

343/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
LSI Software	Buy	22.0	Overweight	Tomasz Rodak, CFA +48 797 487 381

Event: 1Q22 results released – close to our expectations.

Yesterday, after the market close, the Company released their 1Q22 financial results. **1Q22 EBITDA reached PLN 0.8 million vs PLN 1.0 million expected by us.**

- Revenues at PLN 10.7 million are in line with preliminary data;
- The production segment's revenues at PLN 6.5 million came higher by 28% than our expectations; the margin in production stood at 32.3% vs 38% expected;
- The distribution segment's revenues at PLN 4.2 million came lower by 26% than our expectations; the margin in distribution stood at 30% vs 29% expected;
- Exports contributed 12% of 1Q22 sales vs 2% a year ago (24% in FY22);
- **The gross profit on sales at PLN 3.4 million was 6% lower than we expected;**
- D&A in the discussed quarter reached PLN 1.27 million vs PLN 1.09 million expected;
- SGA costs reached PLN 3.8 million vs PLN 3.9 million forecasted by us;
- **1Q22 EBIT stood at PLN -0.4 million vs our expectations at PLN -0.1 million;**
- Tax paid stood at 0 while we assumed PLN -0.1 million;
- **1Q22 EBIT stood at PLN -0.5 million vs our expectations at PLN -0.2 million**
- CFOs were positive at PLN 0.4 million vs PLN -2.2 million in 1Q21;
- Cash and its equivalents at 1Q22-end stood at PLN 11.1 million vs PLN 12.7 million at the end of 2021;
- 1Q22 net debt reached PLN 8.2 million vs PLN 9.5 million at the end of 2021;
- Capex in the discussed quarter reached PLN 1.5 million vs PLN 0.8 million in 1Q21;
- The Company may account for c. PLN 3.5 million from the Tax Shield in 2Q22. The decision on the subsidy cancellation is expected in 2Q22.

Our commentary: in line with our expectations

LSI Software; 1Q22 financial results vs DM BOŚ forecasts

IFRS consolidated (PLN m)	DM BOŚ forecasts		Results vs DM BOŚ forecasts		1Q21	yoy chg
	1Q22	forecasts	DM BOŚ forecasts			
Sales	10.7	10.7	→	6.5	65%	
Production	6.5	5.1	↑↑	3.2	106%	
Distribution	4.2	5.6	↓↓	3.3	27%	
Gross profit on sales	3.4	3.6	→	-3.7	n.m.	
Gross profit margin	31.4%	33.3%	-	-57.0%	-	
EBITDA	0.8	1.0	→	-4.1	n.m.	
EBITDA margin	7.9%	9.0%	-	-63.6%	-	
EBIT	-0.4	-0.1	→	-5.2	n.m.	
EBIT margin	-4.0%	-1.2%	-	-80.4%	-	
Pre-tax profit	-0.5	-0.1	→	-5.2	n.m.	
Pre-tax margin	-4.4%	-1.0%	-	-80.9%	-	
Net profit	-0.5	-0.2	→	-5.4	n.m.	
Net margin	-4.4%	-2.1%	-	-82.6%	-	

Source: Company, DM BOŚ estimates



DOM MAKLERSKI
BANKU OCHRONY ŚRODOWISKA S.A.

Expected impact: *Neutral; 1Q21 results are marginally lower than our expectations, but the surprise value has a slight share in FY forecasts. It should be remembered that financials in 1 quarters are usually seasonally weak. We expect materially better results in 2Q22 and subsequent quarters.*

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.