

Bioton – (Last valuation: 7.15 PLN/share as of 19.04.2022)

2Q22 results – relatively good quarter

Revenue in 2Q22 was PLN 48.1 million (+32% y/y), EBITDA was PLN 15.2 million (+45% y/y), EBITDA adjusted for the balance of other operating activities was PLN 15 million (+80% y/y), net result was PLN 1.5 million (vs. PLN 3.7 million in 2Q21). The net result was negatively affected by foreign exchange losses. Domestic sales in 2Q22 amounted to PLN 30.1 million (+40% y/y), and export sales amounted to PLN 27.1 million (+30% y/y). In terms of export growth, it is worth noting the increases in China and Vietnam. Gross margin on sales increased slightly in 2Q22, but is lower y/y in 1H22 as a whole. Keeping selling and general and administrative expenses under control allowed the company to improve EBIT and EBITDA in 2Q22 year-on-year. Also noteworthy was strong operating cash flow, which was +25.2 million in full 1H22. CAPEX increased and amounted to PLN 16 million in full 1H22 (vs. PLN 9 million in 1H21). Net debt at the end of 1H22 was PLN 83 million (vs. PLN 86 million at the end of 1Q22). The company indicated that the production facility is currently being upgraded to accommodate the new production process for the long-acting analog. In the context of the short-acting analog, Bioton is not currently working on this project and is awaiting the final Yifan study report and the preparation of an IND application.

Selected financial data (PLN m)	2Q21	3Q21	4Q21	1Q22	2Q22	r/r	1H21	1H22	r/r	2021	2022F	r/r
Sales revenues	36.5	47.8	41.8	50.0	48.1	32%	73.4	98.1	34%	163.0	203.8	25%
Gross profit on sale	16.8	23.2	21.4	15.5	23.1	37%	33.2	38.6	16%	77.8	94.8	22%
Selling costs	7.9	7.6	8.6	7.8	7.9	0%	15.5	15.7	1%	31.8	33.4	5%
General administration costs	7.5	6.6	7.0	6.8	7.9	5%	14.3	14.8	3%	27.9	29.3	5%
Research and development expenses	1.0	1.1	1.2	1.0	1.4	47%	2.3	2.5	7%	4.7	4.7	0%
Balance of other operations	2.1	0.8	-1.5	0.6	0.2	-93%	1.6	0.8	-52%	0.9	0.0	-100%
EBIT	2.6	8.6	3.0	0.5	5.9	132%	2.7	6.5	136%	14.3	27.4	91%
Adjusted EBIT*	0.4	7.8	4.5	-0.1	5.8	1297%	1.1	5.7	411%	13.4	27.4	104%
Balance of financing activities	1.9	0.2	-5.3	-2.4	-4.6	-341%	-0.9	-6.9	639%	-6.0	-5.0	-17%
Profit before tax	4.5	5.7	0.8	-1.8	1.4	-69%	1.8	-0.4	-124%	8.3	22.4	169%
Income tax	0.8	1.1	1.1	1.3	-0.1	-113%	3.2	1.2	-62%	5.4	4.3	-22%
Net profit	3.7	4.6	-0.3	-3.1	1.5	-60%	-1.4	-1.7	19%	2.9	18.2	530%
Depreciation and amortization												
EBITDA	7.9	8.0	8.0	8.1	9.2	16%	15.7	17.4	11%	31.6	31.0	-2%
Adjusted EBITDA*	10.5	16.5	11.0	8.7	15.2	45%	18.4	23.9	29%	46.0	58.4	27%
Selected financial data (PLN m)	8.4	15.7	12.5	8.0	15.0	80%	16.8	23.1	37%	45.1	58.4	30%

Source: Bioton (actual 2Q21-2Q22, 2021), Noble Securities (forecast 2022), *for other operating income and cost

Revenues

Revenues in 2Q22 amounted to PLN 48.1 million (+32% y/y) thanks to strong sales in Poland (including market hedging due to the geopolitical situation in Ukraine) and exports (mainly China, Vietnam, but also Bangladesh, Libya). Sales of diabetes tablets and other goods amounted to PLN 5.8 million (+24% y/y), and sales of services (settlement of the analog contract with Yifan) amounted to PLN 3.8 million (-57% y/y).

Selected financial data (PLN m)	2Q21	3Q21	4Q21	1Q22	2Q22	r/r	1H21	1H22	r/r	2021	2022F	r/r
Total sales	36.5	45.1	41.7	50.0	48.1	32%	73.4	98.1	34%	163.0	203.8	25%
Domestic	21.5			18.9	30.1	40%	41.9	49.0	17%	79.7	79.7	0%
Export	20.9			21.9	27.1	30%	31.4	49.0	56%	40.8	71.1	74%
Insulin	22.9	38.1	28.5	40.8	38.4	68%	53.9	79.2	47%	120.5	150.8	25%
Other goods, materials	4.7	4.8	8.1	7.0	5.8	24%	9.1	12.9	41%	22.0	22.7	3%
Services	9.0	2.3	5.1	2.2	3.8	-57%	10.4	6.0	-42%	17.8	30.3	70%

Source: Bioton (actual 2Q21-2Q22, 2021), Noble Securities (forecast 2022)

Operating profit and costs

Gross profit on sales in 2Q22 amounted to PLN 23.1 million (+37% y/y), and the margin improved slightly, but in the context of the whole half-year it is lower y/y due to a higher share of export sales and higher raw material and energy costs. Selling and general and administrative expenses totaled PLN 15.8 million and were on a similar level to a year ago. EBITDA in 2Q22 amounted to PLN 15.2 million (+45% y/y), EBITDA adjusted for the balance of other operating PLN 15 million (+80% y/y), net result PLN +1.5 million. The net result was negatively impacted by high financial expenses, which in the entire H1 2022 included interest of PLN 2.8 million, foreign exchange losses of PLN 3.1 million and other expenses of PLN 1 million.

Analog project

The company said that with regard to the insulin analog Lispro, Bioton is not currently working on this project and is awaiting the final Yifan study report and the preparation of an IND application. On the other hand, with regard to the long-acting insulin analog, Glargine, the company has moved to the early stage industrialization phase. The company is currently undertaking lab-scale trials with the intention of completing a batch of the drug substance at clinical scale in Q4 2022 - Q1 2023. The manufacturing facility is currently being upgraded to accommodate the new process. The company expects the commercialization phase of the analogs in 2025-2026, which is in line with the company's previous assumptions.

Last valuation: 7.15 PLN/share as of 19.04.2022. Price on the day of issue 4.12 PLN.

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FINAL REMARKS

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All recommendations distributed by NS in last 12 months:

Company	Direction	Target price	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Dino Polska	Reduce	286,8	351,5	374,30	-23%	10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13,0	12,1	12,60	3%	10.08.2022	9M	Dariusz Dadej
Amica	Hold	69,7	71,4	68,00	3%	05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4,9	5,5	6,00	-18%	12.07.2022	9M	Michał Sztabler
Krynicky Recykling	na	20,9	22,6	22,70	-8%	04.07.2022	24M	Dariusz Dadej
Captor Therapeutics	Buy	163,0	116,0	141,00	16%	28.06.2022	9M	Krzysztof Radojewski
Celon Pharma	Buy	29,3	14,9	15,48	89%	28.06.2022	9M	Krzysztof Radojewski
Molecule	Buy	21,7	13,2	16,00	36%	28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51,8	23,5	33,80	53%	28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Sell	74,1	94,4	82,53	-10%	24.06.2022	9M	Maciej Kietliński
Ten Square Games	Sell	98,6	117,0	103,20	-5%	24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12,2	14,8	13,88	-12%	06.06.2022	9M	Michał Sztabler
Aplisens	na	16,0	14,1	14,30	12%	06.06.2022	24M	Michał Sztabler
Sonel	na	10,2	9,8	9,36	9%	06.06.2022	24M	Michał Sztabler
TIM	na	54,3	31,4	26,25	107%	06.06.2022	24M	Michał Sztabler
11 bit studios	Buy	626,0	502,0	484,00	29%	18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38,9	33,0	29,90	30%	13.05.2022	9M	Dariusz Dadej
MCI Capital	na	33,1	19,0	15,95	108%	02.05.2022	24M	Krzysztof Radojewski
Bioton	na	7,2	4,1	3,95	81%	19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96,2	78,5	76,00	27%	08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500,9	398,0	325,00	54%	07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Buy	13,2	10,1	7,64	73%	28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42,2	24,8	15,48	173%	16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Buy	812,0	700,0	610,00	33%	15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57,9	55,6	51,30	13%	11.03.2022	9M	Michał Sztabler
Tauron PE	Buy	3,5	2,7	2,41	47%	10.03.2022	9M	Michał Sztabler
Ailleron	na	19,1	11,4	12,40	54%	03.03.2022	24M	Dariusz Dadej
BoomBit	Buy	22,9	18,3	12,40	85%	04.02.2022	9M	Maciej Kietliński
Krynicky Recykling	na	31,8	19,6			05.01.2022	24M	Dariusz Dadej
Sonel	na	11,8	10,6	9,36	26%	22.12.2021	24M	Michał Sztabler
CD Projekt	Reduce	176,4	193,0	82,53	114%	21.12.2021	9M	Maciej Kietliński
Dino Polska	Reduce	295,0	338,0			03.12.2021	9M	Dariusz Dadej
Eurocash	Accumulate	12,2	10,9			03.12.2021	9M	Dariusz Dadej
Apator	Hold	19,1	18,7			29.11.2021	9M	Michał Sztabler
OncoArendi	Buy	48,1	38,4			16.11.2021	9M	Krzysztof Radojewski
Amica	Accumulate	157,6	131,6			18.10.2021	9M	Michał Sztabler
Ten Square Games	Buy	549,3	382,6			18.10.2021	9M	Maciej Kietliński
TIM	na	62,3	42,6			14.10.2021	24M	Michał Sztabler
Forte	Hold	51,5	53,5			11.10.2021	9M	Dariusz Dadej
MCI Capital	na	41,2	22,5			07.10.2021	24M	Krzysztof Radojewski
Wielton	Hold	13,4	12,4			28.09.2021	9M	Michał Sztabler
Ryvu Therapeutics	Accumulate	71,7	51,4			23.09.2021	9M	Krzysztof Radojewski
Bioton	na	7,7	5,0			09.09.2021	24M	Krzysztof Radojewski
Ailleron	na	25,2	13,7			02.09.2021	24M	Dariusz Dadej
Aplisens	na	17,8	13,1			31.08.2021	24M	Michał Sztabler

(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, Maciej Kietliński - ended his work in NS on 06/30/2022

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technical analysis