

VIGO System

1Q21E Results Preview

VIGO System is due to publish its 1Q21E results on 7 May 2021.

We forecast 1Q21E revenues at PLN 14.6m (+18% y/y, in line with preliminary data), EBITDA at PLN 7.3m (+33% y/y) and norm. net profit at PLN 5.2m (+97% y/y) to be driven by:

Revenues. VIGO reported preliminary revenues of PLN 14.6m (up 18% y/y, flat q/q). The industry segment generated PLN 5.4m in revenues (up 4% y/y, flat q/q), Military segment PLN 5.0m (up 462% y/y, up 4% q/q), Transport PLN 2.4m (up 2% y/y, up 197% q/q) and Medicine and Science PLN 1.0m (down 70% y/y, down 58% q/q). Materials for semiconductors segment generated PLN 0.5m in revenues (up 48% y/y, down 14% q/q).

Gross margin. We expect the company's gross margin to arrive at 73%, as we believe that record 76% level achieved in 4Q20 could be not sustainable in the long-term.

SG&A costs. We forecast SG&A costs to arrive at PLN 5.7m up 5% q/q. We believe the growth is likely due to pressure on salaries (which were not increased materially since pandemic outbreak) as well as expansion in marketing activity. On the other hand in 4Q20 the company booked high cost of salaries (partially due to bonuses for workers), which is are likely to be repeated in 1Q21.

EBITDA. We forecast EBITDA of PLN 7.3m (+33% y/y, -11% q/q) and EBIT of PLN 5.7m (+42% y/y, -13% q/q).

Net profit. We forecast PLN 5.2m of norm. net profit (+97% y/y, -15% q/q). We expect VIGO to book PLN 0.5m of net financial costs (driven primarily by negative foreign exchange rates impact) and expect VIGO to recognized PLN 1.0m of non-cash tax cost.

CAPEX. We estimate VIGO 1Q21E gross CAPEX to arrive at PLN 8.4m (down 32% q/q) including PLN 3.5m CAPEX for investment program, PLN 3.9m on R&D program and PLN 1m on VIGO Ventures. We also forecast VIGO to receive PLN 2.5m in grants.

Net Debt. We estimate VIGO net debt to arrive at PLN 15.3m, down 12% q/q.

Opinion. According to our 1Q21E estimates VIGO is going to complete 22%/21% of our annual revenue/norm. net income forecast, respectively. As of now we believe that our forecasts for Military (PLN 18.1m, up 43% y/y) and Transport (PLN 6.7m, up 10% y/y) segments are likely to be met (even with potential for positive surprise), however we see some risks for industry segment (PLN 28.2m, up 15%; which still did not show material improvement, after several flat quarters in row) as well as for materials for semiconductors (only 14% of our annual forecast of PLN 4.0m achieved in 1Q21E). Despite of some differences in expected segments' performance, we believe that our consolidated forecasts are still likely to be achieved. We expect VIGO revenues to reach new record levels in coming quarters (starting with 2Q21E) thanks to increase in revenues from Military and Industry as well as due to first sales of affordable detectors. On our forecasts VIGO trades at 2021E P/E of 23.7x.

TMT

VIGO System

BUY

FV PLN 660.00

18% downside

Price as of 12 April 2021 PLN 800.0

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Figure 1. VIGO System 1Q21E results preview

P&L (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21E	y/y	q/q
Sales revenues	12.4	13.9	12.9	14.3	14.6	18%	2%
Industry	5.3	7.5	5.4	5.4	5.4	4%	1%
Military	0.9	3.0	4.7	4.8	5.0	462%	4%
Transport	2.3	1.9	1.1	0.8	2.4	2%	197%
Medicine and science	3.5	1.0	0.9	2.5	1.0	-70%	-58%
Other	0.1	0.1	0.1	0.1	0.2	87%	28%
Materials for photonics	0.4	0.4	0.5	0.6	0.5	48%	-14%
COGS	-4.8	-4.5	-5.1	-3.4	-4.0	-17%	16%
gross profit/(loss) on sales	7.6	9.4	7.8	10.8	10.6	39%	-2%
Other operating revenues	1.2	1.0	0.8	1.4	1.0	-15%	-29%
Selling costs	-0.6	-0.8	-0.8	-1.2	-1.3	132%	5%
G&A costs	-4.2	-4.1	-3.3	-4.2	-4.4	6%	5%
Other operating costs	-0.1	-0.1	-0.2	-0.3	-0.2	313%	-12%
EBITDA	5.5	7.0	5.8	8.2	7.3	33%	-11%
EBIT	4.0	5.4	4.3	6.5	5.7	42%	-13%
Net financial revenues	-1.3	0.2	-0.5	-0.5	-0.5	-63%	2%
Profit (loss) before tax	2.6	5.6	3.8	6.1	5.2	96%	-15%
income tax	0.0	0.0	0.0	14.5	-1.0	9725%	na
Net profit	2.6	5.6	3.8	20.5	4.2	60%	-80%
Norm. net profit	2.6	5.6	3.8	6.1	5.2	97%	-15%
Profitability ratios	1Q20	2Q20	3Q20	4Q20	1Q21E	y/y	q/q
Gross margin on sales	61.4%	67.4%	60.4%	76.0%	72.9%	11.4 pp	-3.2 pp
EBITDA margin	44.2%	50.1%	45.4%	57.3%	50.1%	5.9 pp	-7.2 pp
EBIT margin	32.1%	38.9%	33.3%	45.9%	38.9%	6.8 pp	-7 pp
Norm. net profit margin	21.2%	40.2%	29.7%	42.4%	35.5%	14.3 pp	-7 pp
Cash Flow Statement (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21E	y/y	q/q
Grants	0.4	4.1	1.0	4.6	2.5	561%	-45%
Gross capital expenditures	-4.7	-5.7	-3.3	-12.3	-8.4	77%	-32%
Net Debt/ (Net cash)	19.6	17.0	17.0	17.3	15.3	-22%	-12%

Source: Company, IPOPEMA Research

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The definitions of terms used in the document include:

NII - Net interest income - interest income minus interest expense.

Net F&C - Net fee and commission income - fee and commission income minus fee and commission expense.

LLP - loan loss provisions - an expense set aside as an allowance for bad loans.

NPL - non-performing loan - loans that are in default or close to be in default.

Cost/Income - operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

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.

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.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Sell	Below -10%

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	Number	%
Buy	15	94%
Hold	0	0%
Sell	1	6%
Total	16	100%

Rating History – VIGO System

Date	Recommendation	Fair Value	Price at recommendation	Author
02.08.2019	BUY	380.0	330.0	Michał Wojciechowski
16.04.2020	BUY	480.0	384.0	Michał Wojciechowski
29.07.2020	BUY	650.0	550.0	Michał Wojciechowski
08.12.2020	BUY	660.0	550.0	Michał Wojciechowski