

VIGO Photonics

4Q24 Results Review

Opinion. *The results arrived in line with preliminary data. Due to changes in accounting methodology the results are not fully comparable with previous periods and our forecasts. We highlight that on EBIT level the results are PLN 2.5m below our forecast driven by R&D expenditures recognition in P&L opex (ca. PLN 1.1m effect) and higher other operating costs. On net level the results beat was driven by better than expected financial result and recognized profit on valuation of shares using the equity method. We also highlight the optimistic 2025 outlook from the management for growth in industry and military segments.*

VIGO Photonics 4Q24 revenues arrived at PLN 24.1m (in line with preliminary numbers), norm. EBITDA at PLN -1.3m, EBIT at PLN -2.5m (vs. our forecast of PLN 0m) and norm. net profit at PLN 0.7m (vs. our forecast of PLN -0.8m).

2025 outlook. The company expects 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; 2) Increase in military orders from key European clients and R&D works for US based clients; 3) serial production of QCL laser structures for European client in semiconductor segment. The value of contract and orders as of end of March 2025 arrived at PLN 27m, (up from PLN 22m year ago), moreover the company signed the most of this year contracts in April.

2024 full year sales mix. In the full 2024 year VIGO sold nearly 20k detectors, up 72% y/y. Top clients in 2024 were PCO (PLN 11.9m in sales, 15% of total sales of the group, up ca. 100% y/y), Safran (PLN 9.5m, 12% share in sales, up 45% y/y), Caterpillar Group (PLN 6.7m, 9% share, down 5% y/y) and German client (PLN 4.8m, 6% share, down 52% y/y). The geographics sales mix was dominated by Europe (PLN 44m, down 9% y/y), North America (PLN 11m, flat y/y) and Asia (PLN 10.6m, up 5% y/y).

Revenues. The company's revenues arrived at PLN 24.1m (+9% y/y, +54% q/q). VIGO delivered PLN 11.5m (up 53% q/q, down 18% y/y) in revenues in industry, PLN 6.9m in military (up 70% q/q, up 115% y/y), PLN 1.3m in Transport (up 85% q/q, down 10% y/y) and PLN 1.5m in Medicine and Science (flat q/q, up 20% y/y). Semiconductor segment delivered PLN 2.9m in revenues up 55% q/q and up 64% y/y.

Gross margin. Gross margin arrived at 62%, up 23pp q/q, which is driven by changes in classification of R&D investments, COGS and G&A.

SG&A. SG&A cost arrived at PLN 21.5m, vs. PLN 9.9m quarter ago. Selling cost increased by 8% q/q, whereas G&A increased to PLN 17.7m up from PLN 6.3m.

EBITDA. VIGO's adj. EBITDA arrived at PLN -1.3m, which we believe is not fully comparable to previous periods and our forecasts due to changes in cost and expenditures qualifications. EBIT arrived at PLN -2.5m (vs. PLN -3.1m in 4Q23, and our forecast of PLN 0m).

Net profit. Norm. net profit arrived at PLN 0.7m, vs. our forecast of loss at PLN 0.8m. The company reported positive financial result of PLN 0.5m and PLN 2.7m results on from the valuation of shares using the equity method. The income tax arrived at immaterial level.

Operating cash flow. OCF arrived at PLN -12.6m (vs. PLN 2.9m in 3Q24), driven by weak operating results, reclassification of R&D expenditures and increase in working capital (primarily due to increase in receivables).

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VIGO Photonics

BUY

FV PLN 500.00

2% upside

Price as of 30 April 2025 PLN 491.00

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Figure 1. VIGO Photonics 4Q24 results review

P&L (PLN m)	4Q23	1Q24	2Q24	3Q24	4Q24	y/y	q/q	4Q24E	vs. IPO
Sales revenues	22.1	15.8	22.7	15.7	24.1	9%	54%	24.1	0%
Industry	14.1	6.8	8.1	7.6	11.5	-18%	53%	11.5	0%
Military	3.2	4.4	7.9	4.0	6.9	115%	70%	6.9	0%
Transport	1.4	2.0	3.3	0.7	1.3	-10%	85%	1.3	0%
Medicine and science	1.3	1.0	1.0	1.5	1.5	20%	0%	1.5	0%
Other	0.0	0.0	0.0	0.0	0.0	na	na	0.0	
Materials for photonics	1.8	1.6	2.4	1.9	2.9	64%	55%	2.9	0%
COGS	-8.6	-8.2	-11.8	-9.5	-9.1	6%	-4%		
gross profit/(loss) on sales	13.5	7.6	10.9	6.1	15.0	11%	144%		
Other operating revenues	12.3	2.4	2.4	2.7	7.2	-41%	165%		
Selling costs	-2.4	-2.9	-3.3	-3.5	-3.8	56%	8%		
G&A costs	-19.9	-5.3	-6.5	-6.3	-17.7	-11%	179%		
Other operating costs	-3.4	-2.4	-1.9	-2.1	-3.1	-7%	53%		
EBITDA	1.3	3.9	6.0	2.0	-3.1	na	na	5.1	na
EBITDA znorm.	0.0	2.3	4.4	0.0	-1.3	na	na	3.3	na
EBIT	0.0	-0.6	1.5	-3.1	-2.5	na	-19%	0.0	na
Net financial revenues	0.9	-0.2	-0.4	-0.9	0.5	-46%	na		
Profit (loss) before tax	0.9	-0.8	0.6	-4.1	0.7	-21%	na		
income tax	-13.7	0.0	-0.1	-0.3	0.0	-100%	-84%		
Net profit	-12.7	-0.9	0.5	-4.4	0.7	na	na	-0.8	na
Norm. net profit	0.9	-0.8	0.6	-4.1	0.7	-21%	na	-0.8	na
Profitability ratios	4Q23	1Q24	2Q24	3Q24	4Q24	y/y	q/q	4Q24E	
Gross margin on sales	61.1%	47.9%	47.9%	39.2%	62.1%	1 pp	22.9 pp	39.0%	23.1 pp
EBITDA margin	5.9%	24.5%	26.3%	12.9%	-13.0%	-18.9 pp	-25.9 pp	21.1%	-34.1 pp
EBIT margin	0.1%	-4.1%	6.7%	-19.5%	-10.2%	-10.4 pp	9.2 pp	0.1%	-10.3 pp
Norm. net profit margin	4.3%	-5.2%	2.5%	-26.3%	3.1%	-1.2 pp	29.4 pp	-3.5%	6.6 pp
Cash Flow Statement (PLN m)	4Q23	1Q24	2Q24	3Q24	4Q24	y/y	q/q		
Net cash flow from operations	-16.4	1.4	0.7	2.9	-12.6	-23%	na		
Net cash flow from investment activities	8.8	-3.8	-5.8	-5.9	9.4	7%	na		
Grants	2.1	0.9	1.7	0.5	5.2	147%	1028%		
Gross capital expenditures	6.7	-4.8	-7.5	-6.3	4.2	-38%	na		
Net cash flows from financial activities	6.0	45.7	-9.0	-5.1	-3.3	na	-35%		
Total net cash flow	-1.6	43.3	-14.2	-8.0	-6.5	300%	-19%		
Net Debt/ (Net cash)	49.4	-9.3	-3.6	-0.5	3.5	-93%	na		

Source: Company, IPOPEMA Research

Capex. Capex excl. grants arrived at positive level of PLN 4.2m, which we believe is a results of R&D investment reclassification. Capex included PLN 5.8m correction of spent on R&D, PLN 0.5m expenditure on VIGO Incubator and PLN 1.1m of other investments. VIGO received grants of PLN 5.2m total value during the quarter (up vs. PLN 0.5m in 3Q24).

Net debt. Net debt arrived at PLN 3.5m vs. PLN -0.5m quarter ago, driven primarily by weak OCF.

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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.

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Rating History – VIGO Photonics

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
19.05.2021	BUY	850.0	760.0	Michał Wojciechowski
13.12.2021	BUY	750.0	682.0	Michał Wojciechowski
24.08.2022	BUY	660.0	556.0	Michał Wojciechowski
28.03.2023	HOLD	600.0	566.0	Michał Wojciechowski
19.06.2023	UNDER REVIEW	-	652.0	Michał Wojciechowski
19.02.2024	BUY	600.0	484.0	Michał Wojciechowski
21.06.2024	BUY	600.0	540.0	Michał Wojciechowski
12.02.2025	BUY	500.0	428.0	Michał Wojciechowski