

611/2021/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
LSI Software	Buy	23.1	Overweight	Tomasz Rodak, CFA

Event: 3Q21 results' forecast.

LSI will publish its 3Q21 financial report on November 26.

On October 21 LSI Software informed that 1-3Q21 preliminary revenues arrived at PLN 33.3 million (+4% yoy), which implies that 3Q21 preliminary revenues amounted to PLN 10.5 million (-37% qoq; -7% yoy).

We expect a 9% yoy drop of revenues in the production segment due to prevailing uncertainty regarding possible lock downs in the HoReCa sector. In our view some clients may have refrained from purchases in this environment. We also expect that some contracts may have been delayed to 4Q21 for this reason. The margin in the production may reach 25% (vs 83% in 2Q21).

For similar reasons we expect a 4% yoy drop of revenues in the distribution segment. The margins should come out flattish yoy at c. 30%.

All in all, we expect the Group's 3Q21 sales, EBITDA and NP to amount to PLN 10.5 million (-7% yoy), PLN 0.8 million (-67% yoy) and -0.3 million (vs PLN 1.3 million in 3Q20), respectively.

LSI Software's 3Q21 results forecast

IFRS consolidated (PLN m)	3Q21E	3Q20	yoy chg	1-3Q21E	1-3Q20	yoy chg
Sales	10.5	11.3	-7%	33.3	32.2	4%
Production	5.8	6.4	-9%	18.1	17.5	3%
Distribution	4.7	4.9	-4%	15.2	14.7	4%
Gross profit on sales	3.1	0.9	228%	7.9	2.4	231%
Gross profit margin	29.6%	8.4%	-	23.8%	7.4%	-
EBITDA	0.8	2.3	-67%	5.0	6.1	-18%
EBITDA margin	7.4%	20.7%	-	15.1%	19.1%	-
EBIT	-0.3	1.2	n.m.	1.9	2.4	-23%
EBIT margin	-2.6%	11.1%	-	5.6%	7.6%	-
Pre-tax profit	-0.3	1.3	n.m.	1.6	2.5	-37%
Pre-tax margin	-3.2%	11.3%	-	4.8%	7.9%	-
Net profit	-0.3	1.3	n.m.	1.7	2.6	-33%
Net margin	-2.7%	11.3%	-	5.1%	8.0%	-

Source: Company, DM BOS estimates

Expected impact: *Slightly negative, as we initially expected a yoy improvement of revenues in 3Q21 and we hoped for higher quarterly results. However, we underline that fourth quarters are seasonally the strongest and the Company may still come close to our FY21 forecasts (PLN 48.6 million revenues; PLN 7.3 million net profit). It must be stressed, however, that potential economy lock-downs would create a risk.*

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.