

334/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
LSI Software	Buy	22.0	Overweight	Tomasz Rodak, CFA +48 797 487 381

Event: 1Q22 results forecast; the board recommends no dividend payment from FY21 profit.

On May 30 the Company will release their 1Q22 financial results.

On April 29, LSI Software informed that 1Q22 preliminary revenues reached PLN 10.7 million (up 65% yoy) which implies a 5% decline vs 1Q20 and a 1% growth vs 1Q19. The revenues were relatively poor, but still much stronger yoy (detrimental impact of the pandemic lockdowns in 1Q21).

We expect the Company's production revenues to rise 60% yoy in 1Q22 due to last year's low base. 1Q22 sales bounced back to the levels observed before the pandemic. We forecast a 38% margin in the production segment (vs 59% in 4Q21 and strongly negative margin in 1Q21).

Under the similar rationale, we expect a strong 70% yoy rise of the distribution segment's revenues with the margin at 29% vs 23.5% in the base quarter.

Summing up, we forecast 1Q22 revenues/ EBITDA/ net loss at PLN 10.7 million of (up 66% yoy)/ PLN 1.0 million/ PLN 0.2 million (vs a PLN 5.4 million net loss a year ago).

The Company also informed that the management board recommended the allocation of the entire FY21 profit for the reserve capital. No dividend pay-out was rationalized by capital needs (investments underway) and economic uncertainty on the back of the war in Ukraine.

LSI Software; 1Q22E financial results

IFRS consolidated (PLN m)	1Q22E				1Q22
	1Q22E	1Q21	1Q20	1Q19	yoy chg
Sales	10.7	6.5	11.4	10.6	66%
Production	5.1	3.2	5.1	5.7	61%
Distribution	5.6	3.3	6.3	4.9	70%
Gross profit on sales	3.6	-3.7	-0.4	1.8	n.m.
Gross profit margin	33.6%	-57.0%	-3.1%	17.2%	-
EBITDA	1.0	-4.1	0.1	2.6	n.m.
EBITDA margin	9.3%	-63.6%	0.6%	24.8%	-
EBIT	-0.1	-5.2	-1.2	1.5	n.m.
EBIT margin	-0.8%	-80.4%	-10.7%	14.0%	-
Pre-tax profit	-0.1	-5.2	-1.0	1.9	n.m.
Pre-tax margin	-0.7%	-80.9%	-8.6%	17.5%	-
Net profit	-0.2	-5.4	-1.1	1.8	n.m.
Net margin	-1.8%	-82.6%	-9.9%	17.1%	-

Source: Company, DM BOS estimates

Expected impact: Neutral; usually, financial results in 1Q are seasonally weak. We expect a material results improvement in 2Q22 and subsequent periods. The lack of a dividend pay-out might have been expected by the market as the Company has been incurring high expenditures and costs related to development of two new business lines (restaurant robot distribution and start of a software sale in a subscription model).

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.