

VIGO System

1Q21 Results Review

Opinion. Neutral. The financial results were slightly impacted by higher than expected operating costs, however the company also confirmed the main financial targets for this year including expected over 20% y/y growth rate in revenues, driven by industry segment; PLN 20m target for revenues from military and EUR 1.5m target for revenues from semiconductors segment. On our forecasts VIGO trades at 2021E P/E of 22.4x.

VIGO System 1Q21 revenues arrived at PLN 14.6m (in line with preliminary numbers), EBITDA at PLN 6.8m (+25% y/y, 6% below IPOPEMA) and norm. net profit at PLN 4.9m (87% y/y, 5% below IPOPEMA forecast):

- **Revenues.** The company's revenues arrived at PLN 14.6m (+18% y/y, flat q/q), and were driven by industry segment (PLN 5.4m, flat q/q), military (PLN 5.0m, up 4% q/q), transport (PLN 2.4m, up nearly 200% q/q), Medicine and Science (PLN 1m) and Materials for semiconductors (PLN 0.5m down 14% q/q). The company already completed 35% of the order for Caterpillar and 59% of the order for Safran.
- **Gross margin.** Gross margin arrived at 64% (vs. 76% in 4Q20). According to the company the decrease stem partially from higher operating costs (increasing costs of materials and higher salaries).
- **SG&A costs.** SG&A cost arrived at PLN 5.2m, down 5% q/q, due to lower selling cost but also higher costs of energy and salaries.
- **EBITDA.** VIGO's EBITDA arrived at PLN 6.8m (+25% y/y, -16% q/q and 6% below IPOPEMA) and EBIT at PLN 5.2m (+31% y/y, -20% q/q and 8% below IPOPEMA forecast).
- **Net profit.** Net profit arrived at PLN 5.4m including non-cash PLN 0.5m recognition of deferred tax (related to operations in special economic zone). The company noted negative PLN 0.3m net financial result and immaterial level of current income tax. Normalized net profit arrived at PLN 4.9m (up 87% y/y and down 19% q/q) 5% below our forecast.
- **Operating cash flow.** OCF arrived at PLN 6.0m (flat y/y and up 32% q/q).
- **Capex.** Capex excl. grants reached PLN 8.7m (4% above our forecast), including PLN 4.1m on R&D (up 10% q/q), PLN 3.5m on investment program (including clean room) and PLN 1.1m on VIGO incubator. VIGO received grants of PLN 3.0m total value during the quarter.
- **Net Debt.** Net Debt arrived at PLN 21.7m up 25% q/q partially due to PLN 4.1m sum allocated in investments funds.

TMT

VIGO System

BUY**FV PLN 660.00**

13% downside

Price as of 6 May 2021 PLN 756.00

Analyst

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Figure 1. VIGO System 1Q21 results review

P&L (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	y/y	q/q	1Q21E	vs. IPO
Sales revenues	12.4	13.9	12.9	14.3	14.6	18%	2%	14.6	0%
Industry	5.3	7.5	5.4	5.4	5.4	4%	1%		
Military	0.9	3.0	4.7	4.8	5.0	462%	4%		
Transport	2.3	1.9	1.1	0.8	2.4	2%	197%		
Medicine and science	3.5	1.0	0.9	2.5	1.0	-70%	-58%		
Other	0.1	0.1	0.1	0.1	0.2	87%	28%		
Materials for photonics	0.4	0.4	0.5	0.6	0.5	48%	-14%		
COGS	-4.8	-4.5	-5.1	-3.4	-5.2	9.1%	52.8%		
gross profit/(loss) on sales	7.6	9.4	7.8	10.8	9.4	22.9%	-13.7%		
Other operating revenues	1.2	1.0	0.8	1.4	1.4	20.4%	1.0%		
Selling costs	-0.6	-0.8	-0.8	-1.2	-0.7	34.8%	-39.0%		
G&A costs	-4.2	-4.1	-3.3	-4.2	-4.4	4.9%	4.3%		
Other operating costs	-0.1	-0.1	-0.2	-0.3	-0.4	655.4%	61.5%		
EBITDA	5.5	7.0	5.8	8.2	6.8	24.8%	-16.3%	7.3	-6%
EBIT	4.0	5.4	4.3	6.5	5.2	30.6%	-20.5%	5.7	-8%
Net financial revenues	-1.3	0.2	-0.5	-0.5	-0.3	-77.8%	-38.9%		
Profit (loss) before tax	2.6	5.6	3.8	6.1	4.9	86.1%	-19.0%		
income tax	0.0	0.0	0.0	14.5	0.5	na	-96.6%		
Net profit	2.6	5.6	3.8	20.5	5.4	105.5%	-73.7%	4.2	29%
Norm. net profit	2.6	5.6	3.8	6.1	4.9	86.8%	-19.0%	5.2	-5%
Profitability ratios	1Q20	2Q20	3Q20	4Q20	1Q21	y/y	q/q	1Q21E	
Gross margin on sales	61.4%	67.4%	60.4%	76.0%	64.2%	2.8 pp	-11.8 pp	72.9%	-8.7 pp
EBITDA margin	44.2%	50.1%	45.4%	57.3%	46.9%	2.7 pp	-10.4 pp	50.1%	-3.1 pp
EBIT margin	32.1%	38.9%	33.3%	45.9%	35.7%	3.6 pp	-10.2 pp	38.9%	-3.2 pp
Norm. net profit margin	21.2%	40.2%	29.7%	42.4%	33.6%	12.5 pp	-8.8 pp	35.5%	-1.8 pp
Cash Flow Statement (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	y/y	q/q	1Q21E	
Net cash flow from operations	6.2	4.4	6.0	4.6	6.0	-3.0%	32.5%		
Net cash flow from investment activities	-4.4	-1.6	-5.5	-4.5	-9.9	126.2%	121.2%		
Grants	0.4	4.1	1.0	4.6	3.0	676.4%	-35.4%	2.5	17%
Gross capital expenditures	-4.7	-5.7	-3.3	-12.3	-8.7	83.4%	-29.3%	-8.4	4%
Net cash flows from financial activities	-1.9	-1.6	-1.7	0.0	-0.1	-96.1%	620.0%		
Total net cash flow	0.0	1.2	-1.2	0.1	-3.9	na	na		
Net Debt/ (Net cash)	19.6	17.0	17.0	17.3	21.7	10.5%	25.1%	15.3	41%

Source: Company, IPOPEMA Research

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NII – Net interest income – interest income minus interest expense.
 Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.
 LLP – loan loss provisions – an expense set aside as an allowance for bad loans.
 NPL – non-performing loan – loans that are in default or close to be in default.
 Cost/Income – operating expenses divided by total banking revenue.
 ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.
 ROA – return on assets – net income (or adjusted net income) divided by the average assets.
 EBIT – earnings before interests and tax.
 EBITDA – earnings before interests, tax, depreciation and amortization.
 EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.
 P/E – price to earnings ratio – price divided by earnings per share.
 PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.
 CAGR – compound annual growth rate.
 BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.
 P/BV – price to book value - price divided by the BVPS.
 DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.
 DY – dividend yield – dividend of a given year divided by the current price.
 DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.
 FV – Fair Value, calculated based on valuation methods outlined in the document.

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Buy	Above 10%
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Sell	Below -10%

IPOPEMA Research - Distribution by rating category (January 1 – March 31, 2021)

	Number	%
Buy	15	94%
Hold	0	0%
Sell	1	6%
Total	16	100%

Rating History – VIGO System

Date	Recommendation	Fair Value	Price at recommendation	Author
02.08.2019	BUY	380.0	330.0	Michał Wojciechowski
16.04.2020	BUY	480.0	384.0	Michał Wojciechowski
29.07.2020	BUY	650.0	550.0	Michał Wojciechowski
08.12.2020	BUY	660.0	550.0	Michał Wojciechowski