

SynBiotic SE

Health Care / Pharma - Germany



Buy (old: Buy)

17.09.2024

EUR 12.40 (old: EUR 9.00)

SynBiotic transformation: Reaching new operational high(t)s

Topic: The new CEO Daniel Kruse has been in charge for roughly one year now. The implemented structural changes to the company coupled with regulatory changes in Germany, especially the loss of the narcotic drug status of medical cannabis, should become visible in strong improved financials.

Today, **SynBiotic is a Buy-and-Build operator in the European 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, essentially from the field to the shelf.

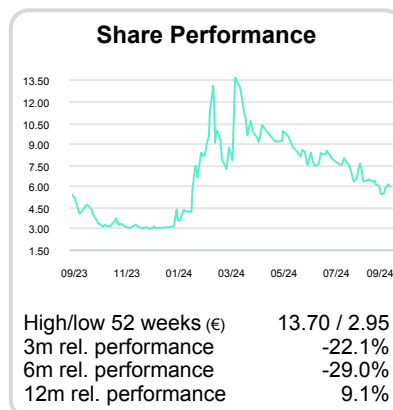
Dynamic market growth. SynBiotic is active across three end markets, recreational cannabis, industrial hemp and medical cannabis. All three markets should benefit from favourable trends. Demand for **industrial hemp is seen to 4x until 2030**, carried by regulatory changes and novel food classification of CBD-based products. At the same time, **demand for medical cannabis should 10x vs 2023**, thanks to the Cannabis Act, which took effect in April. While recreational cannabis (regulated commercial market for cannabis sales) has so far not been approved, the market for i. a. cannabis seeds and gardening equipment is now a legally growing.

SynBiotic looks set to strongly benefit from those favorable market dynamics. **Until the end of FY27e, we expect group sales to reach € 40.8m** (vs. € 3.9m in FY23), implying a roughly 80% CAGR. Above all, this is seen to be carried by the medical cannabis segment, which should contribute some € 29m.

Additional pockets of growth could come from further acquisitions as per its Buy and Build strategy. In fact, we would expect another add-on until the end of the year.

More importantly, with strongly growing sales, SynBiotic should **be on track to reach break-even by FY25e**. This should also be possible thanks to the new CEO's implemented cost-saving measures such as significantly reduced personnel expenses (FY23 -55% yoy; FY24e -19% vs FY22). During the subsequent years, the company looks set to **reach double-digit EBIT margins** (eNuW: by 2027e).

With only a few listed players in the German cannabis space, SynBiotic offers a unique opportunity to invest into a vertically integrated company that is also active in a variety of different end markets. We **reinitiate the coverage with a BUY rating and a € 12.40 PT** (old: € 9) based on DCF.



Market data

Share price (in €)	5.96
Market cap (in € m)	33.4
Number of shares (in m pcs)	5.6
Enterprise value (in € m)	35.9
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	11%	41%	59%
EBIT	24%	130%	501%
EPS	28%	106%	583%

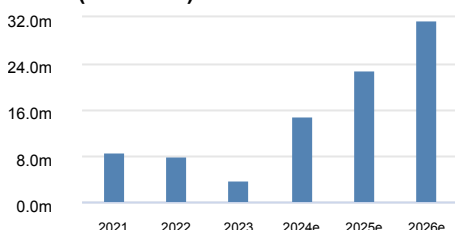
Comment on changes

- Model overhaul following the transformation

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	8.6	8.2	3.9	15.0	23.0	31.8
Sales growth	58.8%	-5.6%	-52.7%	287.5%	54.0%	38.0%
EBITDA	-4.8	-7.4	-7.2	-1.1	1.5	3.4
Net debt (if net cash=0)	-0.6	2.8	3.1	2.5	1.6	-0.8
FCF	-5.5	-7.1	-2.9	-4.1	0.9	2.4
Net Debt/EBITDA	0.0	-0.4	-0.4	-2.3	1.1	0.0
EPS pro forma	-4.13	-5.39	-2.12	-0.31	0.02	0.27
EBITDA margin	-55.2%	-90.8%	-186.3%	-7.3%	6.5%	10.7%
ROCE	-57.6%	-98.8%	-40.5%	-7.0%	1.5%	7.5%
EV/sales	2.0	3.6	8.5	2.4	1.5	1.0
EV/EBITDA	-3.7	-4.0	-4.6	-33.0	23.5	9.5
PER	-1.4	-1.1	-2.8	-19.0	355.7	22.2
Adjusted FCF yield	-61.3%	-81.2%	-31.9%	-4.0%	1.1%	5.3%

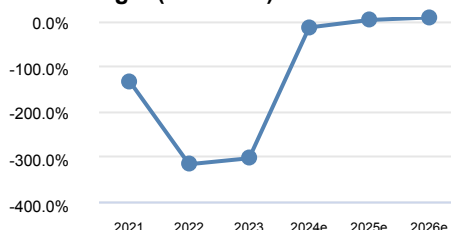
Source: Company data, NuWays, Close price as of 16.09.2024

Sales (2021-26e)



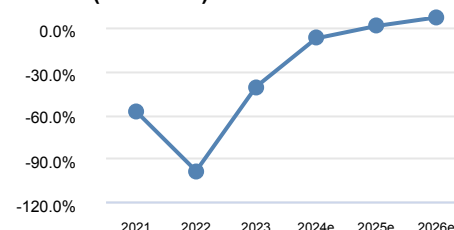
Source: NuWays Research

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.

Guidance

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

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Introducing SynBiotic – a cannabis and hemp platform made in Germany

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

The company was founded in mid-2020 based on an integration with the German company SOLIDMIND Group GmbH (founded in 2015), which operated a number of successful direct-to-consumer (D2C) brands of dietary supplements and health products, including one of the top 3 German CBD brands (Hempamed). Through its Buy-and-Build strategy, SynBiotic has also established a **meaningful presence across other important verticals**.

SynBiotic Platform Overview

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	Industrial hemp	Medical cannabis	Recreational cannabis
Cultivation	Hanf Farm Cannabis Growing	Import partnerships in the Netherlands, Denmark Spain and Canada	Hanf Farm Cannabis Growing
R&D & Production	lean labs ANALYTICS & PROCESSING lesol PHARMACEUTICALS	MH INDUSTRIAL hemp lean labs ANALYTICS & PROCESSING WEECO PHARMACEUTICALS	lean labs ANALYTICS & PROCESSING
Sales & Distribution	MH INDUSTRIAL hemp Hempro Int. solidmind group CannaCare lesol PHARMACEUTICALS	WEECO PHARMACEUTICALS SYNBIOTIC DISTRIBUTION MH INDUSTRIAL hemp	Bushdoctor

Source: NuWays Research, company data

Today, **SynBiotic comprises 15 individual portfolio companies** across three end markets, industrial hemp, medical cannabis and recreational cannabis:

- **Industrial hemp** (18% of FY27e sales): This segment comprises the former cornerstone of the group and focuses on a variety of CBD- based products such as seeds, fibres, shives but also leaves ultimately used in oils, food, feed, supplements, cosmetics, tea and beverages. With the acquired CannaCare, SynBiotic added a well-recognized retail brand (CANOBO) to its product offering.
- **Medical cannabis** (71% of FY27e sales): This segment is the answer to the recently changed regulatory environment in Germany. Mind you, in April, Germany's CanG (cannabis act) lead to medical cannabis losing its narcotic drug status, through which receiving prescriptions has become as easy as for ibuprofen 600. The recently acquired WEECO Pharma (European importer and wholesaler for all varieties of medicinal cannabis) looks set to form the cornerstone of this.
- **Recreational cannabis** (11% of FY27e sales): While recreational cannabis (as sold in dedicated shops) has not directly been legalized in April, adults can now own up to 25 grams of cannabis, grow up to three flowering plants and establish non-profit cannabis clubs. This sparked the industries around it, i.e. reseller of seeds and equipment needed to grow plants. Through the acquisition of Bushdoctor, SynBiotic can benefit exactly from those trends.

Buy and Build strategy for accelerated growth

SynBiotic follows an ambitious Buy and Build strategy aimed at accelerating growth and solidifying its market presence. By targeting strategic acquisitions and continuously developing its business sectors, the company systematically expands its portfolio and penetrates new market segments. The acquisition of companies with complementary strengths, products, and technologies **allows SynBiotic to ex-**

tend its value chain, broaden its product offerings, and leverage synergies across its operations.

Through the efficient integration of newly acquired companies, SynBiotic enhances market efficiency while driving innovation. The company focuses on expanding its business sectors, especially in industrial hemp and cannabis, tapping into new markets. Additionally, SynBiotic is committed to developing and marketing innovative products in these sectors, positioning itself as a leader in both medical and recreational cannabis. With a strong, diversified European group of companies, SynBiotic aims to cover key growth markets while minimizing risks for investors.

Since the arrival of the new CEO Daniel Kruse, which came with a certain strategic realignment and reassessment of the group's structure at that time, SynBiotic acquired four companies:

- Aug. 2023 - CannaCare Health
- Dec. 2023 - Bushdoctor
- Apr. 2024 – Ilesol Pharmaceuticals
- May 2024 - WEECO Pharma

While the group looks well set up, we would expect additional acquisitions during the next 12-18 months to also break into cultivation of medical cannabis but also to add existing brands and broaden its geographical exposure across the group's segments. As we have not reflected any additional acquisitions in our estimates, the could trigger additional upside.


CBD ≠ THC...what are cannabinoids

The effect and tolerance of cannabis mainly depends on the cannabinoids as well as the terpenes (essential oils). Among the cannabinoids, the effects of THC and CBD dominate. As THC and CBD have different effects on the human body, the use cases also differentiate:

- **Tetrahydrocannabinol (THC)** is the most notable cannabinoid responsible for psychotropic effects, such as an alternation in perception, mood, consciousness, cognition or behavior (i.e. it makes people "high"). During recent years, THC-based medications such as dronabinol are increasingly being prescribed to treat patients with pain, nausea, and even to patients undergoing chemotherapy.
- **Cannabidiol (CBD)** is the most widely available cannabinoid accounting for 40% of the hemp plant's extract. Unlike THC, it does not have any psychotropic effects but has a variety of therapeutic benefits. Among others, CBD is shown to help with anxiety, depression and seizures.

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Full note / Initiation - 17.09.2024

	Industrial hemp	Medical cannabis	Recreational cannabis	Group
Description	Focus on CBD-based products for the food and beverage but also cosmetics industry	Focus on flower business for medical cannabis patients, potentially also dronabinol; so far no own cultivation	Focus on supplies for consumption (e.g. vaporizers) but also cultivation such as seed, seedlings and other equipment	
Portfolio companies	HANF FARM (50.1%) Lean labs Pharma (100%) Ilesol Pharmaceuticals (100%) Hemp Factory (50.1%) MH medical hemp (50.1%) SOLIDMIND Group (100%) Hempro International (50.1%) CannaCare Health (69%)	MH medical hemp (50.1%) Lean labs Pharma (100%) WEECO Pharma (100%) SynBiotic Distribution (100%)	HANF FARM (50.1%) Lean labs Pharma (100%) Bushdoctor (51%)	
Customers	As the company is active along the value chains, it sells products direct to consumers, to pharmacies (e.g. flowers from WEECO) but also wholesalers			
Competitors				
Suppliers	With the exception of medical cannabis, the group can rely on its vertical integration, covering everything from cultivation to sales and distribution of the final product. For medical cannabis, SynBiotic can rely on several import partnerships with growers in the Netherlands, Denmark, Spain and Canada			
Sales FY26	6.6	15.0	3.5	31.8
EBIT FY26				2.4
EBIT-margin				7.4%
ROCE '26				7.5%

Source: NuWays Research, company data

The value proposition: A unique positioning in thriving markets

- **Building a leading European cannabis platform-company** along the value chain
- **Strong brands** ensure swift commercialization
- **Access to capital markets** to fuel further inorganic growth
- **Experienced leadership team**

Building a leading European cannabis platform-company

Unlike most of the European cannabis players, SynBiotic pursues a “platform approach” **diversifying on three sectors and striving for a vertically integrated set-up within the individual markets**. It seeks to consolidate the strongest players in the cannabinoid space under one roof, thereby creating a “center of competence” that addresses customer needs in a holistic and the most effective way thanks to its “platform approach” goes beyond that.

Having started as a retailer of food supplements, including CBD products, SynBiotic has quickly expanded into the areas of Research & Development and Production via M&A.

Today, **the company’s business activities are structured along the value chain** (from cultivation via R&D to D2C sales and across three relevant end markets, namely industrial hemp, medical cannabis and recreational cannabis):

(1) **Cultivation** ensures sufficient supply of high quality hemp. While not being active in cultivating medical cannabis, we would expect this to change in the near future in order to diversify suppliers and capitalize on the group’s strong distribution set up.

(2) **R&D and production** are continuously working on innovative applications of cannabis medicines, as well as novel extracts and concentrates with application-specific terpene profiles. This is the company’s ‘innovation engine’, ensuring that SynBiotic remains at the forefront of developments in the cannabinoid market.

(3) **Sales and Distribution** is the “growth engine” of the company responsible for bringing the market-ready products to final consumers through effective marketing and strong brand building. Key portfolio companies/brands include Bushdoctor, WEECO, SOLIDMIND, Hempro Int., MH medical hemp and CannaCare.

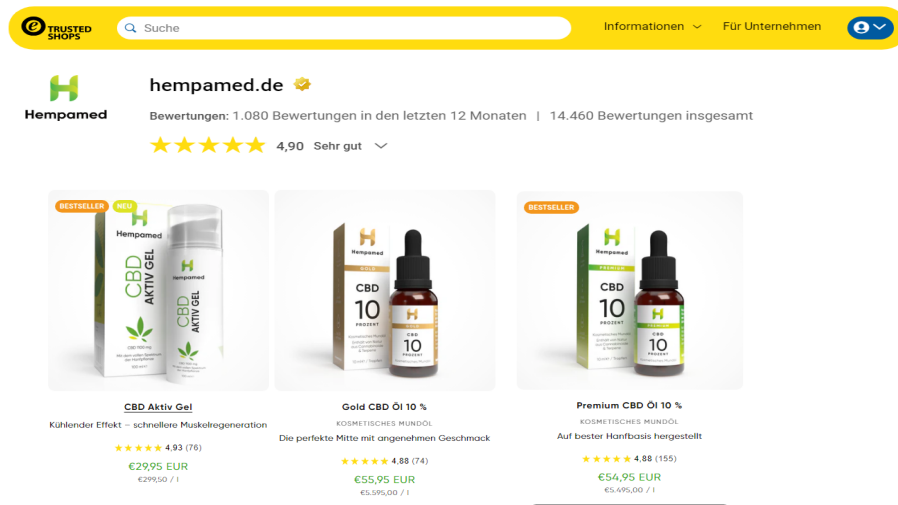
This set up is ideal to not only capitalize on the current end market trends but also to promptly react in case of regulatory changes.

Strong brands ensure swift commercialization

In order to ensure market access and efficient distribution, a strong brand is essential. Across its portfolio companies, the group can rely on strong brands. For example, Hempamed (a SOLIDMIND brand), which focuses on CBD-based oils and supplements features. The brand stands out from the crowd thanks to its in-house manufacturing and quality control. This guarantees consistent quality of the final product at a fair price, which reinforces strong brand perception.

This is clearly underpinned by the platform Trusted Shops, which recorded almost 1.1k reviews during the past twelve months with an average rating of 4.9 (out of 5).

Strong brand perception



The screenshot shows the Hempamed.de storefront on the eTrusted Shop platform. The header includes the company logo, a search bar, and navigation links for 'Informationen' and 'Für Unternehmen'. The main content area displays three product listings:

- CBD Aktiv Gel:** A cooling effect - faster musculoskeletal generation. Rating: 4.93 (76). Price: €29,95 EUR.
- Gold CBD Öl 10%:** Kosmetisches Mundöl. Die perfekte Mitte mit angenehmem Geschmack. Rating: 4.88 (74). Price: €55,95 EUR.
- Premium CBD Öl 10%:** Kosmetisches Mundöl. Auf bester Hanfbasis hergestellt. Rating: 4.88 (155). Price: €54,95 EUR.

Source: NuWays Research, eTrusted Shop

Thanks to this, the products are widely available at marketplaces such as DocMorris and Shop Apotheke. Another great example is the consumer brand Canobo (part of CannaCare), which is sold at more than 2.4k outlets of leading drugstore chains like Rossmann and Budnikowsky, in pharmacies, on HSE24, Germany's largest TV shopping channel, and on online marketplaces. Its rating at Trusted Shops stands at 4.68 with a total of 1.2k reviews.

Access to capital markets to fuel further inorganic growth

SynBiotic is one of only a few listed European cannabis players. This offers the company financial flexibility, which allows it to execute on strategic, value enhancing acquisitions in a timely manner building a full-fledged platform company in the cannabinoid space.

The rationale of the platform approach is simple: Instead putting all eggs in one basket by only focusing on the mainstream cannabinoids, like CBD or THC, SynBiotic is constantly scouting the broader market landscape to capture all relevant applications for hemp or cannabis in order to find sustainable and modern solutions to old problems. Contribute to its long-term vision „Making hemp and cannabis accessible to everyone“.

Further, being listed for several years coupled with dedicated investor relations efforts geared towards retail investors (e.g. own discord channel with 1.7k members) build a strong brand awareness and a broad retail shareholder base with some 17k individual investors according to company numbers. Recent successful transactions, which involved the issuance of convertible bonds, underpin the importance of a relatively liquid stock.

Going forward, SynBiotic could also issue new shares to finance further acquisitions, either through a cash capital increase or with the new shares as form of payment.

Experienced leadership team

SynBiotic is led by a highly experienced team that has been active in the cannabis sector for many years. They helped to shape the German market and will continue to do so as they are widely connected within the industry and welcomed guest on cannabis fairs and conventions.

SynBiotic SE

Full note / Initiation - 17.09.2024



CEO Daniel Kruse is a pioneer in the hemp and cannabis industry since 1995. In fact, he founded four of SynBiotic's portfolio companies, Hempro International, Hemp Factory, MH medical hemp and Hanf Farm.

Further, at the end of 2022, SynBiotic was able to secure Bruce Linton, the founder and former Chairman and CEO of Canopy Growth (first North American supplier to the German medical cannabis market), as Chairman of its Advisory Board. Having his know-how on board should strongly support SynBiotic's efforts to strongly expand its medical cannabis business.

Growth drivers

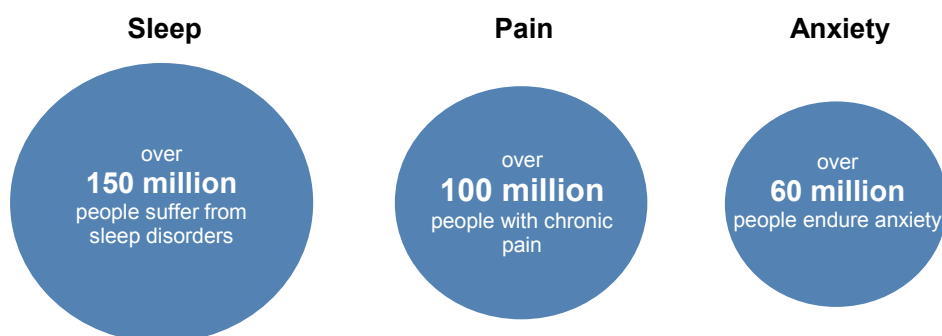
- Cannabis in Europe: **A multi-billion-Euro market** with plenty of structural growth drivers
- **Dynamic top-line growth of 83% p.a. expected** (2023-27e), against the backdrop of a strongly growing market
- **Double-digit EBIT margins ahead** thanks to the resulting positive operating leverage; EBIT break-even by 2025e

A look at the general market opportunity

At the highest level, the total addressable market (TAM) for cannabis-based products in the medicinal segment can be defined based on the prevalence of the following three problem areas – Sleep, Pain and Anxiety.

This represents a huge market opportunity. In Europe alone, over 150 million people suffer from sleep disorders, more than 100 million live with chronic pain, and around 60 million fight anxiety.

SynBiotic targets multi-billion markets



Source: NuWays Research

Currently, these problem areas are largely addressed by OTC and prescription pharmaceuticals with cumulative sales of more than € 250bn. Yet, many of these drugs fail to benefit the patient and can even lead to severe side effects.

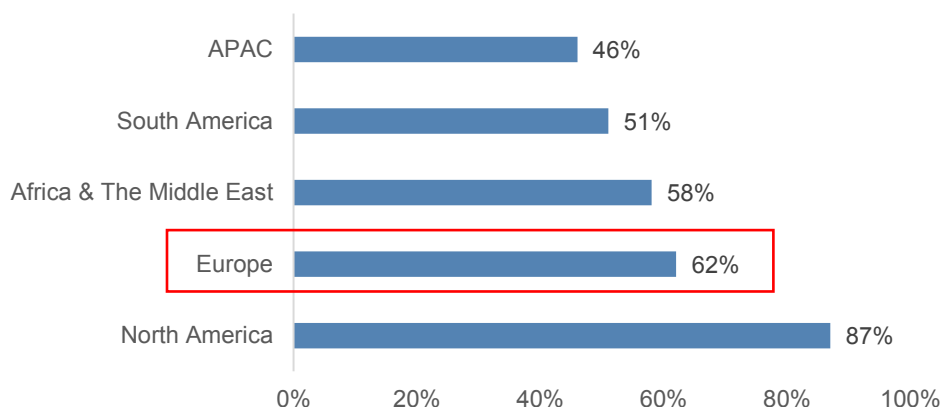
Naturally, there's a strong interest in innovative, more effective and patient friendly medications. Thanks to its ability to interact with various receptors throughout the central nervous and immune system, cannabis can often pose a real alternative. This is beneficial for all three segments of SynBiotic.

Improving regulatory environment

When it comes to cannabis, the regulatory landscape is far from harmonized. On the contrary, there are significant differences in how regulators view cannabis processing and CBD-containing products across the continents and individual countries.

Based on the "cannabis friendliness" score that takes into account various cannabis-related regulatory aspects and determines the friendliness of the local laws for growing, buying and using hemp products, North America is by far the most advanced region, while Europe is catching up fast.

Europe is Catching up to North America in "Cannabis Friendliness" score



Source: NuWays Research, Daily CBD

Indeed, 2020 marked a number of important milestones for the European cannabis industry, providing a positive impulse for growing cannabis acceptance and the recognition of its therapeutic benefits.

Medical cannabis is removed from the list of hard drugs. In December 2020, the United Nations (UN) accepted the recommendation made by the World Health Organisation (WHO) to remove medical cannabis from the list of hard drugs (e.g. heroin).

The recent legislation change in Germany further underpins the trend towards an improving level of cannabis friendliness in Europe

German medical cannabis market with plenty of growth potential

In April this year, the CanG (Cannabis Act) took effect in Germany. With this Germany not only allows adults to own 25 grams of cannabis, grow up to three plants and establish non-profit cannabis clubs but cannabis also lost its narcotic drug status. The latter was crucial, as it has enabled easy access to medical cannabis. Essentially, receiving a prescription has become comparable to getting one for ibuprofen 600.

With this, the number of patients should remain on a stellar growth path at the expense of the black market (~4m cannabis users as of 2021). Before the legislation change, Germany recorded roughly 250k medical cannabis patients. In fact, we would expect the development of medical cannabis patients in Germany to follow a similar as in several US states following their legalization. On average, the percentage of patients (vs. total population) has reached 2.5-4%. Applying similar assumptions to Germany, this would lead to 2.1-3.3m patients (~10x vs. 2023) with a market volume of € 2-3bn, eNuW.

Recreational business also benefitting from CanG

While recreational cannabis (regulated commercial market for cannabis sales) has so far not been approved, the market for cannabis seeds, gardening equipment, fertilizers, grow lamps and consumption equipment has been flourishing.

While it is too early to draw a conclusion on the development of the overall market following April, many players announce planned sales increases of around 300% for 2024 compared to 2023 (Royal Queen Seeds, June 14th).

Importantly, as of July, non-profit cannabis clubs can begin cultivating plants as soon as they have received the necessary permit. As this seems to take longer than initially expected, the related tailwinds should not materialize until early 2025, in our view.

Industrial hemp – ready to become an everyday product

The industrial hemp market, which is relevant for eight of SynBiotic's portfolio companies, is expected from some \$ 4.5bn in 2022 to roughly \$ 17bn by 2030e (UNCTAD report 2022), implying a 15.9% CAGR. This is seen to be carried by a number of trends:

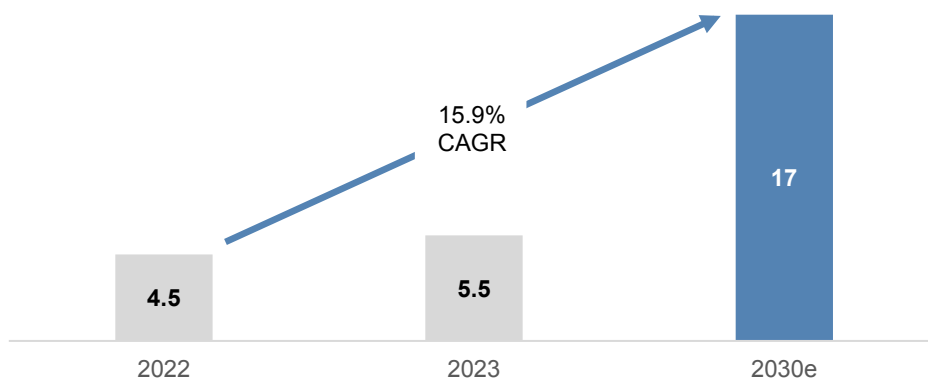
Regulatory changes. As of today, hemp is treated under the same strict rules as narcotics, despite its low THC content, creating unnecessary barriers for businesses. With the Nutzhanliberalisierungsgesetz (law to regulate the use of industrial hemp), this is seen to change. We would not expect this to take place before 2025.

Novel food classification. In 2022, the European Food Safety Authority's put a halt on approval process of CBD-based products as novel foods due to the lack of sufficient data proving the safety of CBD. Yet, this is likely to change. In fact, the UK has granted safety approval to the first novel food application in May.

Strong demand for sustainable raw materials and products. Especially hemp fibers offer a significant sustainability advantage as they need less water to grow and absorb more CO₂ than comparable raw materials such as wood or cotton. Application areas include paper, textiles, biofuels and animal feed.

Ongoing destigmatisation. In many cases, consumers still associate "getting high" with CBD and CBD-based products. Mind you, CBD is a cannabinoid that unlike THC, does not have any psychotropic effects but has a variety of therapeutic benefits. Among others, CBD is shown to help with anxiety, depression and seizures. Thanks to plenty of awareness work, this is gradually changing.

Global industrial hemp market (\$ bn)



Source: NuWays Research, UNCTAD report 2022

Implications on SynBiotic – dynamic top-line growth during the foreseeable future

SynBiotic is seen to achieve strong top-line growth following the particularly weak 2023, which was hit by various challenges as covid, war, inflation, high interest rates and arbitrary behaviour by the authorities.

Supported by favourable end markets driven by recent regulatory changes, the company is expected to show an **83% CAGR (2023-27e)**.

in € m	2022	2023	2024e	2025e	2026e	2027e	CAGR ('23-27e)
Group sales	8.2	3.6	15.0	23.0	31.8	41.4	83.7%
yoy	n.a.	-55%	311%	54%	38%	30%	
Industrial hemp	8.0	2.6	4.8	5.7	6.6	7.6	30.9%
yoy	n.a.	-68%	85%	20%	15%	15%	
Medical cannabis	0.2	0.8	8.8	15.0	21.7	29.3	146.0%
yoy	n.a.	300%	1000%	70%	45%	35%	
Recreational cannabis	0.0	0.3	1.4	2.3	3.5	4.6	106.6%
yoy	n.a.	n.a.	450%	70%	50%	30%	
Material expenses	4.6	2.4	6.5	9.3	12.2	14.9	
% of sales	56.3%	64.7%	43.3%	40.5%	38.3%	36.0%	
Personnel expenses	4.7	2.1	3.9	4.6	5.7	6.6	
% of sales	58.1%	59.0%	26.0%	20.0%	18.0%	16.0%	
Other op. expenses	6.4	6.7	6.0	8.1	11.1	14.5	
% of sales	78.4%	183.8%	40.0%	35.0%	35.0%	35.0%	
Other op. income	0.0	0.2	0.3	0.5	0.6	0.8	
% of sales	0.0%	5.9%	2.0%	2.0%	2.0%	2.0%	
EBITDA	-7.6	-7.3	-1.1	1.5	3.4	6.2	n.a.
yoy		-3%	-85%	-237%	129%	82%	
margin	n.a.	n.a.	n.a.	6.5%	10.7%	15.0%	
D&A	18.5	4.6	0.8	0.8	0.7	0.7	
% of sales	226.7%	125.1%	5.4%	3.4%	2.4%	1.7%	
EBIT	-25.9	-11.7	-2.2	0.4	2.4	5.2	n.a.
yoy		-55%	-81%	-119%	474%	119%	
margin	n.a.	n.a.	n.a.	1.8%	7.4%	12.5%	

Source: NuWays Research, company data

Let's take a detailed look, how sales from SynBiotic's core segments are expected to perform:

Medical cannabis: While accounting for less than € 1m sales in 2023, this segment is seen to be the strongest growth contribution during the next few years. By 2026e, sales is expected to reach € 29m (eNuW). This strong growth is seen to be carried by MH medical hemp but also the group's recent acquisition, WEECO Pharma (importer and wholesaler). WEECO alone is expected to generate some € 5m sales in FY24e. Mind you, the medical cannabis market in Germany is still in an early stage with the potential to grow to a € 2-3bn market until 2030e.

Industrial hemp: In 2023, the industrial hemp segment, which features portfolio companies such as Hanf Farm (cultivation), Hemp Factory (production) and SOLID-MIND (distribution), suffered a significant sales decrease due to regulatory changes (EU novel food regulation 2022/965). For instance, sales volumes of SOLIDMIND collapsed by roughly 60% yoy. Due to a structural reorganization of the product offering coupled with acquisitions of CannaCare und Ilesol Pharmaceuticals, sales volumes should return to strong double-digit growth, eNuW.

Recreational cannabis: With the 51% acquisition of Bushdoctor GmbH (reseller of seeds, seedlings, cultivation equipment, etc.) at the end of 2023 and a revival of Hanf Farm's business, sales of the recreational cannabis segment look set to reach roughly € 4.6m.

EBIT to turn positive as operations scale

SynBiotic looks set to disproportionately improve its EBIT to € 5.1m by 2027e (eNuW), implying an 12.5% margin. According to our estimates, SynBiotic will reach

EBIT break-even in 2025e with an EBIT of € 0.4m (1.8% margin). Here are the key drivers behind it:

Personnel expenses: With the arrival of the new CEO in 2023, the company has undergone a reorganization, which is particularly visible when considering the number of employees, which was adjusted to react to the changed market dynamics at that time. Until the end of FY 2023, this figure decreased to 55 compared to 105 at the end of the year before. Going forward, we expect this number to grow with an increasing top-line, yet less proportionate.

Material expenses: As we model a higher gross margin for medical cannabis products compared to products sold within the recreational segment (65-70% vs 40%), the group's material expenses are gradually decreasing during the next few years (in % of sales).

Valuation

Based on a DCF analysis, we derive a fair value of € 12.40 per share for SynBiotic SE.

Our DCF model's key assumptions are:

- Terminal year EBIT margin of 17.0%: SynBiotic should reach break even in 2025e. Driven by the scale effects. Double digit EBIT margins look set to be achieved by 2027e.
- Long term growth rate of 3% to reflect the company's end markets dynamic growth prospects.
- WACC of 11%, which is derived from a 2.5% risk-free rate, a Beta of 1.5 and a 7.0% equity risk premium.

Looking at the sensitivity analysis below, a 1pp higher or lower terminal year EBIT margin would imply a fair value per share of € 11.80 or € 12.90 respectively.

DCF (EUR m) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	-1.5	0.3	1.7	3.6	5.7	7.4	8.5	9.4	9.7
Depreciation	1.1	1.1	0.6	0.6	0.6	0.6	4.0	4.0	4.0
Increase/decrease in working capital	-2.9	0.3	0.5	-0.5	-0.3	-0.1	0.0	0.1	-0.1
Increase/decrease in long-term provisions and accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	0.6	0.6	0.6	0.6	0.6	0.6	4.0	4.0	4.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow	-1.1	1.1	2.1	3.2	5.5	7.3	8.6	9.5	9.6
Present value	-1.1	0.9	1.7	2.2	3.5	4.2	4.4	4.4	52.1
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	72	Short term growth (2023-2026)	102%
thereof terminal value	72%	Medium term growth (2026 - 2031)	20.1%
Net debt (net cash) at start of year	3	Long term growth (2031 - infinity)	3.0%
Financial assets	0	Terminal year EBIT margin	17.0%
Provisions and off balance sheet debt	0		
Equity value	69		
No. of shares outstanding	5.6		
Discounted cash flow per share	12.4		
upside/(downside)	104%		
		WACC derived from	
		Cost of borrowings before taxes	10.0%
		Tax rate	30.0%
		Cost of borrowings after taxes	7.0%
		Required return on invested capital	13.0%
		Risk premium	7.0%
		Risk-free rate	2.5%
		Beta	1.5
Share price	6.08		

Sensitivity analysis DCF							Sensitivity analysis DCF						
Long term growth							EBIT margin terminal year						
		1%	2.00%	3.0%	4.0%	5.0%			15.0%	16.0%	17.0%	18.0%	19.0%
WACC	13.0%	7.9	8.4	9.2	10.0	11.1	WACC	13.0%	8.4	8.8	9.2	9.5	9.9
	12.0%	8.9	9.7	10.6	11.7	13.2		12.0%	9.7	10.1	10.6	11.0	11.5
	11.0%	10.2	11.2	12.4	14.0	16.1		11.0%	11.3	11.8	12.4	12.9	13.5
	10.0%	11.8	13.1	14.7	16.9	20.0		10.0%	13.4	14.0	14.7	15.4	16.1
	9.0%	13.8	15.5	17.9	21.2	26.1		9.0%	16.2	17.0	17.9	18.7	19.6

Source: NuWays Research

Theme

Buy and Build strategy to complement the product offering

During the past few years, SynBiotic managed to build a comprehensive hemp and cannabis platform covering most of the value chain. Yet, cultivation of medical cannabis remains a blind spot, which is currently covered by import partnerships with growers in the Netherlands, Denmark, Spain and Canada.

In order to better capitalize on the highly dynamic growth prospects of the trying medical cannabis market, we would expect the company to remain an active acquirer and add a respective player to the group during the next 12 to 18 months, eNuW.

We also regard acquisitions along the sales and distribution vertical, similar to WECCO as sensible move and should unlock additional growth potential.

2023, a challenging year due to approval halts

In FY23, group sales decreased by 53% vs FY22, putting the company in a challenging position due to notable goodwill write downs as a result of the notably weaker operating performance of previously acquired companies. What was the reason behind it: At the end of FY22, the majority of group sales were dependent on CBD-based products (throughout the verticals). As a result, total sales decreased sharply in 2023.

In mid 2022, the European Food Safety Authority put a hold on approval processes for CBD products as novel foods. The reason behind this was the identification of a number of safety risks to human health associated with the ingestion of CBD and data gaps that made an adequate assessment impossible. At that time, over 150 applications were pending.

With demand having quickly disappeared, sales of several portfolio companies plunged. For instance, MH medical hemp saw 90% lower sales volumes for CBD isolates. According to management information, the sales volumes of CBD isolates in 2024, for example, are now back to the level of 2022 and could even exceed these previous highs. Similar impact could be witnessed at e. g. Hempro Int. and CannaCare.

Dronabinol solution – a potential growth driver

Next to flowers, medical cannabis can also be consumed through taking drops of a solutions, called dronabinol. The key difference between dronabinol and cannabis flowers, next to the different consumption methods, lies in their composition and method of production. Dronabinol is a synthetic, single-compound medication, while cannabis flowers are a natural source of multiple cannabinoids, including THC, CBD, and other compounds like terpenes and flavonoids.

As of today, most pharmacies selling dronabinol have to go through a complex processing procedure to turn the pure dronabinol that they can buy at wholesalers to capsules for patients. Launching new applications with dronabinol solutions, which would eliminate those time-consuming steps for the pharmacist, such as liquefying and weighing the active ingredient, and finally adding the solvent, would allow for plenty of additional growth potential. As SynBiotic is active across the value chain, we would expect such a product during the near future.

Dronabinol

Dronabinol capsules

- 1 Identity check
 - solution needs to be heated
 - ... and removed from the glass syringe
- 2 Preparation of palmitoylescorbic
- 3 Liquefaction of Dronabinol by heating (60-70°C) for 30min
- 4 Dissolving dronabinol with the excipient
- 5 With a cannula each capsule is filled at a minimum temperature of 35°C
- 6 Weighting and checking in accordance with NRF compliance rules



Dronabinol Solution („Lösung)

- 1 Identity check
 - without heating
 - Excipient is mixed in already
- 2 solution can be transferred directly into the child-resistant dispensing vessel
- 3 Weighting and checking in accordance with NRF compliance rules



Source: NuWays Research

Potential regulatory headwinds

During recent statements, Friedrich Merz criticized the legalization of cannabis as a misguided policy by the current coalition government. He announced that, should the CDU and CSU take power, they would reverse the legislation. It remains unclear whether this means a full return to the pre-April 1, 2024, status or an adjustment to the current law to address the increased burden on the judiciary and police, as anticipated by the CDU. But so far, decriminalisation has taken the pressure off the judiciary and the police.

Importantly, the majority of SynBiotic's sales are related to industrial hemp and more importantly medical cannabis. The latter is likely to not be directly impacted by a potential, albeit in our view unlikely, return to the pre-April 2024 status. Nevertheless, reclassifying cannabis as a controlled substance could bring back challenges related to medical prescriptions.

However, it could put a notable dent into the company's recreational business, which sells cultivation and consumption equipment for non-profit cannabis clubs and private consumers.

Recreational use maybe

While adults in Germany are currently allowed to possess up to 25 grams of cannabis, grow up to three plants and form non-profit cannabis clubs, the full implementation of a regulated commercial market for cannabis sales is being phased in gradually.

The government plans to develop a separate framework for licensed shops to sell cannabis, which could take additional time. Germany's approach reflects a shift towards a more liberal stance on cannabis, with an emphasis on harm reduction, public health, and minimizing the black market.

If and when the full legalization of recreational cannabis will take place is still uncertain but could trigger further substantial market growth. While it is difficult to plan for such a scenario, having the right set-up (e.g. vertical integration, strong consumer brands, etc.) lay the foundation of a successful potential market entry.

Background

SynBiotic operate a vertically integrated cannabis platform, which is active across three end markets, industrial hemp, medical cannabis and recreational cannabis. With its eleven portfolio companies, the company can cover the whole value chain, from cultivation to D2C sales.

SynBiotic Platform Overview

		SynBiotic SE		
		Industrial hemp	Medical cannabis	Recreational cannabis
Cultivation		Hanf Farm Cannabis Growing	Import partnerships in the Netherlands, Denmark Spain and Canada	Hanf Farm Cannabis Growing
R&D & Production		lean labs ANALYTICS & PROCESSING lesol PHARMACEUTICALS	MH MEDICAL HEMP lean labs ANALYTICS & PROCESSING WEECO PHARMACEUTICALS	lean labs ANALYTICS & PROCESSING
Sales & Distribution		MH MEDICAL HEMP Hempro Int. solidmind group CannaCare lesol PHARMACEUTICALS	WEECO PHARMACEUTICALS SYNBIOTIC DISTRIBUTION MH MEDICAL HEMP	Bushdoctor

Source: NuWays Research, company data

Overview of SynBiotic's portfolio companies

Bushdoctor GmbH (51% stake) has over 25 years of experience in the hemp sector and is an established brand in Austria with a strong focus on customer consulting and service. The company offers a full range of products, including seeds, clones, cultivation supplies, high-quality smoking accessories, and hemp products.

CannaCare Health GmbH (69% stake) markets its products under the brand "Canobo", is a leading German brand for premium CBD-based health, wellness, and skin-care products. It is sold across the country, including in more than 2400 outlets of leading drugstore chains like Rossmann, DM and Budnikowsky, in pharmacies, on HSE24, Germany's largest TV shopping channel, and on online marketplaces.

HANF FARM GmbH (50.1% stake) Hanf Farm GmbH, active since 1996, specializes in the cultivation, further processing, and marketing of hemp products. With 1,000 hectares of cultivation area and 10,000 square meters of production space in Germany, the company offers the highest production standards for top-quality products "made in Germany."

Hemp Factory GmbH (50.1% stake) produces organic hemp food raw materials and fully processes hemp seeds. The company offers germ reduction, cleaning, hulling, roasting, as well as the production of hemp oil, hemp flour, hemp protein powder, and hemp fiber. Its customers include leading food and bakery manufacturers, as well as wholesalers.

Hempro International GmbH (50.1% stake) is a leading wholesale and retail company in the hemp sector with over 26 years of experience. The company specializes in raw materials and consumer products, such as textiles, bags, cosmetics, and food items, supplying renowned wholesalers and the food industry with high-quality hemp products.

lesol Pharmaceuticals d.o.o. (100% stake) is an industrial manufacturer of cannabinoid extracts and CBD isolates specializing in cosmetic ingredients, cosmetic products and dietary supplements. The company, based in Varaždin /Croatia, has its own production facility with an area of 3,400 square meters and covers the entire production process.

Lean Labs Pharma (100% stake) is a German cannabinoid production company active in product development, analytics and contract manufacturing. With over five

years of industry experience in development, extraction and analysis of cannabinoid-containing products, Lean Labs is one of the most experienced players in the German cannabinoid market.

MH medical hemp GmbH (50.1% stake) specializes in the extraction and production of cannabidiol (CBD) and hemp-based cannabinoids. The company offers CBD extracts, oils, and isolates as bulk products for manufacturers worldwide and is currently in the process of GMP certification for pharmaceutical production.

SOLIDMIND Group GmbH (100% stake) is the former backbone of SynBiotic being a successful brand-building group in the wellbeing industry with a clear focus on CBD and hemp-based products. The most successful brand is Hempamed. The goal of SOLIDMIND is to establish sustainable brands and products that address the subjects of mental fitness, focus, relaxation and sleep.

SynBiotic Distribution GmbH (100% stake) has been importing and distributing medical cannabis products since 2017. The company supplies pharmacies, pharmaceutical wholesalers, and clinical institutions in Germany.

WEECO Pharma GmbH (100% stake) is a German importer and wholesaler of medical cannabis products, bringing together an international network of medical cannabis producers, including some of the world's leading EU GMP manufacturers. In addition, WEECO Pharma is increasingly focusing on product development for extemporaneous formulations in cooperation with selected pharmacies and doctors.

Management

Daniel Kruse – Chief Executive Officer

Daniel Kruse, a pioneer in the hemp and cannabis industry since 1995, is the founder of Hempro International GmbH, Hemp Factory GmbH, MH medical hemp GmbH, Hemp Farm GmbH, and HempConsult GmbH - five of Europe's leading hemp companies. Since 2013, Daniel Kruse has served as a board member of the European Industrial Hemp Association (EIHA) and was elected president in 2019. Additionally, Kruse also serves as vice chairman of the Federation of International Hemp Organizations (FIHO).

Rebecca Kruse-Rosetti - Head of Finance SynBiotic SE & CEO Hempro Int. GmbH and Hemp Factory GmbH

Rebecca Kruse-Rosetti has been working for Hempro International in the marketing department and product development since completing her studies in economics in 2006. As a trained businesswoman, she has amassed valuable experience in the corporate world and the international hemp market over the years, making her an expert in all aspects of brand management and product positioning. Additionally, she has focused on finances, internal organization, and communication. Rebecca is a specialist in controlling, data analysis, and process optimization. She served as Managing Director of Hempro Int. and Hemp Factory for many years.

Patrick Hirschauer - Management SYNBIOTIC SE

Patrick Hirschauer is a holder of a Master in Business Administration/Management with over 10 years of experience in sales, marketing, business development and restructuring. Since 2019, employed in the cannabis industry at Solidmind Group GmbH as a member of the management board. From 2023, part of the management team at SYNBIOTIC SE with a focus on projects and synergies, developing new business concepts, and overseeing the ventures Solidmind Group GmbH and Cannexo GmbH.

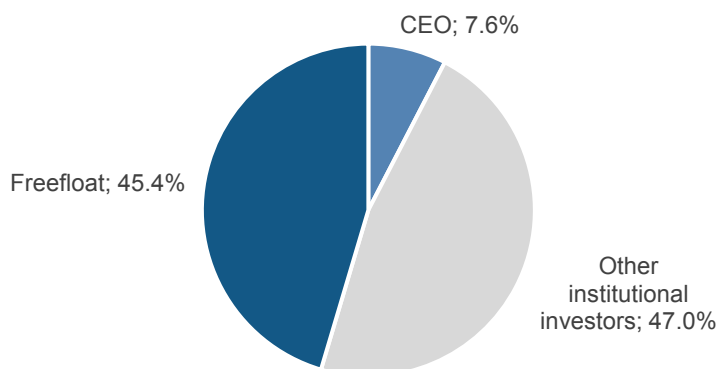
Lukas Kendel - Management SYNBIOTIC SE

Lukas Kendel is a banking specialist with a bachelor's degree in business administration/management. Since 2016, he has served as manager of Solidmind Group GmbH and Lean Labs Pharma GmbH, holding positions as an authorized representative and COO. Since spring 2023, Lukas is a part of the management team at the group level in the Projects & Synergies department. His responsibilities include managing research and development projects as well as synergistically consolidating various investments.

Shareholder structure

SynBiotic has roughly 5.6m shares outstanding. The CEO, Daniel Kruse, owns 7.6% of the outstanding shares. 47% are owned by a number of institutional investors. SynBiotic's free float amounts to 45.4%.

Shareholder Structure



Source: NuWays Research, company data

Investment Risks

As with any investment, there are certain risks associated with investing in SynBiotic SE. The key investment risks, in our view, are:

- **Regulatory risks:** Despite the recent favorable regulatory changes in Germany, the risk of unfavorable regulatory changes remains, potentially impacting one or several business units.
- **Liquidity risk:** As SynBiotic is not yet cash flow positive, slower than anticipated sales growth as well as the resulting positive operating leverage could lead to additional liquidity requirements.
- **Operational risk:** As SynBiotic pursues a Buy and Build strategy, risks associated with the integration of acquired companies as well as goodwill write-downs could notably impact its financial statements.
- **Market risk:** High competition could lead to price pressure and lower margins.
- **Share price volatility:** Disruptions on the capital market could come with notable share price movements, which can be unrelated to the operational performance of the company. Limited liquidity can also cause additional volatility during eventful times.

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	8.6	8.2	3.9	15.0	23.0	31.8
<i>Sales growth</i>	58.8%	-5.6%	-52.7%	287.5%	54.0%	38.0%
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	15.0	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	6.5	9.3	12.2
Personnel expenses	2.4	4.7	2.1	3.9	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	-1.1	1.5	3.4
Depreciation	0.7	1.6	1.1	0.8	0.8	0.7
EBITA	-5.5	-9.0	-8.3	-1.9	0.7	2.7
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	-2.2	0.4	2.4
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	-2.5	0.1	2.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-13.3	-26.2	-11.9	-2.5	0.1	2.1
Income tax expense	-0.3	-0.2	-0.1	-0.8	0.0	0.6
Net income from continuing operations	-13.0	-26.0	-11.7	-1.8	0.1	1.5
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	-1.8	0.1	1.5
Minority interest	-0.3	-1.6	-1.1	0.0	0.0	0.0
Net profit (reported)	-12.7	-24.4	-10.6	-1.8	0.1	1.5
Average number of shares	3.1	4.5	5.0	5.6	5.6	5.6
EPS reported	-4.13	-5.39	-2.12	-0.31	0.02	0.27

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%	287.5%	54.0%	38.0%
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%	43.3%	40.5%	38.3%
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%	-7.3%	6.5%	10.7%
Depreciation	8.6%	19.6%	28.4%	5.4%	3.4%	2.4%
EBITA	-63.8%	-110.3%	-214.7%	-12.7%	3.1%	8.4%
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%	2.0%	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%	-14.7%	1.8%	7.4%
Interest income	1.5%	1.9%	2.1%	0.1%	0.2%	0.3%
Interest expenses	0.5%	2.3%	5.1%	2.1%	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%	-16.7%	0.6%	6.8%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-153.8%	-320.7%	-307.4%	-16.7%	0.6%	6.8%
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%	-11.7%	0.4%	4.7%
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%	-11.7%	0.4%	4.7%
Minority interest	-4.0%	-20.0%	-28.6%	0.0%	0.0%	0.0%
Net profit (reported)	-146.5%	-298.4%	-275.3%	-11.7%	0.4%	4.7%

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	6.2	6.8	7.2
Accounts receivable	0.7	0.3	0.5	1.2	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	0.6	1.5	4.0
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	11.8	13.9	17.5
TOTAL ASSETS	60.6	40.6	34.9	54.0	55.6	58.8
SHAREHOLDERS EQUITY	35.0	22.6	15.8	33.5	33.2	34.1
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	3.7	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	18.4	20.4	22.5
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	60.6	40.6	34.9	54.0	55.6	58.8
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	70.6%	66.4%	65.8%	69.4%	66.9%	62.8%
Property, plant and equipment	9.7%	13.3%	14.0%	8.7%	8.1%	7.4%
Financial assets	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	80.7%	79.8%	79.8%	78.1%	75.0%	70.2%
Inventories	5.6%	8.2%	7.9%	11.6%	12.2%	12.3%
Accounts receivable	1.2%	0.8%	1.4%	2.3%	3.4%	4.4%
Other assets and short-term financial assets	7.1%	8.3%	10.2%	6.6%	6.4%	6.1%
Liquid assets	5.3%	2.4%	0.3%	1.2%	2.7%	6.7%
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%	21.9%	25.0%	29.8%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	57.7%	55.7%	45.2%	62.1%	59.6%	58.1%
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%	4.4%
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%	4.4%
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%	6.8%	10.2%	13.3%
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%	26.0%	25.2%	23.9%
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%	34.0%	36.6%	38.3%
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	-1.8	0.1	1.5
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	-4.7	0.4	2.0
Increase/decrease in inventory	-2.9	0.1	0.6	-3.5	-0.5	-0.4
Increase/decrease in accounts receivable	0.2	0.4	-0.2	-0.7	-0.7	-0.7
Increase/decrease in accounts payable	1.5	-0.2	0.4	1.3	2.0	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	-2.9	0.3	0.5
Cash flow from operating activities	-5.1	-6.6	-2.9	-3.5	1.5	3.0
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	-4.1	0.9	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	0.5	0.9	n.a.
Liquid assets at end of period	3.2	1.0	0.1	0.6	1.4	3.9

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	58.8%	-5.6%	-52.7%	287.5%	54.0%	38.0%
EBITDA growth	568.7%	55.2%	-2.9%	-84.9%	-237.0%	129.0%
EBIT growth	1271.4%	126.7%	-54.7%	-81.2%	-118.7%	473.9%
EPS growth	631.8%	30.5%	-60.6%	-85.3%	-105.4%	1503.4%
Efficiency						
Sales per employee	84.0	78.5	48.3	243.1	317.1	376.4
EBITDA per employee	-46.4	-71.3	-89.9	-17.7	20.5	40.4
No. employees (average)	103	104	80	62	73	84
Balance sheet analysis						
Avg. working capital / sales	11.2%	14.8%	36.5%	18.3%	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	-4.1	0.9	2.4
Free cash flow/sales	-63.7%	-86.5%	-76.2%	-27.6%	3.7%	7.7%
FCF / net profit	42.3%	27.2%	25.1%	236.0%	917.0%	162.5%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-0.6	2.8	3.1	2.5	1.6	-0.8
Net Debt/EBITDA	0.0	-0.4	-0.4	-2.3	1.1	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%	-7.0%	1.5%	7.5%
ROE	-36.2%	-107.6%	-67.3%	-5.2%	0.3%	4.4%
Adjusted FCF yield	-61.3%	-81.2%	-31.9%	-4.0%	1.1%	5.3%
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	-0.31	0.02	0.27
Average number of shares	3.1	4.5	5.0	5.6	5.6	5.6
Valuation ratios						
P/BV	0.5	1.2	1.9	1.0	1.0	1.0
EV/sales	2.0	3.6	8.5	2.4	1.5	1.0
EV/EBITDA	-3.7	-4.0	-4.6	-33.0	23.5	9.5
EV/EBIT	-1.5	-1.1	-2.8	-16.3	84.9	13.8

Source: Company data, NuWays

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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	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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Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjust-

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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Contacts

NuWays AG

Mittelweg 16-17
20148 Hamburg
Germany

+49 170 119 8648
info@nuways-ag.com
www.nuways-ag.com



Christian Sandherr

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



Frederik Jarchow

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



Philipp Sennewald

Analyst

philipp.sennewald@nuways-ag.com



Henry Wendisch

Analyst

henry.wendisch@nuways-ag.com



Mark Schüssler

Analyst

mark-hendrik.schuessler@nuways-ag.com



Konstantin Völk

Analyst

konstantin.voelk@nuways-ag.com

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