

VIGO Photonics

HyperPIC officially started

VIGO has officially commenced its HyperPIC project, which we believe is likely to become transformative for the company in the future. The firm holds its leadership in MID-IR sensing thanks to its technology advantage; however, in our view it is hardly possible to maintain this status quo once MID-IR reaches mass applications, unless the company decides on large-scale investments to secure its prevalence. From the modelling point, we keep HyperPIC as an upside to our valuation (project NPV at PLN 176m); nonetheless, from a strategic point of view, the future of this product will determinate the outlook for the company already in 2025E (potential initial partnerships) and it is a manifestation of the core equity story for VIGO since its WSE debut (to finally reach the consumer market). We believe VIGO's under-delivery in the past was partially related to its still niche product, whereas photonic circuits are in our view a must-have for global technology market leaders. Besides HyperPIC, we anticipate further rapid growth of the IR detector segment (2023-26E CAGR of 18%) and major revenues driven by new product IR Arrays (EUR 8m in 2026E). In total in 2024E/2025E we forecast PLN 91.5m/123.1m in revenues (up 21%/35% y/y, with major increase in 2025 thanks to IR array introduction to the offer) and PLN 14.9m/27.9m in norm. net income (up 32%/88% y/y, respectively, thanks to visibly higher utilization of factory's capacity following to recent investment programs). We still expect the company to further improve its profitability due to decreasing inflationary pressure and stabilized availability of components. On our forecast the company trades at 2024E/25E EV/EBITDA of 16.5x/11.0x, representing respectively a 18% premium and 8% discount to peers. We maintain our BUY recommendation and maintain the Fair Value at PLN 600.0 (11% upside).

HyperPIC project has officially commenced.

On 20 June the company and NCBIR held an official press conference announcing the start of the HyperPIC project. According to the grant agreement, VIGO may receive up to PLN 440.5m maximum public aid, out of total estimated qualified costs of the project at PLN 853.1m. We do not include HyperPIC in our valuation due to its early stage; however, our simplified model presents the potential NPV of the project at PLN 176m, which presents substantial upside to our FV. Moreover, we believe already in 2025E the company is likely to secure its initial HyperPIC partnerships, likely to be signed with global technology leaders, which could be perceived as proof of concept and a powerful sentiment driver for the stock.

IR Arrays to drive mid-term growth.

Following the signing of the letter of intent with PCO in regard to IR Arrays production in 3Q23, we currently anticipate the framework agreement to be signed by the end of this year. The company plans to start investment in IR Arrays production line machinery already in 3Q24E, which should translate to low scale production initiation in 3Q25E and full production in 2026E. In our model, we expect the first revenues to be recognized in 2025E at PLN 11m and PLN 34m in 2026E (no change vs. previous assumptions).

Figure 1. Summary of financial data (PLN m)

	2021	2022	2023	2024E	2025E	2026E
Revenues	71.5	67.9	75.4	91.5	123.1	169.1
Norm. EBITDA	27.3	15.0	20.0	28.2	42.6	65.5
Norm. net profit	22.6	7.7	11.3	14.9	27.9	50.2
EV/EBITDA (x)	18.7	24.6	23.3	16.5	11.0	6.7
P/E (x)	21.6	42.9	38.0	31.8	16.9	9.4

Source: Company, IPOPEMA Research

TMT | Technology

VIGO PHOTONICS

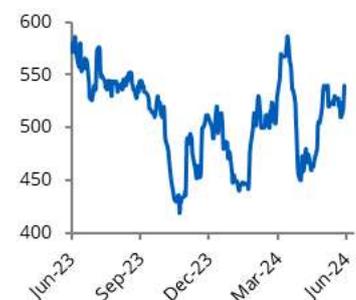
BUY

FV PLN 600.0

11% upside

Price as of 20 June 2024 PLN 540.0

Maintained



Share data

Number of shares (m)	0.875
Market cap (EUR m)	109.1
12M avg daily volume (k)	0.6
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	636 / 416
WIG weight (%)	0.1
Reuters	VGOP.WA
Bloomberg	VGO PW

Total performance

1M	3.1%
3M	1.9%
12M	-6.9%

Shareholders

Warsaw Equity Management	14.3%
Józef Piotrowski	9.6%
Others	76.1%

Analyst

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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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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (January 1 – March 31, 2024)

	Number	%
Buy	12	75%
Hold	3	19%
Sell	1	6%
Total	16	100%

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