

Tuesday, 7 June 2022 | special comments

Sygnity: Forecast of 2021/22 Q2 Results

Recommendation: accumulate | target price: PLN 10.70 | current price: PLN 11.45

SGN PW; SGN.WA | IT, Poland

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

Sygnity is expected to report 4% higher revenue for the three months ended 31 March 2022 (Q2 FY2021/22) than in the same period a year earlier.

The quarterly EBITDA margin was probably squeezed 3.7pp y/y by upward pay pressures, resulting in nominal EBITDA of approx. PLN 10.5m – a similar amount as posted in Q2 FY2020/21.

We are looking forward to hearing how Sygnity sees the rest of the year at the 14 June earnings conference.

- We expect to see a 4.4% y/y rebound in the revenue for Q2 FY2021/22.
- Gross margin might post a 2.4pp y/y decline to 29.0%, led by upward pay pressures experienced across the whole technology sector.

- We assume SG&A expenses in Q2 were about the same as in the previous quarter (PLN 7.5m).
- The quarterly results were probably not affected by any one-time events.
- EBITDA is likely to come in at PLN 10.5m and EBIT will approximate PLN 7.8m in Q2 FY2021/22.
- After net financing costs of PLN 1.7m and tax at an effective rate of 19.0%, we expect net profit to show 18% contraction from the year-ago quarter at PLN 4.9m.

Forecast of FY2021/22 Q2 results of Sygnity

(PLN m)	2Q'21/22E	2Q'20/21	y/y
revenue	52.7	50.5	4.4%
EBITDA	10.5	10.9	-3.7%
margin	19.9%	21.6%	-
EBIT	7.8	8.2	-4.4%
pre-tax profit	6.1	7.1	-14.1%
net profit	4.9	6.0	-18.0%

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.klischcz@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