

BioSynt Inc. (TSXV:RX, \$4.70)
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Bloom Burton Securities Inc.
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Rating: ACCUMULATE

Risk: Average

12 month Price Target: \$6.00

| | |
|-------------------------------------|---------------|
| Price | \$4.70 |
| Implied Return | 27.7% |
| Fiscal Year End | 31-Dec |
| 52 Week Range | \$3.13-\$7.88 |
| Shares Outstanding (MM) | 13.1 |
| Market Cap. (MM) | \$61.6 |
| Net Debt | (\$21.2) |
| Book Value/ Share (latest Qtr. end) | \$1.96 |
| Avg. Daily Volume (MM) | 0.025 |

| | 2019A | 2020E | 2021E | 2022E | |
|--------------------|--------|--------|--------|--------|-----|
| Product rev (MM) | | | | | |
| Pharmaceuticals | \$20.4 | \$20.5 | \$21.6 | \$22.7 | |
| Legacy business | \$1.0 | \$0.9 | \$0.9 | \$0.9 | |
| Total Revenue (MM) | \$21.4 | \$21.4 | \$22.5 | \$23.6 | |
| previous | | \$21.4 | \$22.4 | \$23.5 | |
| EBITDA (MM) | \$5.7 | \$5.5 | \$6.3 | \$6.5 | |
| previous | | \$5.3 | \$6.2 | \$6.4 | |
| EV/EBITDA | 7.0x | 7.4x | 6.5x | 6.2x | |
| EPS (f.d. -IFRS) | \$0.31 | \$0.31 | \$0.37 | \$0.39 | |
| | 2020 | 1QE | 2QE | 3QE | 4QE |
| Revenues (MM) | \$6.1 | \$4.3 | \$5.7 | \$5.5 | |
| EBITDA (MM) | \$2.0 | \$0.7 | \$1.4 | \$1.4 | |
| EPS (f.d. -IFRS) | \$0.11 | \$0.04 | \$0.08 | \$0.08 | |



This report is priced as of last trading day close. All values in C\$ unless otherwise noted.

1Q-2020 Financial Results.

BioSynt reported 1Q-2020 results yesterday. Revenues, EBITDA and EPS were above our estimates.

| C\$MM (except EPS) | 1Q-2020 | Bloom Burton Consensus | 1Q-2019 | 4Q-2019 | |
|--------------------|---------|------------------------|---------|---------|--------|
| Total revenues | \$6.1 | \$4.7 | \$4.7 | \$4.5 | \$5.6 |
| EBITDA | \$2.0 | \$1.2 | \$1.2 | \$1.2 | \$1.7 |
| EPS (f.d.) | \$0.11 | \$0.06 | \$0.06 | \$0.07 | \$0.08 |

Source: Bloom Burton estimates; Company reports; FactSet

Highlights

Revenues for 1Q-2020 were up 35% Y/Y and 9% sequentially vs. 4Q-2019. Domestic pharmaceutical sales were up 41% Y/Y (1Q-2020: \$6.0 MM vs. 1Q-2019: \$4.3 MM) and 10% relative to 4Q-2019 (\$5.5 MM). While there was some growth momentum (double-digit Y/Y growth) in January and February, there was a significant acceleration in the second half of March prior to the social distancing measures. This was due to a combination of greater consumer demand, provisioning by hospitals and stocking up by distributors. In the community business segment Feramax sales volume (units) was up 44% Y/Y and RepaGyn was up 25%. While the other hospital products were up Y/Y (Cathejell +22% and Aguetant System +39%), Cysview orders declined 62% due to elective surgical procedures being postponed or canceled.

International Feramax shipments were \$68k in this quarter compared to nil sales in 1Q-2019. Distribution partners in the major international markets continue to be impacted by COVID-19 related challenges and sales in this segment are expected to be lumpy in the upcoming quarters.

The legacy insecticide business (\$40k) was down 81% Y/Y (1Q-2019: \$0.2 MM). While the first quarter has traditionally been weak for this business, there were 1Q orders from an international customer in 2018 and 2019 and this did not continue this year.

Gross margin was higher this quarter (30%) compared to 1Q-2019 (26%) likely due to a favorable product mix (greater revenue share of Feramax). This combined with the operating leverage led to EBITDA increasing 66.3% Y/Y.

BioSynt continued its share repurchase program, buying back 261,875 shares during the quarter and 332,400 subsequent to quarter end. The company had cash and short-term investments of \$21.2 MM on its balance sheet and 13.1 MM shares outstanding as at March 31, 2019.

Management commented that the forward purchases in March began to impact distributor orders in April but that hospital orders continued to be strong through April. The company suffered from a stock out situation on one of its hospital products due to greater than expected demand but expects to fulfil the back orders by the end of this quarter. BioSynt's supply chain has otherwise remained unaffected by the pandemic so far. The company has not been able to access physician and pharmacy call points due to social distancing. While this is beginning to change, particularly in western Canada, there is no visibility yet on the impact of the lack of marketing during this period on prescription behavior. The company now expects to start promoting Tibella in June with shipments expected to start in July. Combogesic was earlier expected to be launched in 2H-2020 but this is now likely to get pushed to 2021. Feramax continued to be the most recommended iron supplement in Canada among physicians (47%) and pharmacists (48%) for the fifth consecutive year according to the 2020 Emsemble IQ survey results released this month.

We have made adjustments to our model (details in the accompanying table) to reflect this quarter's performance and the impact of the timing of sales on the upcoming quarters. We continue to rate RX ACCUMULATE (Average Risk) with a target price of \$6.00.



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Speculative - High volatility and risk expected; potential for balance sheet concerns, low public float.

Stock may be suitable for only a small subset of equity investors willing to take on the risks of a high risk investment.

Distribution of Ratings as of May 2020

| Rating | Number | Percentage |
|------------|--------|------------|
| BUY | 12 | 67% |
| ACCUMULATE | 5 | 28% |
| HOLD | 1 | 6% |
| SELL | 0 | 0% |
| Total | 18 | 100% |