

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

144/2023/AR

March 24, 2023

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
LSI Software	Buy	17.3	Overweight	Tomasz Rodak, CFA

Event: 4Q22 results preview.

The Company will publish its 4Q22 financials on April 28.

On January 30 LSI Software revealed that preliminary FY22 top line reached PLN 57.4 million (up 6% yoy) with 4Q22 revenues at PLN 17.4 million (up 21% qoq; down 16% yoy) that exceeded our tentative expectations at PLN 16.7 million by a 4% margin.

We assume a 12% drop of the production revenues due to last year's high base supported by cinema contracts as in 4Q22 we do not expect that high sales in the cinema segment. We forecast 4Q22 production margin to fall to 32% from 40% in 4Q21 due to cost pressures and recruitment of new engineering staff. We also expect a drop of 4Q22 distribution revenues by 21% yoy (last year's high base) and forecast the distribution margin at c. 24%vs 29% reported a year earlier.

We expect a material yoy growth of SG&A costs related to building the sales team for new business lines and forecast them at PLN 6.3 million (up 31% yoy). We also assume that in 4Q22 LSI booked PLN 3.4 million of the government assistance within Anti-Crisis Shield under other operating revenues.

All in all, we forecast PLN 17.4/ 8.4/ 2.9 million of revenues/ EBITDA/ NI (down 42%/ 16%/ 11%yoy) in 4Q22.

LSI Software; 4Q22E financial results

IFRS cons. (PLN million)	4Q22E	4Q21	yoy chg	1-4Q22E	1-4Q21	yoy chg
Revenues	17.4	20.7	-16%	57.4	54.0	6%
production	9.5	10.8	-12%	30.6	29.0	6%
distribution	7.8	9.9	-21%	26.7	25.0	7%
Gross profit on sales	6.2	9.3	-33%	15.6	16.6	-6%
Gross profit margin on sales	36.0%	44.8%	-	27.2%	30.7%	-
EBITDA	4.8	5.4	-11%	7.7	10.1	-24%
EBITDA margin	27.9%	26.2%	-	13.5%	18.7%	-
EBIT	3.4	4.3	-22%	2.3	5.9	-60%
EBIT margin	19.5%	20.9%	-	4.1%	11.0%	-
PBT	3.4	4.3	-20%	2.3	5.7	-60%
Gross margin	19.7%	20.5%	-	4.1%	10.6%	-
NI	2.9	5.0	-42%	1.6	6.5	-75%
Net margin	16.7%	24.3%	-	2.8%	12.0%	-

Source: Company, DM BOS estimates

Simultaneously, we lower our FY22 financial forecasts due to assumed higher labor and sales costs (related to the recruitment of new engineering and sales staff).

LSI Software; DM BOS forecast changes

IFRS cons. (PLN million)	2022E		
	current	previous	change
Revenues	57.3	56.5	1%
EBITDA	7.7	9.4	-18%
EBIT	2.3	4.0	-42%
NI	1.6	3.5	-54%
Net debt (cash)	-6.0	-7.3	-18%

Source: DM BOS estimates

Expected impact: LSI Software is pursuing intensive investments in new business lines. We expect a gradual improvement of financial results in the quarters to come.



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