

Friday, 12 August 2022 | special comments

Sygnity: Financial Results for Q3 2021/22

Recommendation: sell | target price: PLN 13.50 | current price: PLN 19.70

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- Sygnity missed our estimates with its financial results for the three months ended 30 June 2022 (Q3 of FY2021/22).
- The quarterly revenue did post a 4.2% beat at PLN 54.2m, and the gross margin at 30.5% came out higher than our 29.5% forecast, however, after much larger-than-assumed SG&A expenses (PLN 10.2m vs. PLN 7.8m), partly offset by a PLN 0.2m gain on other operating activity, EBIT at PLN 6.2m was a 13% miss on our estimate after falling 21% from the corresponding year-ago quarter.
- Financing activity had zero effect on Q3 2021/22 results whereas we had anticipated a PLN 1.9m loss.
- Sygnity recognized an interest recovery of PLN 1.4m in Q3 following a successful dispute with tax authorities which was also the source of a tax refund that provided a boost to the pre-tax and net profit figures for the quarter, further enhanced by a lower-than-the-usual 19% effective tax rate of 16.9%.
- **Summing up, on growing revenues, Sygnity generated lower-than-expected EBITDA and EBIT in Q3 FY'21/22, alongside higher-than-expected SG&A expenses that may or may not have included certain nonrecurring items.**

FY2021/22 Q3 results of Sygnity

(PLN m)	3Q'2021/22	3Q'2020/21	change	3Q'2021/22E	differ.
revenue	54.2	49.8	8.9%	52.0	4.2%
EBITDA	9.2	11.0	-16.6%	10.1	-9.3%
margin	17.0%	22.2%	-	19.5%	-
EBIT	6.5	8.2	-21.1%	7.5	-13.4%
pre-tax profit	6.5	7.1	-8.2%	5.6	15.5%
net profit	5.4	5.6	-3.2%	4.5	18.5%

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) - Lease Payments

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