

# Synektik S.A.



Price target: UR

Q4 Preview

Rating: UR

**What to expect from Q4/16** We expect that in Q4/16 the segment "Production of radiopharmaceuticals" continued its positive trend from 9M/16 due to increasing sales both in Poland and abroad (higher margin sales to Czech Republic and Slovakia due to a less competitive market environment). However, the segments "Diagnostic equipment & medical software" and "Services & measurement" continued to suffer from weak investment activity by public and private medical facilities in Poland, which resulted from (1) change of government in October 2015 and (2) failure to timely implement a new law relating to public investments, which was necessary to start processing applications for EU subsidies from the new budget 2014-2020 (the law was only passed in July 2016). In addition, in the segment "Diagnostic equipment & medical software" results in 2015 were extraordinarily high due to a one-off contract with the Brodno hospital in Warsaw at a volume of PLN 20.8m and relatively high EBITDA margin of >10%.

**Our forecasts** We estimate that in Q4/16 the segment "Production of radiopharmaceuticals" generated revenues of PLN 4.5m (Q4/15: PLN 3.2m). In our opinion, "Diagnostic equipment & medical software" and "Services & measurement" contributed PLN 9.3m (PLN 21.6m) and PLN 0.8m (PLN 0.9m) respectively. We forecast that between October and December 2016 Synektik generated total sales of PLN 14.7m (-42.7% y-o-y), an EBITDA of PLN 1.5m (Q4/15: PLN 1.8m), EBIT of PLN 0.5m (PLN 0.7m) and net income of PLN 0.2m (PLN 0.2m).

With regard to full-year 2016 results, we estimate that Synektik generated total sales of PLN 49.9m (-40.3% y-o-y), EBITDA of PLN 4.1m (+9.5% y-o-y), an EBIT of PLN 1.5m (2015: PLN -0.6m) and net income of PLN 0.02m (PLN -1.3m). Thereof, "Diagnostic equipment & medical software" contributed revenues of PLN 31.4m and EBIT margin of 5.7%, "Services & measurement" PLN 3.4m and -5% respectively and "Production of radiopharmaceuticals" PLN 15.1m and 29%.

We will update our valuation model of Synektik after the presentation of the company's strategy in Q1/17, which will also include more detailed financial information on the new cardiac tracer (initiated Phase II of research in Q4/16). Until then, we put the stock Under Review.

in PLNm	Q4/15	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E
<b>Net sales</b>	<b>25.61</b>	<b>83.60</b>	<b>7.89</b>	<b>12.62</b>	<b>14.72</b>	<b>14.66</b>	<b>49.90</b>
<i>y-o-y change</i>	-14.5%	7.1%	-21.7%	81.0%	-64.0%	-42.7%	-40.3%
<b>EBITDA</b>	<b>1.75</b>	<b>3.78</b>	<b>0.58</b>	<b>0.85</b>	<b>1.16</b>	<b>1.54</b>	<b>4.13</b>
<i>EBITDA margin</i>	6.8%	4.5%	7.4%	6.8%	7.9%	10.5%	8.3%
<b>EBIT</b>	<b>0.69</b>	<b>-0.57</b>	<b>0.04</b>	<b>0.35</b>	<b>0.62</b>	<b>0.53</b>	<b>1.54</b>
<i>EBIT margin</i>	2.7%	-0.7%	0.5%	2.8%	4.2%	3.6%	3.1%
<b>Net income</b>	<b>0.20</b>	<b>-1.27</b>	<b>-0.27</b>	<b>-0.30</b>	<b>0.39</b>	<b>0.20</b>	<b>0.02</b>
<i>Net margin</i>	0.8%	-1.5%	-3.4%	-2.4%	2.7%	1.3%	0.0%

## Company profile

Synektik S.A. is the leading Polish manufacturer of radiopharmaceuticals, which patients have to take before undergoing a PET-CT exam. In addition, it distributes diagnostic equipment and IT solutions and provides maintenance/testing services.

Website	www.synektik.com.pl
Sector	Healthcare Services
Country	Poland
ISIN	PLSNKTK0001
Reuters	SNTPW.WA
Bloomberg	SNT PW

## Share information

Last price	15.19
Number of shares (m)	8.53
Market cap. (PLNm)	129.56
Market cap. (EURm)	29.72
52-weeks range	PLN 18.51 / PLN 13.61
Average volume (shares)	1,618

## Performance

4-weeks	3.19%
13-weeks	-11.84%
26-weeks	-1.87%
52-weeks	-15.09%
YTD	-3.80%

## Shareholder structure

Melhus Company Ltd. (CEO)	25.03%
Altus TFI	15.65%
Templeton Asset Management	10.04%
NN OFE	9.97%
Trigon TFI	7.81%
PZU TFI	5.30%
Free float	26.20%

## Financial calendar

Q4 2016 results	February 14, 2016
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## Analyst

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