

34/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
LSI Software	Buy	22.0	Overweight	Tomasz Rodak, CFA

Event: Record high revenues in 4Q21; 4Q21 results' forecast.

During yesterday's session LSI Software informed that FY21 preliminary revenues arrived at PLN 54.0 million (+25% yoy), which implies that 4Q21 preliminary sales amounted to PLN 20.7 million (+97% qoq; +90% yoy). It appears that both FY21 as well as 4Q21 delivered record high annual/ quarterly revenues. **The revealed 4Q21 sales are 43% above our initial expectations of PLN 14.5 million.**

We assume that the positive sales surprise (vs our expectations) will be evenly spread between production, distribution and cinema sector. Consequently, we assume PLN 8.6 million revenues from distribution in 4Q21 (+39% yoy) at high 31% margin. In the production segment we assume PLN 12.1 million revenues (incl. cinema sector) which would imply a 156% yoy growth. The margin should reach high 49%.

All in all, we expect the Group's 4Q21 EBITDA and NP to amount to PLN 5.2 million and PLN 3.7 million, respectively.

LSI Software's 4Q21 results forecast

IFRS consolidated (PLN m)	4Q21E	4Q21	yoy chg	1-4Q21E	1-4Q20	yoy chg
Sales	20.7	10.9	90%	54.0	43.1	25%
Production	12.1	4.7	156%	30.3	22.2	37%
Distribution	8.6	6.2	39%	23.7	20.9	14%
Gross profit on sales	8.6	0.3	n.m.	15.9	2.7	494%
Gross profit margin	41.6%	2.7%	-	29.5%	6.2%	-
EBITDA	5.2	0.2	n.m.	9.9	6.4	55%
EBITDA margin	25.0%	2.1%	-	18.2%	14.8%	-
EBIT	4.1	-0.8	n.m.	5.7	1.7	244%
EBIT margin	19.9%	-7.0%	-	10.6%	3.9%	-
Pre-tax profit	4.1	-0.8	n.m.	5.6	1.7	222%
Pre-tax margin	20.0%	-7.3%	-	10.4%	4.1%	-
Net profit	3.7	-0.2	n.m.	5.2	2.4	114%
Net margin	18.0%	-1.5%	-	9.5%	5.6%	-

Source: Company, DM BOS estimates

On this occasion, we increase our FY21 forecast for the Company due to strong 4Q21 revenues:

LSI Software; Changes in DM BOS forecast

IFRS consolidated (PLN m)	2021E		
	current	previous	change
Sales	54.0	47.9	13%
EBITDA	9.9	7.6	30%
EBIT	5.7	3.5	66%
NI	5.2	3.1	66%
Net debt (cash)	-11.1	-9.9	13%

Source: DM BOS estimates

Expected impact: Positive – partly discounted during yesterday's session. The 4Q21 sales turned out spectacular and, as we have learnt from the management, there were no unusual or one-off transactions included. We believe that this number cannot be easily extrapolated to the following quarters, however it seems that the demand remains strong and growing in majority of LSI's business segments.

Currently, LSI Software trades at the average 2021E-2023E P/E and EV/EBITDA multiples of 7x and 3.0x, respectively, which implies very high, c. 50%, discount vs local peers. Moreover, cash accounts for c. 20% of capitalization. We would use current share price weakness (related to COVID pandemic) to accumulate the shares.

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.