

Wednesday, 15 June 2022 | special comments

Sygnity: 2021/22 Q2 Results

Recommendation: accumulate | target price: PLN 10.70 | current price: PLN 11.60

SGN.PW; SGN.WA | IT, Poland

Analyst: Paweł Szpigiel +48 22 438 24 06 | +48 509 603 258

- Sygnity's results for the three months ended 31 March 2022 (Q2'21/22) fell short of expectations, with revenue at PLN 51.3m vs. PLN 52.7m forecast by us.
- The gross margin amounted to 26.6% vs. 29.0% expected by us and 28.6% posted in the previous quarter.
- SG&A expenses were in line at PLN 7.7m.
- Other operating activities produced a quarterly net gain of PLN 0.2m.
- EBIT at PLN 6.2m registered a 24% fall from the corresponding year-ago period and missed our forecast by 21%.
- Financing activity had no effect on Q2 2021/22 results, whereas we had anticipated a PLN 1.7m loss. This was a result of a release of a provision for interest expenses related to a dispute with Microsoft, settled in February 2021.
- If we add to this a refund of overpaid income tax after a positive resolution of a dispute with the tax authority from several years ago, the two one-time boosts brought the Q1'21/22 net profit up to PLN 11.2m.
- **Summing up, Sygnity's core Q2'21/22 results missed the target due mainly to a lower-than-expected margin on sales coupled with slow revenue growth at just +1.6% y/y.**

FY2021/22 Q2 results of Sygnity

(PLN m)	2Q'2021/22	2Q'2020/21	change	2Q'2021/22E	diff.
revenue	51.3	50.5	1.6%	52.7	-2.7%
EBITDA	8.8	10.9	-19.1%	10.5	-16.0%
margin	17.2%	21.6%	-	19.9%	-
EBIT	6.2	8.2	-24.3%	7.8	-20.8%
pre-tax profit	6.2	7.1	-12.7%	6.1	1.6%
net profit	11.2	6.0	85.7%	4.9	126.4%

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) - Lease Payments

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mBank S.A.

Prosta 18
00-850 Warszawa
<http://www.mbank.pl/>

Research Department

Kamil Kliszcz
director
+48 22 438 24 02 | +48 667 770 837
kamil.kliszcz@mbank.pl
energy, power generation

Piotr Poniatowski
+48 22 438 24 09 | +48 509 603 046
piotr.poniatowski@mbank.pl
gaming

Antoni Chęciński
+48 22 438 24 03 | +48 509 595 736
antoni.kania@mbank.pl
industrials, chemicals, metals

Michał Konarski
+48 22 438 24 05 | +48 515 025 640
michal.konarski@mbank.pl
banks, financials

Mikołaj Lemańczyk
+48 22 438 24 07 | +48 501 663 511
mikolaj.lemanczyk@mbank.pl
banks, financials

Paweł Szpigiel
+48 22 438 24 06 | +48 509 603 258
pawel.szpigiel@mbank.pl
media, IT, telco, e-commerce

Janusz Pięta
+48 22 438 24 08 | +48 506 065 659
janusz.pieta@mbank.pl
retail, e-commerce

Sales and Trading

Traders

Piotr Gawron
director
+48 22 697 48 95
piotr.gawron@mbank.pl

Andrzej Sychowski
+48 22 697 48 46
andrzej.sychowski@mbank.pl

Jędrzej Łukomski
+48 22 697 49 85
jedrzej.lukomski@mbank.pl

Łukasz Płaska
+48 22 697 47 90
lukasz.plaska@mbank.pl

Tomasz Jakubiec
+48 22 697 47 31
tomasz.jakubiec@mbank.pl

Sales, Foreign Markets

Marzena Łempicka-Wilim
deputy director
+48 22 697 48 82
marzena.lempicka-wilim@mbank.pl

Piotr Brożyna
+48 22 697 48 47
piotr.brozyna@mbank.pl

Private Client Sales

Kamil Szymański
director
kamil.szymanski@mbank.pl

Jarosław Banasiak
deputy director
jaroslaw.banasiak@mbank.pl