BOŚ DOM MAKLERSKI

WSE Analytical Coverage Program

5/2019/GPW (92) August 18, 2019

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Pilot Program.

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Voxel

Sector: Health care
Fundamental rating: Buy (→)
Market relative: Overweight (→)
Price: PLN 29.50
12M EFV: PLN 34.11 (↓)

Market Cap: US$ 79 m
Bloomberg code: VOX PW
Av. daily turnover: US$ 0.01 m
12M range: PLN 20.10-29.80
Free float: 51%

12M EFV adjusted for dividend

On September 9, 2019, the Company will pay a dividend of PLN 10.4 million (DPS of PLN 0.99) from last year's net profit. The dividend day was set for August 19. Consequently, we adjust accordingly our 12M EFV to PLN 34.11 from PLN 35.10 previously (as determined in the report 1/2019/GPW (80) of July 21, 2019).

2Q19 results' forecasts

The Company is going to announce its 1H19 financial results on August 21. We expected them to be strong.

Lifting the NFZ limits for CT and PRI procedures since April 1, 2019 should have supported the Company's 2Q19 financial results. We forecast PLN 46 million of 2Q19 revenues (+36% yoy) including PLN 33 million in Voxel (inclusive of Hannah) and PLN 6/2/5 million generated by Alteris/Exira/Vito-Med. We expect a qoq and yoy improvement of EBIT margin; dynamic changes in the Group's structure should lower the margin by acquisitions of less profitable entities. With financial costs assumed at PLN 1.3 million which exceed PLN 0.8 million reported in 2Q18, and effective tax rate expected at c. 19% (22% in 2Q18) we forecast the Group's 2Q19 net profit at PLN 6 million.

Guide to adjusted profits

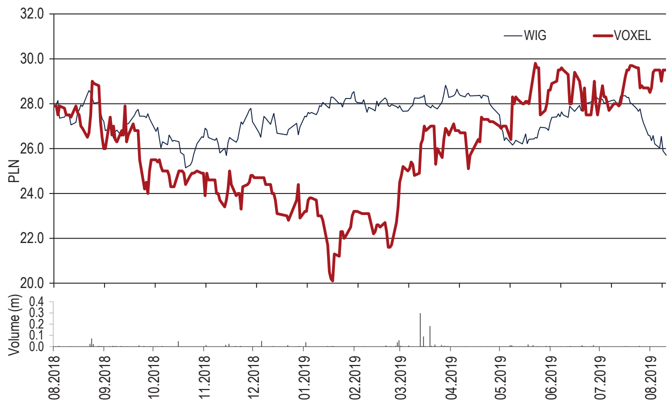
No factors necessitating adjustments.

Key data

IFRS consolidated		2018	2019E	2020E	2021E
Sales	*PLN m*	170.4	206.6	234.9	243.9
EBITDA	*PLN m*	45.3	57.6	62.3	65.4
EBIT	*PLN m*	31.0	34.8	37.0	38.4
Net profit	*PLN m*	23.4	24.2	26.3	27.9
EPS	*PLN*	2.2	2.3	2.5	2.7
EPS yoy chg	*%*	18	4	8	6
FCFF	*PLN m*	-2.9	4.7	34.6	29.2
Net debt	*PLN m*	80.7	85.3	60.2	43.9
P/E	*x*	13.3	12.8	11.8	11.1
P/CE	*x*	8.2	6.6	6.0	5.6
EV/EBITDA	*x*	8.6	6.9	5.9	5.4
EV/EBIT	*x*	12.6	11.4	10.0	9.2
DPS	*PLN*	1.00	0.99	1.03	1.11
Gross dividend yield	*%*	3.4	3.4	3.5	3.8
No. of shares (eop)	*m*	10.5	10.5	10.5	10.5

Source: Company, DM BOŚ SA estimates

Stock performance



Source: Bloomberg

Upcoming events

1. Release of 1H19 results: August 21, 2019
2. Release of 3Q19 results: November 25, 2019

Fig. 1. *Voxel; 2Q19E financial forecasts*

IFRS consolidated (PLN m)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19E	yoy chg	1H18E	1H19E	yoy chg	Realization of the full-year figures in: 2Q18	2Q19E	1H18E	1H19E
Sales	32.6	33.8	38.5	65.6	49.1	46.0	36%	66.3	95.1	43%	20%	22%	39%	46%
Profit on sales	4.8	5.6	7.2	11.7	7.2	8.3	48%	10.5	15.5	48%	19%	24%	36%	45%
Profit on sales margin	*14.9%*	*16.7%*	*18.6%*	*17.8%*	*14.7%*	*18.1%*	-	*15.8%*	*16.3%*	-	-	-	-	-
EBITDA	8.8	9.2	11.8	15.6	12.8	13.8	51%	17.9	26.6	48%	20%	24%	40%	46%
EBITDA margin	*26.9%*	*27.2%*	*30.7%*	*23.7%*	*26.1%*	*30.0%*	-	*27.0%*	*28.0%*	-	-	-	-	-
EBIT	5.3	5.7	8.3	11.8	7.4	8.4	48%	10.9	15.8	44%	18%	24%	35%	45%
EBIT margin	*16.2%*	*16.8%*	*21.6%*	*18.0%*	*15.1%*	*18.2%*	-	*16.5%*	*16.6%*	-	-	-	-	-
Pre-tax profit	4.8	5.5	7.9	11.0	6.2	7.1	30%	10.3	13.2	29%	19%	24%	35%	44%
Pre-tax profit margin	*14.8%*	*16.2%*	*20.5%*	*16.7%*	*12.5%*	*15.4%*	-	*15.5%*	*13.9%*	-	-	-	-	-
Net profit	3.9	4.3	6.4	8.8	5.0	5.7	34%	8.1	10.7	31%	18%	24%	35%	44%
Net profit margin	*12.0%*	*12.6%*	*16.6%*	*13.5%*	*10.1%*	*12.4%*	-	*12.3%*	*11.2%*	-	-	-	-	-

Source: The Company, DM BOŚ SA

BASIC DEFINITIONS
A/R turnover (in days) = 365/(sales/average A/R))
Inventory turnover (in days) = 365/(COGS/average inventory))
A/P turnover (in days) = 365/(COGS/average A/P))
Current ratio = ((current assets – ST deferred assets)/current liabilities)
Quick ratio = ((current assets – ST deferred assets – inventory)/current liabilities)
Interest coverage = (pre-tax profit before extraordinary items + interest payable/interest payable)
Gross margin = gross profit on sales/sales
EBITDA margin = EBITDA/sales
EBIT margin = EBIT/sales
Pre-tax margin = pre-tax profit/sales
Net margin = net profit/sales
ROE = net profit/average equity
ROA = (net income + interest payable)/average assets
EV = market capitalization + interest bearing debt – cash and equivalents
EPS = net profit/ no. of shares outstanding
CE = net profit + depreciation
Dividend yield (gross) = pre-tax DPS/stock market price
Cash sales = accrual sales corrected for the change in A/R
Cash operating expenses = accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes

DM BOŚ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

Banks
Net Interest Margin (NIM) = net interest income/average assets
Non interest income = fees&commissions + result on financial operations (trading gains) + FX gains
Interest Spread = (interest income/average interest earning assets)/ (interest cost/average interest bearing liabilities)
Cost/Income = (general costs + depreciation)/ (profit on banking activity + other net operating income)
ROE = net profit/average equity
ROA = net income/average assets
Non performing loans (NPL) = loans in 'basket 3' category
NPL coverrage ratio = loan loss provisions/NPL
Net provision charge = provisions created – provisions released

DM BOŚ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those
related to the residual value calculation. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:
Buy – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;
Hold – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;
Sell – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:
Overweight – expected to perform better than the benchmark (WIG) over the next quarter in relative terms
Neutral – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms
Underweight – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŚ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.
Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

Distribution of DM BOŚ's current recommendations

	Buy	Hold	Sell	Suspended	Under revision
Numbers	36	35	10	8	0
Percentage	40%	39%	11%	9%	0%

Distribution of DM BOŚ's current recommendations for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Buy	Hold	Sell	Suspended	Under revision
Numbers	3	4	1	2	0
Percentage	30%	40%	10%	20%	0%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision
Numbers	34	37	10	8	0
Percentage	38%	42%	11%	9%	0%

Distribution of DM BOŚ's current market relative recommended weightings for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Overweight	Neutral	Underweight	Suspended	Under revision
Numbers	3	3	1	2	0
Percentage	33%	33%	11%	22%	0%

LT fundamental recommendation tracker

Analyst	Recommendation		Report date	Reiteration date	Distribution date	Expiry date	Performance	Relative performance	Price at issue/ reiteration*	EFV (12 months)	
Voxel											
Sylwia Jaśkiewicz	Buy	–	*21.07.2019*	-	*22.07.2019*	*Not later than 21.07.2020*	*9%*	*20%*	28.00	35.10	–
Sylwia Jaśkiewicz	-	–	-	*30.07.2019*	*31.07.2019*	-	-	-	29.60	35.10	–
Sylwia Jaśkiewicz	-	–	-	*18.08.2019*	*19.08.2019*	-	-	-	29.50	34.10	–

** prices at issue/reiteration are the closing prices at the report or reiteration date*

Market-relative recommendation tracker

Analyst	Relative Recommendation		Report date	Reiteration date	Distribution date	Expiry date	Price at issue/ reiteration*	Relative performance
Voxel								
Sylwia Jaśkiewicz	Overweight	–	*21.07.2019*	-	*22.07.2019*	*Not later than 21.07.2020*	28.00	20%
Sylwia Jaśkiewicz	-	→	-	*30.07.2019*	*31.07.2019*	-	29.60	-
Sylwia Jaśkiewicz	-	→	-	*18.08.2019*	*19.08.2019*	-	29.50	-

** prices at issue/reiteration are the closing prices at the report or reiteration date*

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