

Bioton – (Last valuation: 5.41 PLN/share as of 19.09.2023)



4Q23 results - adjusted earnings under pressure from lower sales

Revenues in 4Q23 amounted to PLN 47.5 million (vs. PLN 53 million our forecast), EBITDA amounted to PLN 19.5 million, but after adjusting for the balance of other operating income and expenses amounted to PLN 7.3 million (vs. PLN 8.8 million our forecast), net profit amounted to PLN 5.4 million. Net debt at the end of 2023 was PLN 65 million (vs. PLN 72 million at the end of 3Q23 and PLN 67 million at the end of 2022). The company additionally announced a possible change in the model of cooperation with Yifan for the production and commercialization of active ingredients of insulin analogs and the final drug product. The implications of these changes are difficult to determine at this point, but it seems that if the technology comes from Yifan, it is more likely to result in lower margins for Bioton, which will evolve more towards CMO/CDMO. We rate the results neutral/slightly negative.

Selected financial data (PLN m)	4Q22	1Q23	2Q23	3Q23	4Q23	r/r	4Q23P	2022	2023	r/r
Sales revenues	77.6	34.4	49.0	50.7	47.5	-39%	53.0	233.2	181.6	-22%
Gross profit on sale	35.6	19.7	18.8	14.5	19.9	-33%	21.2	95.8	72.9	-24%
margin	46%	57%	38%	29%	42%	-24%	40%	41%	40%	-2%
Selling costs	10.2	8.9	8.6	11.1	12.5	20%	11.1	35.1	41.0	17%
General administration costs	8.1	7.1	8.0	7.8	7.6	5%	8.1	30.3	30.5	1%
Research and development expenses	1.1	1.2	1.4	1.4	1.5	-23%	1.3	5.3	5.5	3%
Balance of other operations	-5.3	0.1	3.1	3.8	12.4	410%	0.0	-3.8	19.4	
EBITDA	19.4	11.2	15.6	3.9	19.7	1%	8.8	55.7	50.3	-10%
EBITDA adj.*	24.8	11.1	12.4	0.1	7.3			59.5	30.9	-48%
EBIT	10.9	2.6	4.0	-2.0	10.7	-2%	0.8	21.3	15.3	-28%
Net profit	5.0	-0.1	1.4	-4.4	5.4	8%	-1.2	1.4	2.3	60%

Source: Bioton (actual 4Q22-4Q23, 2022-2023), Noble Securities (forecast 4Q23P), * adjusted for the balance of other operating income and expenses

Revenues

Revenues in 4Q23 amounted to PLN 47.5 million (-39% y/y). The drop in revenue is mainly the aftermath of lower insulin sales. For all of 2023, insulin sales amounted to PLN 122.3 million (-34% y/y), of which PLN 67.2 million (-14% y/y) is attributable to the Polish market, and PLN 55.1 million (-49% y/y) to exports. The main decline in export sales was in China, Vietnam, Ukraine, Sudan. The company compensated for this by increasing sales in Lebanon, but these were less profitable. Domestically, the company reached a share of 39.7% of the classic insulin market by value at the end of 2023. Declines in insulin sales were partially offset by an increase in sales of goods and materials, which amounted to PLN 40.2 million (+46% y/y) in 2023.

Selected financial data (PLN m)	4Q22	1Q23	2Q23	3Q23	4Q23	r/r	2022	2023	r/r
Total sales	77.6	34.4	49.0	50.7	47.5	-39%	233.2	181.6	-22%
Insulin	63.6	23.5	28.1	35.6	35.1	-45%	186.0	122.3	-34%
Domestic	22.5	bd	bd	13.3	bd		77.8	67.2	-14%
Export	41.1	bd	bd	22.3	bd		108.1	55.1	-49%
Other goods, materials	5.0	8.6	11.3	13.4	7.0	39%	27.5	40.2	46%
Services	3.9	2.3	9.7	6.2	0.8	-79%	19.7	19.1	-3%

Source: Bioton (actual 4Q22-4Q23, 2022-2023)

Result and operating expenses

Gross margin on sales was 40% vs. 41% in 2023, but lower sales and operating leverage resulted in a noticeable decline in adjusted EBITDA to PLN 30.9 million, down 48% y/y for the full year 2023. In accounting terms, the operating result was supported by non-recurring events - the total balance of other operating income and expenses amounted to +PLN 19.4 million, including the write-off of an overdue liability for additional consideration resulting from the November 22, 2012 agreement between Troqueera Enterprises Limited and Bioton S.A. for the sale of shares in Biolek sp. z o.o. in the amount of PLN 10.3 million. Selling expenses in 2023 increased by 17% y/y, while general and administrative expenses were stable. Net income in 2023 was PLN 2.3 million (vs. PLN 1.4 million in 2022).

Analog project and other initiatives

Management reports that correspondence with Yifan indicates a change in the business model of cooperation with the company in the Glargine and Lispro insulin analog projects. According to this correspondence, Yifan is considering a change in the current model of cooperation under the agreement, which could result in the transfer of the API and final drug technology to the company; or Yifan providing the API and the company manufacturing the final drug using Yifan's technology. In either case, the company will be the main supplier of final drug products in Europe. The company's strategy is to continue developing analogs based on its own technology or Yifan's technology, or through other avenues such as licensing agreements and purchasing APIs to advance its drug product technology project. The company is considering and analyzing a number of strategic projects to ensure the development of its product portfolio. Agreements have also been reached on CMO opportunities for GLP-1 Liraglutide, and the company is

negotiating final agreements. Management is also looking for partners to take full advantage of the plant's CDMO and CMO strategies, and is developing international markets to increase sales of insulin currently in production.

Last valuation: 5.41 PLN/share as of 19.09.2023. Price on the day of issue 3.83 PLN.

Krzysztof Radojewski
Deputy Head of Research and Advisory Department
krzysztof.radojewski@noblesecurities.pl

LEGAL DISCLAIMER**FUNDAMENTAL RULES FOR ISSUING ANALYTICAL REPORT**

This analytical report, hereinafter referred to as the "Report", was prepared by Noble Securities S.A. ("NS") based in Warsaw.

The basis for the preparation of the Report were publicly available information known to the Analyst as at the date of preparing the Report, in particular information provided by the Issuer in current and periodic reports prepared as part of its disclosure obligations.

The Report only expresses the analyst's knowledge and views as at the date of its preparation.

The forecasts and evaluation elements presented in the Report are based solely on the analysis performed by the Analyst, without arrangements with the Issuer or with other entities, and are based on a number of assumptions that may turn out to be irrelevant in the future.

NS or the Analyst do not give any assurance that the forecasts will work.

INTERESTS OR CONFLICTS OF INTERESTS THAT MAY AFFECT THE REPORTING OBJECTIVITY OF THE REPORT

The report was prepared by NS for consideration, on behalf of the Warsaw Stock Exchange S.A.

The Analyst is not a party to any contract concluded with the Issuer and does not receive remuneration from the Issuer. The Analyst's remuneration for preparing the Report due from NS is not directly related to transactions in brokerage services provided by NS or other types of transactions carried out by NS or any other legal entity that is part of the group to which NS belongs or with transaction fees that they receive NS or these people. It can not be ruled out that the remuneration that may be due in future to a NS Analyst by another title may be indirectly dependent on NS financial results, including those obtained as part of investment banking transactions related to the Issuer's financial instruments. The Analyst is not a party to any contract concluded with the Issuer and does not receive remuneration from the Issuer. The Analyst's remuneration for preparing the Report due from NS is not directly related to transactions in brokerage services provided by NS or other types of transactions carried out by NS or any other legal entity that is part of the group to which NS belongs or with transaction fees that they receive NS or these people. It can not be ruled out that the remuneration that may be due in future to a NS Analyst by another title may be indirectly dependent on NS financial results, including those obtained as part of investment banking transactions related to the Issuer's financial instruments.

It is possible that NS has or will have the intention to submit an offer to provide services to the Issuer.

ORGANIZATIONAL AND ADMINISTRATIVE SOLUTIONS AND INFORMATION BARRIERS ESTABLISHED TO PREVENT CONFLICT OF INTERESTS AND TO AVOID THEMSELVES

Detailed rules of conduct in the event of conflicts of interest are set out in the "Regulations of Conflicts of Interest Management at Noble Securities SA" available at the website www.noblesecurities.pl in the tab: "About us" / "Regulations" / "Information policy".

The internal structure of NS ensures organizational separation of analysts from individuals (teams) performing activities that involve the risk of a conflict of interest and prevents conflicts of interest, and in the event of such conflict enables protection of the Client's interests against the harmful effects of this conflict. In particular, Analysts do not have access to information about transactions concluded on the NS's own account and to Client orders. NS ensures that there is no possibility for third parties to exert any adverse influence on the performance of the work by Analysts. NS ensures that there are no links between the amount of remuneration of employees of one organizational unit and the amount of remuneration of employees of another organizational unit, or the amount of income earned by that other organizational unit, if these units perform activities that involve the risk of a conflict of interests

NS has implemented internal regulations regarding the flow of confidential and professional information, which is aimed at securing confidential information or professional secrecy and preventing its unjustified flow or misuse. NS limits to a minimum the circle of people who have access to confidential information or professional secrecy. In order to control access to relevant non-public information, within NS there are internal limitations and barriers in the transfer of information, so-called *Chinese walls*, i.e. rules, procedures and physical solutions to prevent the flow and use of confidential information and constitute professional secrecy. NS uses restrictions in physical access (separate rooms, lockable filing cabinets) and in access to information systems.

NS has implemented regulations in the scope of performing activities consisting in preparing investment analyzes, financial analyzes and other general recommendations regarding transactions in financial instruments, as well as the internal procedure regulating the subject scope. NS discloses in the content of Reports prepared by itself all connections and circumstances that could affect the objectivity of the Reports being prepared. It is forbidden to accept material or non-material benefits by NS or the Analyst from entities having a significant interest in the content of the Report, suggesting to the Issuer by NS or Analyst content favorable to that Issuer. It is forbidden to make available to the Issuer or other persons than Analysts, the Report, containing the content of the recommendation or the target price, before commencing its distribution for purposes other than verification of the NS's compliance with its legal obligations.

NS has implemented internal regulations regarding the rules of concluding personal transactions by involved persons, including prohibits the use of information obtained in connection with business activities for personal transactions. In addition, Analysts may not enter into personal transactions regarding the Issuer's financial instruments or related financial instruments prior to the dissemination of the Report, as well as personal transactions that conflict with the content of the Report and when NS starts or works on issuing Issuer's financial instruments since the Insurer's information in this respect until the prospectus is published - in the case of a public offer or for launching an offer.

OTHER INFORMATION AND RESERVATIONS

NS ensures that the Report has been prepared with due diligence and integrity based on generally available facts and information recognized by the Analyst as reliable, reliable and objective, however NS nor the Analyst does not guarantee that they are fully accurate and complete. If the Report indicates the addresses of the websites used in the preparation of the Report, neither the Analyst nor NS takes responsibility for the content of these websites.

Investing can involve high investment risk. The analytical report cannot be treated as an assurance or guarantee of avoiding losses, or achieving potential or expected results, in particular profits or other benefits from transactions carried out on its basis, or in connection with refraining from such transactions. A general description of financial instruments and the risk related to investing in individual financial instruments is presented at www.noblesecurities.pl in the tab Brokerage House / Brokerage Account/ Documents. NS points out that although the above information has been prepared with due diligence, in particular in a reliable manner and in accordance with NS's best knowledge, it may not be exhaustive and may exist or be updated in the specific situation in which an investor is or will be located other risk factors than those indicated in the above information by NS. The investor should bear in mind that investments in individual financial instruments may result in the loss of some or all of the funds invested, and even involve the additional costs.

Investors using the Report may not resign from independent assessment and take into account other circumstances than indicated by the Analyst or by NS.

The Report has been prepared in accordance with legal requirements ensuring independence, in particular from the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards concerning technical means for the purpose of presenting investment recommendations or other information recommending or suggesting an investment strategy and disclosing particular interests or indications of conflicts of interest. The report is an investment study referred to in art. 36 par. 1 Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65 / EU of the European Parliament and of the Council with regard to organizational requirements and operating conditions for investment firms and concepts defined for the purposes of this directive.

The Report or any of its entries do not state:

- offer within the meaning of art. 66 of the Act of 23 April 1964 - the Civil Code,
- grounds for concluding a contract or creating a liability,
- public offering of financial instruments within the meaning of art. 3 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies,
- invitations to subscribe for or purchase securities of the Issuer,
- investment advisory services or portfolio management services referred to in the Act of 29 July 2005 on Trading in Financial Instruments,
- investment, legal, accounting or other types of advice.

The Report

- is published on the NS website: <https://noblesecurities.pl/dom-maklerski/analizy2/program-wsparcia-pokrycia-analitycznego-gpw/1796-bioton-s-a>,

-
- is intended for distribution only on the territory of the Republic of Poland, and is not intended for distribution or transmission, directly or indirectly, in the United States of America, Canada, Japan or Australia, or any other jurisdiction, where such distribution would violate relevant provisions of the given jurisdiction or required registration in that jurisdiction,
 - does not contain all information about the Issuer and does not allow full assessment of the Issuer, in particular as regards the Issuer's financial situation, because only certain data regarding the Issuer were selected for the Report,
 - is for information purposes only, so it is not possible to comprehensively evaluate the Issuer based on the Report.

FINAL REMARKS

Analyst preparing the Report: Krzysztof Radojewski

Date and time of completion of the Report: 02/04/2024 at 10:10 a.m.. Date and time of the first dissemination of the Report: 02/04/2024 at 10:20 a.m..

The proprietary copyrights to the Report are held by the Stock Exchange in Warsaw S.A. Dissemination or reproduction of the Report (in whole or in any part) without the written consent of the Warsaw Stock Exchange S.A. is forbidden.

NS is subject to the supervision of the Polish Financial Supervision Authority.

All recommendations distributed by NS in last 12 months:

Company	Direction	TP (4)	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Dino Polska	Accumulate	445,1	412,0	387,70	15%	19.03.2023	9M	Dariusz Dadej
Eurocash	Hold	15,7	15,0	14,23	10%	19.03.2023	9M	Dariusz Dadej
CD Projekt	Buy	192,8	106,2	116,90	65%	05.03.2024	9M	Mateusz Chrzanowski
Torpol	Hold	31,5	30,4	37,75	-17%	05.03.2024	9M	Dariusz Nawrot
Celon Pharma	Buy	25,5	14,9	15,12	69%	05.03.2024	9M	Krzysztof Radojewski
Tauron PE	Reduce	3,1	3,6	3,06	1%	01.03.2024	9M	Michał Sztabler
LPP	Buy	19282,0	16000,0	15300,00	26%	16.02.2024	9M	Dariusz Dadej
Forte	Accumulate	25,2	23,8	23,00	10%	12.01.2024	9M	Dariusz Dadej
Torpol	Buy	28,3	23,1	37,75	-25%	18.12.2023	9M	Dariusz Nawrot
Amica	Buy	109,2	80,7	74,30	47%	12.12.2023	9M	Mateusz Chrzanowski
MCI Capital	na	40,3	23,7	24,80	63%	08.12.2023	9M	Krzysztof Radojewski
Answear.com	Hold	31,8	31,2	27,20	17%	07.12.2023	9M	Dariusz Dadej
Sonel	na	12,4	11,7	14,60	-15%	05.12.2023	9M	Michał Sztabler
Ailleron	Accumulate	22,7	19,2	15,50	46%	04.12.2023	9M	Dariusz Dadej
Celon Pharma	Buy	29,1	14,2			01.12.2023	9M	Krzysztof Radojewski
LW Bogdanka	Reduce	28,6	33,8	33,60	-15%	30.11.2023	9M	Michał Sztabler
Captor Therapeutics	Buy	137,1	86,8	63,00	118%	29.11.2023	9M	Krzysztof Radojewski
MO-BRUK	Buy	390,3	290,0	326,00	20%	23.11.2023	9M	Dariusz Dadej
XTB	Buy	67,7	35,0	54,70	24%	23.11.2023	9M	Mateusz Chrzanowski
Selvita	Accumulate	72,6	60,3	66,70	9%	22.11.2023	9M	Krzysztof Radojewski
Apator	Accumulate	16,9	14,9	15,25	11%	21.11.2023	9M	Michał Sztabler
Molecure	Buy	23,5	17,9	17,28	36%	20.11.2023	9M	Krzysztof Radojewski
Aplisens	na	29,3	22,4	23,20	26%	17.11.2023	9M	Michał Sztabler
Pepco Group	Hold	19,0	19,8	18,00	6%	15.11.2023	9M	Dariusz Dadej
Ryvü Therapeutics	Buy	77,7	56,0	55,20	41%	10.11.2023	9M	Krzysztof Radojewski
TIM	Sell	40,6	47,7	50,50	-20%	06.11.2023	9M	Michał Sztabler
LPP	Buy	16795,0	13000,0			20.10.2023	9M	Dariusz Dadej
Auto Partner	Buy	33,9	22,8	26,80	26%	04.10.2023	9M	Mateusz Chrzanowski
InterCars	Buy	708,0	557,0	565,00	25%	04.10.2023	9M	Mateusz Chrzanowski
Mabion	na	23,6	17,0	16,30	45%	02.10.2023	9M	Krzysztof Radojewski
Wielton	Buy	10,2	8,4	8,13	26%	19.09.2023	9M	Michał Sztabler
Dino Polska	Accumulate	431,8	378,1	387,70	11%	19.09.2023	9M	Dariusz Dadej
Eurocash	Hold	15,0	14,8	14,23	5%	19.09.2023	9M	Dariusz Dadej
Bioton	na	5,4	3,8	3,57	52%	19.09.2023	9M	Krzysztof Radojewski
Unibep	na	12,5	10,4	9,58	30%	15.09.2023	9M	Dariusz Nawrot
Photon Energy	na	13,9	10,8	7,54	85%	11.09.2023	9M	Michał Sztabler
Toya	na	10,1	6,3	7,75	30%	07.09.2023	9M	Dariusz Nawrot
Mabion	na	22,9	18,0			07.09.2023	9M	Krzysztof Radojewski
Pepco Group	Buy	42,1	32,0			30.08.2023	9M	Dariusz Dadej
LW Bogdanka	Accumulate	42,3	38,6			31.07.2023	9M	Michał Sztabler
Torpol	Buy	22,6	18,0			18.07.2023	9M	Dariusz Nawrot
Forte	Accumulate	31,0	28,0			17.07.2023	9M	Dariusz Dadej
Tauron PE	Buy	4,2	2,8			07.07.2023	9M	Michał Sztabler
STS Holding	Sell	16,3	24,3			04.07.2023	9M	Mateusz Chrzanowski
Answear.com	Buy	48,0	34,5			04.07.2023	9M	Dariusz Dadej
Molecure	Accumulate	25,1	21,3			30.06.2023	9M	Krzysztof Radojewski
Celon Pharma	Buy	32,6	15,9			30.06.2023	9M	Krzysztof Radojewski
Captor Therapeutics	Buy	183,6	149,0			30.06.2023	9M	Krzysztof Radojewski
Ryvü Therapeutics	Buy	81,3	60,0			30.06.2023	9M	Krzysztof Radojewski
Apator	Accumulate	19,2	16,2			27.06.2023	9M	Michał Sztabler
Ailleron	na	30,0	23,4			18.05.2023	24M	Dariusz Dadej
Sonel	na	12,9	10,6			17.05.2023	24M	Michał Sztabler
TIM	na	41,6	49,2			16.05.2023	24M	Michał Sztabler
MO-BRUK	Accumulate	337,2	290,0			09.05.2023	9M	Dariusz Dadej
Selvita	Accumulate	83,0	74,6			08.05.2023	9M	Krzysztof Radojewski
XTB	Buy	78,9	35,3			26.04.2023	9M	Mateusz Chrzanowski
Aplisens	na	20,3	17,3			21.04.2023	24M	Michał Sztabler
Bioton	na	5,3	3,5			20.04.2023	24M	Krzysztof Radojewski
MCI Capital	na	36,1	19,5			20.04.2023	24M	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, Mateusz Chrzanowski - Junior Equity Analyst, Dariusz Nawrot - Senior Equity Analyst

MARKET RESEARCH DEPARTMENT**Sobiesław Kozłowski. MPW**sobieslaw.kozlowski@noblesecurities.pl

tel: +48 22 213 22 39

model portfolios

Krzysztof Radojewskikrzysztof.radojewski@noblesecurities.pl

biotechnology

Michał Sztablermichal.sztabler@noblesecurities.pl

tel: +48 22 213 22 36

industrials. utilities. mining

Dariusz Dadejdariusz.dadej@noblesecurities.pl

tel: +48 22 660 24 83

retail. industrials

Krzysztof Ojczyk. MPWkrzysztof.ojczyk@noblesecurities.pl

tel: +48 12 422 31 00

technical analysis

Mateusz Chrzanowskimateusz.chrzanowski@noblesecurities.pl

industrials, automotive, gaming, XTB

Dariusz Nawrotdariusz.nawrot@noblesecurities.pl

tel. +48 783 391 515

industrials, construction, developers, chemistry