

# VIGO System

## 4Q20E Results Preview

VIGO System is due to publish its 4Q20E results on 5 March 2021.

We forecast 4Q20E revenues at PLN 14.4m (+30% y/y, in line with preliminary numbers), EBITDA at PLN 7.9m (+54% y/y) and net profit at PLN 6.1m (+49% y/y) to be driven by:

**Revenues.** VIGO's preliminary revenues of PLN 14.4m (+30% y/y, +12% q/q), included PLN 5.5m from Industry segment (+15% y/y, flat q/q), PLN 4.8m from Military segment (+23% y/y, flat q/q), PLN 0.8m from Transport segment (+14% y/y, -30% q/q) and PLN 2.7m from Medicine and Science (+88% y/y, +183% q/q). The new materials for semiconductors segment generated PLN 0.5m revenues, (flat q/q).

**Gross margin.** We expect the company's gross margin to arrive at 68% vs 60% in 3Q20 and closer to the result achieved in 2Q20 (67%), thanks to high workload in the quarter and ongoing optimization of production process in the new factory.

**SG&A costs.** We expect PLN 4.5m of SG&A cost, up 10% q/q.

**EBITDA.** We forecast EBITDA of PLN 7.9m (+54% y/y) and EBIT of PLN 6.3m (+72% y/y).

**Net profit.** We forecast PLN 6.1m of net profit (+48% y/y).

**CAPEX.** We estimate VIGO 4Q20E gross CAPEX at PLN 8.3m, (up from PLN 3.3m in 3Q20) including PLN 4.0m expenses for R&D (up 69% q/q) and PLN 3.3m CAPEX for investment program (mainly the new clean room construction). We estimate that VIGO received PLN 1m of grants during the quarter.

**Net Debt.** We forecasts PLN 16.1m of net debt at the quarter's end, down from 17.0m in 3Q20.

**Opinion.** Our 4Q20 preview indicates full 2020E year revenue of PLN 53.6m (up 25% y/y) and net income of PLN 18.1m (up 30% y/y) which we perceive as decent result for the pandemic affected year. We believe that the company should be able to maintain this revenue growth rate in 2021E, with potential upside from materials for semiconductors segment or affordable detection modules. We also expect substantial improvement in net margins in coming quarters (vs. 2020E average level) as VIGO still optimize production process and take advantage of increasing scale of operations.

TMT

## VIGO System

**BUY**

**FV PLN 660.00**

4% downside

Price as of 12 February 2021 PLN 685.0

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Figure 1. VIGO System 4Q20E results preview

P&L (PLN m)	4Q19	1Q20	2Q20	3Q20	4Q20E	y/y	q/q
<b>Sales revenues</b>	<b>11.1</b>	<b>12.4</b>	<b>13.9</b>	<b>12.9</b>	<b>14.4</b>	<b>30%</b>	<b>12%</b>
Industry	4.7	5.3	7.5	5.4	5.5	15%	0%
Military	3.9	0.9	3.0	4.7	4.8	23%	3%
Transport	0.7	2.3	1.9	1.1	0.8	14%	-30%
Medicine and science	1.4	3.5	1.0	0.9	2.7	88%	183%
Other	0.1	0.1	0.1	0.1	0.1	29%	58%
Materials for photonics	0.2	0.4	0.4	0.5	0.5	na	-5%
<b>EBITDA</b>	<b>5.1</b>	<b>5.5</b>	<b>7.0</b>	<b>5.8</b>	<b>7.9</b>	<b>53.7%</b>	<b>34.4%</b>
<b>EBIT</b>	<b>3.6</b>	<b>4.0</b>	<b>5.4</b>	<b>4.3</b>	<b>6.3</b>	<b>71.8%</b>	<b>45.6%</b>
<b>Net profit</b>	<b>4.1</b>	<b>2.6</b>	<b>5.6</b>	<b>3.8</b>	<b>6.1</b>	<b>48.2%</b>	<b>58.1%</b>
<b>Profitability ratios</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20E</b>	<b>y/y</b>	<b>q/q</b>
Gross margin on sales	64.7%	61.4%	67.4%	60.4%	67.9%	3.2 pp	7.4 pp
EBITDA margin	46.2%	44.2%	50.1%	45.4%	54.4%	8.2 pp	9 pp
EBIT margin	32.9%	32.1%	38.9%	33.3%	43.3%	10.4 pp	10 pp
Net profit margin	36.9%	21.2%	40.2%	29.7%	41.9%	5 pp	12.2 pp
<b>Cash Flow Statement (PLN m)</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20E</b>	<b>y/y</b>	<b>q/q</b>
Net CAPEX	1.4	-4.4	-1.6	-2.3	-7.3	na	216.9%
Net Debt/ (Net cash)	20.5	19.6	17.0	17.0	16.1	-21.3%	-5.1%

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	40	65%
Hold	18	29%
Sell	4	6%
Total	62	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