

Tuesday, 6 February 2024 | special comments

Sygnity: Preliminary Results for 5Q 2022/23 (calendar 4Q'23)

Recommendation: sell | target price: PLN 21.60 | current price: PLN 47.30

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Sygnity has released preliminary results for the fiscal year that began 1 October 2022 and ended 31 December 2023, allowing us to extrapolate what the earnings for calendar 4Q of 2023 may have looked like for the Company.

It looks like Sygnity had a fairly decent quarter in 4Q'23. The annual rate of revenue growth admittedly registered a slowdown to 6% from over 11% achieved in calendar Q3, but this is still an improvement on the quarters of falling sales that we have seen in recent years.

Last December, Sygnity's Management said it was taking a very sensible approach to the cost base, as well as expressing an intention to raise prices for customers as a way of mitigating the inflation's impact on profits, among others. This strategy is reflected in the results for Q4'23, marked by growing revenues accompanied by a stable EBITDA margin. As for the bottom line, we suspect it was affected by one-time events.

- Sygnity estimates its 5Q'22/23 revenue at PLN 65.6m, indicating a y/y increase of 6%.
- Quarterly EBITDA came in at about PLN 17.1m after growing at a similar rate close to 6%.
- The EBITDA margin was 26.1% (stable y/y).
- With pre-tax profit at approximately PLN 15.8m, we estimate EBIT for the quarter may have amounted to PLN 16.5m (after D&A expenses of ca. PLN 0.6m).
- After net financing costs of around PLN 0.7m, net profit may have come in at PLN 20.3m. We assume one-time events had an effect on the reported net profit figure.

FY2022/23 5Q (calendar 2023 4Q) results of Sygnity

(PLN m)	Calendar 4Q'23	Calendar 4Q'22	Y/Y
Revenue	65.6	61.9	6.0%
EBITDA	17.1	16.2	5.6%
Margin	26.1%	26.2%	-
Pre-tax profit	15.8	13.3	19.1%
Net profit	20.3	10.7	90.1%

Source: Sygnity

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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