

VIGO System

2Q21 Results Review

Opinion. Slightly negative. The results arrived below our expectations due to both higher than expected COGS and G&A, which are driven by expansion of the company. On our forecasts VIGO trades at 2021E P/E of 20.7x.

VIGO System 2Q21 revenues arrived at PLN 18.0m (in line with preliminary numbers), EBITDA at PLN 8.3m (+19% y/y, 13% below IPOPEMA) and norm. net profit at PLN 7.0m (25% y/y, 10% below IPOPEMA forecast):

- **Revenues.** The company's revenues arrived at PLN 18.0m (+30% y/y, +24% q/q), and were primarily driven by industry segment (PLN 7.3m, up 34% q/q), military (PLN 6.8m, up 35% q/q) and transport (PLN 1.9m, down 19% q/q). The company completed the order from Safran in 85% and order from Caterpillar in 47% by the end of the quarter.
- **Gross margin.** Gross margin arrived at 64% (flat q/q), 4pp below our estimates. COGS increased by 25% q/q, reaching PLN 6.5m due to higher D&A, employment and new segment operations.
- **SG&A costs.** SG&A cost arrived at PLN 6.1m, up 18% q/q, due overall increase related to growth in employment as well as new factory and larger scale of operations.
- **EBITDA.** VIGO's EBITDA arrived at PLN 8.3m (+19% y/y, +21% q/q and 13% below IPOPEMA) and EBIT at PLN 6.6m (+21% y/y, +26% q/q and 17% below IPOPEMA forecast).
- **Net profit.** Net profit arrived at PLN 7.0m, 10% below our forecast. The company noted immaterial level of current income tax and noted positive PLN 0.4m net financial result.
- **Operating cash flow.** OCF reached PLN 4.9m (up 28% y/y and down 19% q/q).
- **Capex.** Capex excl. grants reached PLN 6.3m (5% below our forecast), including PLN 4.6m spent on R&D (up 12% q/q) and PLN 1.7m on investment program (including clean room). VIGO received grants of PLN 4.3m total value during the quarter.
- **Net Debt.** Net debt arrived at PLN 21.0m down 3% q/q and 9% below our forecast.

TMT

VIGO System

BUY

FV PLN 850.00

21% upside

Price as of 26 August 2021 PLN 704.00

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Figure 1. VIGO System 2Q21 results review

P&L (PLN m)	2Q20	3Q20	4Q20	1Q21	2Q21	y/y	q/q	2Q21E	vs. IPO
Sales revenues	13.9	12.9	14.3	14.6	18.0	30%	24%	18.0	0%
Industry	7.5	5.4	5.4	5.4	7.3	-4%	34%		
Military	3.0	4.7	4.8	5.0	6.8	127%	35%		
Transport	1.9	1.1	0.8	2.4	1.9	1%	-19%		
Medicine and science	1.0	0.9	2.5	1.0	0.8	-19%	-25%		
Other	0.1	0.1	0.1	0.2	0.1	-48%	-59%		
Materials for photonics	0.4	0.5	0.6	0.5	1.2	215%	119%		
COGS	-4.5	-5.1	-3.4	-5.2	-6.5	44%	25%		
gross profit/(loss) on sales	9.4	7.8	10.8	9.4	11.5	23%	23%		
Other operating revenues	1.0	0.8	1.4	1.4	1.4	40%	-2%		
Selling costs	-0.8	-0.8	-1.2	-0.7	-0.9	12%	20%		
G&A costs	-4.1	-3.3	-4.2	-4.4	-5.2	27%	18%		
Other operating costs	-0.1	-0.2	-0.3	-0.4	-0.2	335%	-43%		
EBITDA	7.0	5.8	8.2	6.8	8.3	19%	21%	9.5	-13%
EBIT	5.4	4.3	6.5	5.2	6.6	21%	26%	7.9	-17%
Net financial revenues	0.2	-0.5	-0.5	-0.3	0.4	121%	na		
Profit (loss) before tax	5.6	3.8	6.1	4.9	7.0	25%	43%		
income tax	0.0	0.0	14.5	0.5	0.0	na	-94%		
Net profit	5.6	3.8	20.5	5.4	7.0	26%	30%	7.8	-10%
Norm. net profit	5.6	3.8	6.1	4.9	7.0	25%	43%	7.8	-10%
Profitability ratios	2Q20	3Q20	4Q20	1Q21	2Q21	y/y	q/q	2Q21E	vs. IPO
Gross margin on sales	67.4%	60.4%	76.0%	64.2%	63.8%	-3.5 pp	-0.4 pp	68.0%	-4.2 pp
EBITDA margin	50.1%	45.4%	57.3%	46.9%	45.8%	-4.2 pp	-1.1 pp	52.6%	-6.7 pp
EBIT margin	38.9%	33.3%	45.9%	35.7%	36.4%	-2.5 pp	0.7 pp	43.7%	-7.3 pp
Norm. net profit margin	40.2%	29.7%	42.4%	33.6%	38.8%	-1.4 pp	5.2 pp	43.2%	-4.4 pp
Cash Flow Statement (PLN m)	2Q20	3Q20	4Q20	1Q21	2Q21	y/y	q/q	2Q21E	vs. IPO
Net cash flow from operations	3.8	6.0	4.6	6.0	4.9	28%	-19%		
Net cash flow from investment activities	-1.2	-5.5	-4.5	-9.9	-5.0	304%	-50%		
Grants	4.1	1.0	4.6	3.0	4.3	4%	45%	2.0	115%
Gross capital expenditures	-5.4	-3.3	-9.3	-8.7	-6.3	17%	-28%	-6.6	-5%
Net cash flows from financial activities	-1.8	-1.7	0.0	-0.1	-0.2	-90%	144%		
Total net cash flow	0.8	-1.2	0.1	-3.9	-0.3	na	-93%		
Net Debt/ (Net cash)	17.0	17.0	17.3	21.7	21.0	24%	-3%	23.0	-9%

Source: Company, IPOPEMA Research

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The definitions of terms used in the document include:

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%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (April 1 – June 30, 2021)

	Number	%
Buy	19	76%
Hold	6	4%
Sell	0	0%
Total	25	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
19.05.2021	BUY	850.0	760.0	Michał Wojciechowski