

Tuesday, 1 August 2023 | special comments

## Sygnity: Forecast of 2022/23 Q3 Results

Recommendation: sell | target price: PLN 20.70 | current price: PLN 34.50

SGN.PW; SGN.WA | IT, Poland

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**We expect Sygnity to report y/y revenue growth of 3.0% in the third quarter of fiscal 2022/23 (calendar Q2 2023), coupled with a slightly higher gross margin. EBITDA is estimated at PLN 8.9m, suggesting a decline of about 3% y/y from the corresponding year-ago quarter. Hence, we maintain a negative view on the company.**

- We expect 3Q'22/23 revenue to come in at PLN 55.8 million, +3.0% y/y.
- Gross margin could register 31.0% after an 0.5pp y/y rebound.
- SG&A expenses are projected at PLN 11.0 million compared to PLN 10.2 million a year earlier.
- One-time events probably had a neutral effect on the quarterly results.
- We estimate the quarterly EBIT at PLN 6.3 million and EBITDA at PLN 8.9 million (i.e., -3.5%/-3% y/y).
- After a PLN 0.2 million net loss of financing activity and an effective tax rate of 19%, net profit may come in at around PLN 4.9 million.

### Forecast of 3Q 2022/23 results of Sygnity

(PLN m)	3Q'22/23E	3Q'21/22	r/t
revenue	55.8	54.2	3.0%
EBITDA	8.9	9.2	-3.1%
margin	16.0%	17.0%	-
EBIT	6.3	6.5	-3.5%
pre-tax profit	6.1	6.5	-6.1%
net profit	4.9	5.4	-8.6%

Source: Sygnity, E - mBank estimates

**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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**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

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