

Thursday, 20 February 2025 | special comments

Sygnity: Preliminary 4Q24 Results

Recommendation: sell | target price: PLN 39.00 | current price: PLN 80.00

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Sygnity yesterday announced its preliminary financial results for 4Q 2024, showing figures well above our expectations. We will be able to comment more fully on the fourth-quarter performance once the full results are out on March 25.

From what we can tell based on data available to date, the 4Q24 results were influenced by earlier acquisitions. It is also worth noting that organic revenue growth in 3Q24 had been fairly weak, indicating that revenues from certain contracts may have been shifted between quarters. Additionally, we suspect that the quarterly results may have been positively impacted by one-time tax-related items (a low tax rate in 4Q). Last but not least, in the latter part of 2024, Sygnity announced having secured several new contracts, including one with the Polish Post Office in September, followed by a deal with the labor ministry in November, which may have provided an additional boost to 4Q24 results.

As mentioned, we will be able to measure organic growth in Sygnity's 4Q24 revenues more precisely once detailed data becomes available. Nevertheless, the preliminary figures reported yesterday turned out more than impressive, which should boost sentiment for Sygnity in the medium term.

- Sygnity estimates its FY2024 revenue at PLN 293.1m.
- EBITDA for the year is expected to come in at PLN 81.7m, which implies that EBITDA margin in 4Q24 reached a very impressive 40% (a level which looks unnaturally high compared to the preceding quarters).
- Full-year profit before tax is estimated at ca. PLN 69.1m, and net profit may amount to PLN 60.4m.
- The two major acquisitions of 2024, Edrana Baltic UAB and Sagra Technology, no doubt continued to influence Sygnity's financial performance in 4Q24, but the Company did not provide specifics of their financial impact in yesterday's preliminary release.

4Q 2024 results of Sygnity

(PLN m)	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24	4Q'24	yoy
Revenue	52.4	51.9	59.2	65.8	62.0	69.5	71.4	90.3	37.3%
COGS	-37.7	-35.4	-38.0	-41.6	-41.7	-46.1	-41.2		
Gross profit	14.7	16.5	21.2	24.2	20.3	23.4	30.1		
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		
Profit / (loss) from operations	6.2	6.2	11.6	15.2	8.3	9.7	16.6		
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		
Profit / (loss) before tax	6.1	6.4	11.4	15.8	8.2	9.5	16.7	34.8	
Tax	-1.2	-1.3	-2.4	4.4	-0.7	-2.1	-3.1		
Net profit / (loss) from continuing operations	4.9	5.1	9.0	20.2	7.5	7.4	13.5	32.0	58.4%
Margin	9.4%	9.8%	15.2%	30.7%	12.0%	10.7%	19.0%	35.4%	
EBITDA	8.9	8.8	14.0	17.4	11.3	13.8	20.6	36.0	107.3%
Margin	16.9%	16.9%	23.6%	26.4%	18.2%	19.9%	28.9%	39.9%	

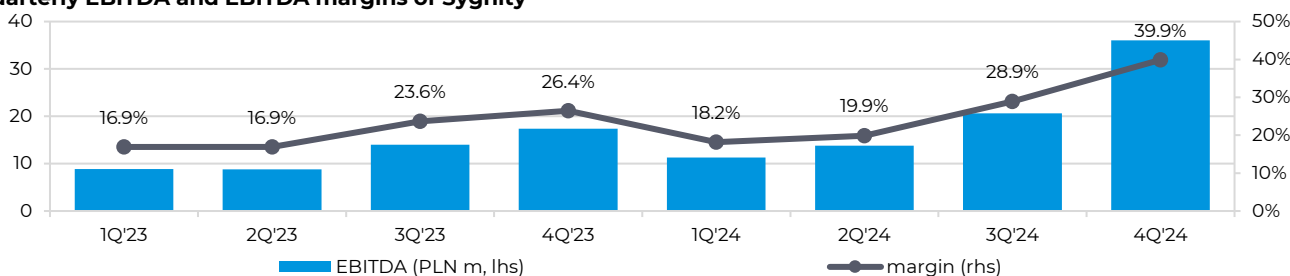
Source: Sygnity, mBank

2024 full-year preliminary results vs. our expectations

(PLN m)	2024	2023 adj.*	y/y	2024E	vs
Revenue	293.1	229.3	27.8%	288.9	1.5%
EBITDA	81.7	49.0	66.7%	62.3	31.1%
EBITDA margin	27.9%	21.4%	-	21.60%	-
Pre-tax profit	69.1	39.7	74.1%	46.8	47.6%
Net profit	60.4	39.3	53.7%	38.6	56.5%

Source: Sygnity E - mBank estimates, *Calendar year. Data compiled from reporting by the Company

Quarterly EBITDA and EBITDA margins of Sygnity



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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