

Synektik S.A.



Price target: PLN 20

Update

Rating: BUY

Synektik's results in 2015 disappointed, which in our opinion was mainly due to organizational chaos at the National Health Fund (NFZ), which pays for c. 97% of PET-CT diagnostic exams in Poland, and strong competition in the area of radiopharmaceuticals. While revenues increased by 7.1% y-o-y to PLN 83.6m, the company reported a loss on EBIT and net income level of PLN -0.6m and PLN -1.3m respectively. Nevertheless, SNT's balance sheet remained solid, with net cash at the end of 2015 totaling PLN 11.1m.

The main growth driver in 2015 was the segment "Diagnostic equipment & medical software", where revenues went up by 17.3% to PLN 67.9m at an EBIT margin of 4.9%. The growth y-o-y stemmed from new projects relating to delivery of diagnostic equipment (among others at the Brodno Hospital in Warsaw for PLN 20.8m net) and a significant number of IT implementations. However, the segments "Services & measurement" and "Production of radiopharmaceuticals" performed much weaker y-o-y both on top- and bottom-line. "Production of radiopharmaceuticals", where revenues declined by 24.5% to PLN 12.1m and EBIT margin from 23.9% in 2014 to 5%, was negatively affected by strong competition in the area of radiopharmaceuticals in Poland and disappointing effects of the oncological package, which was introduced by NFZ in Jan 2015. Foreign sales of radiopharmaceuticals, which were initiated in Q3/15, only contributed 5.8% to total sales of the segment.

Although Synektik remains a highly-interesting long-term story due to the potential of diagnostic services in CEE and globally, we have lowered our estimates for 2016 and beyond, which results in a new 12-months price target (80% DCF, 20% peer group) of PLN 20, down from PLN 26 before. As the new Polish government announced plans of NFZ reform, we are cautious when it comes to SNT's business in its local market, despite the high catch-up potential of the diagnostic segment and inflow of EU funds. However, this should be increasingly offset by growing sales of high-margin special radiopharmaceuticals to foreign markets e.g. Slovakia and the Czech Republic. The cardiac tracer, for which SNT secured patent protection until 2031 in the US, will likely enter Phase II of clinical trials in late 2016. We will account for the new product in our model after the publication of the company's strategy in June 2016.

Company profile

With a market share of c. 40%, Synektik S.A. is the No 1 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. The company is also working on an innovative new cardiac tracer, which it plans to sell worldwide in the future.

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

Share information

Last price	15.00
Number of shares (m)	8.53
Market cap. (PLNm)	127.94
Market cap. (EURm)	29.56
52-weeks range	PLN 18.69 / PLN 13.61
Average volume (shares)	2,008

Performance

4-weeks	3.34%
13-weeks	-13.66%
26-weeks	-3.25%
52-weeks	-13.33%
YTD	-14.00%

Shareholder structure

Melhus Company Ltd. (CEO)	25.03%
FTIF Templeton Eastern Europe	9.99%
Nationale Nederlanden OFE	9.97%
Altus TFI	9.66%
Trigon TFI	7.81%
PZU TFI	6.04%
Free float	31.500%

Financial calendar

Q1/16 report	May 9, 2016
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Analyst

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in PLNm	2014	2015	2016E	2017E	2018E	2019E
Net sales	78.05	83.60	80.65	89.02	99.27	107.56
EBITDA	8.65	3.78	6.87	10.74	15.65	17.51
EBIT	4.76	-0.57	4.45	8.07	12.67	14.29
Net income	3.08	-1.27	2.79	5.81	9.57	10.92
EPS	0.36	-0.15	0.33	0.68	1.12	1.28
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	5.47%	-2.21%	4.82%	9.33%	13.69%	13.62%
Net gearing	-31.09%	-19.70%	-6.97%	-3.28%	-4.94%	-14.97%
EV/Sales	1.50x	1.40x	1.45x	1.31x	1.18x	1.09x
EV/EBITDA	13.50x	30.93x	17.00x	10.87x	7.47x	6.67x
P/E	41.48x	neg	45.79x	22.03x	13.37x	11.71x

Fiscal-year 2015 results

Revenues and Profitability

In 2015, Synektik's results were negatively affected by strong competition in the area of radiopharmaceuticals in Poland (especially FDG tracers) as well as organizational chaos relating to the new oncological package, which was introduced at the beginning of that year. Between January and December 2015, the company's revenues increased by 7.1% y-o-y to a record PLN 83.6m, however on EBIT and net income level SNT reported a loss of PLN 569k and PLN 1.3m respectively.

Sales growth resulted from the largest segment "Diagnostic equipment & medical software", where revenues improved by 17.3% to PLN 67.9m due to a high number of new contracts for delivery and installation of medical equipment and IT implementations, the largest being that with the Brodno Hospital in Warsaw worth PLN 20.8m net.

However, the segments "Services & measurement" (-13.2% y-o-y to PLN 3.6m) and "Production of radiopharmaceuticals" (-24.5% y-o-y to PLN 12.1m) performed worse than in 2014 both in terms of revenues and profitability. The main issue in the Radiopharmaceuticals business were c. 30% lower average prices in Poland y-o-y due to strong competition in the area of FDG tracers by Voxel, Eckert & Ziegler f-con, Monrol and AAA. Moreover, in contrast to what had been expected earlier, the National Health Fund (NFZ), which pays for c. 97% of all PET-CT diagnostic exams in Poland, did not (1) remove all limits regarding the number of diagnostic exams and (2) introduce different pricing for diagnostic exams using FDG tracers and more sophisticated ones such as Choline and Dopa. While in Poland SNT's market share had declined since January 2013 from c. 50% to c. 40%, foreign sales of radiopharmaceuticals, which were initiated in Q3/15 in the Czech Republic, contributed only PLN 701k (or 5.8%) to the segment's revenues.

in PLNm	2015	2014
Diagnostic equipment & medical software	67.88	57.84
<i>Share in total sales</i>	<i>81.2%</i>	<i>74.1%</i>
EBIT margin	4.9%	9.7%
Services & measurement	3.61	4.16
<i>Share in total sales</i>	<i>4.3%</i>	<i>5.3%</i>
EBIT margin	-1.5%	20.9%
Production of radiopharmaceuticals	12.11	16.05
<i>Share in total sales</i>	<i>14.5%</i>	<i>20.6%</i>
EBIT margin	5.0%	23.9%
Total net sales	83.60	78.05

Source: Company information, East Value Research GmbH

in PLNm	2015	2014	change (%)
Net sales	83.60	78.05	7.1%
EBITDA	3.78	8.65	-56.3%
<i>EBITDA margin</i>	<i>4.5%</i>	<i>11.1%</i>	
EBIT	-0.57	4.76	-112.0%
<i>EBIT margin</i>	<i>-0.7%</i>	<i>6.1%</i>	
Net income	-1.27	3.08	-141.0%
<i>Net margin</i>	<i>-1.5%</i>	<i>4.0%</i>	

Source: Company information, East Value Research GmbH

Balance sheet and Cash flow

At the end of 2015, Synektik had equity of PLN 56.6m, which corresponded to a share in the balance sheet total of 54.2%. Property, plant and equipment, which comprise the equipment of the company's laboratories and the two production facilities for radiopharmaceuticals (cyclotrons) in Kielce and Warsaw, equaled PLN 37.6m, while intangible assets (rights relating to radiopharmaceuticals and software) amounted to PLN 21.4m. We estimate that working capital at the end of 2015 was worth PLN -9.5m (2014: PLN -7.1m).

Between January and December 2015, Synektik generated an operating cash flow of PLN 5.7m (2014: PLN 12m), which stemmed especially from the net loss. Cash flow from investing and financing equaled PLN -11.5m (PLN -15.2m) and PLN -4.9m (PLN 1.1m) and reflected investments relating to the development of the cardiac tracer, respectively repayment of debt. As of 31/12/2015, Synektik had interest-bearing debt of PLN 9m (2014: PLN 12.8m), thereof 49.8% (40%) short-term. Cash amounted to PLN 20.1m and was PLN 10.7m lower than at the end of 2014.

Changes to our forecasts

Revenues and Profitability

Clearly, Synektik's problem is that it is still dependent on the Polish market, where in the segment of diagnostic services NFZ, an institution that is controlled by politicians, is by far the most important payer. Another issue is the situation in the area of radiopharmaceuticals, where competition is very intense, but only in the segment of simple FDG tracers. Nevertheless, Synektik remains the No 1 player with a (stable) market share of c. 40% in Poland and is the only provider with own special radiopharmaceuticals, which are c. 3 times more expensive than simple FDG (current prices: PLN 2,500-PLN 2,700 per dose versus c. PLN 800 per dose).

Although NFZ's increased its budget for 2016 by 6.9% y-o-y to PLN 69.5bn and the number of diagnostic exams in Poland is still significantly lower than in other OECD countries (e.g. 0.90 PET exams per 1k inhabitants versus 3.10 on average in OECD), we are cautious when it comes to development of Synektik's business in its domestic market. The reason is the plan of the new conservative Polish government to reform and reorganize the National Health Fund (NFZ), which could further postpone the revision of the oncological package. The only hope is the company's expansion to foreign markets, which was only initiated in Q3/15, but could already show significant growth this year, especially in Slovakia and the Czech Republic (management already indicated that export sales in Q1/16 grew strongly y-o-y). This would also significantly improve margins as SNT mainly exports own special radiopharmaceuticals such as Choline and the segment's business is characterized by a strong operating leverage.

Below are our detailed estimates for Synektik's business areas:

Diagnostic equipment & medical software: We do not expect that in 2016 the segment will perform that well as in 2015, which was affected especially by the large contract with the Brodno Hospital in Warsaw (PLN 20.8m net). However, we believe that margins will improve due to a higher share of IT contracts, whose share in 2015 we estimate at less than 15% of the total. In general, we expect that in the future the sale of IT solutions (RICS/PACS software for diagnostic equipment at private and public medical facilities) will develop most dynamically as the Polish healthcare sector is underdeveloped in this regard. We also see high international sales potential of the cloud-based Big Data solution, whose development Synektik plans to finance with EU subsidies in the coming years.

For the segment, we now estimate revenues of PLN 62.9m in 2016 (previously: PLN 66.8m) and an EBIT margin of 7% (6%). As IT projects are smaller than those for delivery of equipment, but significantly more profitable, it should grow at an average rate of 3.7% by 2024 (5.8%) and generate EBIT margins of c. 11% (>7%).

Services & measurement: In this segment, Synektik conducts tests of diagnostic equipment, which are required by law, as well as maintenance services relating to the diagnostic equipment, which it distributes itself e.g. RTGs, Computer Tomographs, Magnetic Resonances, Mammographs, Angiographs, Ultrasonographs. These services are targeted at both Polish and international customers. As its 2015 results disappointed, we now expect that the segment will generate sales of PLN 4.2m in 2016 vs. PLN 5.3m previously. However, in the long run we expect it to grow at a CAGR of 6% (2.2%) and generate EBIT margins of c. 16% (>14%).

Production of radiopharmaceuticals: This segment has disappointed the most in the last quarters due to the situation in Poland. Although only 40% (equals c. 40k doses of radiopharmaceuticals per year) of the total market potential in Poland is currently used, we are cautious when it comes to consumption of radiopharmaceuticals in the short-term as the reform/reorganization of NFZ, which the new government plans to conduct, could postpone the necessary revision of the oncological package. Consequently, the main reason, why we think revenues of the segment will grow in the coming years, are increasing foreign sales especially of more expensive special radiopharmaceuticals, which should be accompanied by a strong improvement of margins.

We would like to emphasize that our forecasts do not account for the cardiac tracer, which Synektik develops together with Israeli research facility Hadasit and for which it will have 20-year exclusive worldwide distribution rights. The company plans to initiate Phase II of clinical trials relating to the tracer in late 2016 and has already secured the necessary financing (PLN 21.3m from the EU program "Horizon"). First sales of the new radiopharmaceutical, for which Synektik received patent protection in the US (the largest pharma market worldwide) in December 2015, will likely occur in the period 2019-2020 (from a sub-licensing model comprising a down payment and royalties). The company estimates that only in the US there are 8m diagnostic exams with cardiac tracers per year.

For the segment "Radiopharmaceuticals", we expect revenues of PLN 13.6m in 2016 (previously: PLN 27.4m) and an EBIT margin of 13.9% (35%). In the long run, it should grow at a CAGR of 17.3% (10.7%) and generate EBIT margins of c. 32% (>37%). We believe the average sales price will increase by 2% y-o-y in the coming years due to a growing share of special radiopharmaceuticals in Poland (currently only c. 5% versus c. 50% in Western Europe) and export sales (apart from Czech Republic and Slovakia, SNT also plans to start distribution through partners to Belarus, Ukraine and the Baltics). According to management, both Slovakia and Czech Republic offer a market potential for Synektik of several hundred doses of radiopharmaceuticals per year.

in PLNm	2016E	2017E	2018E
Diagnostic equipment & medical software	62.85	67.88	73.31
<i>(% of net sales)</i>	<i>77.9%</i>	<i>76.3%</i>	<i>73.9%</i>
EBIT margin	7.0%	9.0%	11.0%
Services & measurement	4.21	4.50	4.82
<i>(% of net sales)</i>	<i>5.2%</i>	<i>5.1%</i>	<i>4.9%</i>
EBIT margin	13.8%	14.2%	14.9%
Production of radiopharmaceuticals	13.59	16.63	21.14
<i>(% of net sales)</i>	<i>16.8%</i>	<i>18.7%</i>	<i>21.3%</i>
EBIT margin	13.9%	24.0%	32.5%
Price per dose	922	940	959
Number of sold doses	14,740	17,688	22,039
Number of supplied PET/CT	7	9	12
Total net sales	80.65	89.02	99.27
<i>(change y-o-y)</i>	<i>-3.5%</i>	<i>10.4%</i>	<i>11.5%</i>

Source: East Value Research GmbH

in PLNm	2016E	2017E	2018E
Net sales	80.65	89.02	99.27
EBITDA	6.87	10.74	15.65
<i>EBITDA margin</i>	<i>8.5%</i>	<i>12.1%</i>	<i>15.8%</i>
EBIT	4.45	8.07	12.67
<i>EBIT margin</i>	<i>5.5%</i>	<i>9.1%</i>	<i>12.8%</i>
Net income	2.79	5.81	9.57
<i>Net margin</i>	<i>3.5%</i>	<i>6.5%</i>	<i>9.6%</i>

Source: East Value Research GmbH

Regarding Q1/16 results, which are due on 9 May, we forecast total revenues of PLN 8.2m, thus 18.6% less than last year. The reason for weaker top-line were likely the segments "Diagnostic equipment & medical software" (which is typical for that period) and "Services & measurement", while bottom-line was positively impacted by the "Production of radiopharmaceuticals" segment. According to Synektik, sales of radiopharmaceuticals have developed strongly since January 2016 and the company already has 3 new clients for special tracers (it provides its services to 7 PET-CT centers in Poland, out of a total of 30). With foreign sales of special radiopharmaceuticals to Czech Republic and Slovakia ramping up, management also expect a solid performance of the segment in the coming quarters.

in PLNm	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15	Q3/15	Q4/14	2015	Q1/16E
Net sales	8.84	18.62	20.65	29.94	78.05	10.08	6.97	40.94	25.61	83.60	8.20
<i>y-o-y change</i>	-25.7%	77.9%	-14.4%	-3.0%	0.9%	14.0%	-62.6%	98.2%	-14.5%	7.1%	-18.6%
EBITDA	1.04	2.10	2.35	3.17	8.65	0.27	-1.54	3.29	1.75	3.78	0.55
<i>EBITDA margin</i>	11.8%	11.2%	11.4%	10.6%	11.1%	2.7%	-22.1%	8.0%	6.8%	4.5%	6.7%
EBIT	0.27	1.11	1.27	2.11	4.76	-0.81	-2.63	2.19	0.68	-0.57	-0.08
<i>EBIT margin</i>	3.1%	6.0%	6.2%	7.0%	6.1%	-8.1%	-37.7%	5.3%	2.7%	-0.7%	-1.0%
Net income	0.08	1.05	0.85	1.11	3.08	-1.02	-2.90	2.45	0.21	-1.27	-0.40
<i>Net margin</i>	0.9%	5.6%	4.1%	3.7%	4.0%	-10.2%	-41.6%	6.0%	0.8%	-1.5%	-4.9%

Source: Company information, East Value Research GmbH

CAPEX and Working capital

We have assumed that in 2016 gross CAPEX will equal PLN 10.5m, while in 2017-2018 in should amount to c. PLN 17.8m in total. In our view, the investments will be related to the new cardiac tracer and a cloud-based IT platform. For working capital, we have assumed that it will amount to >10% (2015: -11.4%) of total yearly sales in the long run, while the cash conversion cycle should equal >40 days (-55 days).

Valuation

Due to lower estimates for 2016 and beyond our 12-months PT (80% DCF, 20% peer group) for Synektik's shares goes down from previously PLN 26 to PLN 20. However, as this equals an upside of 33.4% at present, our BUY rating for the stock remains unchanged.

DCF model

in PLNm	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	
Net sales	80.65	89.02	99.27	107.56	116.38	126.19	133.81	142.20	151.47	
(y-o-y change)	-3.5%	10.4%	11.5%	8.4%	8.2%	8.4%	6.0%	6.3%	6.5%	
EBIT	4.45	8.07	12.67	14.29	16.10	17.82	19.29	20.95	22.83	
(EBIT margin)	5.5%	9.1%	12.8%	13.3%	13.8%	14.1%	14.4%	14.7%	15.1%	
NOPLAT	3.60	6.54	10.26	11.57	13.04	14.43	15.63	16.97	18.49	
+ Depreciation & amortisation	2.42	2.67	2.98	3.23	3.49	3.79	4.01	4.27	4.54	
= Net operating cash flow	6.02	9.21	13.24	14.80	16.54	18.22	19.64	21.24	23.03	
- Total investments (Capex and WC)	-13.73	-11.06	-11.71	-5.60	-6.19	-6.81	-7.28	-7.88	-8.59	
Capital expenditure	-10.47	-8.75	-9.06	-3.31	-3.57	-3.87	-4.09	-4.35	-4.62	
Working capital	-3.26	-2.31	-2.66	-2.30	-2.62	-2.95	-3.18	-3.54	-3.96	
= Free cash flow (FCF)	-7.70	-1.86	1.53	9.19	10.34	11.41	12.36	13.35	14.45	
PV of FCFs	-7.26	-1.61	1.21	6.69	6.91	6.99	6.95	6.89	6.84	
PV of FCFs in explicit period 33.62										
PV of FCFs in terminal period 118.94										
Enterprise value (EV)	152.56									
+ Net cash / - net debt (31 December 2015)	11.14									
Shareholder value	163.70									
Number of shares outstanding (m)	8.53									
Terminal EBIT margin										
WACC	9.0%		12.1%	13.1%	14.1%	15.1%	16.1%	17.1%	18.1%	
Cost of equity	10.8%		5.0%	45.75	49.25	52.75	56.26	59.76	63.26	66.77
Pre-tax cost of debt	6.0%		6.0%	33.39	35.80	38.22	40.64	43.06	45.48	47.89
Normal tax rate	19.0%		7.0%	26.02	27.80	29.58	31.36	33.14	34.92	36.71
After-tax cost of debt	4.9%		8.0%	21.13	22.50	23.87	25.24	26.61	27.98	29.35
Share of equity	70.0%		9.0%	17.67	18.75	19.84	20.92	22.00	23.08	24.17
Share of debt	30.0%		10.0%	15.09	15.97	16.84	17.72	18.59	19.47	20.34
Fair value per share in PLN (today)	19.19									
Fair value per share in PLN (in 12 months)	20.92									

Source: East Value Research GmbH

Peer Group Analysis

We have compared Synektik to seven listed companies, which supply diagnostic equipment and/or radiopharmaceuticals:

- (1) *Elekta AB*: Elekta, which is headquartered in Stockholm/Sweden, provides radiation therapy, radiosurgery and related equipment as well as clinical management for the treatment of cancer and brain disorders. In fiscal-year 2014/15, it generated total revenues of SEK 10.8bn and an EBITDA margin of 13.7%.
- (2) *Ion Beam Applications SA*: Ion Beam Applications (IBA), which is headquartered in Louvain-La-Neuve/Belgium, develops and markets pharmaceuticals as well as medical technology and other solutions with a focus on cancer diagnosis and therapy. Also, IBA is active in the areas of sterilization and ionization. The company operates through two business segments: Dosimetry (20% of total sales in 2015) and Prototherapy (80%). In 2015, Ion Beam generated revenues of EUR 270.4m and an EBITDA margin of 24.5%.
- (3) *Varian Medical Systems Inc.*: Varian Medical Systems, which is based in Palo Alto/US, is the world's leading manufacturer of medical devices and software for e.g. cancer treatment with radiotherapy, radiosurgery, proton therapy and brachytherapy. The company supplies software for managing comprehensive cancer clinics, radiotherapy centers and medical oncology practices. Varian is a premier supplier of tubes and digital detectors for X-ray imaging in medical, scientific, and industrial applications and also supplies X-ray imaging products for cargo screening and industrial inspection. In fiscal-year 2014/15, the company generated revenues of USD 3.1bn and an EBITDA margin of 19%.
- (4) *Medtronic PLC*: Medtronic PLC, which is based in Dublin/Ireland, is a medical technology company. Its business areas include Cardiovascular (46% of total sales in 2015), Restorative Therapies (33%), Minimally Invasive Therapies (12%) and Diabetes (9%). The Minimally Invasive Therapies segment offers e.g. endomechanical instruments, vascular and monitoring products, specialty pharmaceuticals, active pharmaceutical ingredients, contrast products and radiopharmaceuticals. In fiscal-year 2014/15, Medtronic generated total sales of USD 20.3bn and an EBITDA margin of 30%.
- (5) *Mallinckrodt Inc.*: Mallinckrodt, which is based in Dublin/Ireland, is a global company that develops, manufactures and distributes specialty pharmaceutical products and medical imaging agents. The company's Specialty Pharmaceuticals segment includes branded and specialty generic drugs and active pharmaceutical ingredients, while the Global Medical Imaging segment provides contrast media and nuclear imaging agents. In 2014/15, Mallinckrodt generated total sales of USD 3.3bn at an EBITDA margin of 35%. The Nuclear Imaging segment contributed USD 429m or 13%.

- (6) *Eckert & Ziegler AG*: EZAG, which is headquartered in Berlin, is one of the largest producers of radioactive components for medical, scientific and measurement purposes. The company focuses on applications for the diagnosis and treatment of cancer (synthesis modules, radiodiagnostics, generators), industrial radiometry, nuclear medicine diagnostics (prostate implants, eye applicators, radiation devices), and waste disposal with low to medium level radioactivity. Eckert & Ziegler operates c. 25 subsidiaries and has offices in Europe, Russia, India, Brazil and the US. It owns cyclotrons in Germany (2), Austria (1) and Poland (1) which however focus almost entirely on the production of less-profitable FDG tracers.

The company has been listed on the Frankfurt Stock Exchange since 1999 and in 2015 generated total revenues of EUR 140m at an EBITDA margin of 18.3%. In its Radiopharmaceuticals segment, which accounted for 24.5% of 2015 sales, it generated an EBIT margin of 24.2%.

- (7) *Voxel S.A.*: Voxel, which is based in Krakow, is the No 2 private operator of diagnostic centers in Poland. Within the group, Voxel and CDO (100% subsidiary) offer diagnostic imaging, teleradiology and outsourcing of medical services, while Alteris (100%) provides IT systems for hospitals and diagnostic centres as well as equipment for diagnostic laboratories. The Voxel Group currently operates 25 diagnostic centres all over Poland (thereof: 5 PET-CTs out of 30 in total in PL). Since December 2012, the company has been operating a cyclotron in Krakow and producing radiopharmaceuticals, based on a license from Amersham/GE. It has been listed on the WSE since October 2011 and in 2015 generated revenues of PLN 132m at an EBITDA margin of 24.2%.

Company	EV/Sales		EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2016E	2017E	2016E	2017E	2016E	2017E	Latest	2015	Latest
Elekta AB (SEK)	2.21x	2.15x	11.86x	10.23x	26.63x	20.76x	3.50x	13.70%	52.49%
Ion Beam Applications SA (EUR)	3.00x	2.66x	24.53x	21.69x	65.47x	56.27x	6.26x	24.50%	-29.03%
Varian Medical Systems Inc. (USD)	2.37x	2.27x	10.87x	10.66x	17.74x	16.41x	5.00x	19.00%	-12.96%
Medtronic PLC (USD)	4.37x	4.17x	13.79x	12.27x	20.79x	18.81x	2.18x	30.00%	36.50%
Mallinckrodt PLC (USD)	3.48x	3.35x	7.93x	7.55x	13.47x	9.43x	1.43x	35.00%	113.81%
Eckert & Ziegler AG (EUR)*	0.68x	0.65x	4.28x	3.88x	10.56x	9.85x	1.00x	18.30%	-5.46%
Voxel S.A. (PLN)	1.87x	1.72x	7.88x	7.20x	15.26x	13.15x	1.89x	24.20%	32.16%
Median	2.37x	2.27x	10.87x	10.23x	17.74x	16.41x	2.18x	24.20%	32.16%
Synektik S.A. (PLN)	1.45x	1.31x	17.00x	10.87x	45.79x	22.03x	2.26x	4.52%	-19.70%
Premium/Discount	-38.9%	-42.3%	56.4%	6.3%	158.0%	34.2%			
Fair value Synektik (PLN)	15.00								

* Eckert & Ziegler is trading at much lower multiples than other peers as the company has been struggling with weak sales in its Radiation Therapy business

Source: Thomson Reuters Eikon, East Value Research GmbH

Other peers, which since 2014 have also owned cyclotrons in Poland:

- (8) *Eczacıbaşı-Monrol Nuclear Products*: The non-listed Atasehir/Turkey-based company, which was established in 2008, is a joint-venture between Monrol Nuclear Products and Eczacıbaşı Pharmaceuticals Manufacturing. According to its website, it operates 13 cyclotrons in Turkey and abroad e.g. in Poland, Kuwait, Libya and United Arab Emirates.
- (9) *Advanced Accelerator Applications SA (AAA)*: Advanced Accelerator Applications, which is headquartered in Saint Genis Pouilly/France, develops, produces and commercializes diagnostic and therapeutic molecular nuclear medicine products in the fields of oncology, neurology, cardiology and infectious & inflammatory diseases. The company has one own PET product (GLUSCAN) and also uses as a licensor three other ones (IASOfllu, IASOdopa, IASOcholine). Moreover, it has a growing presence in SPECT (as a third-party manufacturer as well as with its own products MIBITEC and LEUKOKIT).

AAA also has an important portfolio of PET, SPECT and therapy products in development. The company is active in 13 countries (incl. US and Canada). In Poland, it owns a cyclotron in Warsaw. In 2014, AAA generated revenues of EUR 69.9m and an EBITDA margin of 4.9%. Due to its R&D portfolio of own radiopharmaceuticals it is currently valued at an EV/Sales 2016E and 2017E multiple of 12.4x and 8.3x respectively.

Price target calculation

Valuation method	Fair value	Weight
DCF model	19.19	80%
Peer Group Analysis	15.00	20%
Weighted average (present value)	18.35	
In 12-months (PV * (1+WACC))	20.00	

Source: East Value Research GmbH

Profit and loss statement

in PLNm	2014	2015	2016E*	2017E	2018E	2019E
Net sales	78.05	83.60	80.65	89.02	99.27	107.56
Cost of goods sold	-58.72	-69.41	-63.95	-67.43	-71.52	-76.80
Gross profit	19.33	14.19	16.69	21.59	27.75	30.76
Other operating income	0.00	0.35	1.00	1.00	1.00	0.80
Distribution costs	-4.22	-4.37	-4.27	-4.72	-5.26	-5.70
Personnel costs	-6.37	-6.39	-6.45	-7.03	-7.74	-8.28
Other operating expenses	-0.09	0.00	-0.10	-0.10	-0.10	-0.07
EBITDA	8.65	3.78	6.87	10.74	15.65	17.51
Depreciation & Amortization	-3.89	-4.35	-2.42	-2.67	-2.98	-3.23
EBIT	4.76	-0.57	4.45	8.07	12.67	14.29
Net financial result	-0.57	-0.61	-1.00	-0.90	-0.85	-0.80
Write-downs	0.00	0.00	0.00	0.00	0.00	0.00
EBT	4.19	-1.18	3.45	7.17	11.82	13.49
Income taxes	-1.10	-0.08	-0.66	-1.36	-2.25	-2.56
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Net income / loss	3.08	-1.27	2.79	5.81	9.57	10.92
EPS	0.36	-0.15	0.33	0.68	1.12	1.28
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Share in total sales						
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-75.23 %	-83.03 %	-79.30 %	-75.75 %	-72.05 %	-71.40 %
Gross profit	24.77 %	16.97 %	20.70 %	24.25 %	27.95 %	28.60 %
Other operating income	0.00 %	0.42 %	1.24 %	1.12 %	1.01 %	0.74 %
Distribution costs	-5.41 %	-5.23 %	-5.30 %	-5.30 %	-5.30 %	-5.30 %
Personnel costs	-8.16 %	-7.64 %	-8.00 %	-7.90 %	-7.80 %	-7.70 %
Other operating expenses	-0.12 %	0.00 %	-0.12 %	-0.11 %	-0.10 %	-0.06 %
EBITDA	11.08 %	4.52 %	8.52 %	12.07 %	15.76 %	16.28 %
Depreciation & Amortization	-4.99 %	-5.20 %	-3.00 %	-3.00 %	-3.00 %	-3.00 %
EBIT	6.10 %	-0.68 %	5.52 %	9.07 %	12.76 %	13.28 %
Net financial result	-0.73 %	-0.73 %	-1.24 %	-1.01 %	-0.86 %	-0.74 %
Write-downs	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
EBT	5.37 %	-1.41 %	4.28 %	8.05 %	11.90 %	12.54 %
Income taxes	-1.41 %	-0.10 %	-0.81 %	-1.53 %	-2.26 %	-2.38 %
Minority interests	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	3.95 %	-1.51 %	3.46 %	6.52 %	9.64 %	10.16 %

* At the beginning of 2016, Synektik changed its depreciation policy, which will significantly lower D&A expenses going forward compared to 2015

Balance Sheet

in PLNm	2014	2015	2016E	2017E	2018E	2019E
Cash and cash equivalents	30.77	20.11	8.33	5.68	6.59	15.07
Other financial assets	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	2.06	4.39	4.04	4.26	4.52	4.86
Trade accounts and notes receivables	18.11	16.36	15.56	16.93	18.61	19.87
Prepaid expenses, deferred charges and others	1.96	1.43	1.38	1.52	1.69	1.83
Current assets	52.90	42.28	29.31	28.39	31.42	41.63
Property, plant and equipment	41.95	37.62	37.67	37.72	37.77	37.82
Other intangible assets	10.98	21.42	29.42	35.45	41.48	41.51
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term assets	0.32	1.36	1.31	1.45	1.61	1.75
Deferred tax assets	0.12	1.72	0.00	0.00	0.00	0.00
Non-current assets	53.37	62.13	68.41	74.62	80.87	81.09
Total assets	106.27	104.40	97.72	103.02	112.29	122.72
Trade payables	25.41	28.39	24.06	23.15	22.20	21.32
Short-term financial debt	4.72	4.05	0.00	0.00	0.00	0.00
Other liabilities	3.81	3.28	3.17	3.50	3.90	4.22
Pension provision	0.41	0.41	0.40	0.44	0.49	0.53
Provision	0.00	0.00	0.00	0.00	0.00	0.00
Current liabilities	34.34	36.14	27.62	27.09	26.59	26.07
Long-term financial debt	7.62	4.44	3.74	3.04	2.34	1.64
Other long-term liabilities	6.45	7.22	6.96	7.68	8.57	9.28
Pension provision	0.05	0.06	0.05	0.06	0.07	0.07
Deferred tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Long-term liabilities	14.12	11.71	10.76	10.78	10.98	11.00
Total liabilities	48.46	47.86	38.38	37.87	37.57	37.07
Shareholders equity	57.81	56.55	59.34	65.15	74.72	85.64
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities and equity	106.27	104.40	97.72	103.02	112.29	122.72

Cash Flow Statement

in PLNm	2014	2015	2016E	2017E	2018E	2019E
Net income / loss	3.08	-1.27	2.79	5.81	9.57	10.92
Depreciation & Amortization	3.89	4.35	2.42	2.67	2.98	3.23
Change of working capital	4.20	2.26	-3.26	-2.31	-2.66	-2.30
Others	0.79	0.38	-1.72	0.00	0.00	0.00
Net operating cash flow	11.96	5.72	0.24	6.16	9.89	11.85
Cash flow from investing	-15.15	-11.49	-10.47	-8.75	-9.06	-3.31
Free cash flow	-3.18	-5.77	-10.23	-2.59	0.84	8.55
Cash flow from financing	1.07	-4.90	-1.54	-0.07	0.08	-0.07
Change of cash	-2.12	-10.67	-11.77	-2.65	0.91	8.47
Cash at the beginning of the period	32.89	30.77	20.11	8.33	5.68	6.59
Cash at the end of the period	30.77	20.11	8.33	5.68	6.59	15.07

Financial ratios

	2014	2015	2016E	2017E	2018E	2019E	2020E	2021E
Profitability and balance sheet quality								
Gross margin	24.77%	16.97%	20.70%	24.25%	27.95%	28.60%	29.20%	29.45%
EBITDA margin	11.08%	4.52%	8.52%	12.07%	15.76%	16.28%	16.84%	17.12%
EBIT margin	6.10%	-0.68%	5.52%	9.07%	12.76%	13.28%	13.84%	14.12%
Net margin	3.95%	-1.51%	3.46%	6.52%	9.64%	10.16%	10.69%	10.99%
Return on equity (ROE)	5.47%	-2.21%	4.82%	9.33%	13.69%	13.62%	13.54%	13.20%
Return on assets (ROA)	3.49%	-0.62%	3.75%	6.68%	9.68%	9.98%	10.25%	10.33%
Return on capital employed (ROCE)	4.87%	-0.89%	5.14%	8.61%	11.97%	11.97%	11.95%	11.72%
Economic Value Added (in PLNm)	-2.96	-6.75	-2.70	-0.29	2.56	2.88	3.23	3.36
Net debt (in PLNm)	-17.97	-11.14	-4.14	-2.14	-3.69	-12.82	-23.17	-34.70
Net gearing	-31.09%	-19.70%	-6.97%	-3.28%	-4.94%	-14.97%	-23.62%	-31.00%
Equity ratio	54.40%	54.16%	60.72%	63.24%	66.54%	69.79%	72.95%	75.84%
Current ratio	1.54	1.17	1.06	1.05	1.18	1.60	2.10	2.70
Quick ratio	1.42	1.01	0.86	0.83	0.95	1.34	1.82	2.38
Net interest cover	8.35	-0.93	4.45	8.97	14.90	17.86	21.47	25.46
Net debt/EBITDA	-2.08	-2.95	-0.60	-0.20	-0.24	-0.73	-1.18	-1.61
Tangible BVPS	6.78	6.63	6.96	7.64	8.76	10.04	11.50	13.13
Capex/Sales	-18.38%	-12.51%	-12.98%	-9.83%	-9.12%	-3.07%	-3.07%	-3.06%
Working capital/Sales	-9.09%	-11.37%	-7.74%	-4.42%	-1.28%	0.95%	3.13%	5.22%
Cash Conversion Cycle (in days)	-60	-55	-44	-33	-22	-11	0	11
Trading multiples								
EV/Sales	1.50	1.40	1.45	1.31	1.18	1.09	1.00	0.93
EV/EBITDA	13.50	30.93	17.00	10.87	7.47	6.67	5.96	5.41
EV/EBIT	24.55	-205.19	26.25	14.47	9.22	8.18	7.25	6.55
P/Tangible BVPS	2.21	2.26	2.16	1.96	1.71	1.49	1.30	1.14
P/E	41.48	-101.12	45.79	22.03	13.37	11.71	10.29	9.23
P/FCF	-40.19	-22.18	-12.50	-49.46	152.86	14.97	13.14	11.80

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