VIGO Photonics

Sensing the strategic potential behind Mid IR

VIGO initiated a strategic option review in September 2024 and according to management the process is on track for potential conclusion by the end of this year. Despite the bumpy financial track record of the company in recent years, we believe the unique technology and high exposure to military applications (including potential new applications related to IR Arrays and smart missile precise targeting systems) makes VIGO an interesting target for strategic investors from both semiconductor and defense industries. We also believe the HyperPIC factory might become a strategic asset in a mid-term perspective, considering the technology advancements in the sensor industry. We point to rapid expansion of SWIR detectors and potential for Mid IR to become the next major technological leap in consumer applications. We also believe that the PCO contract for IR Arrays authenticates the return to profitability path for the company and solid fundamentals of its current core business, whereas recent Defender award for IR cameras based on VIGO's technology validates the company's engineering skills. Last but not least, the potential acquisition of a smaller IR producer may improve VIGO's competitive position in MID IR. On our forecast, VIGO trades at 2026E/27E EV/EBITDA of 20.4x/12.1x, vs. photonic peers at 17.0/12.8x, (in our view, a result of a short-term dip in profitability). We maintain our BUY recommendation, decreasing our Fair Value to PLN 610.0, due to the slower than expected expansion in military and industry segments in coming years.

Mid-term growth driven by industry and military applications. We expect VIGO sales to speed up in 2H25 thanks to a solid outlook for the industry segment and a rebound in military, following a weak 1H. In total we expect 2025E sales to arrive at PLN 93.9m (up 20% y/y), with norm. net loss at PLN 5.8m (vs. a PLN 3.6m loss in 2024). In 2026E-27E we expect IR Arrays to be the major sales driver, adding PLN 8m and PLN 23m to sales in respective years (no change vs. previously). With expected decent growth in the industry segment, supported by new products and expansion in the US, we expect PLN 111.4m/PLN 144.2m in 2026E/27E sales (8%/7% down vs. previously due to expected slower expansion in the military segment, excl. arrays). In the mid-term we see some positive drivers for the company related with the expansion of IR Arrays and new military contracts, as well as expansion in the IR lasers industry and general expansion in the US.

Profitability likely to improve alongside cost reduction and IR Array production ramp-up. In 2H25 the company restructured its cost base, with the major effects to be visible fully in 2026E. With on one side redundancy in salary costs and on the other side increases in costs related to the commencement of IR Arrays production (which we expect to deliver only marginal profitability in 2026E), we expect 2026E/27E Opex to arrive at PLN 105m, and PLN 125m (up respectively 1%/19%), translating to norm. EBITDA of PLN 23.1m/39.1m (down 6%/10% vs. previously) and norm. net income of PLN 9.7m/22.4m (up 18% and down 9% vs. previously).

Figure 1. Summary of financial data (PLN m)*

	2022	2023	2024	2025E	2026E	2027E
Revenues	67.9	75.4	78.3	93.9	111.4	144.2
Norm. EBITDA	15.0	15.0	5.5	6.6	23.1	39.1
Norm. net profit	7.7	9.0	-3.6	-5.8	9.7	22.4
EV/EBITDA (x)	24.6	26.3	73.0	68.3	20.4	12.1
P/E (x)	42.9	39.7	na	-78.3	47.0	20.4

*Source: Company, IPOPEMA Research *HyperPIC project is not included in our detailed forecasts and valuation for VIGO Photonics as for now the project has no clear financing path.*

TMT | Technology

VIGO PHOTONICS

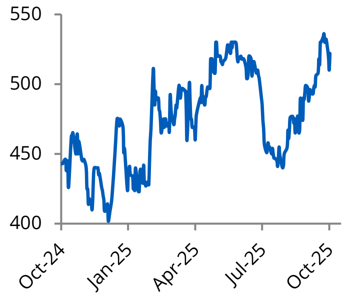
BUY

FV PLN 610.0 from PLN 640.0

17% upside

Price as of 15 October 2025 PLN 522.0

Maintained



Share data

Number of shares (m)	0.875
Market cap (EUR m)	107.4
12M avg daily volume (k)	0.4
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	540 / 400
WIG weight (%)	0.1
Reuters	VGOP.WA
Bloomberg	VGO PW

Total performance

1M	5.0%
3M	11.5%
12M	17.3%

Shareholders

Warsaw Equity Management	14.3%
Józef Piotrowski	9.4%
Allianz OFE	6.7%
Investors TFI	6.5%
Janusz Kubrak	5.5%
Others	57.7%

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VIGO Photonics*

BUY FV PLN 610

Mkt Cap EUR 107.4m upside +17%

Valuation multiples	2023	2024	2025E	2026E	2027E
P/E (x)	39.7	na	na	47.0	20.4
EV/EBITDA (x)	26.3	73.0	68.3	20.4	12.1
EV/Sales (x)	5.2	5.1	4.8	4.2	3.3
P/BV (x)	2.0	2.4	2.7	2.6	2.3
FCF yield (%)	3.8%	-1.2%	-1.5%	-2.4%	1.3%
DY (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Per share	2023	2024	2025E	2026E	2027E
No. of shares (m units)	0.7	0.9	0.9	0.9	0.9
norm. EPS (PLN)	12.3	-4.2	-6.7	11.1	25.6
BVPS (PLN)	241.7	194.9	193.2	202.2	227.8
FCFPS (PLN)	20.5	-5.4	-7.8	-12.8	7.2
DPS (PLN)	0.0	0.0	0.0	0.0	0.0

Change y/y (%)	2023	2024	2025E	2026E	2027E
Revenues	11.1%	3.9%	19.9%	18.6%	29.4%
Norm. EBITDA	-0.4%	-63.4%	21.1%	247.9%	69.5%
EBIT	-3.6%	na	na	-486.2%	97.9%
Norm. net profit	16.9%	na	na	-266.6%	130.6%

Leverage and returr	2023	2024	2025E	2026E	2027E
Gross margin (%)	52.6%	50.5%	49.6%	62.7%	63.8%
Norm. EBITDA mar. (%)	19.9%	7.0%	7.1%	20.7%	27.2%
EBIT margin (%)	11.3%	-5.9%	-3.7%	12.2%	18.6%
Norm. net margin (%)	11.9%	-4.6%	-6.2%	8.7%	15.6%
Net debt / EBITDA (x)	3.2	0.4	2.7	1.6	0.9
Net debt / Equity (x)	0.3	0.0	0.1	0.2	0.2
Net debt / Assets (x)	0.2	0.0	0.1	0.1	0.1
ROE (%)	5.7%	-2.1%	-3.4%	5.6%	11.9%
ROA (%)	3.5%	-1.5%	-2.5%	3.8%	8.1%
ROIC (%)	2.2%	-4.0%	-3.8%	5.0%	10.3%

IR detectors	2023	2024	2025E	2026E	2027E
Revenues	**69.2**	**69.6**	**84.5**	**99.6**	**128.5**
Industry	45.0	34.0	39.0	46.0	52.8
Military	11.6	23.2	27.5	34.5	55.2
Transport	7.9	7.3	10.4	10.8	11.5
Medicine and Science	4.5	5.0	7.5	8.1	8.8
Others	0.3	0.0	0.1	0.1	0.1
EBIT	7.0	-3.2	-0.4	13.0	24.2
EBITDA	18.5	7.0	9.4	23.7	37.9
norm. net profit	**8.1**	**-1.5**	**-2.5**	**9.1**	**20.0**
n. net profit marg.	11.8%	-2.2%	-1.7%	7.3%	15.6%

Semiconduct. mat.	2023	2024	2025E	2026E	2027E
Revenues	**6.2**	**8.7**	**9.4**	**11.8**	**15.7**
EBIT	1.5	-1.5	-3.1	0.6	2.6
EBITDA	3.3	1.8	0.5	2.9	4.9
norm. net profit	**0.8**	**-2.1**	**-3.3**	**0.6**	**2.4**
n. net profit margin	8.1%	-18.1%	-27.9%	4.1%	13.1%

Cost by type	2023	2024	2025E	2026E	2027E
Salaries, other benefits	-39.4	-46.5	-53.8	-47.6	-55.2
Materials and energy	-21.2	-22.1	-22.2	-28.3	-36.2
D&A	-10.3	-13.3	-13.4	-13.0	-16.0
Services and other	-12.6	-14.4	-16.9	-21.6	-22.6

P&L (PLN m)	2022	2023	2024	2025E	2026E	2027E
Revenues	67.9	75.4	78.3	93.9	111.4	144.2
COGS	-32.8	-35.8	-38.7	-47.3	-41.5	-52.2
Gross profit	**35.1**	**39.6**	**39.6**	**46.6**	**69.9**	**91.9**
Selling costs	-10.4	-9.4	-13.5	-15.3	-16.4	-21.6
G&A costs	-20.6	-33.7	-35.9	-42.1	-47.6	-51.4
Other operating income net	4.8	11.9	5.2	7.3	7.7	7.9
EBITDA	**18.2**	**18.8**	**8.8**	**10.0**	**26.6**	**42.7**
**Norm. EBITDA ** **	**15.0**	**15.0**	**5.5**	**6.6**	**23.1**	**39.1**
EBIT	**8.8**	**8.5**	**-4.6**	**-3.5**	**13.5**	**26.8**
Financial income (cost) net	-1.1	-0.1	-1.0	-2.3	-3.8	-3.2
Pre-tax profit	**7.7**	**9.0**	**-3.6**	**-5.8**	**9.7**	**23.6**
Income tax	-0.5	-14.3	-0.4	1.1	-1.8	-1.2
Net profit	7.2	-5.3	-4.1	-4.7	7.9	22.4
Norm. net profit***	**7.7**	**9.0**	**-3.6**	**-5.8**	**9.7**	**22.4**

BALANCE SHEET (PLN m)	2022	2023	2024	2025E	2026E	2027E
Non-current assets	**218.9**	**163.5**	**166.2**	**178.4**	**199.5**	**208.8**
Goodwill and intangible assets	19.4	12.3	15.0	12.9	20.3	21.5
Expenditures on R&D	53.4	15.0	16.9	27.1	33.1	36.9
Investments in associates	6.7	12.6	17.8	21.6	21.6	21.6
tangible assets	113.5	111.9	104.8	100.3	108.1	112.3
Deferred tax assets	22.0	7.8	7.5	7.2	7.1	7.1
Other non-current assets	3.9	3.9	4.2	9.4	9.4	9.4
Current assets	**35.1**	**96.6**	**53.7**	**60.0**	**73.8**	**73.8**
Inventories	15.3	11.8	15.8	15.5	20.5	25.3
Trade receivables	14.3	15.9	16.9	19.9	21.5	27.5
Cash and equivalents	2.3	2.8	17.3	21.7	28.7	17.9
Other current assets	3.3	66.1	3.8	3.0	3.0	3.1
Total assets	**254.0**	**260.1**	**219.9**	**238.4**	**273.3**	**282.5**
Equity	**138.5**	**176.2**	**170.5**	**169.0**	**176.9**	**199.3**
Non-current liabilities	**81.9**	**40.3**	**27.2**	**48.2**	**75.7**	**61.3**
Loans and borrowings	28.9	19.7	11.9	32.7	57.7	47.7
Other non-current liabilities	53.0	20.6	15.3	15.4	17.9	13.6
Current liabilities	**33.6**	**43.6**	**22.2**	**21.3**	**20.7**	**21.9**
Trade payables	4.4	2.8	4.6	5.6	4.7	6.0
Loans and borrowings	21.4	32.5	8.8	6.9	7.4	6.9
Other current liabilities	7.8	8.3	8.8	8.8	8.6	9.1
Equity & liabilities	**254.0**	**260.1**	**219.9**	**238.4**	**273.3**	**282.5**
Cash conversion cycle (days)	67.0	101.8	105.9	103.9	95.9	91.9
Gross debt (PLN m)	49.4	51.3	19.5	39.6	65.1	54.6
Net debt (PLN m)	**47.1**	**48.5**	**2.2**	**17.9**	**36.4**	**36.7**

CASH FLOW (PLN m)	2022	2023	2024	2025E	2026E	2027E
Operating cash flow	**3.8**	**-1.6**	**-7.6**	**0.2**	**12.1**	**24.9**
Pre-tax profit	7.7	9.0	-3.6	-5.8	9.7	23.6
D&A	9.4	10.3	13.4	13.5	13.0	15.9
Change in WC	-4.3	0.3	-3.2	-0.2	-7.5	-9.6
Other	-9.0	-20.7	-14.2	-7.3	-3.1	-4.9
Investment cash flow	**-22.1**	**-0.4**	**-6.0**	**-13.2**	**-26.7**	**-22.1**
Grants	25.5	14.7	8.3	3.2	7.5	3.1
CAPEX excl. R&D	-23.4	-4.9	-2.3	-4.1	-17.5	-14.5
CAPEX on R&D	-21.4	-4.9	-8.8	-11.9	-16.7	-10.7
Net investment in subsidiaries	-2.9	-5.3	-3.3	-0.4	0.0	0.0
other	0.0	-0.1	0.0	0.0	0.0	0.0
Financial cash flow	**14.1**	**2.6**	**28.2**	**17.5**	**21.7**	**-13.7**
Change in equity	0.0	0.0	61.5	0.0	0.0	0.0
Change in debt	15.1	4.9	-31.3	18.3	25.5	-10.5
Interest paid	-1.0	-2.3	-2.1	-0.7	-3.8	-3.2
Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash	**-4.2**	**0.6**	**14.6**	**4.4**	**7.1**	**-10.9**
Cash as of eop	**2.3**	**2.8**	**17.3**	**21.7**	**28.7**	**17.9**

*Source: Company (2021-23 data), IPOPEMA Research * The presented data does not consolidate HyperPIC project*
***EBITDA normalized by the non-cash settlement of grants and subsidies to tangible assets; ***net profit normalized by non-cash change in deferred tax*

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Valuation

Figure 2. VIGO Photonics – Valuation summary (PLN)

Valuation method	Weight (%)	FV (PLN/share)
DCF	100%	610.0
Peers comparison	0%	449.0
Fair value		**610.0**
Current price		522.0
Upside/downside		**17%**

Source: IPOPEMA Research

Figure 3. VIGO Photonics - DCF Valuation (PLN m)

	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TV
Revenues	93.9	111.4	144.2	182.7	216.5	244.7	275.3	305.7	336.6	351.8
- change y/y	*20%*	*19%*	*29%*	*27%*	*19%*	*13%*	*12%*	*11%*	*10%*	
EBITDA reported	6.6	23.1	39.1	57.1	67.6	72.8	78.8	84.3	86.1	97.0
- EBITDA margin	*7.1%*	*20.7%*	*27.2%*	*31.2%*	*31.2%*	*29.8%*	*28.6%*	*27.6%*	*25.6%*	*27.6%*
- change y/y	*21%*	*248%*	*70%*	*46%*	*18%*	*8%*	*8%*	*7%*	*2%*	
EBIT norm.*	-6.9	10.1	23.2	40.7	50.7	55.4	60.7	65.5	66.7	75.3
Tax rate	*0%*	*0%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*9%*
NOPAT	-6.9	10.1	22.1	38.7	48.1	52.6	57.6	62.2	63.4	68.5
- change y/y	*-22%*	*-246%*	*119%*	*75%*	*25%*	*9%*	*10%*	*8%*	*2%*	
D&A	13.5	13.0	15.9	16.4	16.9	17.5	18.1	18.8	19.3	19.3
Change in WC	-0.2	-7.5	-9.6	-10.9	-9.9	-7.7	-8.2	-7.9	-7.8	-6.5
CAPEX (net, less grants)	-13.2	-26.7	-22.1	-9.3	-10.0	-10.7	-11.4	-12.2	-13.0	-19.3
FCF	-6.8	-11.2	6.3	34.9	45.1	51.6	56.1	60.8	61.9	62.1
Equity risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Risk free rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Levered beta	1.4	1.6	1.5	1.4	1.3	1.3	1.3	1.2	1.2	1.2
Cost of Equity	13.0%	14.0%	13.5%	12.9%	12.4%	12.1%	11.9%	11.9%	11.8%	11.9%
After tax cost of debt	6.2%	5.5%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.0%
WACC	11.7%	11.7%	11.7%	11.7%	11.7%	11.6%	11.6%	11.6%	11.6%	11.6%
Discount factor (%)	98%	87%	78%	70%	63%	56%	50%	45%	40%	
FCF PV (PLN m)	-6.6	-9.7	4.9	24.4	28.3	29.0	28.3	27.4	25.0	
FCF PV 2025E-33E (PLN m)	151.0									
Residual growth rate (%)	4.5%									
Discounted residual value (PLN m)	368.0									
EV (PLN m)	519.0									
Investments in associates	17.8									
Others	0.0									
Net debt (PLN m, 4Q24)	2.2									
Equity value (PLN m)	**534.0**									
Number of shares (diluted, m)	0.875									
FV (PLN)	**610.0**									
Current price	522.0									
Upside/downside potential	**17%**									

*Source: IPOPEMA Research, valuation excluding HyperPIC project, *EBIT normalized by the non-cash settlement of grants and subsidies to tangible assets.*

Figure 4. DCF valuation sensitivity analysis

Residual growth rate (%)	WACC (%)				
	10.6%	**11.1%**	**11.6%**	**12.1%**	**12.6%**
3.5%	602	574	550	530	512
4.0%	637	605	579	555	533
4.5%	679	642	610	582	558
5.0%	728	684	647	614	586
5.5%	786	733	689	651	619

Source: IPOPEMA Research

Figure 5. VIGO Photonics – Peers comparison

COMPANY	Market Cap USD m	P/E (x) 2025E	P/E (x) 2026E	P/E (x) 2027E	EV/EBITDA (x) 2025E	EV/EBITDA (x) 2026E	EV/EBITDA (x) 2027E	DY 2025E	Revenues CAGR 2024-27E	NI CAGR 2024-27E	ROE 2025E
HAMAMATSU PHOTONICS	3,444	32.6	27.8	22.6	11.9	10.6	9.4	0.2%	*-5.6%*	*1.9%*	*4.7%*
TELEDYNE TECHNOLOGIES	26,638	26.4	23.8	22.0	19.0	17.0	15.0	0.2%	*9.2%*	*8.5%*	*10.0%*
NIPPON CERAMIC	620	12.8	13.8	12.2	n.a.	n.a.	n.a.	0.3%	*14.1%*	*9.3%*	*10.6%*
OPTEX GROUP	577	13.0	11.2	9.8	n.a.	n.a.	n.a.	0.1%	*18.1%*	*15.3%*	*11.6%*
VISUAL PHOTONICS	883	44.7	26.8	19.3	24.4	17.0	12.8	0.3%	*27.4%*	*27.8%*	*19.4%*
IPG PHOTONICS	3,574	88.6	53.0	35.3	23.6	18.6	n.a.	0.0%	*-186.7%*	*-188.5%*	*1.7%*
MEDIAN		**29.5**	**25.3**	**20.6**	**21.3**	**17.0**	**12.8**	**0.2%**	**11.7%**	**8.9%**	**10.3%**
VIGO PHOTONICS	116	na	47.0	20.4	68.3	20.4	12.1	0.0%	*13.9%*	*2.7%*	*-3.4%*
premium/discount to all peers (median)			*86%*	*-1%*	*220%*	*20%*	*-6%*				
Weight			25%	25%		25%	25%				
Implied Price (PLN)		**449.0**									

Source: IPOPEMA Research, Bloomberg, prices as of on 15.10.2025

Figure 6. VIGO Photonics – change in forecasts 2025E-27E

	2025E New	2025E Previous	Change (%)	2026E New	2026E Previous	Change (%)	2027E New	2027E Previous	Change (%)
Revenues	**93.9**	**94.4**	**-1%**	**111.4**	**121.6**	**-8%**	**144.2**	**155.9**	**-7%**
EBITDA	10.0	12.8	-22%	26.6	28.1	-6%	42.7	47.0	-9%
EBIT	(3.5)	(1.4)	152%	13.5	11.3	19%	26.8	28.5	-6%
Norm. net income	**(5.8)**	**(3.0)**	**95%**	**9.7**	**8.2**	**18%**	**22.4**	**24.7**	**-9%**

Source: IPOPEMA Research

2Q25 conference call highlights

Below are our main takeaways from VIGO Photonics 2Q25 results conference call held on 26 September 2025:

Strategic review. The company is in the final stages of reviewing options. Results will be shared with the market closer to year-end. They're nearing the end of discussions with partners.

M&A. The goal of ongoing acquisition in progress is to gain market access, especially as U.S. entities are implementing supply chain verification policies.

Outlook. The management believes the pace of contract acquisition will remains high in the coming quarters. CEO Expects strong growth dynamics in Q3 and Q4. The management anticipates faster growth in H2 than in H1.

Gross margin. A gross margin above 50% is achievable in upcoming quarters. Results should not be worse than previous quarters. Price increases are considered in key areas, reflecting current market trends.

Opex. The company incurred some one-off costs related to ongoing projects but are now actively optimizing expenses. Results of these optimizations should be visible in Q4 and even more so next year. Cost savings will be focused on administration, engineering, logistics, and procurement. The management identified overlapping areas with optimization potential.

R&D spending. The scale of R&D depends. Some cost optimization is underway, so future years may see slightly reduced investment. The level of spending will depend on the outcome of the strategic review in the HyperPIC area. Q3 spending is similar to previous quarters; Q4 will be slightly lower.

Pricing policy. The management believes the demand slowdown following the previous price hike was due to reduced needs from a key client and general slowdown on the market. Without price hikes, the revenue drop would have been worse. Many orders depend on clients' outlook. Price increases are currently under consideration. Chip inventories are being cleared, and price hikes are visible across the chip industry.

IR Arrays. CFO estimates the potential for selling several hundred infrared arrays annually following the current PCO contract, as standard demand from Polish Army. Equipment purchases for the infrared matrix production line are planned for Q4 (slightly delayed vs. previous plans). Initial production will begin in 2026, full production in 2027 – progressing according to plan. The revenue stream is expected in the second half of next year. Production line will be built in parallel, but manufacturing capacity will remain limited next year.

HyperPIC. At the Munich trade fair, the company showcased a miniaturized system – not the final version, but a demonstrator. Many partners expressed strong interest in the project, with which VIGO is currently in contact.

IR lasers. The company plans to expand to IR laser market as part of preparations for HyperPIC production. The laser market is currently even larger than the detector market according to CFO.

Affordable detector volume contracts. A second volume client is expected, with similar volume to the first one, but possibly over a longer period. Market size is 5–10x larger than the first contract. However, a lot depends on U.S.–China relations and geopolitical developments.

Safran. Safran orders this year are significantly higher than last year, but visibility for future periods is limited.

3Q25E results preview

We forecast 3Q25E revenues at PLN 23.3m (up 15% q/q, in line with preliminary data), norm. EBITDA at PLN 0.7m (vs. PLN 0.6m in 2Q25) and norm. net loss at PLN 2.7m (vs. PLN 0.6m net profit quarter ago) to be driven by:

- **Revenues.** VIGO reported preliminary revenues of PLN 23.3m, representing an increase of 49% y/y and 15% q/q, driven by the industry, military segments as well as strong performance of Transport.
- **Gross margin.** We expect a gross margin of 51% in the quarter.
- **SG&A costs.** We forecast SG&A costs to arrive at PLN 15.9m, including PLN 12.2m of G&A cost and PLN 3.7m selling cost.
- **EBITDA.** We estimate norm. EBITDA of PLN 0.7m (vs. PLN 0.6m in 2Q25) and EBIT of PLN -1.8m (vs. PLN -2.9m in 2Q25).
- **Net profit.** We forecast PLN 2.7m of norm. net loss (vs. PLN 0.6m loss in 2Q25). We expect a slight negative net financial result and immaterial level of cash income tax.

Figure 7. VIGO Photonics 3Q25E results preview

P&L (PLN m)	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	*y/y*	*q/q*
Przychody ze sprzedaży	**17.2**	**22.1**	**15.8**	**22.7**	**15.7**	**24.1**	**22.1**	**20.3**	**23.3**	***49%***	***15%***
Przemysł	10.7	14.1	6.8	8.1	7.6	11.5	10.5	8.1	8.9	*18%*	*10%*
Wojsko	2.2	3.2	4.4	7.9	4.0	6.9	6.6	4.8	6.1	*52%*	*27%*
Transport	1.4	1.4	2.0	3.3	0.7	1.3	1.1	3.6	4.2	*497%*	*17%*
Medycyna i nauka	1.2	1.3	1.0	1.0	1.5	1.5	2.7	1.9	1.5	*-3%*	*-21%*
Pozostałe	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	*na*	*na*
Materialy dla fotoniki	1.7	1.8	1.6	2.4	1.9	2.9	1.2	1.8	2.6	*40%*	*45%*
Koszty sprzedanych produktów, towarów i materiałów	-8.6	-8.6	-7.8	-10.1	-9.5	-11.3	-11.8	-10.0	-11.4	*19%*	*13%*
Zysk/(strata) brutto na sprzedaży	**8.6**	**13.5**	**8.1**	**12.6**	**6.1**	**12.8**	**10.3**	**10.3**	**11.9**	***94%***	***16%***
Pozostałe przychody operacyjne	1.7	12.3	4.0	3.8	2.7	4.2	3.6	3.6	3.6	*33%*	*0%*
Koszty sprzedaży	-2.3	-2.4	-2.9	-3.3	-3.5	-3.8	-4.1	-3.5	-3.7	*6%*	*8%*
Koszty ogólnego zarządu	-4.7	-19.9	-8.4	-9.8	-6.3	-11.3	-8.7	-11.9	-12.2	*93%*	*3%*
Pozostałe koszty operacyjne	-0.8	-3.4	-2.2	-2.1	-2.1	-3.1	-1.3	-1.4	-1.4	*-31%*	*0%*
EBITDA	**5.8**	**1.3**	**1.9**	**4.4**	**4.5**	**-2.0**	**3.1**	**0.5**	**1.5**	***-65%***	***197%***
EBITDA znorm.	**5.1**	**0.0**	**0.3**	**2.9**	**2.5**	**-0.2**	**2.4**	**0.6**	**0.7**	***-70%***	***22%***
EBIT	**2.5**	**0.0**	**-1.4**	**1.2**	**-3.1**	**-1.4**	**-0.3**	**-2.9**	**-1.8**	***-40%***	***-36%***
Przychody finansowe netto	-2.0	0.9	-0.2	-0.4	-0.9	0.5	-1.3	-1.3	-0.9	*4%*	*-29%*
Result from the valuation of shares using the equity method	0.0	0.0	-0.2	-0.4	-0.2	2.7	-0.2	3.5	0.0	*-100%*	*-100%*
Zysk brutto	**0.4**	**0.9**	**-1.8**	**0.4**	**-4.1**	**1.8**	**-1.7**	**-0.6**	**-2.7**	***-34%***	***331%***
Podatek dochodowy	0.2	-13.7	0.0	-0.1	-0.3	0.0	0.0	-0.3	0.0	*-100%*	*-100%*
Zysk netto	0.7	-12.7	-1.8	0.4	-4.4	1.8	-1.7	-1.0	-2.7	*-38%*	*185%*
Znorm. zysk netto	**0.4**	**0.9**	**-1.8**	**0.4**	**-4.1**	**1.8**	**-1.7**	**-0.6**	**-2.7**	***-34%***	***331%***

Source: Company, IPOPEMA Research

Appendix 1: Risks to our forecasts and valuation

Between critical in our opinion risks for operations and results of VIGO Photonics we include:

The risk of decrease of demand for company's products. The market of MID-Infrared detectors on which VIGO operates is currently dynamically developing part of photonics. Nevertheless, there is a risk, that due to different factors (including macroeconomic, political or technological) the demand for detectors will drop significantly and the market would not grow with actual, high dynamic.

The risk of key client loss. In 2024 42% of revenues were generated from the contracts with 4 clients (vs. in 2023 40%). The end of collaboration with each of these, or the decrease of contracts value could significantly affect the dynamic of VIGO revenues growth. However we note that the competition on the IR detectors market is low (high entry barriers) and there is high cost of technology replacement (which is also the barrier for VIGO and means that acquisition of new partners is harder).

The risk of competition. Due to high concentration on the market (only few producers) and high entry barriers (complicated technology) we assume that competition risk is quite low. Nonetheless with further dynamic growth of the market and popularization of applications of MID-infrared detectors there is a risk that leading technological companies will decide to enter the market. Another risk is the fast development of technology and short life cycle of the product (there is a risk of obtaining technological advantage by one of the competitors).

Risk of key projects failure. We highlight that performance of main new projects like investment in semiconductor materials segment, IR Arrays of PIC technology may result in failure and therefore not generated expected profits for the company or generated higher than anticipated capital expenditures, which may negatively affect financial results and valuation.

The risk of losing key employees. Production of infrared detectors is a process which require highly specialized workers, which supply on the market is very limited. At the same time high qualifications of the staff is perceived by the board as one of the advantages of VIGO.

The risk of alternative technology. There is a risk that other alternative technology could appear on the market and replace VIGO products with better parameters and/or lower price.

The risk of equipment breakdown. The equipment used by VIGO is highly advanced and is not vastly available on the market. In the case of breakdown, the company could have a problem with the production delays. The costs of replacement/repair of machines could be also significant.

Risk of lower subventions/grants in the future. To keep high level of subventions to expenditures on R&D the company needs to meet many criterions. The loss of subvention, or lower level of subvention in the future would result in the necessity of higher company's own spending on R&D or higher debt level.

The Currency risk. The most of the VIGO revenues is generated in EUR, while the cost (based on salaries and other employees' benefits) are mainly in PLN, which result in exposure for currency risk. VIGO is not using currency hedging instruments.

Risk of restricting access to materials as a result of legislation. According to EU ROHS directive some substances which are currently used for VIGO's detectors production will be no longer available for use in the future due to their hazardous nature.

Appendix 2: ESG

Below we present our ESG analysis of VIGO Photonics operations:

Environmental. VIGO's detectors are used for analysis and detection of harmful gases, and thus they are used in the environment protection sector as well as in industrial applications, where they could materially contribute to the policy of reducing harmful gas emissions.

The R&D projects conducted by consortiums with VIGO's active participation (which are a part of the Horizon 2020 European program) are aimed at developing new technologies and devices for water quality control. VIGO is participating in project Waterspy, which targets the development of mobile devices for water quality control (analyzing for bacterial contamination) in important points of water distribution networks. The second project – AQUARIUS – aims to develop a device for spectroscopy for monitoring of oil pollution in transmission networks of drinkable and industrial water, especially in the petrochemical industry. In our opinion, both projects could help to reduce the level of pollution and decrease the number of diseases, especially in developing countries.

VIGO is also investing in the development of detector technology (investment in a new production hall and new clean room), which results in optimization of the production process and lower consumption of materials and energy (affordable detector) and higher yield (with the new clean room). VIGO is currently developing detectors from A(III)B(V) materials, which are expected to replace products based on HgCdTe compounds (include mercury, which according to the UE ROHS directive will be withdrawn from commercial applications in coming years). VIGO has not decided yet when HgCdTe detectors will be removed from its offer, but it is intensively working on substitutes without dangerous compounds (including an affordable detection module).

Water consumption for production is monitored on a daily basis. The company does not use any fossil fuels for heating. It does not have its own heating furnaces. Analyses are carried out once a quarter on the physical and chemical quality of wastewater. So far, no excesses have been recorded. The group generates municipal waste, hazardous waste and outside the installation, as well as other waste related to its activity. Records are kept for the waste specified in the Act.

Social responsibility. VIGO's detectors are used for military purposes, mainly in artillery applications (smart munitions, reduction in number of accidental victims due to better aiming) and for tracking warning systems. Currently applications in drug and explosive detection are being analyzed.

Governance. From 21 November 2014 when VIGO Photonics shares were admitted to trading on the WSE, the company has accepted and complied with WSE governance policy rules. We have positive feedback about VIGO's corporate governance due to: 1) lack of transactions with related parties; 2) market-based salaries of the board; 3) a transparent dividend policy; 4) solid and clear accounting standards and policy, along with high quality presented financial data; and 5) reporting of sales data at the end of each quarter and respecting deadlines for financial reporting. Another good practice of the company is also presenting the strategy with mid-term financial targets, though its realization was several times postponed in the past years. We like the long-term involvement of the board and its professional qualifications. The company also holds regular meetings with investors after the publication of quarterly earnings, when the board is ready to answer shareholders' questions.

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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.
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uFCFps – uFCF per share.
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	Number	%
Buy	22	65%
Hold	8	24%
Sell	4	12%
Total	34	100%

Rating History – VIGO Photonics

Date	Recommendation	Fair Value	Price at recommendation	Author
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
13.05.2025	BUY	640.0	508.0	Michał Wojciechowski
16.10.2025	BUY	610.0	522.0	Michał Wojciechowski