

Friday, July 08, 2022 | Monthly Market Outlook, an excerpt

## Sygnity sell (downgraded)

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Shoper grew its 2022 Q1 revenue by an impressive 67% relative to the same period a year earlier. Following that, the company issued optimistic guidance for the full FY2022 that prompts us to raise our future revenue projections by about 10%.

On the downside, Shoper incurred unexpectedly high operating costs in Q1, driven mainly by fast-paced recruitment of new employees. To be exact, OPEX ex. D&A registered a surge of a staggering 108% in the period, resulting in EBITDA margin shrinkage of 13.8pp to 31.1%.

We have updated our 2022 EBITDA forecast for Shoper to PLN 36.7m after taking into account the Selium and Sempire acquisitions, among others, and at the same time we assume that EBITDA margins will hold in the 28-30% range.

After incorporating a higher risk-free rate (4.5%, raised from 3.5%) into the DCF model, and after updating peer multiples, we set our new price target for SHO at PLN 42.00, implying a hold recommendation.

<b>Current Price</b>	15.80 PLN	<b>Downside</b>
<b>9M Target Price</b>	13.50 PLN	<b>-14.6%</b>

	rating	target price	issued
<b>new</b>	<b>sell</b>	<b>13.50 PLN</b>	<b>2022-07-08</b>
old	accumulate	10.70 PLN	2022-05-06

  

Key Metrics		SGN PW	vs. WIG
Ticker	SGN PW	1M Price Chng	+33.9%
ISIN	PLCMPLD00016	YTD Price Chng	+78.3%
Outst. Stock (m)	22.8	ADTV 1M	PLN 0.3m
MC (PLN m)	359.6	ADTV 6M	PLN 0.3m
EV (PLN m)	379.2	EV/EBITDA 12M fwd	6.5 +0.9%
Free Float	100.0%	EV/EBITDA 5Y avg	6.4 premium

Earnings Projections					
(PLN m)	19/20	20/21	21/22P	22/23P	23/24P
Revenue	230.0	204.1	213.3	224.1	234.4
EBITDA	53.0	61.0	44.3	45.1	45.9
EBITDA margin	23.1%	29.9%	20.8%	20.1%	19.6%
EBIT	36.9	49.2	32.3	33.0	33.6
Net income	29.2	46.6	24.4	26.5	27.0
P/E	12.3	7.7	14.7	13.6	13.3
P/B	3.8	2.5	2.2	1.9	1.6
EV/EBITDA	7.8	6.6	8.6	7.9	7.2
DPS	0.00	0.00	0.00	0.00	0.00
DYield	0.0%	0.0%	0.0%	0.0%	0.0%

  

Forecast Update (% change)				
	2021/22P	2022/23P	2023/24P	
Revenue	+0.6%	+2.6%	+4.1%	
EBITDA	+1.1%	+5.6%	+7.6%	
EBIT	+2.0%	+8.9%	+12.4%	
Net income	+4.4%	+16.6%	+22.0%	
CAPEX	-25.1%	-36.4%	-38.7%	

### Financial Highlights

(PLN m)	19/20	20/21	21/22P	22/23P	23/24P
<b>Revenue</b>	<b>230.0</b>	<b>204.1</b>	<b>213.3</b>	<b>224.1</b>	<b>234.4</b>
COGS	160.0	139.3	150.0	158.9	167.4
<b>Gross profit</b>	<b>69.9</b>	<b>64.8</b>	<b>63.4</b>	<b>65.2</b>	<b>67.0</b>
margin	30.4%	31.7%	29.7%	29.1%	28.6%
Sales costs	8.7	6.7	7.2	7.5	7.9
G&A expenses	24.7	23.9	23.9	24.7	25.6
Other op. Activity	0.3	14.9	0.0	0.0	0.0
<b>EBIT</b>	<b>36.9</b>	<b>49.2</b>	<b>32.3</b>	<b>33.0</b>	<b>33.6</b>
margin	16.0%	24.1%	15.2%	14.7%	14.3%
D&A	16.2	11.8	12.0	12.1	12.3
<b>EBITDA</b>	<b>53.0</b>	<b>61.0</b>	<b>44.3</b>	<b>45.1</b>	<b>45.9</b>
Financials	-7.1	3.2	-3.3	-1.5	-1.5
<b>Profit before tax</b>	<b>29.8</b>	<b>52.3</b>	<b>29.0</b>	<b>31.5</b>	<b>32.1</b>
Tax	-2.0	-5.8	-4.6	-5.0	-5.1
<b>Net income</b>	<b>29.2</b>	<b>46.6</b>	<b>24.4</b>	<b>26.5</b>	<b>27.0</b>

### Key Balance Sheet Figures

(PLN m)	19/20	20/21	21/22P	22/23P	23/24P
<b>Operating cash flow</b>	<b>52.0</b>	<b>20.2</b>	<b>39.5</b>	<b>39.8</b>	<b>40.5</b>
OCF/EBITDA	98%	33%	89%	88%	88%
<b>CAPEX</b>	<b>-1.7</b>	<b>-0.4</b>	<b>-4.3</b>	<b>-4.3</b>	<b>-4.2</b>
Assets	296.4	279.1	305.1	333.4	362.2
Equity	94.3	141.6	166.1	192.5	219.5
<b>Net debt</b>	<b>54.0</b>	<b>42.5</b>	<b>19.6</b>	<b>-5.6</b>	<b>-31.4</b>
Net debt/EBITDA (x)	1.0	0.7	0.4	-0.1	-0.7

### Relative Valuation Summary

	P/E			EV/EBITDA		
	22P	23P	24P	22P	23P	24P
Minimum	5.2	4.3	3.6	4.0	3.7	3.3
Maximum	14.4	13.8	-	5.9	5.8	-
Median	14.3	13.5	12.1	9.6	8.2	6.9
Weight	17%	17%	17%	17%	17%	17%

### DCF Analysis

(PLN m)	21/22P	22/23P	23/24P	24/25P	25/26P	26/27P	27/28P	28/29P	29/30P	30/31P	+
Revenue	213	224	234	245	256	267	278	290	302	314	320
EBITDA	44	45	46	47	48	50	51	52	54	55	56
EBITDA margin	20.8%	20.1%	19.6%	19.2%	18.9%	18.6%	18.4%	18.1%	17.8%	17.5%	17.5%
D&A	3	3	3	3	4	4	4	4	4	4	5
EBIT	32	33	34	35	36	37	38	39	40	42	42
Tax	6	6	6	7	7	7	7	7	8	8	8
NOPLAT	26	27	27	28	29	30	31	32	33	34	34
CAPEX	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-5
Working capital	0	0	0	0	0	0	0	0	0	0	0
FCF	25	25	26	27	28	29	31	32	33	33	34
PV FCF	23	21	19	18	16	15	14	13	12	11	
WACC	11.5%	13.8%	12.5%	13.1%	12.7%	11.3%	12.0%	12.0%	12.6%	13.0%	9.5%
Net debt / EV	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free rate	6.8%	8.8%	7.5%	8.1%	7.7%	6.3%	7.0%	7.0%	7.6%	8.0%	4.5%

### DCF Summary

(PLN m)	
Beta	1.0
FCF perp. growth rate	2.0%
PV FCF	164
Adj. net debt	43
Other adjustments	0
<b>Value per share (PLN)</b>	<b>11.89</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	15%	12.95
DCF Val.	85%	11.89
Implied Price		12.42
Cost of equity (9M)		8.7%
<b>9M Target Price</b>		<b>13.50</b>

#### List of abbreviations and ratios used by mBank:

**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

**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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**BUY** – we expect that the rate of return from an investment will be at least 15%

**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%

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

**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%

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**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

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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.

#### mBank issued the following investment recommendations for the Company in the 12 months prior to this publication

##### Sygnity (Paweł Szpigiel)

Rating	sell	accumulate	reduce	buy	buy
Rating date	2022-07-08	2022-05-06	2022-04-07	2022-03-04	2021-09-03
Target price	13.50	10.70	10.70	10.70	11.70
Price on rating	15.80	9.40	11.80	9.18	9.78

#### Comparable Companies Used In Relative Valuation Models

**Sygnity** Ailleron, Asseco Business Solutions, Asseco Poland, Asseco South Eastern Europe, Atende, Comarch

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