

Friday, February 26, 2021 | special comment

Sygnity: Results for Q4 of Calendar 2020

Rating: buy | target price: PLN 10.70 | current price: PLN 11.00

SGN PW; SGN.WA | IT, Poland

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Sygnity today released the final results for the three months ended 31 December 2020, which represent the first quarter of fiscal FY2020/2021, showing figures that are consistent with an earnings preview released earlier. Not including one-time items related to an out-of-court settlement of a dispute with Fast Enterprises, adjusted quarterly EBITDA at PLN 12.4m showed a decrease of 21% from the same period a year earlier, led by weaker sales (-18% Y/Y). Sygnity hopes to see sales stabilize in the coming quarters.

- In the three-month period ended 31 December 2020, Sygnity generated revenue of PLN 52.5m (-18% Y/Y).
- The quarterly sales margin was 32.1% (+0.9pp Y/Y).
- SG&A expenses amounted to PLN 7.9m vs. PLN 8.5m in the corresponding year-ago period.
- Other operating activity produced a one-time gain of PLN 14.2m in the period after a reversal of PLN 11.2m reserves associated with the dispute with Fast Enterprises plus PLN 3.0m other receipts provided by the settlement.
- Quarterly EBITDA after stripping one-time gains amounted to PLN 12.4m, down 21% Y/Y.
- The settlement with Fast Enterprises also affected the finance income for Q4 of calendar 2020 by allowing Sygnity to reverse allowances for interest payments in the amount of PLN 9.1m.
- Net profit for Q1 FY'21 came in at PLN 26.1m, but it is not comparable to the year-ago result due to the heavy impact of one-offs.
- Operating cash flow in the period was PLN 14.7m, which means it exceeded adjusted EBITDA.

FY2020/21 Q1 vs. year-ago results

(PLN m)	1Q'20/21	1Q'19/20	YoY
Revenue	52.5	63.8	-17.7%
EBITDA	26.6	15.6	71.0%
EBITDA margin	50.8%	24.4%	
EBIT	23.2	11.5	100.7%
Pre-tax profit	29.5	10.8	174.2%
Net profit	26.1	9.3	179.3%

Source: Sygnity

List of abbreviations and ratios contained in the report:

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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