

Synbiotic SE

Germany | Health Care | MCap EUR 77.9m*

25 November 2021

UPDATE



German coalition agrees on legalisation of cannabis – Remains a BUY

What's it all about?

The future governing parties in Germany want to legalise the **sale of cannabis for recreational use**. The politicians have agreed on this in a published coalition agreement. Accordingly, a controlled distribution of cannabis to adults in licensed shops is part of this agreement. Synbiotic as a unique and broadly diversified player with a clear focus on cannabis and cannabinoids should benefit from legalisation in many ways, even if some uncertainties remain. Nevertheless, the potential legalisation of cannabis is a hot topic and bodes well to the equity story of Synbiotic. We therefore see in this thematic issue the potential for a rerating of the stock, and which thus might close the gap towards our fair value calculation. We keep our BUY recommendation and PT unchanged at EUR 37.00.

BUY (BUY)

Target price	EUR 37.00 (37.00)
Current price	EUR 21.20
Up/downside	74.5%



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Synbiotic SE

Germany | Health Care | MCap EUR 77.9m* | EV EUR 72.3m

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German coalition agrees on legalisation of cannabis – BUY

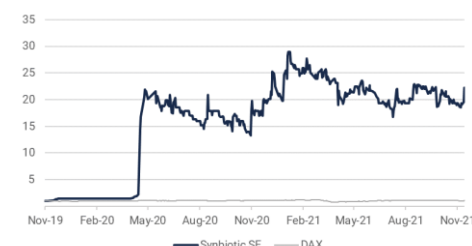
The future governing parties in Germany want to legalise the **sale of cannabis for recreational use**. The politicians have agreed on this in a published coalition agreement. Accordingly, a controlled distribution of cannabis to adults in licensed shops is part of the agreement. The aim of the parties is to control the quality and to prevent the passing on of contaminated substances as well as to prevent young consumers. While taxes do not play any role, according to the statement. Synbiotic as a unique and broadly diversified player with a clear focus on cannabis and cannabinoids should benefit from legalisation in many ways:

Sales and earnings perspectives The **acceptance of cannabis-based products and cannabis derivatives is expected to increase** among European population. The stigma of 'drug' should disappear over the years and a broad acceptance like that of alcohol seems possible, which would mark a clear booster for Synbiotic's sales and earnings perspectives.

Product portfolio Legalisation leads to a reduction of barriers in research and development, which could lead to the progress of more **helpful, promising applications and treatments** against modern diseases such as anxiety, insomnia, and stress. In our view, Synbiotic could benefit from a broadening of its future product portfolio and in turn further enhance its future growth trajectory.

Customer base Recently, Geca Pharma, a Synbiotic portfolio company, announced the expansion of its product **portfolio which will include high-quality cannabis flowers** as well as full-spectrum extracts and dronabinol produced in Germany. With this milestone, the Cologne-based trader of cannabis-based products and medicine enlarges its footprint in a growing market. **The company aims to meet the increasing demand for cannabis products in pharmacies. Backed by the coalition agreement, licensed shops could hence become customers of high-quality, certified cannabis.**

Valuation: In a latest funding round, Synbiotic issued 334K shares at a price of EUR 21.00 per share, raising in total c. EUR 7m (gross proceeds) to finance its further growth and promising buy-and-build strategy. The potential legalisation of cannabis as a hot topic therefore bodes well to the equity story of Synbiotic in our view. We therefore see in this thematic issue the potential for a rerating of the stock. We keep our BUY recommendation and PT unchanged at EUR 37.00.



Source: Company data, AlsterResearch

High/low 52 weeks 29.48 / 16.79
Price/Book Ratio 1.3x

Ticker / Symbols

ISIN DE000A3E5A59
WKN A3E5A5
Bloomberg SBX:GR

Changes in estimates

		Sales	EBIT	EPS
2021	old	00.0	00.0	00.0
	Δ	–	–	–
2022	old	00.0	00.0	00.0
	Δ	–	–	–
2023	old	00.0	00.0	00.0
	Δ	–	–	–

Key share data

Number of shares: (in m pcs) 3.67
Book value per share: (in EUR) 16.33
Ø trading volume: (12 months) 1,500

Major shareholders

Management & Founders 66.0%
Other institutional investors 23.0%
Free Float 11.0%

Company description

Synbiotic SE is the first German listed company focusing on cannabinoids derived from different plants, such as hemp or hop. The company is pursuing a European-wide buy & build strategy and plans to become a leading biotech and health platform for R&D, production and distribution of cannabis products, to solve modern world diseases, such as chronic pain or stress. This includes pharmaceuticals, cosmetics, nutrition, and supplements as well as lifestyle products and pet food.

*** incl. capital increase**

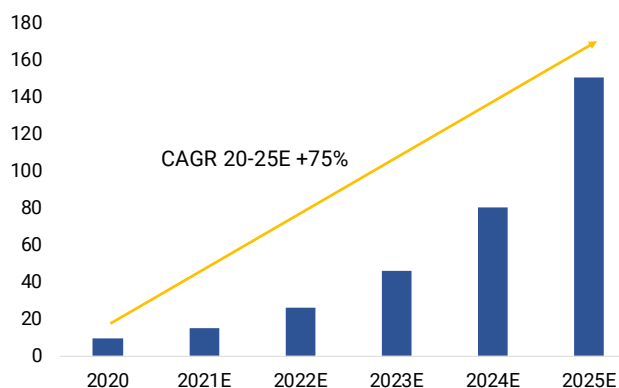
Synbiotic SE	2019	2020	2021E*	2022E	2023E
Sales	0.0	5.4	15.0	26.3	43.3
Growth yoy	na	na	175.4%	75.0%	65.0%
EBITDA	-0.0	-0.7	-0.7	-0.5	0.5
EBIT	-0.0	-0.8	-1.2	-1.5	-1.5
Net profit	-0.0	-0.9	-1.7	-2.1	-2.2
Net debt (net cash)	-0.0	-5.6	-4.9	2.9	11.4
Net debt/EBITDA	1.0x	7.9x	6.7x	-5.8x	23.4x
EPS recurring	-0.05	-0.56	-0.46	-0.56	-0.57
DPS	0.00	0.00	0.00	0.00	0.00
Gross profit margin	na	68.2%	75.0%	76.5%	78.0%
EBITDA margin	na	-13.1%	-4.9%	-1.9%	1.1%
EBIT margin	na	-15.3%	-8.2%	-5.9%	-3.5%
ROCE	-5.7%	-3.2%	-3.5%	-3.7%	-3.3%
EV/EBITDA	-5,799.5x	-101.2x	-99.8x	-164.1x	183.2x
EV/EBIT	-5,799.5x	-86.7x	-59.1x	-52.3x	-59.3x
PER	-394.7x	-37.6x	-46.5x	-38.1x	-37.1x
FCF yield	-0.2%	-4.0%	-4.1%	-4.4%	-3.1%

*pro forma; Source: AlsterResearch

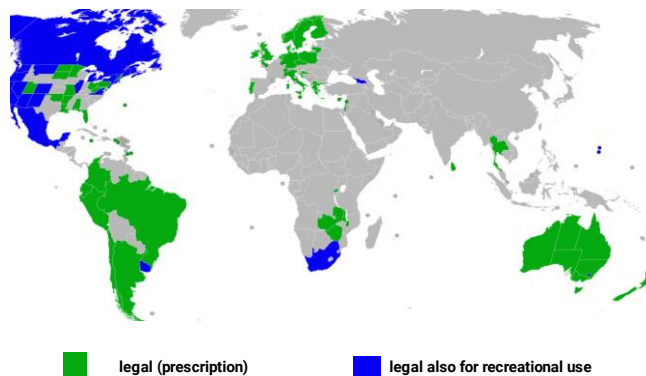
Investment case in “six” charts

Long term growth ambitions

Sales in EURm



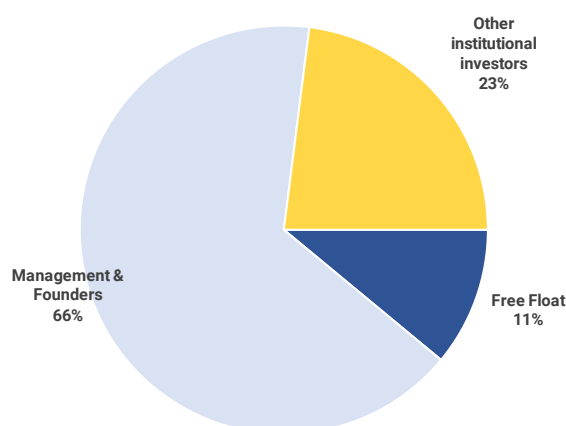
Worldwide legal situation of medical cannabis (May 2021)



Samples of the product portfolio





Major shareholders



Current companies within the ecosystem

Research & Development


 **GreenLight Pharmaceutical LTD**
Platform for clinical trial with cannabinoids
Ownership 25%


 **NeuroTherX Canada Ltd**
AI-powered drug discovery platform
Ownership 100%

Production & Biotech

LEAN LABS
Lean Labs Pharma GmbH
CBD production & extraction company based in Germany
Ownership 100%

Medical & D2C Brands

 **Solidmind Group GmbH**
Successful brand-builder in the wellbeing industry
Ownership 100%


 **Hempamed**
(a Solidmind Group GmbH Brand)
One of the Top 3 CBD brands in Germany


BioCBD
(a Solidmind Group GmbH Brand)
One of the biggest marketplace for organic hemp & CBD products

cannexo
Joint-venture with leading players in the pharma industry
Ownership 50,1%

 **GECA Pharma GmbH**
Import & distribution of medical cannabis products
Ownership 100%

SynBiotic Accelerator

 **The Hempany GmbH**
Hemp based beverages like "hemi" (hemp milk)
Ownership 25,1%

 **Princess Stardust GmbH**
CBD Lifestyle Brand
Ownership 25,1%

Company background

Products & services

In a nutshell

Synbiotic SE is the first German listed company with a clear focus on cannabinoids and terpenes contained in plants such as hemp and cannabis. Synbiotic aims to become the leading ecosystem for cannabinoid and terpene-based solutions. The company is pushing an EU-wide buy & build strategy to create a leading platform for R&D, production and distribution of cannabis products – primarily based on natural and synthetic cannabinoids.

Synbiotic focuses on therapies and solutions for social problems and common diseases in the areas of pain, sleep, and anxiety which affects millions of people worldwide. In addition, the platform will produce new and improved cannabinoids that can be used in various areas such as medicinal products and food supplements. Furthermore, cosmetics and care products play an important role in Synbiotic's product portfolio. Synbiotic thus can be classified as a biotechnical healthcare and pharmaceutical platform.

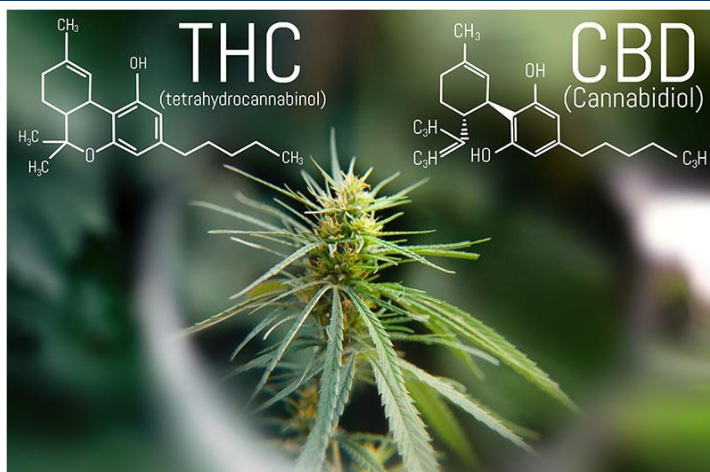
Cannabinoids – a natural active ingredient

The basis for all products are cannabinoids and terpenes which are extracted from different plants like hemp, hop or cacao. Hemp is also known under its Latin name cannabis. Marijuana, on the other hand, refers to the dried flowers of the female cannabis plant.

Most often, the term hemp is used only for varieties of cannabis grown for non-drug use, which is probably the most common use of the plant. However, individual components of the plant are fibres, seeds, leaves and flowers, which are used as raw material for various products. For example, ropes (fibres), edible oil (seeds), essential oil (leaves and flowers) as well as hashish and marijuana (leaves, flowers and inflorescences) can be produced. Furthermore, the hemp plant is composed of more than 120 different cannabinoids.

Synbiotic's clear focus is on cannabidiol (CBD) and the over 100 other cannabinoids and terpenes that can be extracted from hemp and other sources. The most famous cannabinoid, phytocannabinoid tetrahydrocannabinol (THC), only plays a minor role in Synbiotic's ecosystem, as one portfolio company, GECA Pharma, markets medical cannabis. Apart from medical cannabis, none of Synbiotic's products are drugs, even if they contain THC or traces of it. This characteristic sometimes causes difficulties to market products due to regulatory hurdles or a lack of acceptance among market participants.

Two famous cannabinoids: tetrahydrocannabinol and cannabidiol

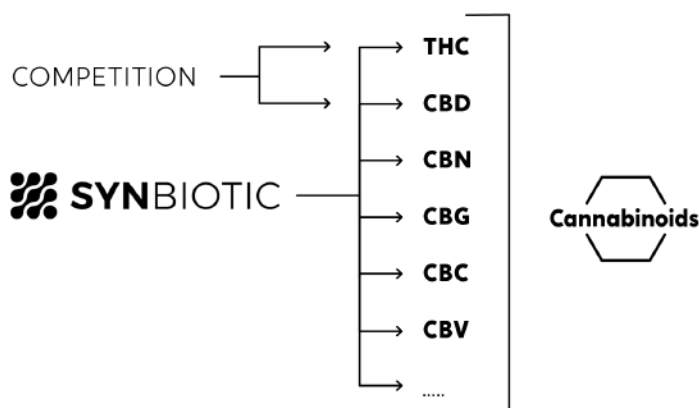


Source: AlsterResearch

Beyond CBD: Hemp-based cannabinoids contain THC

Cannabinoids derived from hemp and cannabis plants are still in a legal grey area, as they contain traces of THC. THC is covered by the Narcotics Act in Germany and therefore subject to strict regulation. According to the German Federal Office for Consumer Protection and Food Safety, a non-medical hemp product in Germany may not contain more than 0.2 percent THC. Therefore, Synbiotic developed a "beyond cannabis" approach to address the market with innovative and improved products. In July, the company announced the successful extraction of a CBD substitute gained from non-hemp sources. The so-called CBPlus® extract is made from five different cannabinoid and terpene containing plants.

Differentiation and innovative approach



Source: Company data; AlsterResearch

Effectiveness of cannabinoid CBD and customer requirements

Research regarding the efficacy of CBD for many indications is still in its infancy. In a 2018 meta-study, the WHO concluded that it may be effective for a number of medical indications: CBD is effective in the treatment of epilepsy and subsequently medication containing CBD has been approved in the U.S. and the EU. In addition, there are also preliminary findings that CBD might be effective in the treatment of psychoses and – due to anti-inflammatory properties – in the treatment of chronic intestinal inflammation, arthritis, and psoriasis. Finally, CBD has also been shown to increase the chances to quit smoking.

The effectiveness of CBD in relieving anxiety and stress, mitigating pain and inducing sleep have been little studied so far. There are some encouraging results, but studies have so far been restricted to small samples. However, the WHO finds that CBD generally is well tolerated and has no potential for dependence or abuse, so there is little harm if consumers decide to try it as a natural remedy and see for themselves if it works for them.

Synbiotic's platform - value creation within the own ecosystem

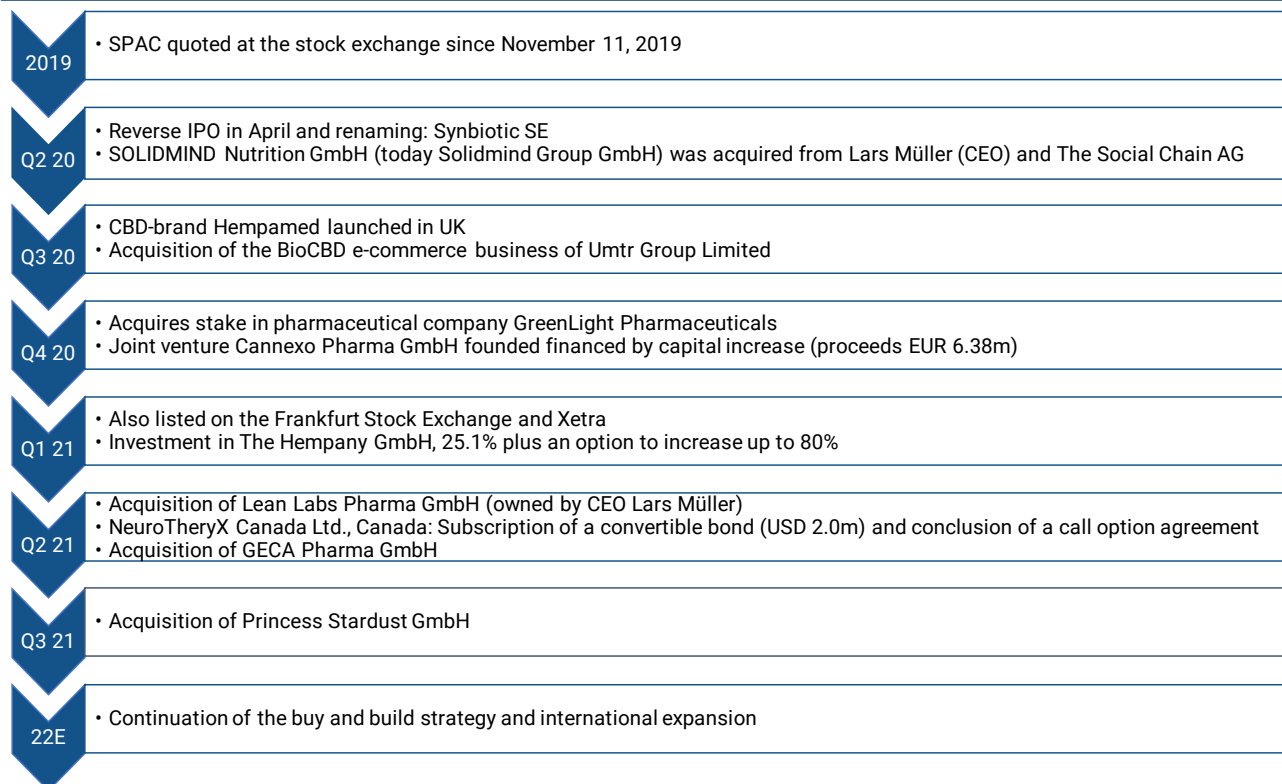
Research & Development	Production & Biotech	Medical & D2C Brands	SynBiotic Accelerator
<p>The R&D companies and network are used to create new products, applications and technologies which will be launched in other verticals.</p> <p>Minority shares are acquired in order to get preferential access to the developed technology</p>	<p>This part of the value chain comprises the areas of purchase, production, packing and shipping.</p> <p>Synbiotic aims >50% of ownership.</p>	<p>The medical and D2C (direct-to-consumer) portfolio is developed by acquiring and building of brands within the value chain.</p> <p>Synbiotic aims >50% of ownership.</p>	<p>The platform's incubator scouts new business ideas and products, which offer a faster growth speed for the entire group.</p> <p>Synbiotic aims >25.1% of ownership, with an additional call / put structure to purchase 100%.</p>

Source: Company data; AlsterResearch

Synbiotic's value chain: Platform – Ecosystem - Marketplace

As Synbiotic deals with a wide range of products, application areas, processes, markets and end customers, the company is establishing a holding structure: this ecosystem of subsidiaries is flexible to respond to customer needs and to sell via different distribution channels. In addition, research results and new products can be scaled up in the individual companies. In combination with an own accelerator, the company scouts new business ideas and products, thus fast-tracking the entire group. A brief view on the company history shows the speed of platform creation.

A short company history



Source: Company data; AlsterResearch

Synbiotic's current portfolio – holdings and brands

Synbiotic is systematically pushing the development of its own platform and hence creates its own ecosystem. The entire platform portfolio – as of today – is shown in the table below. Whilst some of these companies have been recently acquired, others are still in early stages of their life cycles. Consequently, the expected contribution to sales is still low for fiscal 2021, with the full potential being tapped only in the mid- to long-term.

Synbiotic SE – Transaction track record

Name	Holding	Country	Acquired in	Focus	Operating since	Sales 2020
Solidmind Group GmbH	100.00%	Germany	30.06.2020	Nutrition	2015	EUR 9.2m
Cannexo Pharma GmbH	50.01% (JV)	Germany	24.11.2020	Distribution	2021E	n.a.
Greenlight Pharmaceuticals Limited	25.00%	Ireland	02.10.2020	R&D	2014	n.a.
Snaabt GmbH	100.00%	Germany	04.12.2020	Animal nutrition	2016	n.a.
The Hempany GmbH	25.01% (JV)	Germany	H1 2021	Hemp milk	2020	n.a.
NeuroTheryX Canada Ltd	Option	Canada	H1 2021	R&D	2017	n.a.
Lean Labs Pharma GmbH	100.00%	Germany	H1 2021	Production	2020	n.a.
GECA Pharma GmbH	100.00%	Germany	H1 2021	Pharma	2020	EUR 0.9m
Princess Stardust GmbH	25.01% (JV)	Germany	H1 2021	Lifestyle products	2021	n.a.

*JV = Joint venture

Source: Company data; AlsterResearch

Platform-Portfolio

Solidmind Group GmbH (formerly Solidmind Nutrition GmbH) was acquired by Synbiotic in June 2020. Solidmind was valued at EUR 25m and has been paid via a capital increase in kind by issuing 1m new shares. Solidmind Group GmbH was founded by serial entrepreneur and CEO Lars Müller and has been continuously expanded in recent years. In 2020, the company generated sales of EUR 9.2m and became profitable in 2019. First time consolidation was as of H2 2020. Solidmind operates through the brands Solidmind, Hempamed, VICUPETS and Innoju.

In addition, Solidmind took over **Snaabt GmbH** (100% subsidiary) and the marketplace BioCBD. Snaabt mainly sells online food supplements for pets such as dogs, cats and horses. In the course of 2021, the product range will be expanded with CBD-containing products. The company does not operate its own online shop but exclusively uses the infrastructure of amazon.

Cannexo Pharma GmbH, in which Synbiotic holds 50.004%, is also part of the platform. The company is mainly engaged in the distribution of products, which are developed within Synbiotic's ecosystem. This includes pharmaceutical products, well-being and health care products containing cannabinoids, and hemp extracts. The company was founded in 2020 and has started operations in the course of 2021. One of the founding members is Rainer Seiler, former sales manager of ratiopharm and ex-managing director of the well-known online pharmacy Zur Rose Group.

GreenLight Pharmaceuticals Limited

GreenLight Pharmaceuticals is a specialist in the development of plant-based medicines. The Irish company was founded in 2014 and is a bio-pharmaceutical research and development entity which collaborates closely with several universities. GreenLight is based in Dublin but has recently established a UK-based subsidiary and is planning to expand into mainland Europe.

The Hempany GmbH

The company is a producer of hemp milk (branded 'hemi'), a cow milk alternative comparable to oat milk. The start-up is based in Stuttgart, Germany and has gained well-known distribution partners such as the drugstore chain Rossmann and the supermarket chain Alnatura. The product is made from organic hemp seeds.

NeuroTheryX Canada Ltd

So far, Synbiotic has only invested in NeuroTheryX Canada through a convertible bond (repayment due 01 March 2023). However, Synbiotic secured a complete takeover of the R&D platform by April 1, 2023. NTX is an R&D-driven company dedicated to the discovery and commercialisation of cannabinoid-based pharmaceutical and nutraceutical therapeutics.

Lean Labs Pharma GmbH

Lean Labs is the cannabinoid extraction and production company within Synbiotic's portfolio. The company was formerly owned by CEO Lars Müller and was fully contributed to Synbiotic's platform strategy.

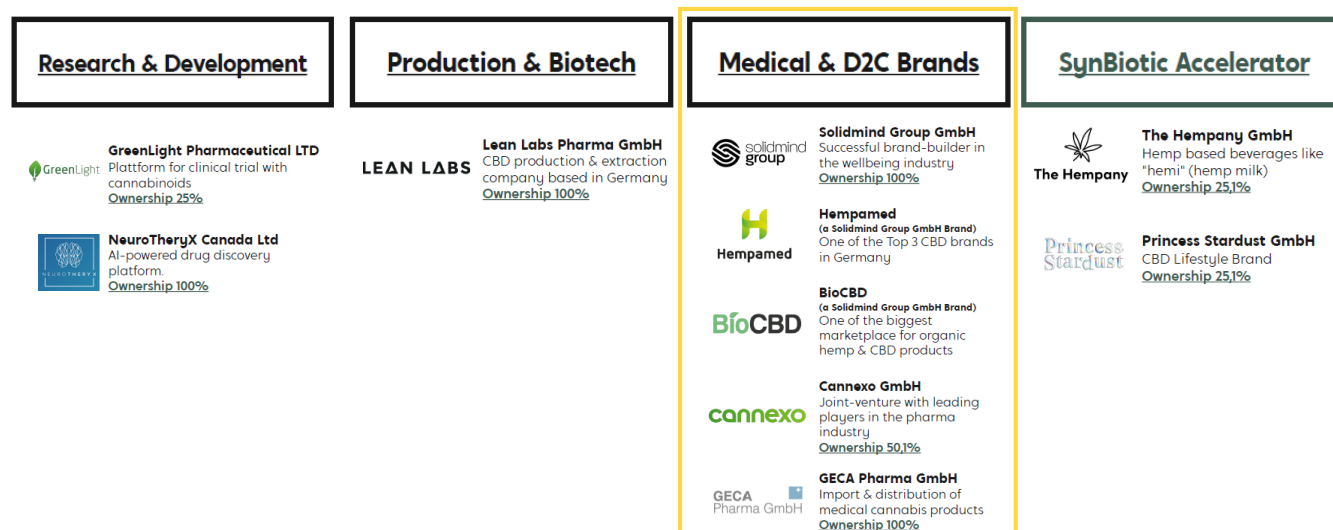
GECA Pharma GmbH

GECA Pharma GmbH is based in Cologne and imports and distributes high-quality medical cannabis products to pharmacies, pharmaceutical wholesalers, and clinical facilities in Germany. The subsidiary holds all required licenses to trade with wholesalers, in medicinal products and to handle narcotics. GECA Pharma is already contributing to sales in 2021E with its trade in medicinal cannabis flowers. In the future, GECA Pharma will form the pharmaceutical branch of Synbiotic.

Princess Stardust GmbH is the lifestyle product company. Princess Stardust's still small product portfolio is based on cannabinoids and terpenes and addresses modern popular diseases, such as stress and sleep problems. The joint venture's upcoming products are designed to provide consumers with relaxation without intoxication, a more restful sleep or more energy for the day. The first three products Princess Stardust launched on the market are formulated with natural CBD, vitamins, melatonin, or caffeine as needed.

From an investors' perspective, the verticals Medical & D2C brands are the most important ones. Here, current sales and respectively cash flows are generated. While the other verticals play a significant role in the value chain, marketing and branding is the key to success.

Synbiotic's platform - Units and brands by contribution in the ecosystem







Source: Company data; AlsterResearch

Management

In line with the buy-and-build strategy and the creation of a platform, Synbiotic is forming an experienced and established management team.

Lars Müller, CEO




Lars Müller has been active as a founder for more than 10 years and has been working with cannabinoids since 2015. He founded the predecessor companies (Solidmind Group and Lean Labs) of Synbiotic and has been active in the role of the CEO since 2020. During his professional career, he gained in-depth industry knowledge, especially in the field of genetics, extraction methods and analytics, product development, and brand development. He obtained a bachelor's degree in applied computer science and extended his know-how in web & app development.

			
Lars Müller CEO since 2020 Founder and shareholder	Sebastian Stietzel Chairman of the Supervisory Board	Dr. Marlon Braumann Member of the Supervisory Board	Thomas Hanke Member of the Supervisory Board

Source: Company data; AlsterResearch

Team and Network

In addition to the operational C-level, a key component of the strategy is to establish a supportive and strong network of known players in the sector. Synbiotic's aim is to unite the creative performers in the cannabinoid industry under one roof.

		
Dr. Le Roy Dowey CEO Greenlight Pharmaceutical LTD	Dr. James Linden Founder & Chairman Greenlight Pharmaceutical LTD	Rainer Seiler Co-Founder & Shareholder Cannexo Pharma GmbH

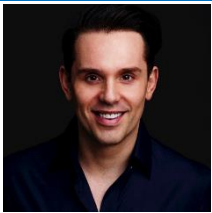

Source: Company data; AlsterResearch

Lead investors

In addition, the company has already been able to attract well-known investors. The narrative and strategy of becoming a true platform company becomes even clearer considering Synbiotic's lead investors Christian Angermayer and Michael Auerbach.

Christian Angermayer is the owner and founder of the holding and investment vehicle Apeiron Investment Group. The company is his single family office which has a focus on biotech, fintech and deep tech. One of the portfolio companies, named ATAI Life Sciences AG, executed a successful IPO on Nasdaq recently. ATAI has a focus on so-called "psychedelics" for therapeutic purposes.

Michael Auerbach has invested in ATAI in its first financing round in 2018 and continued through all rounds, joining ATAI's board. Mr. Auerbach is one of the most renowned investors in the field of Cannabis companies.

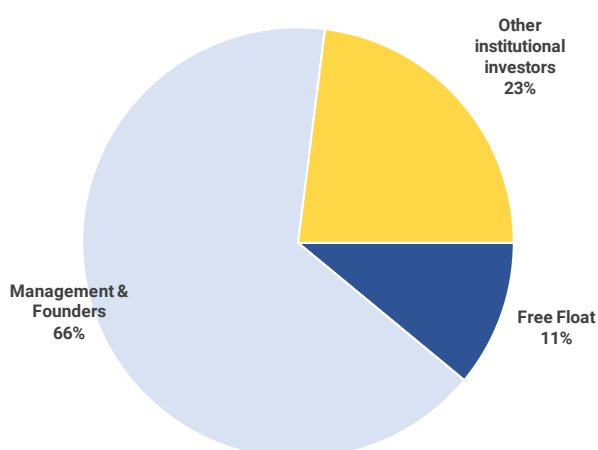
	
Christian Angermayer	Michael Auerbach
Founder and owner of Apeiron Investment Group	Owner of Subversive Capital

Source: Company data; AlsterResearch

Shareholders

The current shareholder structure looks as follows.

Major shareholders



Source: Company data; AlsterResearch

Porter's Five Forces



SWOT analysis

Strengths

- Platform enables scaling of research results and products
- First Mover in European market for CBD based products
- Proven M&A track record
- Agility and flexibility due to lean organizational structure
- Strong founder and owner network that has proven how to scale a platform company
- Marketplace business model offers synergies (e.g., R&D, sourcing)

Weaknesses

- M&A could lead to weak balance sheet structure in light of high goodwill
- Missing transparency of business development before reverse IPO – operational track record not given
- Small free float
- Several capital measures expected to finance growth

Opportunities

- High diversification of sales streams due to different business activities and markets possible
- Further global expansion driven by M&A
- Above-average growth fantasy through business model
- Business model would benefit from regulatory easing, for example the de-regulation of hemp-based products could unlock further market potential

Threats

- For CBD products, advertising with promises of medical cures is prohibited
- Canadian competitors, as the market leaders, could further enhance their market dominance
- New entrants expected due to overall growth potential
- Availability of attractively priced M&A targets
- Executions risk regarding M&A driven expansion

Theme

Going forward, the following topics have the potential to move the **share price**:

- Increasing capital market awareness and presence in combination with an increased free float
- Further transactions and portfolio acquisitions, which are likely to be value accretive in Synbiotic's ecosystem
- Gradual ramp-up of new and/or white label partnerships
- New customer wins
- Improving balance sheet structure and visibility driven by a fully consolidated portfolio
- Realizing book gains in light of portfolio transactions – e.g., divestments of non-core assets
- Legalization or at least de-regulation of Cannabis-based products on the European core market
- Becoming a take-over target for bigger players to enter new markets and products
- Ongoing market consolidation: in Q1 2021, GW Pharmaceuticals (UK) was acquired by JAZZ Pharmaceuticals (US), at an enterprise value of USD 7.2bn (**13.6x EV/sales**). GW is globally active in discovering, developing, manufacturing and commercializing novel, regulatory approved therapeutics from its proprietary cannabinoid product platform, GW generated c. USD 527m sales in 2020.

Valuation

DCF Model

The DCF model results in a **fair value of EUR 36.85 per share**:

Top-line growth: We expect Synbiotic SE to continue benefitting from its structural growth potential. Hence our growth estimates for 2021-28E is in the range of 38.5% p.a. The long-term growth rate is set conservatively at 2.0%.

EBIT margins are expected to be negative in the next 4-5 years. However, in the long run, margins are modelled in the range of 10-11%.

WACC. Due to a young history at stock markets, we derived a historical equity beta at 1.18 by the peer group data (averaged 1-, 3- and 5-year). Unlevering and correcting for mean reversion yields an asset beta of 0.98. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 12.0%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30.0% and target debt/equity of 1.0 this results in a long-term WACC of 7.7%.

Capital increases at a fair value of EUR 37.00 per share are planned in (2021/22/23), therefore the number of shares outstanding is correspondingly higher (+405K shares in total).

DCF (EUR m) (except per share data and beta)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
NOPAT	-0.9	-1.1	-1.1	-0.4	1.3	5.7	10.5	12.5	
Depreciation & amortization	0.5	1.1	2.0	3.4	6.9	8.3	9.6	13.0	
Change in working capital	-2.2	-2.4	-2.1	-3.3	-1.5	0.6	1.7	2.0	
Chg. in long-term provisions	0.1	0.1	0.2	0.2	0.3	0.2	0.2	0.1	
Capex	-4.5	-6.5	-8.5	-10.5	-11.5	-12.5	-13.0	-13.5	
Cash flow	-6.9	-8.8	-9.4	-10.6	-4.5	2.3	8.9	14.1	250.1
Present value	-6.9	-8.1	-8.1	-8.4	-3.3	1.6	5.6	8.3	147.4
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.7%

DCF per share derived from	
Total present value	128.2
Mid-year adj. total present value	133.1
Net debt / cash at start of year	-5.6
Financial assets	0.7
Provisions and off b/s debt	na
Equity value	139.4
No. of shares outstanding	3.8
Discounted cash flow / share	36.85
upside/(downside)	73.8%

Share price	21.20
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DCF avg. growth and earnings assumptions	
Planning horizon avg. sales growth (2021E - 2028E)	38.5%
Terminal value growth (2028E - infinity)	2.0%
Terminal year ROCE	20.4%
Terminal year WACC	7.7%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30.0%
Equity beta	1.00
Unlevered beta (industry or company)	0.98
Target debt / equity	1.0
Relevered beta	1.66
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	12.0%

Sensitivity analysis DCF							
Change in WACC (%-points)		Long term growth					Share of present value
		1.0%	1.5%	2.0%	2.5%	3.0%	
	2.0%	19.5	21.0	22.8	24.7	27.0	
	1.0%	24.2	26.3	28.7	31.5	34.7	
	0.0%	30.5	33.4	36.8	40.9	45.9	
	-1.0%	39.1	43.4	48.6	55.1	63.2	
	-2.0%	51.6	58.4	67.0	78.2	93.7	
							2021E - 2024E
							2025E - 2028E
							terminal value
							-24.5%
							9.5%
							115.0%

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 1.45 per share based on 2021E and 30.24 EUR per share on 2025E estimates. **Hence, Synbiotic SE 2025E estimates best reflect our DCF based fair value calculation including Synbiotic's successful buy and built strategy and higher profitability.**

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2021E	2022E	2023E	2024E	2025E
EBITDA	-0.7	-0.5	0.5	2.8	8.8
- Maintenance capex	0.0	0.2	0.4	0.7	1.0
- Minorities	0.0	0.0	0.0	0.0	0.0
- tax expenses	-0.7	-0.9	-0.9	-0.8	-0.1
= Adjusted Free Cash Flow	-0.0	0.2	1.0	2.9	7.9
Actual Market Cap	77.9	77.9	77.9	77.9	77.9
+ Net debt (cash)	-4.9	2.9	11.4	23.5	29.5
+ Pension provisions	0.0	0.0	0.0	0.0	0.0
+ Off b/s financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	0.7	0.7	0.7	0.7	0.7
- Acc. dividend payments	0.0	0.0	0.0	0.0	0.0
<i>EV Reconciliations</i>	-5.6	2.2	10.7	22.8	28.8
= Actual EV'	72.3	80.1	88.6	100.7	106.7
Adjusted FCF yield	-0.0%	0.3%	1.1%	2.9%	7.4%
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	0.5%	0.5%	0.5%	0.5%	0.5%
adjusted hurdle rate	5.5%	5.5%	5.5%	5.5%	5.5%
Fair EV	-0.3	3.8	18.0	52.5	143.2
- <i>EV Reconciliations</i>	-5.6	2.2	10.7	22.8	28.8
Fair Market Cap	5.3	1.6	7.3	29.7	114.4
No. of shares (million)	3.7	3.7	3.8	3.8	3.8
Fair value per share in EUR	1.45	0.43	1.92	7.85	30.24
Premium (-) / discount (+)	-93.2%	-98.0%	-90.9%	-63.0%	42.7%

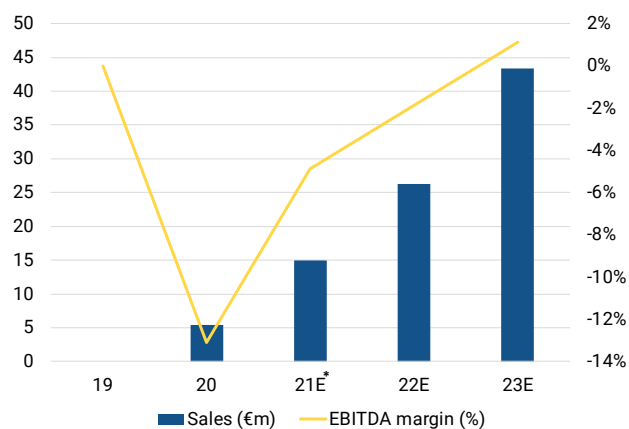
Sensitivity analysis fair value						
Adjusted hurdle rate	3.5%	1.4	1.0	4.6	15.8	51.9
	4.5%	1.4	0.7	3.0	10.9	38.7
	5.5%	1.4	0.4	1.9	7.8	30.2
	6.5%	1.5	0.3	1.2	5.7	24.4
	7.5%	1.5	0.2	0.7	4.1	20.1

Capital increases at a fair value of EUR 30 per share are planned in (2021/22/23), therefore the number of shares outstanding is correspondingly higher (+500,000 shares in total); Source: AlsterResearch

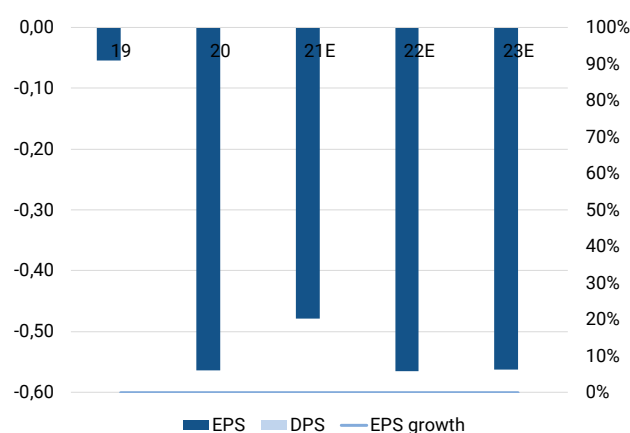
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Financials in six charts

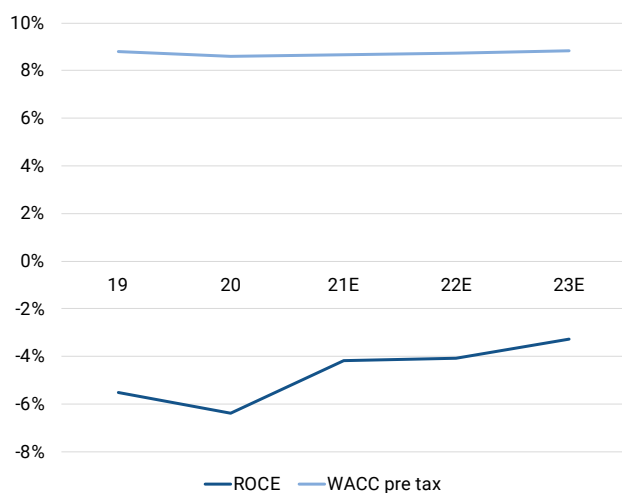
Sales vs. EBITDA margin development



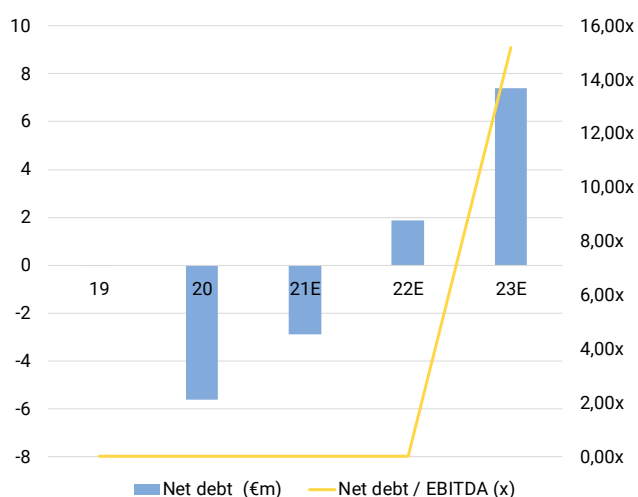
EPS, DPS in EUR & yoy EPS growth



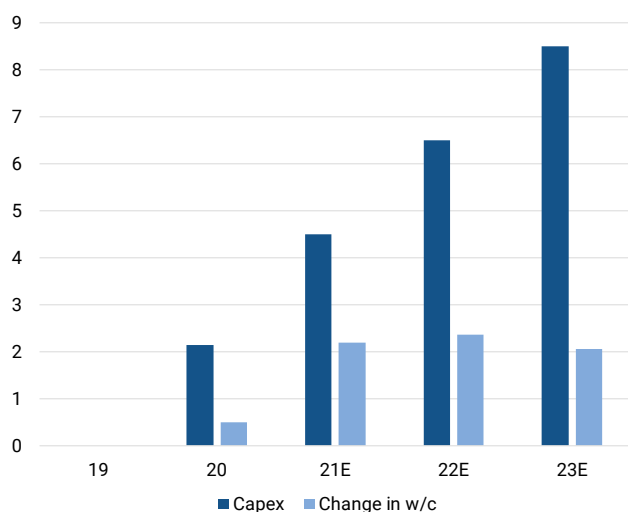
ROCE vs. WACC (pre tax)



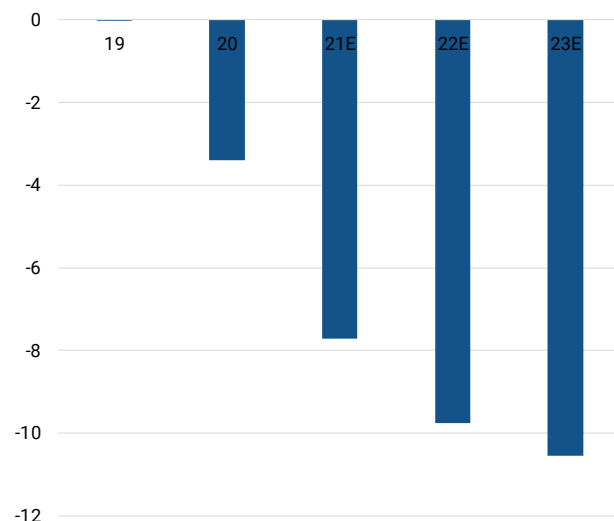
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Financials

Profit and loss (EUR m)	2018	2019	2020	2021E*	2022E	2023E
Net sales	0.0	0.0	5.4	15.0	26.3	43.3
Sales growth	NaN%	NaN%	Infinity%	175.4%	75.0%	65.0%
Change in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	0.0	0.0	5.4	15.0	26.3	43.3
Material expenses	0.0	0.0	1.7	3.8	6.2	9.5
Gross profit	0.0	0.0	3.7	11.3	20.1	33.8
Other operating income	0.0	0.0	0.0	0.1	0.1	0.2
Personnel expenses	0.0	0.0	0.7	2.0	3.5	5.8
Other operating expenses	0.0	0.0	3.7	10.1	17.2	27.7
EBITDA	0.0	-0.0	-0.7	-0.7	-0.5	0.5
Depreciation	0.0	0.0	0.1	0.0	0.4	0.8
EBITA	0.0	-0.0	-0.8	-0.7	-0.9	-0.4
Amortisation of goodwill and intangible assets	0.0	0.0	0.1	0.5	0.7	1.1
EBIT	0.0	-0.0	-0.8	-1.2	-1.5	-1.5
Financial result	0.0	0.0	-0.0	-1.2	-1.4	-1.6
Recurring pretax income from continuing operations	0.0	-0.0	-0.8	-2.4	-3.0	-3.1
Extraordinary income/loss	0.0	0.0	-0.0	0.0	0.0	0.0
Earnings before taxes	0.0	-0.0	-0.9	-2.4	-3.0	-3.1
Taxes	0.0	0.0	0.0	-0.7	-0.9	-0.9
Net income from continuing operations	0.0	-0.0	-0.9	-1.7	-2.1	-2.2
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	0.0	-0.0	-0.9	-1.7	-2.1	-2.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	0.0	-0.0	-0.9	-1.7	-2.1	-2.2
Average number of shares	0.00	0.25	1.56	3.67	3.73	3.78
EPS reported	#DIV/0!	-0.05	-0.56	-0.46	-0.56	-0.57

Profit and loss (common size)	2018	2019	2020	2021E	2022E	2023E
Net sales	na	na	100%	100%	100%	100%
Change in finished goods and work-in-process	na	na	0%	0%	0%	0%
Total sales	na	na	100%	100%	100%	100%
Material expenses	na	na	32%	25%	24%	22%
Gross profit	na	na	68%	75%	77%	78%
Other operating income	na	na	0%	1%	1%	1%
Personnel expenses	na	na	13%	13%	13%	13%
Other operating expenses	na	na	68%	67%	66%	64%
EBITDA	na	na	-13%	-5%	-2%	1%
Depreciation	na	na	1%	0%	1%	2%
EBITA	na	na	-14%	-5%	-3%	-1%
Amortisation of goodwill and intangible assets	na	na	1%	3%	3%	3%
EBIT	na	na	-15%	-8%	-6%	-3%
Financial result	na	na	-0%	-8%	-5%	-4%
Recurring pretax income from continuing operations	na	na	-15%	-16%	-11%	-7%
Extraordinary income/loss	na	na	-0%	0%	0%	0%
Earnings before taxes	na	na	-16%	-16%	-11%	-7%
Taxes	na	na	0%	-5%	-3%	-2%
Net income from continuing operations	na	na	-16%	-11%	-8%	-5%
Result from discontinued operations (net of tax)	na	na	0%	0%	0%	0%
Net income	na	na	-16%	-11%	-8%	-5%
Minority interest	na	na	0%	0%	0%	0%
Net profit (reported)	na	na	-16%	-11%	-8%	-5%

*pro forma; Source: AlsterResearch

Balance sheet (EUR m)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (exl. Goodwill)	0.0	0.0	0.0	1.5	3.8	6.7
Goodwill	0.0	0.0	26.6	26.6	26.6	26.6
Property, plant and equipment	0.0	0.0	0.0	2.5	5.6	9.3
Financial assets	0.0	0.0	0.7	0.7	0.7	0.7
FIXED ASSETS	0.0	0.0	27.3	31.3	36.8	43.3
Inventories	0.0	0.0	0.5	1.4	2.4	3.7
Accounts receivable	0.0	0.0	0.9	2.4	4.2	6.6
Other current assets	0.2	0.2	0.3	0.3	0.3	0.3
Liquid assets	0.0	0.0	6.0	8.9	7.6	3.1
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.1	0.3	0.4
CURRENT ASSETS	0.2	0.2	7.7	13.2	14.7	14.1
TOTAL ASSETS	0.2	0.2	35.0	44.5	51.5	57.4
SHAREHOLDERS EQUITY	0.2	0.2	25.5	30.8	30.7	30.6
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.3	3.0	8.0	10.5
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.0	0.0	0.1	0.3	0.4
Non-current liabilities	0.0	0.0	0.3	3.1	8.3	10.9
short-term liabilities to banks	0.0	0.0	0.1	1.0	2.5	4.0
Accounts payable	0.0	0.0	0.7	1.8	3.1	4.8
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.0	0.0	8.4	7.5	6.6	6.5
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.1	0.2	0.3	0.5
Current liabilities	0.0	0.0	9.3	10.6	12.5	15.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	0.2	0.2	35.0	44.5	51.5	57.4

Balance sheet (common size)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	0%	0%	0%	3%	7%	12%
Goodwill	0%	0%	76%	60%	52%	46%
Property, plant and equipment	0%	0%	0%	6%	11%	16%
Financial assets	0%	0%	2%	2%	1%	1%
FIXED ASSETS	0%	0%	78%	70%	71%	75%
Inventories	0%	0%	1%	3%	5%	6%
Accounts receivable	0%	0%	3%	5%	8%	12%
Other current assets	90%	94%	1%	1%	0%	0%
Liquid assets	10%	6%	17%	20%	15%	5%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	0%	0%	0%	0%	1%	1%
CURRENT ASSETS	100%	100%	22%	30%	29%	25%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	100%	99%	73%	69%	60%	53%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	0%	0%	1%	7%	16%	18%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	0%	0%	0%	0%	1%	1%
Non-current liabilities	0%	0%	1%	7%	16%	19%
short-term liabilities to banks	0%	0%	0%	2%	5%	7%
Accounts payable	0%	1%	2%	4%	6%	8%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	0%	0%	24%	17%	13%	11%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	0%	0%	0%	0%	1%	1%
Current liabilities	0%	1%	26%	24%	24%	28%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net profit/loss	0.0	-0.0	-0.9	-1.7	-2.1	-2.2
Depreciation of fixed assets (incl. leases)	0.0	0.0	0.1	0.0	0.4	0.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.5	0.7	1.1
Others	0.0	0.0	0.0	0.1	0.1	0.2
Cash flow from operations before changes in w/c	0.0	-0.0	-0.8	-1.0	-0.9	0.0
Increase/decrease in inventory	0.0	0.0	-0.2	-0.9	-0.9	-1.3
Increase/decrease in accounts receivable	0.0	0.0	-0.3	-1.5	-1.7	-2.5
Increase/decrease in accounts payable	0.0	0.0	0.0	1.2	1.2	1.7
Increase/decrease in other w/c positions	0.0	0.0	0.0	-0.9	-0.9	-0.0
Increase/decrease in working capital	0.0	0.0	-0.5	-2.2	-2.4	-2.1
Cash flow from operating activities	0.0	-0.0	-1.3	-3.2	-3.3	-2.1
CAPEX	0.0	0.0	-2.1	-4.5	-6.5	-8.5
Payments for acquisitions	0.0	0.0	1.7	0.0	0.0	0.0
Financial investments	0.0	0.0	-0.7	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	0.0	0.0	-1.1	-4.5	-6.5	-8.5
Cash flow before financing	0.0	0.0	0.0	-7.7	-9.8	-10.6
Increase/decrease in debt position	0.0	0.0	0.3	3.6	6.5	4.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	8.0	7.0	2.0	2.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	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	0.0	0.0	8.3	10.6	8.5	6.0
Increase/decrease in liquid assets	0.0	-0.0	5.9	2.9	-1.3	-4.6
Liquid assets at end of period	0.0	0.0	5.9	8.8	7.5	3.0

Source: AlsterResearch

Regional sales split (EURm)	2018	2019	2020	2021E*	2022E	2023E
Domestic	0.0	0.0	0.0	13.8	23.8	38.6
Europe (ex domestic)	0.0	0.0	0.0	1.2	2.5	4.7
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	0.0	0.0	5.4	15.0	26.3	43.3

Regional sales split (common size)	2018	2019	2020	2021E	2022E	2023E
Domestic	na	na	0.0%	92.0%	90.5%	89.0%
Europe (ex domestic)	na	na	0.0%	8.0%	9.5%	11.0%
The Americas	na	na	0.0%	0.0%	0.0%	0.0%
Asia	na	na	0.0%	0.0%	0.0%	0.0%
Rest of World	na	na	0.0%	0.0%	0.0%	0.0%
Total sales	na	na	100%	100%	100%	100%

*pro forma; Source: AlsterResearch

Ratios	2018	2019	2020	2021E	2022E	2023E
Per share data						
Earnings per share reported	NaN	-0.05	-0.56	-0.46	-0.56	-0.57
Cash flow per share	NaN	-0.04	-0.85	-0.88	-0.93	-0.65
Book value per share	Infinity	0.94	16.33	8.39	8.25	8.09
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	NaNx	-394.7x	-37.6x	-46.5x	-38.1x	-37.1x
P/CF	NaNx	-471.2x	-25.0x	-24.2x	-22.9x	-32.4x
P/BV	0.0x	22.5x	1.3x	2.5x	2.6x	2.6x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	NaN%	-0.2%	-4.0%	-4.1%	-4.4%	-3.1%
EV/Sales	Infinityx	Infinityx	13.3x	4.9x	3.1x	2.1x
EV/EBITDA	Infinityx	-5,799.5x	-101.2x	-99.8x	-164.1x	183.2x
EV/EBIT	Infinityx	-5,799.5x	-86.7x	-59.1x	-52.3x	-59.3x
Income statement (EURm)						
Sales	0.0	0.0	5.4	15.0	26.3	43.3
yoy chg in %	NaN%	NaN%	Infinity%	175.4%	75.0%	65.0%
Gross profit	0.0	0.0	3.7	11.3	20.1	33.8
Gross margin in %	NaN%	NaN%	68.2%	75.0%	76.5%	78.0%
EBITDA	0.0	-0.0	-0.7	-0.7	-0.5	0.5
EBITDA margin in %	NaN%	-Infinity%	-13.1%	-4.9%	-1.9%	1.1%
EBIT	0.0	-0.0	-0.8	-1.2	-1.5	-1.5
EBIT margin in %	NaN%	-Infinity%	-15.3%	-8.2%	-5.9%	-3.5%
Net profit	0.0	-0.0	-0.9	-1.7	-2.1	-2.2
Cash flow statement (EURm)						
CF from operations	0.0	-0.0	-1.3	-3.2	-3.3	-2.1
Capex	0.0	0.0	-2.1	-4.5	-6.5	-8.5
Maintenance Capex	0.0	0.0	0.1	0.0	0.2	0.4
Free cash flow	0.0	-0.0	-3.4	-7.7	-9.8	-10.6
Balance sheet (EURm)						
Intangible assets	0.0	0.0	26.6	28.1	30.5	33.3
Tangible assets	0.0	0.0	0.0	2.5	5.6	9.3
Shareholders' equity	0.2	0.2	25.5	30.8	30.7	30.6
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	0.0	0.0	0.4	4.2	10.8	14.9
Net financial debt	-0.0	-0.0	-5.6	-4.9	2.9	11.4
w/c requirements	0.0	-0.0	0.7	2.0	3.5	5.5
Ratios						
ROE	0.0%	-5.7%	-3.5%	-5.4%	-6.8%	-7.1%
ROCE	0.0%	-5.7%	-3.2%	-3.5%	-3.7%	-3.3%
Net gearing	-9.9%	-5.6%	-22.1%	-15.9%	9.3%	37.3%
Net debt / EBITDA	-Infinityx	1.0x	7.9x	6.7x	-5.8x	23.4x

Source: AlsterResearch

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Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
Synbiotic SE	2, 8

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