

Tuesday, February 7, 2023 | special comment

Sygnity: Q1 2022/23 Earnings Preview

Recommendation: sell | target price: PLN 13.70 | current price: PLN 21.70

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Sygnity this morning published the preliminary results for the first quarter of fiscal year FY2022/23 (Q1'22/23, calendar Q4 of 2022). The Company expects a 14% y/y rebound in quarterly revenue to a level that exceeds our estimate by 10%. The expected pace of annual revenue growth is also significantly higher than the average achieved in FY2021/22 (+3.7% y/y). Sygnity attributes the acceleration to a rise in successful public tenders. The preliminary Q1'22/23 EBITDA margin came as a major surprise after an estimated rebound as big as 6.2 p.p. vs. the year-ago quarter and 9.1% vs. the average for the full FY2021/22.

We plan to consult with Sygnity before we can determine whether the stronger-than-expected 1Q'22/23 figures represent a permanent change.

- Sygnity estimates the consolidated Q1'22/23 revenue at PLN 61.8m, and it expects to post EBITDA of PLN 16.2m for the quarter.
- Net profit in Q1 likely increased to PLN 10.6m from PLN 6.0m in the same quarter the year before.
- Profit before tax is estimated at PLN 13.2m.
- Sygnity attributes the strong Q1'22/23 results to a rise in public contract awards.
- The Company will release the final figures for the quarter on 10 February 2023.

FY2022/23 Q1 results of Sygnity

(PLN m)	1Q'22/23	1Q'21/22	y/y	1Q'22/23E	1Q'22 vs. 1Q'22E
revenue	61.8	54.4	13.6%	56.3	9.8%
EBITDA	16.2	10.9	48.6%	9.3	74.2%
margin	26.2%	20.0%	-	16.5%	-
EBIT	-	8.2	-	6.5	-
pre-tax profit	13.2	7.2	83.3%	5.0	164.0%
net profit	10.6	6.0	76.7%	4.1	158.5%

Source: Sygnity, E - mBank estimates



List of abbreviations and ratios contained in the report:

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)

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