

Friday, 10 February 2023 | special comments

Sygnity: Final Results for Q1 2022/23

Recommendation: sell | target price: PLN 13.70 | current price: PLN 25.80

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Sygnity's final results for the first quarter of fiscal year FY2022/23 (calendar Q4 of 2022) came in line with the preliminary figures published on Tuesday. The quarterly revenue came 10% ahead of our estimate after rebounding 14% from the same period a year earlier – a pace of growth that marked a significant acceleration relative to the average achieved in FY2021/22 (+3.7% y/y). Sygnity attributes the increase in topline growth to successful public tenders. The fiscal first-quarter profits exceeded our expectations by a substantial margin, and it is unclear at this juncture whether the strong growth can be sustained in the future.

- The consolidated Q1'22/23 revenue amounted to PLN 61.9m, representing an increase of 14% from the corresponding year-ago quarter.
- Of this, revenue from implementation services registered PLN 41.4m vs. PLN 34.4m a year earlier.
- Sygnity said in the earnings release that it had entered into a maintenance contract with the Ministry of Family and Social

Policy in December 2022 for the "POMOST Std" social services software. The contract term is 1 January 2023 through December 2023, and the total fees are estimated at PLN 10.3m.

- In our view, which we intend to confirm with the Company, Sygnity may have booked a major portion of these fees in the financial statements for 1Q 2022/23.
- Gross profit came in at PLN 23.6m in 1Q'22/23, and the gross margin amounted to 38.1% (we had forecast 29.0%).
- SG&A expenses fulfilled our expectations at PLN 9.9m.
- Other operating activity resulted in a quarterly net gain of PLN 0.2m.
- EBITDA came in at PLN 16.2m.
- Net profit stood at PLN 10.7m after increasing from PLN 6.0m in the same quarter the year before.
- Sygnity in its earnings report highlighted having secured several business-critical contracts during 1Q'22/23 that helped to turn the tide after a period of slow sales in selected areas of the market.

FY2022/23 Q1 results of Sygnity

(PLN m)	1Q'22/23	1Q'21/22	y/y	1Q'22/FY23E	1Q'22 vs 1Q'22E
revenue	61.9	54.4	13.8%	56.3	9.91%
EBITDA	16.2	10.9	48.8%	9.3	74.4%
margin	26.2%	20.0%	-	16.5%	-
EBIT	13.9	8.2	69.0%	6.5	113.2%
pre-tax profit	13.3	7.2	84.7%	5.0	166.0%
net profit	10.7	6.0	77.7%	4.1	160.1%

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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