

Bioton – (Last valuation: 4.68 PLN/share as of 06.09.2022)

3Q22 results – solid revenues and lower margin

Revenues in 3Q22 amounted to PLN 57.5 million (+20% y/y), EBITDA PLN 12.4 million (-25% y/y), EBITDA adjusted for the balance of other operating activities PLN 11.6 million (-26% y/y), net result PLN -1.9 million (vs. +4.6 million in 3Q21). The net result was once again negatively affected by foreign exchange losses. In 3Q22, the main drivers of revenue growth were strong insulin export sales and the settlement of an analog contract. The largest export markets are China and Vietnam. Gross margin declined due to a higher share of less profitable export sales, higher costs for downtime and unused capacity, and cost pressures at home. Selling, general and administrative expenses also increased by a combined 16% y/y in 3Q22. Cash flow from operations was strong at +PLN 51 million in 1-3Q22, CAPEX in 1-3Q22 amounted to PLN 23 million. In the context of the short-acting analog, Bioton is not currently working on this project and is still awaiting the final Yifan study report. With regard to the long-acting insulin analog, Glargine, the company has completed laboratory-scale batches with the intention of completing a clinical-scale batch of the drug substance in 1Q2023. The production facility is currently being upgraded to accommodate the new process.

Selected financial data (PLN m)	3Q21	4Q21	1Q22	2Q22	3Q22	r/r	1-3Q21	1-3Q22	r/r	2021	2022F	r/r
Sales revenues	47.8	41.8	50.0	48.1	57.5	20%	121.2	155.6	28%	163.0	198.1	22%
Gross profit on sale	23.2	21.4	15.5	23.1	21.5	-7%	56.4	60.1	7%	77.8	78.0	0%
margin	48%	51%	31%	48%	37%	-23%	47%	39%		48%	39%	
Selling costs	7.6	8.6	7.8	7.9	9.2	20%	23.2	24.8	7%	31.8	32.5	2%
General administration costs	6.6	7.0	6.8	7.9	7.4	12%	20.9	22.2	6%	27.9	31.6	13%
Research and development expenses	1.1	1.2	1.0	1.4	1.8	56%	3.4	4.2	24%	4.7	4.9	4%
Balance of other operations	0.8	-1.5	0.6	0.2	0.7	-8%	2.4	1.5	-38%	0.9	0.0	-100%
EBIT	8.6	3.0	0.5	5.9	3.9	-55%	11.3	10.3	-9%	14.3	9.0	-37%
Adjusted EBIT*	7.8	4.5	-0.1	5.8	3.1	-60%	8.9	8.8	-1%	13.4	9.0	-33%
Balance of financing activities	0.2	-5.3	-2.4	-4.6	-5.8		-0.7	-12.7	1621%	-6.0	-10.9	82%
Profit before tax	5.7	0.8	-1.8	1.4	-1.9		7.5	-2.4	-131%	8.3	-1.9	-123%
Income tax	1.1	1.1	1.3	-0.1	0.0		4.3	1.2	-72%	5.4	1.1	-80%
Net profit	4.6	-0.3	-3.1	1.5	-1.9		3.2	-3.6	-212%	2.9	-3.0	-205%
Depreciation and amortization	8.0	8.0	8.1	9.2	8.5	7%	23.7	25.9	9%	31.6	35.9	13%
EBITDA	16.5	11.0	8.7	15.2	12.4	-25%	35.0	36.2	4%	46.0	44.9	-2%
Adjusted EBITDA*	15.7	12.5	8.0	15.0	11.6	-26%	32.6	34.7	7%	45.1	44.9	0%

Source: Bioton (actual 3Q21-3Q22, 2021), Noble Securities (forecast 2022), *for other operating income and cost

Revenues

Revenues in 3Q22 amounted to PLN 57.5 million (+20% y/y) mainly due to strong exports (including China, Vietnam, Bangladesh). In 3Q2022, insulin sales in foreign markets amounted to PLN 25.3 million, compared to PLN 11.2 million in the comparable period of 2021. In the first three quarters of 2022, it amounted to PLN 67.1 million, compared to PLN 31.5 million in the comparable period of 2021. After three quarters of 2022, insulin sales in the Polish market amounted to PLN 55.3 million (-8% y/y). Sales of diabetes tablets and other goods amounted to PLN 9.6 million (+99% y/y), and sales of services (settlement of the analog contract with Yifan) amounted to PLN 9.7 million (+333% y/y).

Selected financial data (PLN m)	3Q21	4Q21	1Q22	2Q22	3Q22	r/r	1-3Q21	1-3Q22	r/r	2021	2022P	r/r
Total sales	47.8	41.7	50.0	48.1	57.5	20%	121.2	155.6	28%	163.0	198.4	22%
Insulin	38.1	28.5	40.8	38.4	43.2	14%	91.9	122.4	33%	120.5	159.7	33%
Domestic	26.9		18.9	18.5	17.9	-33%	60.4	55.3	-8%	79.7	79.7	0%
Export	11.2		21.9	19.9	25.3	126%	31.5	67.1	113%	40.8	80.0	96%
Other goods, materials	4.8	8.1	7.0	5.8	9.6	99%	19.6	22.5	15%	22.0	25.7	17%
Services	2.3	5.1	2.2	3.8	9.7	333%	13.8	15.8	15%	17.8	13.0	-27%

Source: Bioton (actual 3Q21-3Q22, 2021), Noble Securities (forecast 2022)

Operating profit and costs

Gross profit on sales in 3Q22 was PLN 21.5 million (-7% y/y), and the margin declined due to a higher share of sales of less profitable exports, higher costs of downtime and unused capacity, and cost pressures at home. Selling, general and administrative expenses totaled PLN 16.6 million, a level slightly higher than in the previous quarter and 16% higher than a year ago. After three quarters of 2022, the dynamics of selling and general and administrative expenses combined was +7% y/y. EBITDA in 3Q22 amounted to PLN 12.4 million (-25% y/y), EBITDA adjusted for the balance of other operating was PLN 11.6 million (-36% y/y), net result was PLN -1.9 million. Net income 1-3Q22 was negatively affected by high financial expenses (PLN 12.7 million), which depended less on interest expense and more on negative exchange rate differences, including those resulting from the repayment of debt at Bank of China.

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 report on the Yifan study. On the other hand, with regard to the long-acting insulin analog, Glargine, the company has completed lab-scale batches with the intention of completing a clinical-scale batch of the drug substance in 1Q2023. The manufacturing facility is currently being upgraded to accommodate the new process.

Agreement with Menarini Diagnostics

The Company signed a distribution agreement with Menarini Diagnostics S. R. L., based in Italy, on 12/09/2022, which will allow the company to launch a new continuous glycemic monitoring device, the GlucoMenDay System - CGM, for patients with diabetes. This agreement is valid until December 31, 2023, with the possibility of extension. The product is scheduled to be launched at the end of December 2022. The company estimates planned revenues over the next five years at more than PLN 18 million.

Last valuation: 4.68 PLN/share as of 06.09.2022. Price on the day of issue 3.75 PLN.

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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)
MO-BRUK	Buy	371,7	293,0	291,00	28%	26.10.2022	24M	Dariusz Dadej
LW Bogdanka	Hold	30,5	30,6	32,70	-7%	20.10.2022	9M	Michał Sztabler
Ailleron	na	17,5	12,0	12,10	45%	17.10.2022	24M	Dariusz Dadej
MCI Capital	na	29,6	16,1	15,90	86%	07.10.2022	24M	Krzysztof Radojewski
Bioton	na	4,7	3,8	3,60	30%	06.09.2022	24M	Krzysztof Radojewski
Dino Polska	Reduce	286,8	351,5	302,20	-5%	10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13,0	12,1	11,01	18%	10.08.2022	9M	Dariusz Dadej
Amica	Hold	69,7	71,4	69,00	1%	05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4,9	5,5	5,90	-17%	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	158,00	3%	28.06.2022	9M	Krzysztof Radojewski
Celon Pharma	Buy	29,3	14,9	13,26	121%	28.06.2022	9M	Krzysztof Radojewski
Molecure	Buy	21,7	13,2	13,26	64%	28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51,8	23,5	38,80	34%	28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Sell	74,1	94,4	124,00	-40%	24.06.2022	9M	Maciej Kietliński
Ten Square Games	Sell	98,6	117,0	101,50	-3%	24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12,2	14,8	13,76	-11%	06.06.2022	9M	Michał Sztabler
Aplisens	na	16,0	14,1	13,20	21%	06.06.2022	24M	Michał Sztabler
Sonel	na	10,2	9,8	9,50	7%	06.06.2022	24M	Michał Sztabler
TIM	na	54,3	31,4	27,00	101%	06.06.2022	24M	Michał Sztabler
11 bit studios	Buy	626,0	502,0	531,00	18%	18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38,9	33,0	17,80	119%	13.05.2022	9M	Dariusz Dadej
MCI Capital	na	33,1	19,0	15,90	108%	02.05.2022	24M	Krzysztof Radojewski
Bioton	na	7,2	4,1	3,60	99%	19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96,2	78,5	84,90	13%	08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500,9	398,0	291,00	72%	07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Buy	13,2	10,1	5,94	122%	28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42,2	24,8	13,26	218%	16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Buy	812,0	700,0	609,00	33%	15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57,9	55,6	32,70	77%	11.03.2022	9M	Michał Sztabler
Tauron PE	Buy	3,5	2,7	1,86	91%	10.03.2022	9M	Michał Sztabler
Ailleron	na	19,1	11,4	12,10	58%	03.03.2022	24M	Dariusz Dadej
BoomBit	Buy	22,9	18,3	10,48	119%	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	9,50	24%	22.12.2021	24M	Michał Sztabler
CD Projekt	Reduce	176,4	193,0	124,00	42%	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

(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