

Thursday, 1 August 2024 | special comments

Sygnity: Preliminary Results for 1H'24

Recommendation: sell | target price: PLN 35.80 | current price: PLN 60.20

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Sygnity delivered 46% of our FY2024 full-year sales forecast, 41% of estimated EBITDA, and 36% of the expected FY net profit, in 1H'24. We reckon, therefore, the company is on track to fulfill our expectations for the full 2024.

We estimate, assuming the two acquisitions, Edrana and Sagra, added ca. PLN 10m to 2Q'24 revenue and PLN 1.8m to EBITDA, that organic y/y growth for the quarter amounted to ca. 13-14% in terms of revenues and more than 30% on the EBITDA line. However, this is just a rough calculation that has yet to be confirmed. Still, the 2Q'24 prelims should boost sentiment towards Sygnity. It seems that the company has managed to restore forward revenue momentum. Please note that Sygnity has underperformed the WIG index by 5% in the last three months.

- Sygnity estimates its 1H'24 revenue at PLN 131m.
- EBITDA likely amounted to PLN 25m (+42% y/y).
- EBITDA margin came in at around 19.1% (2.2 p.p. higher than in 1H'23).

- Pre-tax profit was ca. PLN 18m.
- Net profit is expected to come in at around PLN 15m.
- Just as in 1Q'24, the consolidated 2Q'24 results were influenced by two acquisitions, Edrana Baltic UAB and Sagra Technology sp. z o.o. Sygnity did not disclose the impact of the acquisitions on 2Q'24 earnings in the preliminary report. We estimate the combined contribution at about PLN 10m sales and PLN 1.8m EBITDA.
- Therefore, we can estimate roughly that, on a year-over-year organic basis, Sygnity's revenue for 2Q'24 increased 13-14% and EBITDA grew in the range of 34-36%. Please note that we have to look at the full final financial statements to estimate the numbers precisely.
- The effective tax rate in Q2'24 was probably around 23%.

2024 Q2 results of Sygnity vs. our expectations

(PLN m)	2Q'24*	2Q'23	y/y	2Q'24E	vs
Revenue	69.0	51.9	32.9%	66.1	4.4%
EBITDA	13.7	8.8	56.3%	11.8	16.8%
margin	19.9%	16.9%	-	17.8%	-
EBIT	-	6.2	-	8.6	-
Pre-tax profit	9.8	6.4	54.0%	8.4	16.4%

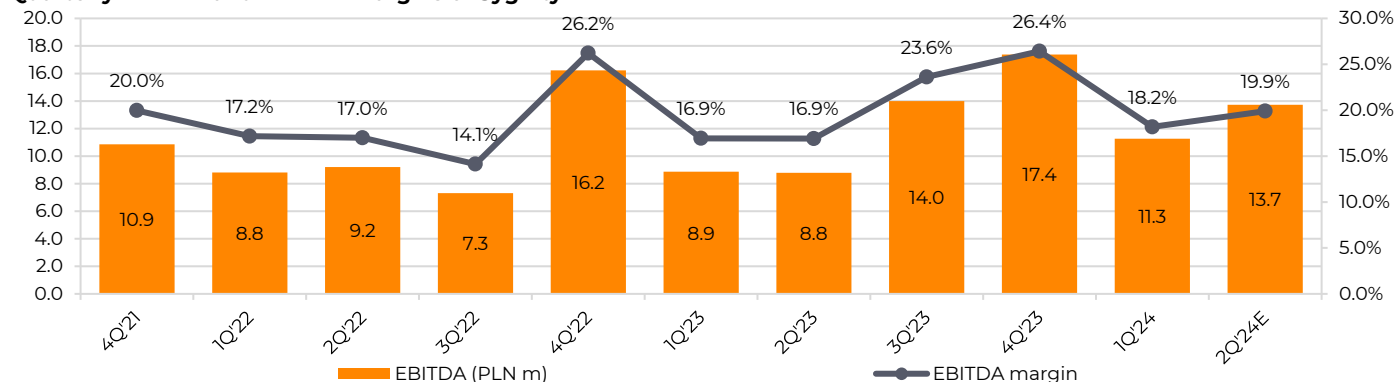
Source: Sygnity; * our calculations based on the company report concerning 1H'24

2023 and 2024 1H results as a % of FY results / forecasts

(PLN m)	1H'24	FY2024 forecast	1H/FY	(PLN m)	1H'23	2023 adjusted results	1H/FY
Revenue	131	284.6	46.0%	Revenue	104	229.3	45.5%
EBITDA	25	60.9	41.1%	EBITDA	17.7	49	36.0%
Margin	19.1%	21.4%	-	Margin	16.9%	21.4%	-
Net profit	15	42.2	35.5%	Net profit	10.0	39.3	25.6%

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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