

Thursday, 15 May 2025 | special comments

(=) Sygnity: Q1'25 Results

Recommendation: sell | target price: PLN 63.70 | current price: PLN 90.60

SGN PW; SGN.WA | IT, Poland

Analyst: Pawel Szpigiel +48 509 603 258

Sygnity's Q1 2025 financial results reported this morning proved consistent with the preliminary figures published in late April. Hence, we expect a neutral market reaction to today's publication.

According to our estimates, revenue in Q1'25 grew around 8% versus the pro-forma year-ago figure. Sygnity achieved impressive improvement in EBITDA in the period, although this was partly due to acquisitions and one-time M&A costs recognized in Q1'24.

- Sygnity's final financial results for Q1'25 were in line with the preliminary figures published in late April.
- Revenue amounted to PLN 72.5m, up 17.0% Y/Y. We want to emphasize again that the Q1'25 figures are not comparable on a Y/Y basis due two acquisitions completed in Q1 2024, Edrana and Sagra, which began to be consolidated as of February 1 and March 1, 2024, respectively. On a pro-forma basis, we estimate Q1'25 Y/Y revenue growth at 8%.
- Gross profit amounted to PLN 28.1m in Q1'25, with the implied gross profit margin at 38.7%, an increase of 6.0pp relative to the year-ago quarter (according to Sygnity, this represents a slowdown from Q4'24, when the gross margin surged more than 12pp Y/Y).

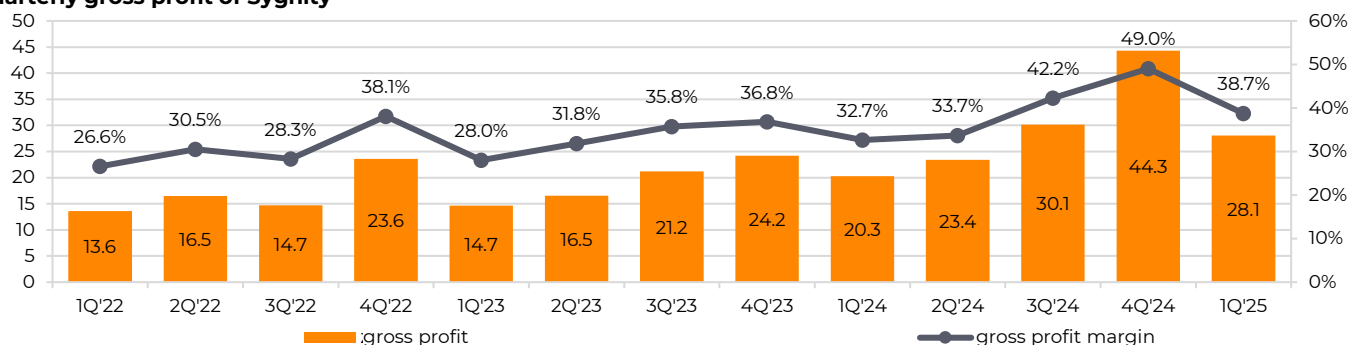
- SG&A costs registered a 31% Y/Y rise to PLN 16.2m in Q1'25. Other operating activities generated a one-time profit of PLN 0.6m
- EBITDA came in at PLN 15.7m in Q1'25, a 40% Y/Y increase. Keep in mind, however, that the strong growth was achieved in part thanks to the Edrana and Sagra acquisitions of Q1'24 and the related transaction costs booked in the period (about PLN 0.7m). Nevertheless, the growth is impressive, and it confirms a sustained improvement in Sygnity's profitability as a result of cost optimization and renegotiation of rates on major contracts.
- Net financing gain in Q1'25 was PLN 0.7m. The effective tax rate for the quarter was high at 19.6%, but Sygnity expects to pay much lower tax on full-year FY2025 results (we assume 15%).
- In their comments to the Q1'25 results, Sygnity's Management mentioned a number of new contracts from the public sector.
- Operating cash flow amounted to PLN 13.4m in Q1'25 after decreasing Y/Y mainly due to higher tax paid in the quarter (PLN 7.8m vs. PLN 1.4m a year earlier). CAPEX in the first quarter was low at just PLN 0.4m.

Q1 2025 results of Sygnity*

(PLN m)		Q1'23	2Q'23	3Q'23	4Q'23	Q1'24	2Q'24	3Q'24	4Q'24	Q1'25	y/y
Revenue		52.4	51.9	59.2	65.8	62.0	69.5	71.4	90.4	72.5	17.0%
COGS		-37.7	-35.4	-38.0	-41.6	-41.7	-46.1	-41.2	-46.1	-44.4	
Gross profit		14.7	16.5	21.2	24.2	20.3	23.4	30.1	44.3	28.1	
	Margin	28.0%	31.8%	35.8%	36.8%	32.7%	33.7%	42.2%	49.0%	38.7%	
Selling expenses		-1.6	-1.9	-1.3	-1.8	-1.6	-1.9	-1.6	-2.0	-1.7	
	As % of sales	-3.1%	-3.7%	-2.2%	-2.7%	-2.7%	-2.7%	-2.2%	-2.2%	-2.4%	
Administrative expenses		-7.1	-8.9	-8.6	-7.6	-10.7	-12.2	-12.3	-14.1	-14.5	
	As % of sales	-13.6%	-17.1%	-14.5%	-11.6%	-17.3%	-17.6%	-17.3%	-15.6%	-20.0%	
Other operating activity		0.3	0.4	0.3	0.3	0.4	0.4	0.4	4.0	0.6	
Profit / (loss) from operations		6.2	6.2	11.6	15.2	8.3	9.7	16.6	32.2	12.5	
	Margin	11.9%	11.8%	19.7%	23.0%	13.4%	13.9%	23.3%	35.7%	17.3%	
Financing activity		-0.1	0.2	-0.2	0.7	-0.1	-0.2	0.1	2.6	0.7	
Share in joint venture profits		0.0	0.0	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	34.9	13.2	61.7%
Tax		-1.2	-1.3	-2.4	4.4	-0.7	-2.1	-3.1	-2.8	-2.6	
Net profit (loss)		4.9	5.1	9.0	20.2	7.5	7.4	13.5	32.1	10.6	42.4%
	Margin	9.4%	9.8%	15.2%	30.7%	12.0%	10.7%	19.0%	35.5%	14.7%	
EBITDA		8.9	8.8	14.0	17.4	11.3	13.8	20.6	36.1	15.7	39.8%
	Margin	16.9%	16.9%	23.6%	26.4%	18.2%	19.9%	28.9%	39.9%	21.7%	

Source: Sygnity *calendar periods

Quarterly gross profit 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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mBank S.A.

Prosta 18
00-850 Warszawa
<http://www.mbank.pl/>

Research Department

Beata Szparaga-Waśniewska, CFA
director
+48 510 929 021
beata.szparaga-wasniewska@mbank.pl
biotechnology, healthcare

Michał Konarski
+48 515 025 640
michal.konarski@mbank.pl
banks, financials

Janusz Pięta
+48 506 065 659
janusz.pieta@mbank.pl
retail, e-commerce

Mateusz Krupa, CFA
deputy director
+48 571 608 973
mateusz.krupa@mbank.pl
strategy

Mikołaj Lemańczyk, CFA
+48 501 663 511
mikolaj.lemanczyk@mbank.pl
banks, financials, property developers

Jakub Sargsyan
+48 519 419 895
marlen.sargsyan@mbank.pl
industrials, mining

Paweł Szpigiel
+48 509 603 258
pawel.szpigiel@mbank.pl
media, IT, telco, e-commerce

Piotr Poniatowski
+48 509 603 046
piotr.poniatowski@mbank.pl
gaming, leisure

Sales and Trading

Traders

Piotr Gawron
director
+48 698 832 853 | +48 22 697 48 95
piotr.gawron@mbank.pl

Andrzej Kowalczyk
+48 789 868 634 | +48 22 697 47 44
andrzej.kowalczyk@mbank.pl

Andrzej Sychowski
+48 605 848 003 | +48 22 697 48 46
andrzej.sychowski@mbank.pl

Paweł Cylkowski
deputy director
+48 503 684 130 | +48 22 697 47 31
pawel.cylkowski@mbank.pl

Karol Kułaj
+48 509 602 984 | +48 22 697 49 85
karol.kulaj@mbank.pl

Łukasz Płaska
+48 784 449 962 | +48 22 697 47 90
lukasz.plaska@mbank.pl

Piotr Brożyna
+48 512 756 702 | +48 22 697 48 47
piotr.brozyna@mbank.pl

Patryk Gniadek
tel. +48 505 116 638
patryk.gniadek@mbank.pl

Sales, Foreign Markets

Marzena Łempicka-Wilim
deputy director
+48 696 427 249 | +48 22 697 48 82
marzena.lempicka-wilim@mbank.pl

Private Client Sales

Maciej Sokołowski
director
maciej.sokolowski@mbank.pl

Jarosław Banasiak
deputy director
jaroslaw.banasiak@mbank.pl