

The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2023	2024P	
Price [PLN]	4.2	P/E	62.0	29.5	<b>Analyst:</b> Anna Tobiasz anna.tobiasz@bdm.pl tel.: (+48) 666 073 972
MC [mln PLN]	294.0	EV/EBITDA	23.8	16.2	
		EV/EBIT	42.0	26.9	
		P/BV	2.6	2.4	

**Last recommendation BDM: BUY with target price 6.7 PLN/share (2023/09/13) [LINK](#)**

### Significant increase in sales after shifting some orders from Q3'23 to Q4'23

#### BCG segment

In line with our expectations, sales of BCG 10 and Onko BCG vaccine increased significantly in Q4'23. In the case of the vaccine (+82.7% y/y), this was due to the shift of some sales from Q3'23 to Q4'23. For the full year 2023, BCG 10 sales revenue increased +29.5% y/y. The decrease in average unit price (-5.4% y/y) was made up for by high sales volume (+36.9% y/y). The situation was similar at Onko BCG - a decrease in unit price (-4.2% y/y) combined with an increase in sales volume (+9.5%) resulted in +4.9% revenue growth for the full year. Q4'23 was Onko's best volume performance in the company's history (22.8 thousand Onko BCG packs sold).

#### Traditional segment

Distreptase sales in Q4'23 recorded significant growth (+139%) and turned out to be gently lower than we expected. This was due to both lower-than-forecast sales volumes and a decrease in the unit price. It is worth noting that full year 2023 sales volumes of the drug were up +67% year-on-year. Other sales in the past quarter turned out to be gently above our assumptions. Sales of Lakcid are still not launched, which means that negotiations for new sales terms with Polpharma are prolonged.

Pricing and profitability of individual products depends on the geographical structure of sales in the period. Gross margin on sales in Q4'23 turned out to be slightly lower than our forecasts (63.8% vs. 65.0% expectation). SG&A expenses were slightly lower than expectations - we expected a stronger impact of salaries of the new sales team. Additionally, EBIT was positively impacted by other operating income, where a significant role was played by the settlement of grants awarded (PLN 0.7m in Q4'23), as well as the valuation of investment properties to fair value (PLN 0.3m). The net result was reduced mainly by foreign exchange losses.

**BDM's comment:** Q4'23 was a record quarter for the company in terms of revenue and gross sales margin. The slightly lower-than-expected level of revenues, in our view, is due to the sales mix and product price differentiation across markets. On a positive note, we view EBIT - costs turned out to be slightly lower than our assumptions and the settlement of subsidies offset the lower-than-forecast revenue growth. The decrease in EBIT for the full year 2023 is due to increased operating costs, which were impacted by, among other things, an increase in salary costs. In 2023, the company launched a new distribution channel, a team of sales representatives, which involved hiring additional staff. Net profit was burdened by negative exchange rate differences.

We view the Q4'23 results neutrally. Despite a significant increase in profit in the past quarter, the results for the full year were lower than a year earlier. This is due to changes taking place at the company, including the creation of a sales team so that in March'24 the company was able to discontinue cooperation with a distributor operating in the domestic market, which in our opinion will save on commissions and increase the company's flexibility in cooperating with domestic entities.

#### Q4'23 results [PLNm]

	Q4'22	Q4'23	y/y	Q4'23 BDM	div.	2022	2023	y/y
Sales	14.3	20.1	40.9%	20.6	-2.3%	50.4	58.6	16.3%
<i>Tuberculosis Vaccine BCG 10</i>	2.2	4.0	82.7%	4.2	-5.2%	7.1	9.2	29.5%
<i>Onko BCG</i>	4.8	6.8	41.2%	6.6	1.7%	16.2	17.0	4.9%
<i>Distreptaza</i>	2.9	6.9	138.9%	7.3	-6.6%	14.8	22.5	52.5%
<i>Gamma Anty D</i>	1.0	1.6	49.0%	1.5	3.2%	4.4	4.8	8.5%
<i>Lakcid</i>	2.9	0.0	-100.0%	0.0	-	6.0	2.0	-66.5%
<i>Other</i>	0.5	1.0	85.0%	0.8	16.1%	1.8	3.0	66.4%
Gross profit	8.4	12.9	53.5%	13.4	-4.1%	27.9	35.2	25.9%
EBIT	4.4	6.2	41.9%	5.6	10.4%	9.8	8.6	-12.1%
EBITDA	5.9	7.8	32.9%	7.4	6.4%	16.1	15.3	-4.9%
Net profit	2.6	3.9	50.5%	4.2	-7.0%	6.1	4.8	-21.7%
Gross margin	58.5%	63.8%		65.0%		55.4%	60.0%	
EBIT margin	30.5%	30.8%		27.2%		19.5%	14.8%	
EBITDA margin	41.2%	38.9%		35.7%		31.9%	26.1%	
Net margin	18.0%	19.2%		20.2%		12.1%	8.1%	

Source: BDM S.A., company

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**Explanations of terminology:**

EBIT - earnings before interest and tax

EBITDA - earnings before interest, taxes, depreciation, and amortization

Net debt - interest bearing debt minus cash and equivalents

WACC - weighted average cost of capital

CAGR - cumulative average annual growth

EPS - earnings per share

DPS - dividend per share

CEPS - net profit plus depreciation per share

EV - market capitalization plus interest bearing debt minus cash and equivalents

EV/S - market capitalization / sales

EV/EBITDA - EV / sales

P/EBIT - market capitalization / EBIT

MC/S - market capitalization / sales

P/E - market capitalization / net profit

P/BV - market capitalization / book value

P/CE - market capitalization / net profit plus depreciation

ROE - net profit / equity

ROA - net income / assets

Gross margin - gross profit on sales / sales

EBITDA margin - EBITDA / sales

EBIT margin - EBIT / sales

Net margin - net profit / sales

**Explanation of ratings:**

Buy - we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);

Accumulate - we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);

Hold - we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);

Reduce - we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);

Sell - we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).

Target price - the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

**Ratings and price targets history:**

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	6.7	---	---	13.09.2023*	11:30 CEST	5.2	66 571.93

\* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme.

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, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	1	50%	0	0%
Accumulate	1	50%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

\* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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