TRIGON DOM MAKLERSKI

Research

Poland | Equity Research

Research Department
research@trigon.pl
www.trigon.pl

Voxel

Buy

Initiation

Target price: 119 PLN
upside potential: +30%

Positive diagnosis of organic growth

From the beginning of 2023, Voxel experienced a period of intense growth in financial results and a moment of business consolidation after the COVID pandemic. The revenue growth was driven by an increased number of diagnostic procedures (CT, MRI, SPECT), supported by favourable reimbursed pricing by NFZ. In our view, the company's momentum still remains attractive due to strong forecasts of Polish imaging diagnostic market development and reimbursement procedures.

We anticipate that projected increase in the NFZ budget for imaging studies, as well as the expansion of reimbursement areas to include high-margin CT and MRI scans will continue to play a pivotal role in VOX's segments earnings (~8-11% growth of sales'24-26). We also assume that performed disinvestment in non-rental COVID-19 diagnostic segment (Vito-Med sales) and more feasible sales mix will translate into EBITDA margin progression ('23-25 by ~2%). In the long-term we expect Voxel to face challenges such as growing competition, rising costs and limited room for expansion, which will impact the growth trajectory and put pressure on the EBIT margin (EBIT margin >2031 –0.9-1.4p.p. vs 2026). Nevertheless, the Group's improving financial results should allow for a sound FCF generation (FCF yield'26 ~11%). We therefore initiate a recommendation for the company with "Buy" and a 12-month target price of 119 PLN per share (+30% upside), based on 100% DCF method.

2024 – strong VOX's results outlook. Looking ahead to the 2024, we assume that VOX will maintain strong sales dynamics, supported by higher year-over-year volumes of diagnostic tests and favorable reimbursement of CT and MRI procedures. In our forecasts, we estimate the VOX's revenues dynamics'24-26 at 8-11%, conditioned by the organic growth in number of diagnostics and therapy procedures, as well as by increase in service reimbursement policy.

Diagnostic segment– strong perspectives with both organic growth and feasible reimbursement policy. In the 2024F-2033F, we assume the sales dynamics in diagnostic at the average annual level of 10% y/y. In our forecasts, In our forecasts, we have included an increase in the reimbursement budget for imaging studies by an additional 2-3%, in line with the new plans of the Ministry of Health from March 2024. This reimbursement raise will led to increase od services pricing by 4% for CT and MRI, 10% for PET and 7% for SPECT procedures compared to the first half of 2023 (detailed market environment section is presented in the report on page 25).

Favorable level of contracting PET-CT examinations from the National Health Fund. The level of contracting PET-CT tests by the National Health Fund has increased in 2007-2023 from 4.1 to over 80 thousand procedures. In 2023, expenditures for this purpose are expected to amount to PLN 137bln. Importantly, according to the government's plans, health care spending is expected to increase from 6% of GDP to 7% of GDP (by 2027). In our view, further planned increases in public funds for public healthcare will constitute a significant upside for VOX business in the diagnostics segment, representing the factor for growing diagnostic procedures by 5-10% y/y up to 2034F.

Operating margins improvement by COVID-19 segment disinvestment and moderating cost pressures. Starting from 1st November 2023, Voxel is no longer consolidating the hospital's segment (Vitomed), which in our model will positively impact its operating margins in subsequent periods (EBIT margin lowering by 2-3% in 2022-2023). In our opinion, easing cost pressures are expected to benefit VOX's EBIT profitability in '24-25 (EBIT margin '24 +0.9p.p. y/y, '25 +1.4p.p. y/y) by stabilization of energy prices and SG&A costs. On the other hand, rising minimum wages (especially in CEE) and labour costs in medical sector will increase VOX payroll and other employee benefits costs (+0.9 p.p '24 y/y; +1.3 p.p. '25 y/y). However, this effects should be overpassed by growing number of diagnostics procedures and higher reimbursement rates for services, which occurred in 2H23. Reimbursement rates for diagnostic procedures were raised by approximately 5% at that time.

Improving FCF generation. Strong sales growth in diagnostic segment, supported by feasible reimbursement policy and further recovery in profitability after disinvestment in COVID-19 diagnostic segment should allow Voxel to improve operating margins by 2-3% in the perspective of 2024F-2030F. Company should be also able to generate double-digit FCF after 2025 (FCF yield'25 ~7.0%, '26 ~10.8%) and contribute to improving of dividend yields (DY from 2.0% in '23 to 5.7% in '26).

Valuation. The DCF approach implies the 12M target price of Voxel shares at PLN 119 (+30% upside). Using the comparative valuation method, we value Voxel's shares at PLN 120 / share. Due to the different Voxel's business model compared to other listed companies, we use the DCF method as the main method for the VOX valuation.

Risk factors: 1) lower than expected sales dynamics, especially in diagnostic segment, 2) termination of NFZ agreements, 3) competition impact; 4) introduction of innovative diagnostic/treatment methods. The description is presented on page 29.

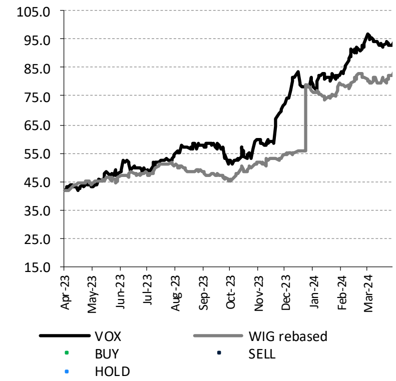
PLNm	2021	2022	2023	2024E	2025E	2026E
Revenues	443	415	451	485	538	573
EBITDA	134	106	147	164	183	193
EBIT	98	68	108	122	141	150
Net profit	69	44	74	88	103	110
EPS (PLN)	3.2	6.6	4.2	7.0	8.3	9.8
P/E (x)	13.9	21.7	13.1	11.0	9.4	8.8
EV/EBITDA (x)	7.6	9.6	6.7	6.1	5.4	4.9
P/BV (x)	4.2	4.0	3.3	2.8	2.4	2.1
DY (%)	2.2%	3.3%	2.0%	4.1%	5.2%	5.7%

Source: Company, Trigon DM

FACT SHEET

Ticker	VOX		
Sector	BioTech & MedTech		
Price (PLN)	91.60		
52wk Range (PLN)	41.8 / 99.2		
Number of share (m)	10.5		
Market Cap (mPLN)	962		
Free-float	7%		
Avg Vol 3M (mPLN)	0.6		
	1M	**3M**	**1Y**
Price performance	-4.0%	12.5%	115.0%

RELATIVE SHARE PRICE PERFORMANCE



RECOMMENDATION HISTORY	Date	Price

SHAREHOLDERS	Share %
Voxel International	37.4%
PZU TFI	14.6%
Allianz OFE	6.6%
Pro Partners Holding	6.0%
Labcentrum LC	6.0%
Other	29.4%

IMPORTAND DATES	
1Q24 report	02.05.2024
1H24 report	26.08.2024
3Q24 report	25.11.2024

ANALYST

Katarzyna Kosiorek

Trigon Dom Maklerski S.A.

Plac Unii, Budynek B, ul. Puławska 2, 02-566 Warszawa

T: +48 22 330 11 11 | **F:** +48 22 330 11 12

W: http://www.trigon.pl | **E:** recepcja@trigon.pl

W: http://www.trigon.pl | **E:** recepcja@trigon.pl

CEE EQUITY RESEARCH

Grzegorz Kujawski, Head of Research
Consumer, E-commerce, Financials

Maciej Marcinowski, Deputy Head of Research
Strategy, Banks, Financials

Grzegorz Balcerski
Gaming

Katarzyna Kosiorek
Biotechnology

Michał Kozak
Oil&Gas, Chemicals, Utilities

Dominik Niszcz
TMT, E-commerce

Łukasz Rudnik
Industrials, Metals&Mining

David Sharma
Construction, Real Estate

Piotr Rychlicki
Junior Analyst

Piotr Chodyra
Junior Analyst

Volodymyr Shkuropat
Junior Analyst

EQUITY SALES

Grzegorz Skowroński

SALES TRADING

Paweł Szczepański, Head of Sales

Michał Sopiński, Deputy Head of Sales

Paweł Czupryński

Hubert Kwiecień

Disclaimer

This Document has been produced by Trigon Dom Maklerski S.A. (the "Brokerage House"), an entity regulated by the Polish Financial Supervision Authority.

Initial recipients of this Document are selected Clients of the Brokerage House who use its general equity research and recommendation services concerning transactions in financial instruments. As of the date stated herein, this Document may also be disseminated to the general public (via the Brokerage House's website or by making it available to entities that may refer to its content in the media to the extent they see fit, or otherwise) as a recommendation within the meaning of Regulation (EU) 596/2014 of the European

Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "MAR Regulation"), and Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest (the "Regulation on Recommendations").

Glossary of professional terms:
capitalisation – market price multiplied by the number of a company's shares
free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company
min/max 52 wks – lowest/highest share price over the previous 52 weeks
average turnover – average volume of share trading over the previous month
EBIT – operating profit
EBITDA – operating profit before depreciation and amortisation
adjusted profit – net profit adjusted for one-off items
CF – cash flow
CAPEX – sum of investment expenditures on fixed assets
OCF – cash generated through a company's operating activities
FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets
ROA – rate of return on assets
ROE – rate of return on equity
ROIC – rate of return on invested capital
NWC – net working capital
cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services
gross profit margin – ratio of gross profit to net revenue
EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue
EBIT margin – ratio of operating profit to net revenue
net margin – ratio of net profit to net revenue
EPS – earnings per share
DPS – dividend per share
P/E – ratio of market price to earnings per share
P/BV – ratio of market price to book value per share
EV/EBITDA – ratio of a company's EV to EBITDA
EV – sum of a company's current capitalisation and net debt
DY – dividend yield, ratio of dividends paid to share price
RFR – risk free rate
WACC – weighted average cost of capital

Recommendations of the Brokerage House
Issuer – VOXEL S.A.
BUY – we expect the total return on an investment to reach at least 10%
HOLD – we expect the price of an investment to be largely stable, with potential upside of up to 10%
SELL – we expect negative total return on an investment of more than -0%
Recommendations of the Brokerage House are valid for a period of 12 months from their issuance or until the price target of the financial instrument is achieved.
The Brokerage House may update its recommendations at any time, depending on the prevailing market conditions or the judgement of persons who produced a given recommendation.
Short-term recommendations (particularly those designated as speculative) may be valid for shorter periods of time. Short-term recommendations designated as speculative involve a higher investment risk.
Document prepared by: Katarzyna Kosiorek

Valuation methods used
SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.
Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.
Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.
Risk-adjusted net present value method (rNPV)
Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.
Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.
Discounted residual income method (DRI)
Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.
Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.
Discounted dividend model (DDM)
Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.
Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.
Net asset value method (NAV)
Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.
Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.
Target multiple method
Advantages: the method can be applied to any company.
Disadvantages: it involves a high degree of subjectivity.
Replacement value method – it assesses the value of a company based on the costs of replacing its assets.
Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.
Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.
Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.
Advantages: the method can capture the lowest threshold of a company's value.
Disadvantages: it may be hard to capture the value of a company's intangibles.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: DCF.
The valuation, methodology or underlying assumptions have not changed since the date when this Document was completed and first disseminated.
This Document was not disclosed to the issuer and subsequently amended. This Document has remained unchanged since the day it was completed and first disseminated.
The Research Team, which produces recommendations, relies exclusively on verified sources, publicly available as part of commercial knowledge bases and databases (periodic reports of issuers, Bloomberg, Reuters, Statistics Poland), as well as in-house analyses.
For detailed information on the valuation or methodology and underlying assumptions, as well as any previous recommendations concerning the Issuer's financial instruments disseminated during the preceding 12 months, go to the Brokerage House's website at www.trigon.pl.

Legal disclaimers, disclaimers related to risks
The Brokerage House believes that this Document has been objectively presented, with due care and attention and with the avoidance of potential conflicts of interest. The Brokerage House bears no liability for any inaccuracy or misjudgement that may nevertheless be found in this Document. In particular, the Brokerage House bears no liability for any damage suffered as a result of investment decisions made in reliance on information contained in this Document.
This Document does not address the individual needs or circumstances of any investor, nor is it an indication that any investment is suitable for a given investor. Accordingly, the conclusions drawn based on this Document may prove inappropriate for that particular investor.
The Brokerage House bears no liability for the way in which information contained in this Document is used. Historical data presented in this Document relate to the past, but past performance is no guarantee that similar results will be achieved in the future. Forward looking data may prove inaccurate, as they are merely an expression of the judgement of individuals speaking on behalf of the entity covered by this report or result from the Brokerage House's own judgement.
Anyone intending to use the information or conclusions contained in this Document is advised to rely on their own judgement, consider information other than that provided in this Document, verify the presented information on their own, asses the risks related to decision-making based on this Document; and consider consulting an independent analyst, investment adviser or other professional with relevant expertise.
Unless this Document indicates otherwise, information contained herein should not be regarded as authorised or approved by the entity to which it relates, as the conclusions and opinions contained herein are solely those of the Brokerage House.
Actual or potential conflicts of interest are managed by the Brokerage House through relevant arrangements provided for in the Regulation on Recommendations. In particular, in order to prevent or manage conflicts of interest, the Brokerage House has set up organisational barriers, as required by the applicable laws and regulations, compliance with which is monitored by the Compliance Department.
The key document governing the process of managing potential conflicts of interest at the Brokerage House is the "Conflicts of Interest Policy of Trigon Dom Maklerski S.A." For detailed information on the Policy, go to www.trigon.pl.
The Brokerage House has developed and put in place mechanisms ensuring that conflicts of interest are managed through legal and administrative barriers designed to limit the flow of information between various organisational units/individuals employed by the Brokerage House or other persons.
In particular, the Research Team operates as an organisationally, functionally and physically separate, independent organisational unit of the Brokerage House.
The Brokerage House believes that the organisational arrangements put in place ensure that the contents of a recommendation remain confidential until it is released.
As at the date of this Document:
there are no conflicts of interest between the Brokerage House and/or persons involved in producing this Document or having access to this Document prior to its publication (the Brokerage House's employees, service providers and other associated persons) and the Issuer
the Brokerage House does not hold shares of the Issuer
the Brokerage House does not as a market maker for the issuer's shares
the Brokerage House does not provide the Issuer or its affiliates with financial advisory, investment banking or other brokerage services
the Brokerage House does not perform the following services with respect to the Issuer's financial instruments covered by this Document
research and recommendation services concerning the Issuer's financial instruments offering the financial instruments on the primary market or in an IPO over the 12-month period preceding the publication of this Document buying or selling the financial instruments for its own account in the performance of tasks related to the operation of a regulated market buying or selling the financial instruments for its own account in the performance of standby or firm commitment underwriting agreements
with the reservation that the Brokerage House may at any time offer or provide its services to the Issuer there are no persons among those involved in producing the recommendation, or those who did not take part in its production but had or could have access to the recommendation, who would hold shares in the Issuer representing 5% or more of its share capital or financial instruments whose value is materially linked to the value of financial instruments issued by the Issuer
no members of the governing bodies of the Issuer or their close persons are members of the governing bodies of Trigon Dom Maklerski S.A.
none of the persons involved in producing the report serves in the governing bodies of the Issuer, holds a managerial position in, or is a close person of any member of the governing bodies of the Issuer; moreover, none of those persons or their close persons is party to any agreement with the Issuer that would be executed on terms and conditions different from those of other agreements executed between the Issuer and consumers.
The Brokerage House received dividends from the Issuer over the previous 12 months
The remuneration of persons involved in producing this Document is not linked to the financial results achieved by the Brokerage House on transactions in the Issuer's financial instruments performed by the Brokerage House. Employees of the Brokerage House involved in producing the recommendation:
do not receive remuneration that is directly tied to transactions in the Brokerage House's services set out in Sections A and B of Annex I to Directive 2014/65/EU or other type of transaction the Brokerage House or any legal person that is part of the same group performs, or to trading fees the Brokerage House or any legal person that is part of the same group receives do not receive or buy shares in the Issuer prior to a public offering of such shares.
The Brokerage House or its affiliates may take part in transactions related to the Issuer's financing, provide services to the Issuer, intermediate in the provision of services by the Issuer, and have the possibility of executing or execute transactions in financial instruments issued by the Issuer or its affiliates, also prior to the presentation of this Document to its recipients.
There are no other circumstances potentially leading to conflicts of interest that would be subject to disclosure under the Regulation on Recommendations.
The Brokerage House pays careful attention to numerous risks related to investments in financial instruments. Investing in financial instruments carries a high degree of risk of losing some or all funds invested. Trigon Dom Maklerski S.A. is the owner of the trademarks, service marks and logos presented in this Document. The Brokerage House owns the copyrights to this Document and the contents of this Document. Any publication, dissemination, copying, use or provision of this Document (or any part hereof) to any third party in any manner other than its legally sanctioned use requires the Brokerage House's consent.
Due to certain legal limitations, this Document may not be directly or indirectly provided, made available or issued in jurisdictions where its dissemination may be restricted by local law. Persons providing or disseminating this Document are obliged to be familiar with and observe such limitations.
It is assumed that each person (organisational unit) that receives, accepts or consents to receiving this Document, by doing so:
accepts every disclaimer stated above;
confirms that they have read the Trigon Dom Maklerski S.A. Terms and Conditions of Research and Recommendation Services (available at: www.trigon.pl, referred to as the "Terms & Conditions") and accepts them;
agrees to be provided with a one-time research and recommendation service by the Brokerage House through receiving access to this Document, in accordance with the Terms & Conditions and subject to the disclaimers contained in or published with this Document, with the proviso that: (1) the service is limited to the free-of-charge provision of this Document and use of this Document by its recipient, (2) the service contract is valid only for the time of using this Document by its recipient.
This Document is not an offer within the meaning of Art. 66 of the Polish Civil Code, does not purport to provide any investment, legal or accounting advice, does not constitute an advertisement, an offer to sell or a solicitation of offers to subscribe for or purchase any financial instruments, nor is it a basis for entering into any other agreement or creating any other obligation.

Date and time when the production of the recommendation was completed: 11th April 2024 7:00 CET.
Date and time when it was first disseminated: 11th April 2024 8:30 CET.