VIGO Photonics

2Q25 Results Review

Opinion. Neutral. The results are broadly in line with our expectations, except net result which was supported by profit recognition from participation in not-consolidated associates (VIGO Ventures). The management maintained guidance for significant revenue growth this year, supported by substantial increase in backlog.

VIGO Photonics 2Q25 revenues arrived at PLN 20.3m (in line with preliminary numbers), norm. EBITDA at PLN 0.6m (vs. our forecast of PLN 0.4m), EBIT at PLN -2.9m (vs. our forecast of PLN -2.3m) and norm. net loss at PLN 0.6m (vs. our forecast of PLN 2.8m loss).

2025 outlook. The management maintained the outlook for significant increase in sales y/y in 2025 driven primarily by industry and military segment, which specifically should be driven by 1) introduction of new LN2 cooled detector line to sales, as well as strong demand for gas detectors in The US and Asia (the company already signed significant contract for gas detectors in the US); 2) Increase in military orders from key European clients and R&D works for US based clients. The management does not expect opex to visibly increase in 2H vs. 1H.

Backlog. The value of orders intake as of end of August 2025 arrived at PLN 81.3m, (nearly 70% up y/y), whereas the total backlog arrived at PLN 61.3m (+124% y/y). The management sees rebound in orders in semiconductor materials. Moreover, the company signed new EUR 3.7m contract with Caterpillar and second, slightly smaller volume contract for affordable detectors in China for a new client.

Revenues. The company's sales revenues for 2Q25 amounted to PLN 20.3m, representing a decrease of 11% y/y and 8% q/q, driven primarily by decline in military segment. Total revenues in 1H25 amounted to PLN 42.4m (+10% y/y), including PLN 39.4m sales from detector segment (up 14% y/y) and PLN 3m from semiconductor materials segment (down 25% y/y). According to the company the 1H25 decline in materials for photonics segment was a result of temporary halt in deliveries of InP layers due to Chinese export controls and anticipation for granting of export licences.

Gross margin. Gross margin arrived at 51%, vs. or forecast of 46%.

SG&A. SG&A cost arrived at PLN 15.4m, up 17% y/y. Selling cost increased by 5% y/y and decreased 15% q/q, whereas G&A increased to PLN 11.9m up 21% y/y and up 37% q/q, driven primarily by R&D spending.

EBITDA. VIGO's adj. EBITDA arrived at PLN 0.6m (vs. our forecast of PLN 0.4m), vs. PLN 2.4m in 1Q25 and PLN 2.9m in 2Q24. EBIT arrived at PLN -2.9m (vs. our forecast of PLN -2.3m).

Net profit. Norm. net loss arrived at PLN 0.6m, vs. our forecast of loss at PLN 2.8m. The company reported negative financial result of PLN 1.3m, PLN 3.5m result on investments in VIGO Ventures and immaterial level of the income tax.

Operating cash flow. OCF arrived at PLN -4.3m (vs. PLN 0.3m in 1Q25), driven by weak operating results, reclassification of R&D expenditures and increase in working capital.

Capex. Capex excl. grants arrived at PLN 2.3m. Capex included PLN 1.0m investment in R&D, and PLN 1.2m of other investments. VIGO received grants of PLN 1.1m total value during the quarter (in line with 1Q25, vs. PLN 8.3m in total in 2024).

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VIGO Photonics

BUY
FV PLN 640.00

29% upside

Price as of 25 September 2025 PLN 498.00

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Figure 1. VIGO Photonics 2Q25 results review

P&L (PLN m)	2Q24	3Q24	4Q24	1Q25	2Q25	y/y	q/q	2Q25E	vs. IPOP
Sales revenues	**22.7**	**15.7**	**24.1**	**22.1**	**20.3**	***-11%***	***-8%***	**20.3**	**0%**
Industry	8.1	7.6	11.5	10.5	8.1	*0%*	*-23%*	8.1	0%
Military	7.9	4.0	6.9	6.6	4.8	*-39%*	*-27%*	4.8	0%
Transport	3.3	0.7	1.3	1.1	3.6	*10%*	*234%*	3.6	0%
Medicine and science	1.0	1.5	1.5	2.7	1.9	*79%*	*-30%*	1.9	0%
Other	0.0	0.0	0.0	0.0	0.1	*na*	*na*	0.1	0%
Materials for photonics	2.4	1.9	2.9	1.2	1.8	*-24%*	*49%*	1.8	0%
COGS	-10.1	-9.5	-11.3	-11.8	-10.0	*-1%*	*-15%*		
gross profit/(loss) on sales	**12.6**	**6.1**	**12.8**	**10.3**	**10.3**	***-19%***	***0%***		
Other operating revenues	3.8	2.7	4.2	3.6	3.6	*-5%*	*1%*		
Selling costs	-3.3	-3.5	-3.8	-4.1	-3.5	*5%*	*-15%*		
G&A costs	-9.8	-6.3	-11.3	-8.7	-11.9	*21%*	*37%*		
Other operating costs	-2.1	-2.1	-3.1	-1.3	-1.4	*-33%*	*5%*		
EBITDA	**4.4**	**4.5**	**-2.0**	**3.1**	**0.5**	***-88%***	***-83%***	**1.1**	**-53%**
EBITDA znorm.	**2.9**	**2.5**	**-0.2**	**2.4**	**0.6**	***-79%***	***-74%***	**0.4**	**67%**
EBIT	**1.2**	**-3.1**	**-1.4**	**-0.3**	**-2.9**	***na***	***999%***	**-2.3**	***na***
Net financial revenues	-0.4	-0.9	0.5	-1.3	-1.3	*214%*	*0%*		
Profit (loss) before tax	**0.4**	**-4.1**	**1.8**	**-1.7**	**-0.6**	***na***	***-63%***		
income tax	-0.1	-0.3	0.0	0.0	-0.3	*321%*	*nm*		
Net profit	0.4	-4.4	1.8	-1.7	-0.9	*na*	*-45%*	-2.8	na
Norm. net profit	**0.4**	**-4.1**	**1.8**	**-1.7**	**-0.6**	***na***	***-63%***	**-2.8**	**na**

Profitability ratios	2Q24	3Q24	4Q24	1Q25	2Q25	y/y	q/q	2Q25E	
Gross margin on sales	55.4%	39.2%	53.0%	46.5%	50.5%	*-4.9 pp*	*4 pp*	46.0%	*4.5 pp*
EBITDA margin	19.5%	28.4%	-8.5%	14.1%	2.6%	*-17 pp*	*-11.6 pp*	5.4%	*-2.9 pp*
EBIT margin	5.3%	-19.5%	-5.7%	-1.2%	-14.2%	*-19.5 pp*	*-13 pp*	-11.3%	*-2.9 pp*
Norm. net profit margin	1.9%	-26.3%	7.6%	-7.8%	-3.1%	*-5.1 pp*	*4.7 pp*	-13.7%	*10.6 pp*

Cash Flow Statement (PLN m)	2Q24	3Q24	4Q24	1Q25	2Q25	y/y	q/q
Net cash flow from operations	**-2.4**	**7.8**	**-11.5**	**0.3**	**-4.3**	***79%***	***na***
Net cash flow from investment activities	**-2.6**	**-11.8**	**9.4**	**-4.0**	**-1.2**	***-53%***	***-69%***
Grants	1.7	0.5	5.2	1.1	1.1	*-37%*	*-5%*
Gross capital expenditures	-4.4	-12.3	4.2	-5.1	-2.3	*-48%*	*-55%*
Net cash flows from financial activities	**-9.0**	**-5.1**	**-3.3**	**-2.8**	**-2.3**	***-74%***	***-16%***
Total net cash flow	**-14.1**	**-9.1**	**-5.5**	**-6.5**	**-7.9**	***-44%***	***22%***
Net Debt/ (Net cash)	-3.6	-0.5	3.5	8.1	14.1	*na*	*75%*

Source: Company, IPOPEMA Research

Net debt. Net debt arrived at PLN 14.1m vs. PLN 8.1m quarter ago, driven primarily by weak OCF.

M&A. Currently the company is preparing the details of upcoming transaction (acquisition of IR detector producer based in US) and works on the financing plan for the deal.

DEFENDER award. The company and PCO received DEFENDER reword during recent MSPO fairs for the KMW-3V thermal imaging camera based on VIGO's IR array.

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AGM/EGM – annual/extraordinary general meeting of shareholders.
BVPS – book value per share - the book value of the company's shareholders equity divided by the number of shares outstanding without treasury shares at the end of period.
CAGR – compound annual growth rate.
CFO – net cash flow from operations.
Cost/Income – operating expenses divided by total banking revenue.
D&A – depreciation and amortization.
DCF – discounted cash flow model – a valuation method based on the sum of discounted future cashflows with appropriate adjustments (such as net debt, etc., if applicable).
DDM – dividend discount model – a valuation method of based on the sum of discounted future dividends.
DPS – dividend per share – dividend of a given year divided by the number of shares outstanding without treasury shares at the moment of distribution.
DY – dividend yield – total DPS of a given financial year divided by share price.
EBIT – earnings before interests and tax.
EBITDA – earnings before interests, tax, depreciation and amortization.
EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding without treasury shares at the end of period.
EV – enterprise value – market cap adjusted by treasury shares, plus gross debt, less cash and equivalents, less associates, plus minorities.
EV/EBITDA – EV divided by EBITDA.
EV/S, or EV/revenues – EV divided by revenues (sales).
FCFE – free cash flow to the equity.
FCFF – free cash flow to the firm.
FV – fair value – fair value price of the company calculated based on valuation methods outlined in the document.
LLP – loan loss provisions – an expense set aside as an allowance for bad loans.
ND – net debt – gross debt and leases (depending on accounting standard) less cash and equivalents.
Net F&C – net fee and commission income – fee and commission income minus fee and commission expense.
NII – net interest income – interest income minus interest expense.
NPL – non-performing loan – loans that are in default or close to be in default.
P/BV – price to book value - price divided by the BVPS.
P/E – price to earnings ratio – price divided by earnings per share.
PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.
ROA – return on assets – net income (or adjusted net income) divided by the average assets.
ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.
ROIC – return on invested capital – EBIT * (1 – tax rate) divided by average invested capital.
uFCF – underlying free cash flow – IPOPEMA's measure reflecting the amount of potential cash flow generation available for distribution before outflow on discretionary purposes (such as shareholders' distribution, unannounced M&A, financial assets, etc.), calculated as follows: net cash from operations less net CAPEX on PP&E, intangibles and subsidiaries (related to announced deals), less net interest paid on debt, leases and granted loans, less lease payment, less dividends paid to minorities, plus received dividends, plus other items if necessary depending on company's specifics/presentation.
uFCFps – uFCF per share.
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IPOPEMA Research - Distribution by rating category (1 April – 30 June 2025)

	Number	%
Buy	11	73%
Hold	2	13%
Sell	2	13%
Total	15	100%

Rating History – VIGO Photonics

Date	Recommendation	Fair Value	Price at recommendation	Author
24.08.2022	BUY	660.0	556.0	Michał Wojciechowsk
28.03.2023	HOLD	600.0	566.0	Michał Wojciechowsk
19.06.2023	UNDER REVIEW	-	652.0	Michał Wojciechowsk
19.02.2024	BUY	600.0	484.0	Michał Wojciechowsk
21.06.2024	BUY	600.0	540.0	Michał Wojciechowsk
12.02.2025	BUY	500.0	428.0	Michał Wojciechowsk
13.05.2025	BUY	640.0	508.0	Michał Wojciechowsk