

Thursday, 17 June 2021 | special comment

Sygnity: Financial Results for Q2 FY2021

Recommendation: hold | target price: PLN 10.20 | current price: PLN 11.60

SGN.PW; SGN.WA | IT, Poland

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- Sygnity's revenue for the second quarter of fiscal FY2021, ended 31 March 2021, came in at PLN 50.6m, a miss of about PLN 5.7m relative to our estimate.
- A segmental break-up reveals a decline in revenue from maintenance services of PLN 1.5m in Q2 FY'21 relative to the corresponding year-ago period, accompanied by a decrease of PLN 6.1m in revenue from implementation services.
- The quarterly gross margin amounted to 31.4%.
- SG&A expenses totaled PLN 8.1m in Q2 vs. PLN 8.7m the year before and PLN 8.6m expected by us.
- D&A expenses were relatively low at PLN 2.7m vs. our estimate of PLN 4.0m, and they were partly responsible for a higher-than-expected quarterly EBIT margin.
- Operating profit at PLN 8.2m was similar to the year-ago figure.
- Sygnity incurred a loss of PLN 1.0m on financing activity in Q2 FY2021 (we had expected a higher loss of PLN 1.5m), and after tax at an effective rate of 15.1% (vs. 17.0% forecast) net profit came in at PLN 6.0m.

All in all, we are disappointed by Sygnity's FY2021 second-quarter performance, marked by substantial revenue contraction. EBIT margin for the quarter came in relatively strong thanks to low D&A expenses.

Financial results of Sygnity for the quarter ended 31 March 2021 (1Q)

(PLN m)	1Q'21	1Q'20	change	1Q'21E	y/y change
revenue	50.6	59.2	-14.6%	56.3	-10.1%
EBITDA	10.9	12.5	-12.7%	11.9	-8.3%
EBITDA margin	21.5%	21.1%	-	21.1%	-
EBIT	8.2	8.4	-2.7%	7.9	3.6%
pre-tax profit	7.1	4.0	76.3%	6.4	11.3%
net profit	6.0	4.0	49.9%	5.3	13.8%

Source: Sygnity, E – mBank estimates



List of abbreviations and ratios used by mBank:

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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