

Friday, 15 November 2024 | special comments

## Sygnity: Q3 2024 results

Recommendation: sell | target price: PLN 39.00 | current price: PLN 71.20

SGN.PW; SGN.WA | IT, Poland

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**Q3 2024 financial results reported by Sygnity this morning are in line with the preliminary figures published by the company at the end of October. Hence, we expect a neutral response from investors to the publication. Edrana and Sagra, the two companies acquired by Sygnity, contributed around PLN 10.2M to its revenue in Q3'24. Consequently, we estimate the organic growth of turnover to be around 3%. This is a significant drop vs. H1 (we estimated organic growth of around +12% y/y), which left us disappointed.**

**On the other hand, during 9M'24 Sygnity met more than 70% of our FY sales forecast, 73% of estimated EBITDA and 74% of expected net profit. Therefore, we see no threat to the company's meeting our FY forecasts. We are also positive about the high EBITDA profitability achieved in Q3'24.**

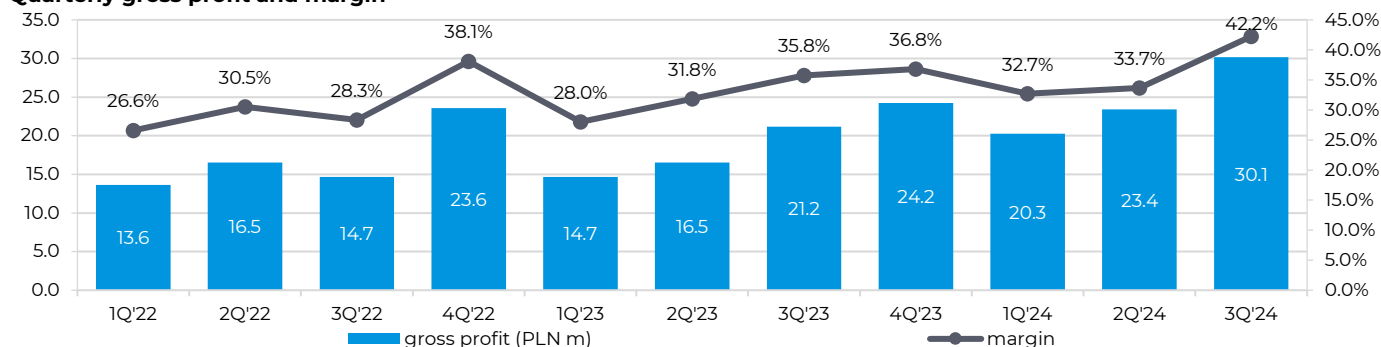
- Q3'24 revenue stood at PLN 71.4M, having increased by 21% y/y.
- The two acquisitions carried out by Sygnity significantly impacted its Q3 earning dynamics, adding PLN 10.2M to the overall revenue and PLN 2.0M to the net result. We therefore estimate that organic growth bolstered Sygnity's Q3'24 revenue by 3% y/y.
- The gross profit margin on sales was 42.2%, following a significant y/y increase.
- SG&A expenses were PLN 13.9M (vs. PLN 9.9M in Q3'23). Acquisition costs had already been recognised in previous quarters.
- In Q3'24, EBITDA amounted to PLN 20.6M, which implies a margin of 28.9% (5.3 p.p. higher vs. Q3'23).
- Net profit stood at PLN 13.5M.

### Sygnity 3Q 2024 results

(PLN m)	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24	yoy	2024E	% YTD
<b>Revenue</b>	<b>52.4</b>	<b>51.9</b>	<b>59.2</b>	<b>65.8</b>	<b>62.0</b>	<b>69.5</b>	<b>71.4</b>	<b>20.5%</b>	<b>288.9</b>	<b>70.2%</b>
COGS	-37.7	-35.4	-38.0	-41.6	-41.7	-46.1	-41.2			
<b>Gross profit</b>	<b>14.7</b>	<b>16.5</b>	<b>21.2</b>	<b>24.2</b>	<b>20.3</b>	<b>23.4</b>	<b>30.1</b>			
Margin	28.0%	31.8%	35.8%	36.8%	32.7%	33.7%	42.2%			
Selling expenses	-1.6	-1.9	-1.3	-1.8	-1.6	-1.9	-1.6			
As % of sales	3.1%	3.7%	2.2%	2.7%	2.7%	2.7%	-2.2%			
Administrative expenses	-7.1	-8.9	-8.6	-7.6	-10.7	-12.2	-12.3			
As % of sales	13.6%	17.1%	14.5%	11.6%	17.3%	17.6%	-17.3%			
Other operating activity	0.3	0.4	0.3	0.3	0.4	0.4	0.4			
<b>Profit / (loss) from operations</b>	<b>6.2</b>	<b>6.2</b>	<b>11.6</b>	<b>15.2</b>	<b>8.3</b>	<b>9.7</b>	<b>16.6</b>			
Margin	11.9%	11.8%	19.7%	23.0%	13.4%	13.9%	23.3%			
Financing activity	-0.1	0.2	-0.2	0.7	-0.1	-0.2	0.1			
Share in result of joint venture	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
<b>Profit / (loss) before tax</b>	<b>6.1</b>	<b>6.4</b>	<b>11.4</b>	<b>15.8</b>	<b>8.2</b>	<b>9.5</b>	<b>16.7</b>	<b>46.2%</b>	<b>46.1</b>	<b>74.5%</b>
Tax	-1.2	-1.3	-2.4	4.4	-0.7	-2.1	-3.1			
<b>Net profit (loss)</b>	<b>4.9</b>	<b>5.1</b>	<b>9.0</b>	<b>20.2</b>	<b>7.5</b>	<b>7.4</b>	<b>13.5</b>	<b>50.3%</b>	<b>38.6</b>	<b>73.6%</b>
Margin	9.4%	9.8%	15.2%	30.7%	12.0%	10.7%	19.0%		13.4%	
<b>EBITDA</b>	<b>8.9</b>	<b>8.8</b>	<b>14.0</b>	<b>17.4</b>	<b>11.3</b>	<b>13.8</b>	<b>20.6</b>	<b>47.1%</b>	<b>62.3</b>	<b>73.4%</b>
Margin	16.9%	16.9%	23.6%	26.4%	18.2%	19.9%	28.9%		21.6%	
Market capitalization (PLN m)	1.621	1.621	1.621	1.621	1.621	1.621	1.621			
<b>P/E</b>	<b>63.9</b>	<b>64.6</b>	<b>54.5</b>	<b>41.3</b>	<b>38.8</b>	<b>36.8</b>	<b>33.4</b>			

Source: Sygnity, E - mBank estimate

### Quarterly gross profit and margin



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); **EBITDA margin** – EBITDA/Sales

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