

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

270/2023/AR

May 2, 2023

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

**Event: 4Q22 results released – below our expectations.**

After Friday's market close LSI Software released its 4Q22 financial results **with EBITDA at PLN 4.1 million which is 16% below our forecast at PLN 4.8 million.**

- 4Q22 revenues stood at PLN 17.4 million and were in line with earlier published preliminary data;
- The sales mix in the production and distribution was close to our assumptions;
- Gross margins in particular segments were materially lower than we expected:
  - 29% (vs 42% expected) in the production segment and
  - 22% (vs 28% expected) in the distribution segment.
- Export share in sales grew from 18% in 1-3Q22 to 19% in FY22 vs 24% in FY21;
- D&A reached PLN 1.46 million vs PLN 1.44 million expected;
- SG&A costs stood at PLN 5.5 million vs PLN 6.3 million expected;
- The net balance on the other operating activity reached PLN 3.7 million vs PLN 3.5 million expected (in line with expectations, the Company booked the Tax Shield settlement under this P&L item);
- Quarterly EBIT at PLN 2.6 million was lower than we expected (PLN 3.4 million);
- The Company booked a negative tax at PLN 1.7 million (vs PLN -0.5 million expected) which resulted in a higher than expected net profit in the discussed quarter;
- Net profit reached PLN 4.1 million vs PLN 2.9 million expected;
- CFO reached PLN 3.9 million vs PLN +2.3 million in 4Q21;
- Cash at the end of 4Q22 stood at PLN 2.7 million vs PLN 4.1 million at 3Q22-end;
- ND at the end of 4Q22 amounted to PLN 1.8 million vs PLN 2.9 million at 3Q22-end;
- Capex reached PLN 1.9 million vs PLN 4.6 million in 4Q21.

**LSI Software: 4Q22 financial results vs DM BOŚ's forecasts**

IFRS cons. (PLN m)	4Q22E		Results vs forecasts (DM BOŚ)	4Q21	yoy chg
	4Q22	DM BOŚ			
Revenues	17.4	17.4	→	20.7	-16%
production	9.3	9.5	→	10.8	-14%
distribution	8.1	7.8	→	9.9	-18%
Gross profit on sales	4.4	6.2	↓↓	9.3	-52%
Gross profit on sales margin	25.5%	36.0%	-	44.8%	-
EBITDA	4.1	4.8	↓	5.4	-25%
EBITD margin	23.5%	27.9%	-	26.2%	-
EBIT	2.6	3.4	↓↓	4.3	-39%
EBIT margin	15.2%	19.5%	-	20.9%	-
PBT	2.4	3.4	↓↓	4.3	-45%
Gross margin	13.5%	19.7%	-	20.5%	-
Net profit	4.1	2.9	↑↑	5.0	-19%
Net margin	23.4%	16.7%	-	24.3%	0%

Source: Company, DM BOŚ estimates



**DOM MAKLEERSKI**  
BANKU OCHRONY ŚRODOWISKA S.A.

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**Expected impact:** *Slightly negative, as the operating results are below our expectations. Thanks to a negative tax the net profit beat our forecast. LSI Software is investing heavily in new business lines. The gradual improvement of the Company's results is expected in the upcoming quarters.*

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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.*