

250/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
LSI Software	Buy	22.0	Overweight	Tomasz Rodak, CFA

Event: 4Q21 results – slightly above our expectations; net profit boosted by the recognition of deferred tax.

On Friday, after the market close, LSI released their 4Q21 financials, with **EBIT at PLN 4.3 million beating our expectations at PLN 4.1 million by 5%**.

- 4Q21 revenues reached PLN 20.7 million, in line with earlier published preliminary data;
- Production revenues at PLN 10.8 million were 11% lower than we expected, with the margin at 59.4% vs 49% expected;
- Distribution revenues at PLN 9.9 million were 16% above our expectations, with the margin at 28.9% vs 31% expected;
- Gross profit on sales at PLN 9.3 million beat our expectations by 8%;
- D&A reached PLN 1.1 million vs PLN 1.04 million expected;
- SGA costs stand at PLN 4.8 million vs PLN 4.6 million expected;
- EBIT at PLN 4.3 million beat our expectations at PLN 4.1 million by 5%;
- Tax paid in 4Q21 equaled PLN -0.8 million (vs PLN 0.4 million expected); the negative tax stood behind a strong upward skew of the Company's NI from our forecast;
- NI at PLN 5.0 million exceeded our expectations by 35% due to the recognition of deferred tax;
- Net Debt at the end of 4Q21 reached PLN 9.5 million vs PLN 9.0 million at the end of 4Q20;
- Contribution of exports to sales increased from 9% in FY20 to 24% in FY21;
Commentary: This increase was likely related to a growth of foreign sales of cinema software:
- In 2Q21 the Company's capex was high, at PLN 4.6 million;
Commentary: This level of capex is record high and massively higher than recorded in previous quarters (PLN 0.8 million in 3Q21 or PLN 1.5 million in 2Q21). We believe this may be related to the purchase of PUDU robots for their subsequent leasing/ sale to end users.
- In 2Q22 the Company may settle c. PLN 3.5 million of other operating revenues from the COVID-19 Tax Shield;
Commentary: in line with our expectations
- Besides, after Friday's market close the Company informed that preliminary revenues in 1Q22 reached PLN 10.7 million (+65% yoy, -5% vs 1Q20 and +1% vs 1Q19);
Commentary: 1Q22 revenues were relatively flat as compared to pre-pandemic quarters.

LSI Software; 4Q21 results vs forecast

IFRS consolidated (PLN m)	4Q21E		4Q21A vs. expectations (DM BOŚ's)	4Q20	yoy chg
	4Q21	DM BOŚ			
Sales	20.7	20.7	→	10.9	90%
Production	10.8	12.1	↓	4.7	128%
Distribution	9.9	8.6	↓	6.2	60%
Gross profit on sales	9.3	8.6	→	0.3	n.m.
Gross profit margin	44.8%	41.6%	-	2.7%	-
EBITDA	5.4	5.2	→	0.2	n.m.
EBITDA margin	26.2%	25.0%	-	2.1%	-
EBIT	4.3	4.1	→	-0.8	n.m.
EBIT margin	20.9%	19.9%	-	-7.0%	-
Pre-tax profit	4.3	4.1	→	-0.8	n.m.
Pre-tax margin	20.5%	20.0%	-	-7.3%	-
Net profit	5.0	3.7	↑↑	-0.2	n.m.
Net margin	24.3%	18.0%	-	-1.5%	-

Source: Company, DM BOŚ estimates



Expected impact: *Positive. 4Q21 results are very strong and record high with high quality as well (no one-offs, high margins in the segments, SGA costs under control). There was a strong growth of export sales (mainly POSitive Cinema). We are positive on the Company's new business segment (PUDU robots distribution), which we have not included in our financial forecasts, but which is likely to exert a positive impact on the Company's financial already this year.*

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.