

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

352/2023/AR

May 31, 2023

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

Event: 1Q23 results released – above our expectations.

After yesterday's market close LSI Software released 1Q23 financial results with the **quarterly EBITDA at PLN 2.1 million which is 150% above our expectations at PLN 0.9 million.**

- 1Q23 revenues at PLN 12.9 million are in line with the earlier published data;
- The Company's production revenues exceeded those in the distribution segment while we expected similar figures in both the segments;
- **The gross margins were materially ahead of our expectations:**
 - 35% in the production segment vs 28% expected and
 - 33% in the distribution segment vs 29% expected.
- The exports share in sales grew from 19% in FY22 to 21% in 1Q23 vs 12% in 1Q22;
- D&A reached PLN 1.6 million vs PLN 1.5 million expected;
- **SG&A costs at PLN 3.9 million were lower than we assumed (PLN 4.4 million)** and considerably below the costs reported in 4Q22 (PLN 5.5 million);
- The balance on the other operating activity at PLN 0.1 million was in line with our forecast;
- EBIT reached PLN 0.6 million while we forecast PLN -0.6 million;
- NI reached PLN 0.4 million while we forecast a PLN 0.6 million net loss;
- **1Q23 OCF hit PLN 1.9 million vs PLN 0.4 million a year ago;**
- Cash at the 1Q23-end stood at PLN 2.6 million vs PLN 2.5 million at the 2022-end;
- Net debt at the 1Q23-end reached PLN 1.9 million vs PLN 1.8 million at the 2022-end;
- Capex amounted to PLN 1.7 million vs PLN 1.5 million in the 2022-end.

LSI Software: 1Q23 financial results vs DM BOŚ forecasts

| IFRS consolidated (PLN million) | 1Q23E | | Results vs DM BOŚ forecasts | 1Q22 | yoy chg |
|------------------------------------|-------|--------|--------------------------------|-------|---------|
| | 1Q23 | DM BOŚ | | | |
| Revenues | 12.9 | 12.9 | → | 10.7 | 20% |
| production | 9.0 | 6.7 | ↑↑ | 6.5 | 38% |
| distribution | 3.9 | 6.3 | ↓↓ | 4.2 | -6% |
| Gross profit on sales | 4.4 | 3.7 | ↑ | 3.4 | 31% |
| Gross profit margin on sales | 34.2% | 28.8% | - | 31.4% | - |
| EBITDA | 2.1 | 0.9 | ↑ | 0.8 | 152% |
| EBITDA margin | 16.4% | 6.6% | - | 7.9% | - |
| EBIT | 0.6 | -0.6 | ↑ | -0.4 | -230% |
| EBIT margin | 4.3% | -4.9% | - | -4.0% | - |
| PBT | 0.5 | -0.7 | ↑ | -0.5 | -196% |
| Gross margin | 3.5% | -5.3% | - | -4.4% | - |
| Net Income | 0.4 | -0.6 | ↑ | -0.5 | -193% |
| Net margin | 3.4% | -4.5% | - | -4.4% | - |

Source: Company, DM BOŚ estimates

Expected impact: Slightly positive, as this is the first positive results surprise after many quarters. LSI Software realize higher margins in the segments and reported lower than expected SG&A costs. We expect further improvement of the Company's financial results in the remaining quarters of this year.



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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.