

Monday, 29 April 2024 | special comments

Sygnity: Preliminary Results for Q1'24

Recommendation: sell | target price: PLN 35.80 | current price: PLN 65.40

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According to preliminary figures, Sygnity delivered 22% of our FY2024 full-year sales forecast, 18% of estimated EBITDA, and 20% of the expected FY net profit, in 1Q'24.

Compared to the same year-ago quarter, the Company achieved revenue growth of approx. 18% and EBITDA growth close to 24% in 1Q'24. Keep in mind, however, that the quarterly results were influenced by two recent acquisitions (of which the financials of Sagra Technology likely only began to be consolidated in early March 2024).

Organic earnings growth was in line with our expectations, as set out in the 15 April 2024 research update on Sygnity. Hence, we stand by our FY2024 earnings forecast and target price for the Company.

- Sygnity estimates its 1Q'24 revenue at PLN 62m, +18% y/y.
- EBITDA likely amounted to PLN 11m (+24% y/y).
- EBITDA margin came in at around 17.7% (nearly 1 p.p. higher than in 1Q'23).
- Pre-tax profit was ca. PLN 8m.
- Net profit as well is expected to be around PLN 8m

- The consolidated 1Q'24 results were influenced by two acquisitions, Edrana Baltic UAB and Sagra Technology sp. z o.o.
- Sygnity does not discuss the exact impact of the acquisitions on first-quarter earnings in the preliminary report, but, assuming full three months' consolidation of Edrana, while Sagra's consolidation began in March, we estimate the combined contribution at about PLN 5-6m sales and just under PLN 1m EBITDA.
- Based on this, we can estimate roughly (given the lack of specifics in the report) that, on a year-over-year organic basis, Sygnity's revenue for Q1'24 increased 8% and EBITDA grew in the range of 12%-15%.
- This would be consistent with our latest research report on Sygnity, where we had predicted 9% revenue growth and 12% EBITDA growth.
- The effective tax rate in Q1'24 was probably low, giving a boost to the bottom line.

2024 Q1 results of Sygnity

(PLN m)	1Q'24	Calendar 1Q'23	Y/Y
Revenue	62	52.4	18.4%
EBITDA	11	8.9	24.1%
Margin	17.7%	16.9%	-
Pre-tax profit	8	6.1	31.3%
Net profit	8	4.9	61.9%

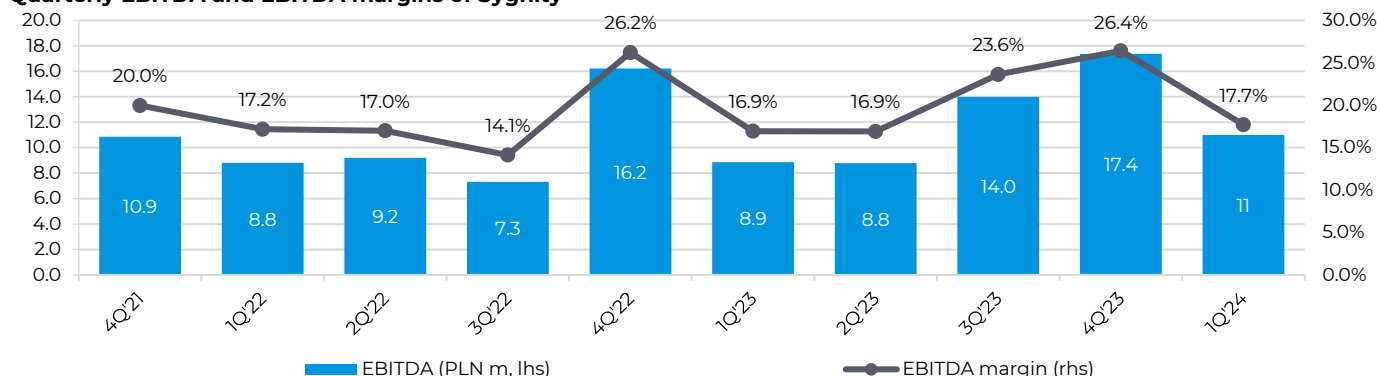
Source: Sygnity

2023 and 2024 first-quarter results as a % of FY results / forecasts

(PLN m)	1Q'24	FY2024 forecast	1Q/FY	(PLN m)	1Q'23	2023 adjusted results	1Q/FY
Revenue	62.0	284.6	21.8%	Revenue	52.4	229.3	22.8%
EBITDA	11.0	60.9	18.1%	EBITDA	8.9	49.0	18.1%
Margin	17.7%	21.4%	-	Margin	16.9%	21.4%	-
Net profit	8.0	39.3	20.4%	Net profit	4.9	39.3	12.6%

Source: Sygnity

Quarterly EBITDA and EBITDA margins of Sygnity



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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