

Medicalgorithmics

4Q23 results review

Medicalgorithmics reported its 4Q23 results yesterday. Key points:

- Sales stood at PLN 12.5m, -33% y/y and +31% q/q.
- Subscriptions sales stood at PLN 7.6m, in line with our expectations of PLN 7.6m, vs. PLN 10.2m in 4Q22; of which PLN 2.4m from US market (-77% y/y) and PLN 5.2m from out of US. Devices sales stood at PLN 5.0m (including PLN 0.4m from US market – likely sales to new IDTF customers). We assumed PLN 1.9m devices sales.
- Costs stood at PLN 12.3m up q/q from PLN 10.3m and above our assumption of PLN 9.9m (mainly on higher materials and energy costs).
- Company booked three one-offs in 4Q23: PLN 0.7m impairment on q-Patch, PLN 0.8m impairment on inventories and PLN 1.3m release of provision on Techbot. Net impact PLN -0.2m.
- Reported EBITDA reached PLN -0.1m vs. PLN 2.6m in 4Q22, adjusted EBITDA at PLN 0.1m vs. our assumptions of PLN 0.4m. EBITDA at parent company stood at PLN 0.7m.
- EBIT came in at PLN -0.4m vs. PLN 1.6m in 4Q22.
- Net loss at PLN 0.7m (vs. PLN 9.2m net profit in 4Q22).
- Operating CF at PLN -0.7m vs. PLN -7.7m in 4Q22.
- Net cash stood at PLN 19.8m down from PLN 23.6m after 4Q23. Cash burn at PLN 3.8m vs PLN 2.8m in 3Q23.

Opinion: Neutral. Results were close to our expectations, subscription revenues were in line with our expectations, while equipment sales were the highest of the year and higher than our forecasts. Subscription revenues from markets outside the US were strong, making us optimistic about the next quarters in this area. 4Q23 is the last quarter with revenue from React, and 1Q24 will see the first service revenue from new US customers. A few one-offs but no significant impact on the results.

Figure 1. Medicalgorithmics: 4Q23 results review

PLN m	4Q22	1Q23	2Q23	3Q23	4Q23	Y/Y	Q/Q	ipopemaActual vs 4Q23E	ipopema
Revenues	18.6	11.3	9.7	9.6	12.5	-32.5%	31.1%	9.5	32.1%
ow subscriptions	10.2	10.8	9.1	7.8	7.6	-25.8%	-2.9%	7.6	-0.5%
ow devices	8.4	0.5	0.6	1.8	5.0	-40.6%	178.4%	1.9	162.5%
Opex	-13.5	-9.5	-10.0	-10.3	-12.3	-8.3%	20.0%	-9.8	25.2%
Adjusted EBITDA	2.6	2.8	-0.1	0.2	0.1	-96.9%	-63.9%	0.4	-80.4%
Adj. EBITDA margin (%)	14.1%	24.9%	-1.3%	2.4%	0.7%	-13.5%	-1.7%	4.4%	-3.8%
EBITDA	2.6	2.8	-0.1	0.2	-0.1	n.m.	n.m.	0.4	n.m.
EBIT	1.6	1.9	-0.6	-0.5	-0.4	n.m.	n.m.	-0.4	n.m.
Net financial costs	7.7	0.2	-0.7	0.9	-1.1	n.m.	n.m.	-0.4	n.m.
Pre-tax profit	9.3	2.1	-1.2	0.4	-1.5	n.m.	n.m.	-0.8	n.m.
Income tax	-0.9	-0.6	0.0	-0.6	0.9	n.m.	n.m.	0.0	n.m.
Discontinued	0.9	0.0	0.0	0.0	0.0	n.m.	n.m.	0.0	n.m.
Net profit	9.2	1.5	-1.2	-0.2	-0.7	n.m.	n.m.	-0.8	n.m.
Net profit margin (%)	49.7%	13.5%	-12.8%	-1.9%	-5.4%	-55.1%	-3.5%	-8.0%	2.6%

Source: Company, IPOPEMA Research

Biotechnology & Healthcare

Medicalgorithmics

BUY

FV PLN 41.20

56% upside

Price as of 22 April 2024 PLN 26.5

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The definitions of terms used in the document include:

NII - Net interest income - interest income minus interest expense.

Net F&C - Net fee and commission income - fee and commission income minus fee and commission expense.

LLP - loan loss provisions - an expense set aside as an allowance for bad loans.

NPL - non-performing loan - loans that are in default or close to be in default.

Cost/Income - operating expenses divided by total banking revenue.

ROE - return on equity - net income (or adjusted net income) divided by the average shareholders' equity.

ROA - return on assets - net income (or adjusted net income) divided by the average assets.

EBIT - earnings before interests and tax.

EBITDA - earnings before interests, tax, depreciation and amortization.

EPS - earnings per share - the net income (or adjusted net income) divided by the number of shares outstanding.

P/E - price to earnings ratio - price divided by earnings per share.

PEG - P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR - compound annual growth rate.

BVPS - book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV - price to book value - price divided by the BVPS.

DPS - dividend per share - dividend of a given year divided by the number of shares outstanding.

DY - dividend yield - dividend of a given year divided by the current price.

DDM - dividend discount model - a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV - Fair Value, calculated based on valuation methods outlined in the document.

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Buy	12	75%
Hold	3	19%
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Total	16	100%

Rating History - Medicalgorithmics

Date	Recommendation	Fair Value	Price at recommendation	Author
06.09.2023	BUY	PLN 45.2	PLN 36.0	Łukasz Kosiarski
15.11.2023	BUY	PLN 41.2	PLN 27.4	Łukasz Kosiarski