

This is an excerpt from the Polish version of DM BOŚ SA's research report prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 3.0.

533/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
<b>LSI Software</b>	Buy	20.0	Overweight	Tomasz Rodak, CFA

**Event: 2Q22 results released – slightly below our expectations.**

Before today's session LSI Software released 2Q22 financial results **with EBITDA at PLN 1.1 million vs PLN 2.2 million expected by us.**

- 2Q22 revenues reached PLN 14.7 million, in line with preliminary reading;
- Production revenues at PLN 6.9 million turned to be 10% lower than we expected; the production margin reached 27.2% vs 42% expected;
- Distribution revenues at PLN 7.8 million were 12% above our forecasts; the distribution margin reached 27.2% vs 37% expected;
- Exports contributed 15% to 1H22 sales vs 13% in 1H21 and 24% in FY21;
- Gross profit on sales reached PLN 4.2 million and was 13% below our expectations;
- D&A stood at PLN 1.27 million in 2Q22 vs PLN 1.3 million expected;
- SG&A costs reached PLN 4.4 million vs PLN 4.1 million expected;
- **2Q22 operating loss stood at PLN 0.1 million vs expected operating profit at PLN 0.9 million;**
- a PLN 0.2 million income tax was paid in 2Q22 (vs expected PLN 0.1 million);
- **2Q22 net loss stood at PLN 0.1 million vs expected PLN 0.8 million net profit;**
- CFO at the end of 2Q22 reached PLN -1.6 million vs PLN +3.0 million in 1Q22;
- Cash at the end of 2Q22 PLN 4.1 million vs PLN 11.1 million in 1Q22;
- Net cash at the end of 2Q22 reached PLN 0.6 million vs PLN 8.2 million
- Capex in the discussed quarter reached PLN 5.2 million vs PLN 1,5 million in the previous quarter;  
*Our comment: A strong decline of cash is related to very high capex, probably stemming from purchases of restaurant robots.*
- The Company has not still received a decision regarding the cancellation of a subsidy from the Tax Shield 2.0 (c. PLN 3.5 million). The decision should be issued in 4Q22.  
*Our commentary: When a positive decision is issued, the settlement of revenues from the Tax Shield will be completed.*

LSI Software: 2Q22 financial results vs DM BOŚ forecasts

IFRS cons. (PLN million)	2Q22E		DM BOŚ forecasts	2Q21	chg yoy
	2Q22	(DM BOŚ)			
Revenues	14.7	14.6	→	16.3	-10%
production	6.9	7.7	↓	9.1	-24%
distribution	7.8	6.9	↑	7.2	7%
Gross profit on sales	4.2	4.8	↓	8.5	-51%
Gross profit margin on sales	28.4%	32.8%	-	52.2%	-
EBITDA	1.1	2.2	↓	8.4	-87%
EBITDA margin	7.7%	14.8%	-	51.2%	-
EBIT	-0.1	0.9	↓	7.4	n.m.
EBIT margin	-1.0%	5.9%	-	45.1%	-
PBT	-0.1	0.9	↓	7.2	n.m.
PBT margin	-0.6%	6.1%	-	43.9%	-
Net profit	-0.3	0.8	↓	7.3	n.m.
Net margin	-1.9%	5.2%	-	45.0%	-

Source: Company, DM BOŚ SA estimates



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**Expected impact:** *Slightly negative; the results are behind our expectations. The costs related to implementation of new business lines turn somehow higher than expected. The Company incurs high capex as well. Effects of these activities should be visible in next quarters only.*

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*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.*