

Scope Fluidics

Transforming microfluidic innovation into cash

We initiate our coverage of Scope Fluidics with a BUY recommendation and set our FV at PLN 235.8 per share (implying 42% upside). Scope Fluidics has become a role model among Polish medtech start-ups after the sale of the PCR|ONE project to strategic partner Bio-Rad in 2022. This deal not only validated the company's technological and developmental capabilities, but also put Scope Fluidics on the map of renowned diagnostic system developers. Scope will definitely capitalize on this in future deals, as the company does not intend to rest on its laurels and plans to sell the BacterOMIC project within the next several quarters. Scope Fluidics should generate revenues from the PCR|ONE and BacterOMIC partnerships in 2024-2027, and should have several new projects in development simultaneously, allowing it to deliver regular exit transactions by the end of the decade. Finally, Scope has a dividend policy that is unique in Polish biotech and medtech, with at least 50% of partnering/milestone revenues to be paid out as dividends.

PCR|ONE – breakthrough deal in Polish medtech. In August 2022, Scope Fluidics sold a 100% stake in its PCR|ONE project to Bio-Rad Laboratories for a USD 100m upfront payment and up to USD 70m in milestone payments. We assume that PCR|ONE may start FDA and CE registration in 2H24E; we expect market entry in 2025E. Each milestone achieved would translate into a cash boost for Scope Fluidics.

BacterOMIC – lead asset, key value driver. In our view, the disposal of BacterOMIC is the most important potential price catalyst for Scope Fluidics. BacterOMIC is a diagnostic system for assessing the drug susceptibility of microorganisms. Antimicrobial resistance (AMR) is one of the major causes of morbidity and mortality worldwide, and WHO has declared it one of the top 10 global public health threats facing humanity. The BacterOMIC device with a base panel has already received CE certification, and the company is currently working on new enhanced diagnostic panels, device optimization and registration strategy; each of these activities positively affects the project's value and brings it closer to partnering. We believe that the partnering window will open in mid-2024E after CE certification for new panels, and we assume the deal will likely be signed in 2025E. Our valuation of BacterOMIC is PLN 434m or PLN 159 per share.

Scope Discovery – a source for new projects. One of the pillars of the company's strategy is the establishment of Scope Discovery, an internal organization operating under the Venture Studio model. Scope Discovery will be responsible for recruiting early-stage projects, from which the best will be selected for further development within the group, and sold at a later stage to a strategic partner. In 1H23, Scope Discovery recruited 12 projects. In our view, the first project could be approved for further development in 2Q24E, while the second is likely to be approved in 2025E.

Figure 1. Scope Fluidics financial forecasts summary

PLN m	2020	2021	2022	2023E	2024E	2025E
Revenues	0.0	0.0	0.4	1.1	2.2	2.2
EBITDA	-5.1	-9.8	-24.2	-26.8	-31.8	-66.0
EBIT	-5.4	-10.2	-24.8	-27.7	-32.8	-67.0
Net profit	-5.4	-16.6	318.5	-15.1	7.4	438.9
EPS (PLN)	-2.2	-6.2	117.7	-5.6	2.7	161.0
DPS (PLN)	0.0	0.0	0.0	85.6	0.0	6.8
EV/EBITDA (x)	n.m.	n.m.	n.m.	n.m.	n.m.	0.7
P/E (x)	n.m.	n.m.	1.8	n.m.	60.9	1.0

Source: Company, IPOPEMA Research

Healthcare

Scope Fluidics

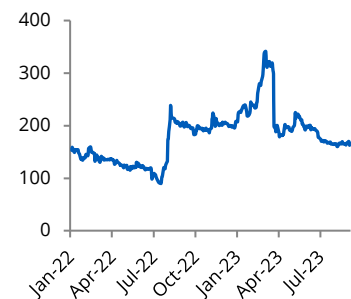
BUY

FV PLN 235.8

42% upside

Price as of 8 September 2023 PLN 166.0

Initiation



Share data

Number of shares (m)	2.7
Market cap (EUR m)	96.3
12M avg daily volume (k)	3.2
12M avg daily turnover (EUR m)	0.2
12M high/low (PLN)	348.0/157.0
WIG weight (%)	0.07%
Reuters	SCP.WA
Bloomberg	SCP.PW

Total performance

1M	1.2%
3M	-15.9%
12M	20.4%

Shareholders (% of equity)

TOTAL FIZ	16.5%
Mr. Piotr Garstecki	13.4%
Mr. Marcin Izydorzak	13.1%

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SCOPE FLUIDICS

BUY

FV PLN 235.8

Mkt Cap EUR 96m

Upside/downside +42%

Valuation multiples	2021	2022	2023E	2024E	2025E
P/E (x)	n.m.	1.8	n.m.	60.9	1.0
EV/EBITDA (x)	n.m.	n.m.	n.m.	n.m.	n.m.
EV/Sales (x)	n.m.	585.37	351.34	163.96	-22.05
P/BV (x)	54.37	1.69	5.35	4.92	0.88
FCF yield (%)	-7%	61%	-3%	1%	96%
DY (%)	0%	0%	52%	0%	4%

Per share	2021	2022	2023E	2024E	2025E
No. of shares (m units)	2.7	2.7	2.7	2.7	2.7
EPS (PLN)	-6.2	117.7	-5.6	2.7	161.0
BVPS (PLN)	2.5	123.0	31.0	33.8	187.9
FCFPS (PLN)	-9.2	125.8	-5.8	2.3	159.2
DPS (PLN)	0.0	0.0	85.6	0.0	6.8

Change y/y (%)	2021	2022	2023E	2024E	2025E
Revenues	n.m.	n.m.	162.4%	110.7%	0.0%
EBITDA	91.3%	145.8%	10.7%	19.0%	107.2%
EBITDA adj.	91.3%	145.8%	10.7%	19.0%	107.2%
EBIT	89.4%	142.2%	11.7%	18.4%	104.1%
Net profit	207.0%	n.m.	n.m.	n.m.	5806.0%

Leverage and return	2021	2022	2023E	2024E	2025E
EBITDA margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Adj. EBITDA margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Net margin (%)	n.m.	n.m.	n.m.	332.8%	n.m.
Net debt / EBITDA (x)	-0.3	13.6	3.0	2.7	7.6
Net debt / Equity (x)	0.5	-1.0	-0.9	-0.9	-1.0
Net debt / Assets (x)	0.1	-1.0	-0.8	-0.8	-1.0
ROE (%)	-110.5%	187.5%	-7.2%	8.4%	145.3%
ROA (%)	-35.1%	159.7%	-6.8%	7.3%	138.9%

Assumptions	2021	2022	2023E	2024E	2025E
Milestones (USDm)	0.0	100.0	0.0	10.0	170.0
PCR ONE	0.0	100.0	0.0	10.0	10.0
BacterOMIC	0.0	0.0	0.0	0.0	160.0

P&L (PLN m)	2020	2021	2022	2023E	2024E	2025E
Revenues	0.0	0.0	0.4	1.1	2.2	2.2
COGS	8.9	10.7	25.2	28.6	35.1	69.3
Other operating income (cost) net	3.5	0.5	0.0	-0.1	0.0	0.0
EBITDA	-5.1	-9.8	-24.2	-26.8	-31.8	-66.0
EBITDA adj.*	-5.1	-9.8	-24.2	-26.8	-31.8	-66.0
EBIT	-5.4	-10.2	-24.8	-27.7	-32.8	-67.0
Financial income (cost) net	0.0	-1.5	419.9	10.1	41.5	577.4
Pre-tax profit	-5.4	-11.7	395.1	-17.6	8.6	510.4
Income tax	0.0	0.0	69.1	-2.5	1.2	71.5
Net profit	-5.4	-16.6	318.5	-15.1	7.4	438.9

BALANCE SHEET (PLN m)	2020	2021	2022	2023E	2024E	2025E
Non-current assets	14.0	7.0	9.5	9.6	9.8	9.4
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	11.8	5.0	6.1	6.1	6.2	6.2
PP&E	0.6	0.4	0.3	0.4	0.5	0.6
Right-of-use assets	1.4	1.5	2.4	2.4	2.4	1.9
Other non-current assets	0.1	0.2	0.7	0.7	0.7	0.7
Current assets	28.0	45.7	336.7	88.3	95.8	517.1
Inventories	0.4	0.3	0.7	0.7	0.7	0.7
Trade receivables	1.8	1.2	4.4	5.0	6.1	12.1
Cash and equivalents	25.7	18.1	331.6	82.7	88.9	504.3
Other current assets	0.0	26.1	0.0	0.0	0.0	0.0
Total assets	41.9	52.7	346.2	98.0	105.5	526.5
Equity	23.4	6.7	333.0	84.6	92.0	512.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	15.7	17.3	8.2	8.3	8.3	8.3
Loans and borrowings	1.2	1.2	1.9	2.0	2.0	2.0
Other non-current liabilities	14.5	16.1	6.3	6.3	6.3	6.3
Current liabilities	2.8	28.7	4.9	5.0	5.1	5.8
Trade payables	0.6	0.3	0.5	0.6	0.7	1.4
Loans and borrowings	0.3	20.2	0.6	0.6	0.6	0.6
Other current liabilities	1.9	8.2	3.8	3.8	3.8	3.8
Equity & liabilities	41.9	52.7	346.2	98.0	105.5	526.5
Cash conversion cycle (days)	n.m.	n.m.	2527.4	1623.7	912.4	1496.2
Gross debt (PLN m)	1.5	21.3	2.5	2.6	2.6	2.6
Net debt (PLN m)	-24.2	3.2	-329.1	-80.1	-86.4	-501.7

CASH FLOW (PLN m)	2020	2021	2022	2023E	2024E	2025E
Operating cash flow	-9.7	-21.4	-28.2	-14.7	0.0	-4.3
Net income	-5.4	-16.6	318.5	-15.1	7.4	438.9
D&A (incl. D&A of RoU)	0.3	0.4	0.6	1.0	1.0	1.0
Change in WC	-1.6	2.2	-9.1	-0.5	-1.0	-5.3
Other	-2.9	-7.4	-338.2	0.0	-7.4	-438.9
Investment cash flow	-2.8	-3.3	371.1	-1.1	6.3	438.3
Change in PP&E and intangibles	2.6	1.1	3.6	-1.1	-1.1	-0.7
Other	-5.4	-4.5	367.5	0.0	7.4	438.9
Financial cash flow	19.9	17.9	-30.3	-233.1	0.0	-18.6
Change in equity	20.3	0.0	0.0	0.0	0.0	0.0
Change in debt	0.1	19.8	-18.9	0.1	0.0	0.0
Dividend	0.0	0.0	0.0	-233.3	0.0	-18.6
Other	-0.5	-1.9	-11.4	0.0	0.0	0.0
Change in cash	7.4	-6.8	312.7	-248.9	6.3	415.4
Cash as of eop	25.7	18.1	331.6	82.7	88.9	504.3

Source: Company data, IPOPEMA Research

Valuation

We value Scope Fluidics using a SOTP valuation. We value the PCR|ONE and BacterOMIC projects using the rNPV method (risk-adjusted net present value) probability weighing its subsequent phases. Based on our forecasts, we arrive at fair value of PLN 235.8 per share, i.e. 42% above the current market price, which implies a BUY recommendation.

Figure 2. Scope Fluidics: SOTP valuation (PLNm)

	PLNm	PLN/share
PCR ONE - rNPV valuation (Enterprise value)	112.5	41.3
BacterOMIC - rNPV valuation (Enterprise value)	434.5	159.4
Enterprise value	547.0	200.7
Net cash (1Q23)	95.9	35.2
Fair value	642.8	235.8

Source: Company, IPOPEMA Research

rNPV valuation – PCR|ONE

Figure 3. Scope Fluidics PCR|ONE: Valuation assumptions

Phase	Year	Probability of success	Cumulative probability of success	Milestone/Upfront payment (USDm)
Partnering	2022	100%	100%	100.0
Development	2023	100%	100%	0.0
Clinical trial	2024	90%	90%	10.0
NDA submission	2025	90%	81%	10.0
Commercial sale	2026	100%	81%	50.0
Average annual sales (USDm)				119.8
Peak sales (USDm)				160.0
rNPV (PLNm)				112.5
rNPV (PLN/share)				41.3

Source: Company, IPOPEMA Research

Figure 4. Scope Fluidics PCR|ONE assumptions

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal
Phase	Develop-ment	Clinical trial	Approval	Market	Market	Market	Market	Market	Market	Market	Market
TAM	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Market share	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Peak sales	160.0	160.0	160.0	160.0	160.0	160.0	160.0	160.0	160.0	160.0	160.0
Sales curve	0%	0%	0%	5%	19%	36%	51%	65%	75%	84%	91%
Revenues (USDm)	0.0	0.0	0.0	8.0	30.4	57.6	81.6	104.0	120.0	134.4	145.6
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestones	0.0	10.0	10.0	30.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs	0.0	-2.3	-2.3	-6.8	-4.5	0.0	0.0	0.0	0.0	0.0	0.0
Success rate	100%	90%	90%	100%	100%	100%	100%	100%	100%	100%	100%
Cumulative probability of success	100%	100%	90%	81%	81%	81%	81%	81%	81%	81%	81%
Risk adj net FCF (USDm)	0.0	7.7	7.0	18.8	12.5	0.0	0.0	0.0	0.0	0.0	0.0
Discount	88%	77%	67%	59%	52%	46%	40%	35%	31%	27%	24%
USDPLN	4.47	4.14	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93
Net present CF (PLNm)	0.0	24.7	18.5	43.8	25.6	0.0	0.0	0.0	0.0	0.0	0.0
rNPV (PLNm)	112.5										

Source: Company, IPOPEMA Research

rNPV valuation – BacterOMIC

Figure 5. Scope Fluidics BacterOMIC: Valuation assumptions

Phase	Year	Probability of success	Cumulative probability of success	Milestone/Upfront payment (USDm)
Development	2023	100%	100%	0.0
Clinical trial	2025	90%	90%	0.0
Partnering	2025	90%	90%	160.0
NDA submission	2026	90%	81%	50.0
Commercial sale	2027	100%	81%	50.0
Average annual sales (USDm)	190.9			
Peak sales (USDm)	255.0			
rNPV (PLNm)	434.5			
rNPV (PLN/share)	159.4			

Source: Company, IPOPEMA Research

Figure 6. Scope Fluidics BacterOMIC assumptions

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal
Phase	Develop-ment	Develop-ment	Clinical trial	Approval	Market	Market	Market	Market	Market	Market	Market
TAM	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Market share	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Peak sales	255.0	255.0	255.0	255.0	255.0	255.0	255.0	255.0	255.0	255.0	255.0
Sales curve	0%	0%	0%	5%	19%	36%	51%	65%	75%	84%	91%
Revenues (USDm)	0.0	0.0	0.0	12.8	48.5	91.8	130.1	165.8	191.3	214.2	232.1
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestones	0.0	0.0	160.0	50.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs	-4.0	-4.0	-40.2	-11.3	-11.3	0.0	0.0	0.0	0.0	0.0	0.0
Success rate	100%	100%	90%	90%	100%	100%	100%	100%	100%	100%	100%
Cumulative probability of success	100%	100%	100%	90%	81%	81%	81%	81%	81%	81%	81%
Risk adj net FCF (USDm)	-4.0	-4.0	119.8	34.8	31.3	0.0	0.0	0.0	0.0	0.0	0.0
Discount	88%	77%	67%	59%	52%	46%	40%	35%	31%	27%	24%
USDPLN	4.47	4.14	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93
Net present CF (PLNm)	-15.7	-12.7	317.9	81.0	64.0	0.0	0.0	0.0	0.0	0.0	0.0
rNPV (PLNm)	434.5										

Source: Company, IPOPEMA Research

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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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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (1 April - 30 June 2023)

	Number	%
Buy	73	72%
Hold	21	21%
Sell	7	7%
Total	101	100%

Rating History - Scope Fluidics

Date	Recommendation	Fair Value	Price at recommendation	Author
11.09.2023	BUY	PLN 235.8	PLN 166.0	Łukasz Kosiarski