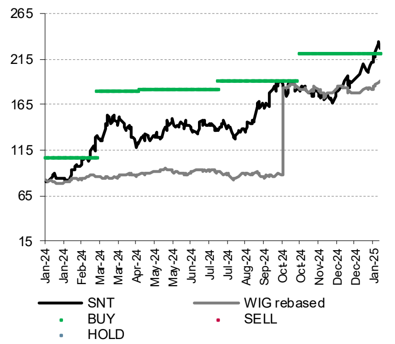
PLNm	2021	2022	2023	2024E	2025E	2026E
Revenues	130	275	574	557	730	841
EBITDA	16	53	105	113	153	176
EBIT	8	40	90	93	132	153
Net profit	6	28	70	76	105	128
EPS (PLN)	0.7	3.3	8.2	8.9	12.3	15.0
P/E (x)	137.7	69.6	27.9	25.8	18.6	15.3
P/E (x) adj. *	53.2	46.4	20.4	16.4	13.3	11.8
EV/EBITDA (x)	77.7	36.5	17.1	16.1	11.7	10.1
EV/EBITDA (x) adj. *	39.9	30.4	13.3	11.3	9.0	8.0
P/BV (x)	23.7	18.3	11.5	9.0	7.7	6.5
DY (%)	0.2%	0.2%	0.3%	1.3%	3.6%	4.1%

*Source: Company, Trigon DM; * data adjusted by cardiotracer project*

FACT SHEET

Ticker			SNT
Sector			Biotech & MedTech
Price (PLN)			228.50
52wk Range (PLN)			74 / 193.8
Number of share (m)			8.5
Market Cap (mPLN)			1,949
Free-float			50%
Avg Vol 3M (mPLN)			3.5
Price performance	1M	3M	1Y
	-7.3%	18.9%	124.7%

RELATIVE SHARE PRICE PERFORMANCE



RECOMMENDATION HISTORY	Date	Price
Buy	05.12.2024	222
Buy	19.10.2024	222
Buy	19.07.2024	192
Buy	19.04.2024	183
Buy	01.03.2024	181
Buy	11.12.2023	108
Buy	11.12.2023	108

SHAREHOLDERS	Share %
Mariusz Książek	26.1%
Melhus Company Ltd	24.0%
Other	49.8%

IMPORTANT DATES

4Q24 report	05.02.2025

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Glossary of professional terms:
capitalisation – market price multiplied by the number of a company's shares
free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company
min/max 52 wks – lowest/highest share price over the previous 52 weeks
average turnover – average volume of share trading over the previous month

EBIT – operating profit
EBITDA – operating profit before 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 a company's operating activities
FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets
ROA – rate of return on assets
ROE – rate of return on equity
ROIC – rate of return on invested capital
NWC – net working capital
cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services
gross profit margin – ratio of gross profit to net revenue
EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue
EBIT margin – ratio of operating profit to net revenue
net margin – ratio of net profit to net revenue
EPS – earnings per share
DPS – dividend per share
P/E – ratio of market price to earnings per share
P/BV – ratio of market price to book value per share
EV/EBITDA – ratio of a company's EV to EBITDA
EV – sum of a company's current capitalisation and net debt
DY – dividend yield, ratio of dividends paid to share price
RFR – risk free rate
WACC – weighted average cost of capital

Recommendations of the Brokerage House
Issuer – Synektik S.A.
BUY – we expect the total return on an investment to reach at least 15%
HOLD − we expect the price of an investment to be largely stable, with potential upside of up to 15%
SELL – we expect negative total return on an investment of more than -0%

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Document prepared by: Katarzyna Kosiorek

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.
- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.
- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn't consider market sentiment or short-term fluctuations.
The comparable valuation method values a company by comparing it to similar publicly traded companies.
- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.
- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.
SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.
Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.
Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.
Risk-adjusted net present value method (rNPV)
Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.
Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.
Discounted residual income method (DRI)
Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.
Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.
Discounted dividend model (DDM)
Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.
Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.
Net asset value method (NAV)
Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of

NAV is relatively straightforward.
Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.
Target multiple method
Advantages: the method can be applied to any company.
Disadvantages: it involves a high degree of subjectivity.
Replacement value method – it assesses the value of a company based on the costs of replacing its assets.
Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.
Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.
Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.
Advantages: the method can capture the lowest threshold of a company's value.
Disadvantages: it may be hard to capture the value of a company's intangibles.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: discounted cash flow method (DCF) and risk-adjusted Net Present Value (rNPV).
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