

SYNBIOTIC SE

Health Care / Pharma - Germany



Buy (old: Buy)

18.12.2024

EUR 12.40 (old: EUR 12.40)

The new group continues to take shape; chg. est.

Topic: While SYNBIOTICs largest holding WEECO performs notably ahead of expectations and the group added two new companies to its portfolio, it also decided to terminate the ongoing integration of CannaCare Health due to delays in the process on the back of missing financial information.

WEECO Pharma exceeding expectations. Since the de-classification of medical cannabis as a narcotic drug at the beginning of April, the number of patients is seen to have doubled to some 0.5-0.6m, strongly impacting the overall demand, which in many cases outgrows supply. This is also visible in the ytd sales development of WEECO. With € 6.75m sales at the end of October, the company already surpassed its initial FY24 target of € 6m. Management now anticipates annual revenues exceeding € 8m (eNuW: € 8.2m), making WEECO the group's largest contributor (eNuW: 54% in FY24e).

While the integrations of WEECO and greensby are well on track, SYNBIOTIC has announced that the **planned contribution of CannaCare Health GmbH into the group will not proceed.** The decision stems from delays in finalizing the fairness opinion and CannaCare's inability to provide up-to-date financial information. Despite this, Frank Otto, CannaCare's principal shareholder, will retain his position on SYNBIOTIC's board of directors and as key shareholder. Positively, the lost sales of some € 2m in FY24e should largely be compensated for by the strong operational development of WEECO.

New additions to the group. Through a capital increase, SYNBIOTIC now holds **15.1% of GOC NEXUS GmbH**, which specializes in the decontamination of cannabis products using advanced cold plasma technology. The company is also developing international cannabis processing hubs. While this addition has no immediate (material) impact on the group's P&L, the signed cooperation agreement ensures de-bottlenecking within the medical cannabis supply chain.

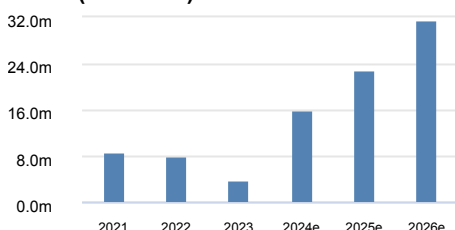
Further, **SYNBIOTIC acquired 50.2% of greensby**, a central platform that connects patients, pharmacies, telemedicine providers and consumers and enables the comparison of cannabis products. Following its integration into SYNBIOTIC, greensby will expand its range to include hemp products and cultivation accessories for recreational cannabis, offering up to 4,000 products. While we expect only a marginal sales contribution for now, it fits well into the group's strategic objective to grow along the value chain.

We confirm our **BUY** rating with an unchanged **€ 12.40 PT** based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	8.6	8.2	3.9	15.9	23.0	31.8
Sales growth	58.8%	-5.6%	-52.7%	312.2%	44.4%	38.3%
EBITDA	-4.8	-7.4	-7.2	-1.0	1.8	3.8
Net debt (if net cash=0)	-0.6	2.8	3.1	2.8	1.4	-1.3
FCF	-5.5	-7.1	-2.9	-4.3	1.4	2.7
Net Debt/EBITDA	0.0	-0.4	-0.4	-2.8	0.8	0.0
EPS pro forma	-4.13	-5.39	-2.12	-0.30	0.06	0.32
EBITDA margin	-55.2%	-90.8%	-186.3%	-6.4%	8.0%	12.1%
ROCE	-57.6%	-98.8%	-40.5%	-6.8%	2.8%	8.7%
EV/sales	1.6	2.9	6.8	1.8	1.2	0.8
EV/EBITDA	-2.8	-3.2	-3.6	-28.3	14.9	6.4
PER	-1.1	-0.9	-2.2	-15.2	76.6	14.4
Adjusted FCF yield	-79.8%	-101.7%	-40.0%	-4.9%	2.2%	8.2%

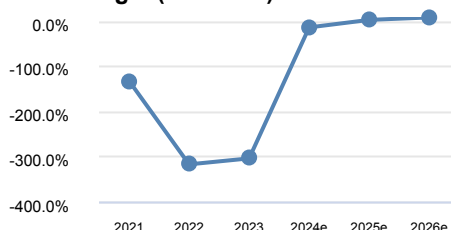
Source: Company data, NuWays, Close price as of 13.12.2024

Sales (2021-26e)



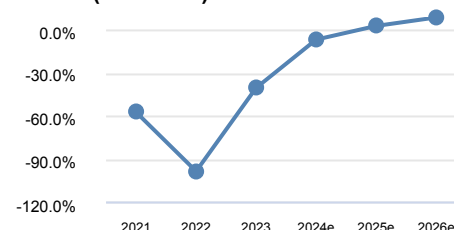
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



Source: NuWays Research

Company description

SynBiotic is a Buy-and-Build operator in the European industrial hemp, cannabis and cannabinoid market with an objective to establish a fully integrated platform-company with activities across the entire value chain from cultivation to production and retail.



Market data

Share price (in €)	5.40
Market cap (in € m)	25.9
Number of shares (in m pcs)	5.6
Enterprise value (in € m)	28.7
Ø trading volume (6 months)	17,400

Identifier

Bloomberg	SBX GY
Reuters	SBX
WKN	A3E5A5
ISIN	DE000A3E5A59

Key shareholders

Management	7.6%
Other institutional investors	47.0%
Free Float	45.4%

Estimates changes

	2024e	2025e	2026e
Sales	6%	-0%	-0%
EBIT	3%	83%	18%
EPS	3%	261%	20%

- ### Comment on changes
- Adjustments to estimates reflect the two new portfolio additions and the CannaCare Health deal that fell through
 - Higher sales estimates for WEECO

Guidance

- 2024 sales: € 16-17m
- 2024 EBIT: € -1.9m

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	8.6	8.2	3.9	15.9	23.0	31.8
<i>Sales growth</i>	58.8%	-5.6%	-52.7%	312.2%	44.4%	38.3%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	8.6	8.2	3.9	15.9	23.0	31.8
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0
Material expenses	3.9	4.6	2.4	6.7	9.0	11.7
Personnel expenses	2.4	4.7	2.1	4.1	4.6	5.7
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-4.8	-7.4	-7.2	-1.0	1.8	3.8
Depreciation	0.7	1.6	1.1	0.8	0.8	0.7
EBITA	-5.5	-9.0	-8.3	-1.8	1.1	3.1
Amortisation of goodwill	5.9	16.9	3.5	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.3	0.3	0.3
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-11.4	-25.9	-11.7	-2.1	0.8	2.8
Interest income	0.1	0.2	0.1	0.0	0.0	0.1
Interest expenses	0.0	0.2	0.2	0.3	0.3	0.3
Investment income	-2.0	-0.2	-0.0	0.0	0.0	0.0
Financial result	-1.9	-0.3	-0.1	-0.3	-0.3	-0.2
Recurring pretax income from continuing operations	-13.3	-26.2	-11.9	-2.4	0.5	2.6
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-13.3	-26.2	-11.9	-2.4	0.5	2.6
Income tax expense	-0.3	-0.2	-0.1	-0.7	0.1	0.8
Net income from continuing operations	-13.0	-26.0	-11.7	-1.7	0.3	1.8
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-13.0	-26.0	-11.7	-1.7	0.3	1.8
Minority interest	-0.3	-1.6	-1.1	0.0	0.0	0.0
Net profit (reported)	-12.7	-24.4	-10.6	-1.7	0.3	1.8
Average number of shares	3.1	4.5	5.0	5.6	5.6	5.6
EPS reported	-4.13	-5.39	-2.12	-0.30	0.06	0.32

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	58.8%	-5.6%	-52.7%	312.2%	44.4%	38.3%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Material expenses	44.7%	56.3%	61.0%	42.4%	39.0%	36.9%
Personnel expenses	28.0%	58.1%	55.6%	26.0%	20.0%	18.0%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	-55.2%	-90.8%	-186.3%	-6.4%	8.0%	12.1%
Depreciation	8.6%	19.6%	28.4%	5.1%	3.4%	2.4%
EBITA	-63.8%	-110.3%	-214.7%	-11.5%	4.6%	9.7%
Amortisation of goodwill	68.4%	207.1%	89.5%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	1.9%	1.3%	0.9%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-132.2%	-317.5%	-304.2%	-13.4%	3.3%	8.8%
Interest income	1.5%	1.9%	2.1%	0.1%	0.2%	0.3%
Interest expenses	0.5%	2.3%	5.1%	2.0%	1.4%	1.0%
Investment income	-22.6%	-2.8%	-0.3%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-153.8%	-320.7%	-307.4%	-15.3%	2.1%	8.1%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-153.8%	-320.7%	-307.4%	-15.3%	2.1%	8.1%
Tax rate	2.2%	0.7%	1.1%	30.0%	30.0%	30.0%
Net income from continuing operations	-150.5%	-318.4%	-303.9%	-10.7%	1.5%	5.7%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-150.5%	-318.4%	-303.9%	-10.7%	1.5%	5.7%
Minority interest	-4.0%	-20.0%	-28.6%	0.0%	0.0%	0.0%
Net profit (reported)	-146.5%	-298.4%	-275.3%	-10.7%	1.5%	5.7%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	42.8	27.0	23.0	37.5	37.2	36.9
Property, plant and equipment	5.9	5.4	4.9	4.7	4.5	4.3
Financial assets	0.2	0.0	0.0	0.0	0.0	0.0
FIXED ASSETS	48.9	32.4	27.9	42.2	41.7	41.2
Inventories	3.4	3.3	2.8	6.6	6.8	7.2
Accounts receivable	0.7	0.3	0.5	1.3	1.9	2.6
Other assets and short-term financial assets	4.3	3.4	3.6	3.6	3.6	3.6
Liquid assets	3.2	1.0	0.1	0.4	1.7	4.4
Deferred taxes	0.1	0.2	0.1	0.1	0.1	0.1
Deferred charges and prepaid expenses	0.0	0.0	0.1	0.1	0.1	0.1
CURRENT ASSETS	11.7	8.2	7.1	12.0	14.1	18.0
TOTAL ASSETS	60.6	40.6	34.9	54.2	55.8	59.2
SHAREHOLDERS EQUITY	35.0	22.6	15.8	33.5	33.3	34.6
MINORITY INTEREST	1.7	0.2	-0.5	-0.5	-0.5	-0.5
Long-term liabilities to banks	2.5	3.1	2.6	2.6	2.6	2.6
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.2	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0
NON-CURRENT LIABILITIES	2.7	3.1	2.6	2.6	2.6	2.6
Short-term liabilities to banks	0.1	0.7	0.6	0.6	0.6	0.6
Accounts payable	2.2	2.0	2.4	3.9	5.7	7.8
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	18.6	11.9	14.0	14.0	14.0	14.0
Deferred taxes	0.3	0.1	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	21.3	14.7	17.0	18.6	20.3	22.5
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	60.6	40.6	34.9	54.2	55.8	59.2
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	70.6%	66.4%	65.8%	69.2%	66.7%	62.3%
Property, plant and equipment	9.7%	13.3%	14.0%	8.6%	8.1%	7.3%
Financial assets	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	80.7%	79.8%	79.8%	77.8%	74.7%	69.6%
Inventories	5.6%	8.2%	7.9%	12.3%	12.1%	12.2%
Accounts receivable	1.2%	0.8%	1.4%	2.4%	3.4%	4.4%
Other assets and short-term financial assets	7.1%	8.3%	10.2%	6.6%	6.4%	6.0%
Liquid assets	5.3%	2.4%	0.3%	0.7%	3.1%	7.5%
Deferred taxes	0.1%	0.5%	0.2%	0.1%	0.1%	0.1%
Deferred charges and prepaid expenses	0.0%	0.0%	0.2%	0.2%	0.2%	0.1%
CURRENT ASSETS	19.3%	20.2%	20.2%	22.2%	25.3%	30.4%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	57.7%	55.7%	45.2%	61.8%	59.8%	58.5%
MINORITY INTEREST	2.8%	0.5%	-1.3%	-0.9%	-0.8%	-0.8%
Long-term liabilities to banks	4.1%	7.6%	7.3%	4.7%	4.6%	4.3%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NON-CURRENT LIABILITIES	4.4%	7.6%	7.3%	4.7%	4.6%	4.3%
Short-term liabilities to banks	0.2%	1.6%	1.7%	1.1%	1.1%	1.0%
Accounts payable	3.6%	4.9%	6.8%	7.2%	10.2%	13.2%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	30.7%	29.4%	40.2%	25.9%	25.2%	23.7%
Deferred taxes	0.6%	0.3%	0.1%	0.1%	0.1%	0.1%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	35.1%	36.2%	48.8%	34.3%	36.5%	38.0%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-13.0	-26.0	-11.7	-1.7	0.3	1.8
Depreciation of fixed assets (incl. leases)	0.7	1.6	1.1	0.8	0.8	0.7
Amortisation of goodwill & intangible assets	5.9	16.9	3.5	0.3	0.3	0.3
Other costs affecting income / expenses	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities	-11.8	-25.1	-7.5	-4.8	0.9	2.3
Increase/decrease in inventory	-2.9	0.1	0.6	-3.9	-0.1	-0.5
Increase/decrease in accounts receivable	0.2	0.4	-0.2	-0.8	-0.6	-0.7
Increase/decrease in accounts payable	1.5	-0.2	0.4	1.6	1.7	2.2
Increase/decrease in other working capital positions	2.2	0.8	3.5	0.0	-0.5	-0.5
Increase/decrease in working capital	1.0	1.0	4.3	-3.1	0.5	0.5
Cash flow from operating activities	-5.1	-6.6	-2.9	-3.7	2.0	3.3
CAPEX	0.4	0.4	0.0	0.6	0.6	0.6
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	3.0	-0.2	0.7	0.0	0.0	0.0
Income from asset disposals	0.3	0.2	0.0	0.0	0.0	0.0
Cash flow from investing activities	-3.1	-0.1	-0.7	-0.6	-0.6	-0.6
Cash flow before financing	-8.2	-6.7	-3.7	-4.3	1.4	n.a.
Increase/decrease in debt position	-1.6	0.8	-0.2	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	7.0	4.2	3.2	2.8	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.0	-0.1	-0.2	1.8	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	5.4	4.8	2.8	4.6	0.0	0.0
Increase/decrease in liquid assets	-2.8	-1.9	-0.9	0.3	1.4	n.a.
Liquid assets at end of period	3.2	1.0	0.1	0.4	1.7	4.4

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	58.8%	-5.6%	-52.7%	312.2%	44.4%	38.3%
EBITDA growth	568.7%	55.2%	-2.9%	-85.9%	-281.1%	108.7%
EBIT growth	1271.4%	126.7%	-54.7%	-81.9%	-135.5%	267.6%
EPS growth	631.8%	30.5%	-60.6%	-85.7%	-119.8%	433.1%
Efficiency						
Sales per employee	84.0	78.5	48.3	249.8	307.6	376.7
EBITDA per employee	-46.4	-71.3	-89.9	-15.9	24.6	45.4
No. employees (average)	103	104	80	64	75	84
Balance sheet analysis						
Avg. working capital / sales	11.2%	14.8%	36.5%	17.9%	8.4%	5.8%
Inventory turnover (sales/inventory)	2.5	2.4	1.4	2.4	3.4	4.4
Accounts receivable turnover	30.7	13.7	45.5	30.0	30.0	30.0
Accounts payable turnover	93.4	88.2	223.2	90.0	90.0	90.0
Cash flow analysis						
Free cash flow	-5.5	-7.1	-2.9	-4.3	1.4	2.7
Free cash flow/sales	-63.7%	-86.5%	-76.2%	-27.2%	5.9%	8.6%
FCF / net profit	42.3%	27.2%	25.1%	254.0%	400.1%	151.8%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-0.6	2.8	3.1	2.8	1.4	-1.3
Net Debt/EBITDA	0.0	-0.4	-0.4	-2.8	0.8	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	1.8%	9.2%	6.8%	9.2%	10.0%	9.2%
Returns						
ROCE	-57.6%	-98.8%	-40.5%	-6.8%	2.8%	8.7%
ROE	-36.2%	-107.6%	-67.3%	-5.1%	1.0%	5.2%
Adjusted FCF yield	-79.8%	-101.7%	-40.0%	-4.9%	2.2%	8.2%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-4.13	-5.39	-2.12	-0.30	0.06	0.32
Average number of shares	3.1	4.5	5.0	5.6	5.6	5.6
Valuation ratios						
P/BV	0.4	0.9	1.5	0.8	0.8	0.7
EV/sales	1.6	2.9	6.8	1.8	1.2	0.8
EV/EBITDA	-2.8	-3.2	-3.6	-28.3	14.9	6.4
EV/EBIT	-1.2	-0.9	-2.2	-13.5	36.2	8.9

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

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Company	Disclosures
SYNBIOTIC SE	2,8

Historical target price and rating changes for SYNBIOTIC SE

Company	Date	Analyst	Rating	Target Price	Close
SYNBIOTIC SE	17.09.2024	Sandherr, Christian	Buy	EUR 12.40	EUR 5.96
	16.09.2024	Sandherr, Christian	Buy	EUR 9.00	EUR 6.10
	13.09.2024	Sandherr, Christian	Buy	EUR 12.40	EUR 5.90

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