

Monday, 23 September 2024 | special comments

Sygnity: Financial Results for 1H'24

Recommendation: sell | target price: PLN 35.80 | current price: PLN 59.40

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Sygnity reported results for Q2 2024. The results are in line with the preliminary figures that the company published at the beginning of August (please refer to our special comment). The final results are in line with what the company already published so we expect neutral market reaction. The two acquired companies, Edrana and Sagra, added PLN 14.5m to 1H'24 revenue. Therefore the organic growth for the first half amounted to ca. 12% what is good result, showing progress vs what the company had been posting some quarter ago.

Sygnity delivered 46% of our FY2024 full-year sales forecast, 41% of estimated EBITDA, and 35% of the expected FY net profit, in 1H'24. We reckon, therefore, the company is on track to fulfill our expectations for the full 2024.

- Revenue in 2Q'24 amounted to PLN 69.5m, after an annual increase of 34% y/y.
- Two acquisitions had material impact on the dynamics of the results of Sygnity in 1H: PLN 14.5m on the revenue line and 1.1m on the net income line (ca. 11.0% and 7.3% of the results). Therefore, we estimate that, on a year-over-year organic basis, Sygnity's revenue for 1H'24 increased by 12%.

- Sygnity revealed the breakdown of its sales for the segments. In 1H'24 in the Public Sector, Sygnity generated PLN 45.2m in sales (after an annual drop of 7%). The sales from Banking and Finance sector were stable y/y. Sygnity generated a material increase from the clients in Utilities sector (PLN 31.6m in 1H what implies an annual growth of 30%).
- Gross profit on sales margin accounted for 33.7%, after an increase of 1.8pp y/y.
- SG&A cost amounted to PLN 14.1m (vs. 10.8m in 2Q'23). However, as we assume, the cost of acquisitions were probably booked here.
- In 2Q'24, EBITDA was at PLN 13.5m what implies the margin of 19.5% (2.6 p.p. higher than in 2Q'23).
- Net profit was at PLN 7.4m.

2024 Q2 results of Sygnity vs. our expectations

(PLN m)	2Q'24	2Q'23	y/y	2Q'24E	vs
Revenue	69.5	51.9	33.7%	66.1	5.1%
EBITDA	13.5	8.8	54.1%	11.8	15.1%
margin	19.5%	16.9%	+2.6pp	17.8%	+1.7pp
EBIT	9.7	6.2	57.2%	8.6	11.9%
Pre-tax profit	9.5	6.4	48.7%	8.4	12.4%

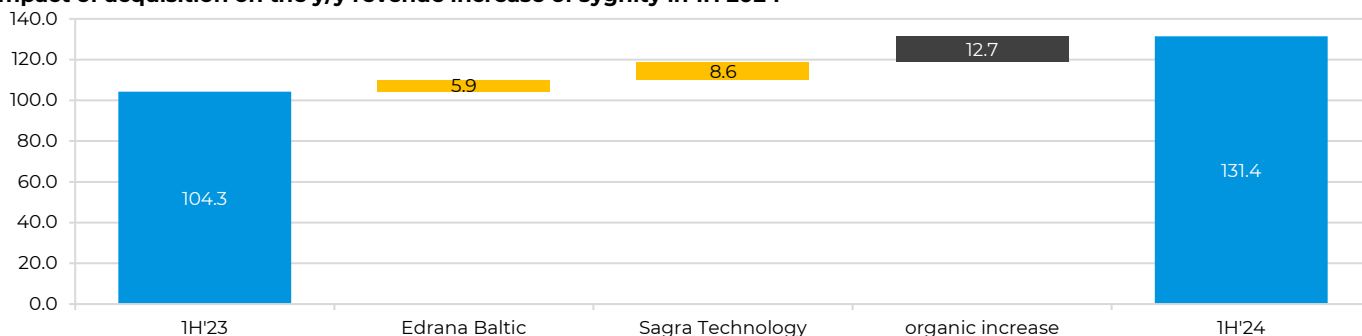
Source: Sygnity

2023 and 2024 1H results as a % of FY results / forecasts

(PLN m)	1H'24	FY2024 forecast	1H/FY	(PLN m)	1H'23	2023 adjusted results	1H/FY
Revenue	131.4	284.6	46.2%	Revenue	104.3	229.3	45.5%
EBITDA	24.8	60.9	40.7%	EBITDA	17.65	49.0	36.0%
Margin	18.9%	21.4%	-	Margin	16.9%	21.4%	-
Net profit	14.9	42.2	35.2%	Net profit	10.04	39.3	25.6%

Source: Sygnity

Impact of acquisition on the y/y revenue increase of sygnity in 1H 2024



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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