

Monday, 31 May 2021 | special comments

Sygnity: Earnings Forecast for Calendar Q1 of 2021

Recommendation: hold | target price: PLN 11.60 | current price: PLN 10.40

SGN.PW; SGN.WA | IT, Poland

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Sygnity is slated to report its financial results for the second quarter of fiscal year FY2020/21, ended 31 March 2021, on June 15, 2021. We expect that, on 5% lower revenue, EBITDA for the quarter will post a decline from Q1 2020. We maintain a neutral view on Sygnity.

- We expect that Sygnity registered 5% year-on-year revenue contraction in the three months ended 31 March 2021 based on warnings of delays in a few major assignments, including contracts for power utilities.
- We anticipate a 1.4pp rebound to 29.3% in the quarterly gross margin.
- We assume that SG&A did not change much compared to corresponding the year-ago period expenses at PLN 8.6m.
- Sygnity is not likely to have generated one-time gains or losses in calendar Q1 2021 versus a PLN 0.5m boost posted in Q1 2020.
- We expect to see quarterly EBITDA of PLN 11.9m and EBIT of PLN 7.9m.
- After reduced losses on financing activity (PLN 1.5m expected in Q1'21 vs. PLN 4.4m incurred in the year-ago period), net profit is likely to show year-over-year improvement at a projected PLN 5.3m.

Forecast of calendar 2021 Q1 results of Sygnity

(PLN m)	1Q'21E	1Q'20	change
revenue	56.3	59.2	-5.0%
EBITDA	11.9	12.5	-4.9%
EBITDA margin	21.1%	21.1%	-
EBIT	7.9	8.4	-6.0%
pre-tax profit	6.4	4.0	58.4%
net profit	5.3	4.0	31.7%

Source: Sygnity, E – mBank estimates

List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases) - Lease Payments

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HOLD – we expect that the rate of return from an investment will range from -5% to +5%

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