

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 3.0.

673/2022/AR

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

Event: 3Q22 final financial results released – in line with our expectations.

After yesterday's market close LSI Software released its 3Q22 financial results.

Quarterly EBITDA reached PLN 0.9 million vs PLN 0.8 million expected by us.

- 3Q22 revenues at PLN 14.5 million were a tad higher than earlier published preliminary data (PLN 14.4 million);
- Production revenues reached PLN 7.6 million and turned 13% lower than we expected;
- Distribution revenues at PLN 6.9 million were 10% lower than we expected; the margin on sales in the distribution reached 30,0% vs 26% expected;
- Export contribution to sales increased from 15% in 1H22 to 18% in 1-3Q22 vs 24% in FY21;
- D&A stood at PLN 1.37 million vs PLN 1.39 expected;
- SGA costs reached PLN 2.4 million vs PLN 4.7 million expected.
Our comment: A sum of SGA costs and cost of products and services sold was close to our expectations, albeit they were booked in a different way than we assumed (more costs were booked under the cost of products and services sold and fewer under the sales costs).
- Quarterly EBIT stood at PLN -0.5 million vs PLN -0.6 million expected;
- The tax was close to 0 (almost as we forecasted);
- Net loss reached PLN -0.6 million vs PLN -0.5 million expected;
- OCFs reached PLN -1.6 million vs PLN +1.5 million in 3Q21;
- Cash at 3Q22-end stood at PLN 2.7 million vs PLN 4.1 million at 2Q22-end;
- ND at 3Q22-end reached PLN 2.9 million vs PLN 0.2 million net cash at 2Q22-end, the Company took out a PLN 2 million loan in 3Q22;
- Capex reached PLN 1.5 million vs PLN 0.8 million in 3Q21.
Our comment: this year LSI Software has been increasing inventories and fixed assets so to avoid potential shortages of devices (related to lack of microchips) and buying restaurant robots. This led to weak OCFs and high capex and the necessity of loan funding.
- The Company received a decision of cancellation of a subsidy (c. PLN 3.5 million) granted within the framework of the Anti-Crisis Shield 2.0. This income will be booked in 4Q22 under the other operating income.

LSI Software: 3Q22 financial results vs DM BOŚ forecasts

IFRS, cons. (PLN million)	3Q22	3Q22E (DM BOŚ)	Results vs DM BOŚ forecasts	3Q21	chg yoy
Revenues	14.5	14.4	→	10.5	38%
from production	7.6	6.7	↑	5.9	28%
from distribution	6.9	7.7	→	4.6	51%
EBITDA	0.9	0.8	→	0.4	105%
<i>EBITDA margin</i>	6.2%	5.6%	-	4.2%	-
EBIT	-0.5	-0.6	→	-0.6	-15%
<i>EBIT margin</i>	-3.3%	-4.1%	-	-5.4%	-
PBT	-0.5	-0.6	→	-0.4	19%
<i>Gross margin</i>	-3.7%	-3.9%	-	-4.3%	-
Net profit	-0.6	-0.5	→	-0.6	1%
<i>Net margin</i>	-3.9%	-3.3%	-	-5.3%	0%

Source: Company, DM BOŚ estimates

Expected impact: Neutral – 3Q22 results are in line with our expectations. The Company incurs high capex and the effects will be visible only in upcoming quarters.



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