

Tuesday, 29 October 2024 | special comments

Sygnity: Preliminary 9M'24 Results

Recommendation: sell | target price: PLN 39.00 | current price: PLN 61.00

SGN.PW; SGN.WA | IT, Poland

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Based on a preliminary earnings release, Sygnity fulfilled in excess of than 70% of our full-year sales forecast, 74% of estimated EBITDA and 73% of expected net profit, in the nine months to September 2024 (9M'24). This shows that the company can meet our expectations for FY2024.

In 3Q'24, assuming Edrana and Sagra added about PLN 9-10m to the quarterly revenue and PLN 1.5m to EBITDA, the respective rates of organic y/y growth come out roughly at 4-5% for revenue and about 35% for EBITDA – an impressive feat provided it was not achieved with the help of one-time events (something that should be confirmed when the full financial statements are published on November 15).

- Sygnity estimates its 9M'24 revenue at PLN 202.9m.
- EBITDA is expected to come in at PLN 45.7m.

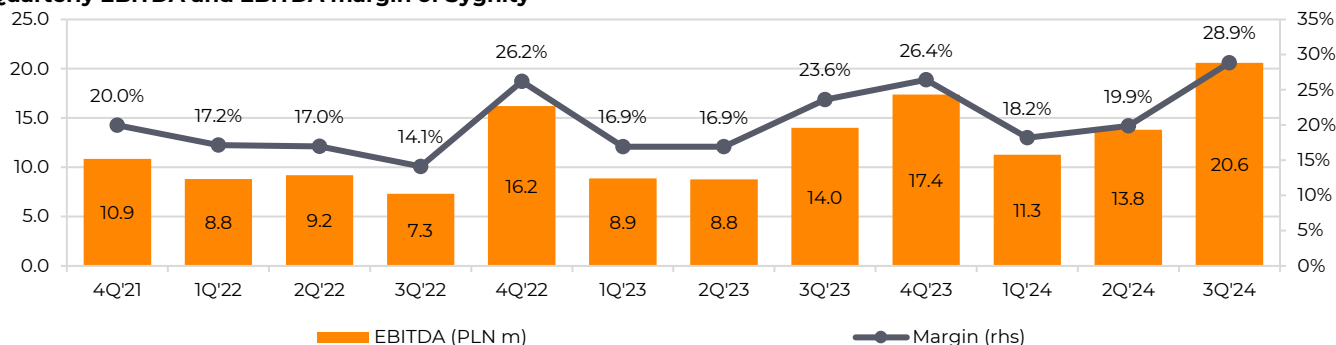
- Profit before tax may reach PLN 34.3m.
- Net profit is estimated at PLN 28.4m.
- Like in 1H'24, the 9M'24 consolidated results were influenced by the two acquisitions, Edrana Baltic UAB and Sagra Technology sp. z o.o. Sygnity did not specify the impact these companies had on the results for 3Q'24, but we would estimate, very roughly, that they may have added about PLN 9-10m to revenue and PLN 1.5m to EBITDA.
- On this basis, we can estimate that, on an organic basis, Sygnity's 3Q'24 revenue grew about 4-5%, and EBITDA increased about 35%, compared to the corresponding year-ago levels. That said, the correctness of these estimates requires confirmation after the publication of the full report.

3Q 2024 results vs. our expectations

(PLN m)	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24	yoy	2024E	% YTD
Revenue	52.4	51.9	59.2	65.8	62.0	69.5	71.4	20.5%	288.9	70.2%
COGS	-37.7	-35.4	-38.0	-41.6	-41.7	-46.1				
Gross profit	14.7	16.5	21.2	24.2	20.3	23.4				
Margin	28.0%	31.8%	35.8%	36.8%	32.7%	33.7%				
Selling expenses	-1.6	-1.9	-1.3	-1.8	-1.6	-1.9				
As % of sales	3.1%	3.7%	2.2%	2.7%	2.7%	2.7%				
Administrative expenses	-7.1	-8.9	-8.6	-7.6	-10.7	-12.2				
As % of sales	13.6%	17.1%	14.5%	11.6%	17.3%	17.6%				
Other operating activity	0.3	0.4	0.3	0.3	0.4	0.4				
Profit / (loss) from operations	6.2	6.2	11.6	15.2	8.3	9.7				
Margin	11.9%	11.8%	19.7%	23.0%	13.4%	13.9%				
Financing activity	-0.1	0.2	-0.2	0.7	-0.1	-0.2				
Share in result of joint venture	0.0	0.0	0.0	0.0	0.0	0.0				
Profit / (loss) before tax	6.1	6.4	11.4	15.8	8.2	9.5	16.6	45.6%	46.1	74.4%
Tax	-1.2	-1.3	-2.4	4.4	-0.7	-2.1				
Net profit (loss)	4.9	5.1	9.0	20.2	7.5	7.4	13.5	49.9%	38.6	73.5%
Margin	9.4%	9.8%	15.2%	30.7%	12.0%	10.7%			13.4%	
EBITDA	8.9	8.8	14.0	17.4	11.3	13.8	20.6	47.4%	62.3	73.3%
Margin	16.9%	16.9%	23.6%	26.4%	18.2%	19.9%			21.6%	
Market capitalization (PLN m)	1,388	1,388	1,388	1,388	1,388	1,388	1,388			
P/E	54.9	55.5	46.8	35.3	33.2	31.5	28.6			

Source: Sygnity, E - mBank estimate

Quarterly EBITDA and EBITDA margin 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); **EBITDA margin** – EBITDA/Sales

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