

VIGO System

2Q20E Results Preview

VIGO System is due to publish its 2Q20E results on 28 August 2020.

We expect 2Q20E revenues at PLN 13.9m (+65% y/y, in line with preliminary numbers), EBITDA at PLN 6.4m (+126% y/y) and net profit at PLN 5.3m (171% y/y) to be driven by:

Revenues. The company already published preliminary revenues of PLN 13.9m (+65% y/y, +12% q/q), which includes PLN 7.5m from Industry segment (+24% y/y, +44% q/q), PLN 3.0m from Military segment (+540% y/y), PLN 1.9m from Transport segment (+42% y/y) and PLN 1.0m from Medicine and Science (+115% y/y). The new materials for semiconductors segment generated PLN 0.4m revenues, flat q/q.

Gross margin. We expect the company's gross margin to arrive at 63% vs 61% in 1Q20 due to increasing revenues and rather fixed level of production costs (mainly flat salaries cost).

SG&A costs. We expect PLN 5.1m of SG&A cost (+8% q/q), assuming higher costs of bonuses based on financial results in 2Q.

EBITDA. We forecast EBITDA of PLN 6.4m (+126% y/y) and EBIT of PLN 4.8m (+161% y/y).

Net profit. We forecast PLN 5.3m net profit (+171% y/y), driven by positive changes in foreign exchange rates and immaterial level of income tax.

CAPEX. In 2Q20E we expect VIGO to spend PLN 3.3m, including PLN 2.3m on R&D, PLN 1.0m on ongoing investment program. We forecast the company to receive PLN 0.4m in grants.

Net Debt. We forecasts PLN 18.0m of net debt level at the quarter's end, driven by PLN 32.1m of gross debt and PLN 14.1m of cash.

Opinion. Positive. *2Q20E seems to be a strong quarter with no visible negative impact of COVID-19 pandemic on VIGO's results. We do not expect substantial surprises and big announcements from the board in the report or during 2Q20E conference. More insights are likely to be provided at the year's end, when VIGO should achieve the first sales of affordable detectors and the material increase in semiconductors segment.*

TMT

VIGO System

BUY

FV PLN 480.00

16% downside

Price as of 22 July 2020 PLN 570.0

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Figure 1. VIGO System 2Q20E results preview

P&L (PLN m)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20E	y/y	q/q
Sales revenues	11.5	8.4	11.9	11.1	12.4	13.9	65%	12%
Industry	7.8	6.1	6.7	4.8	5.3	7.5	24%	44%
Military	0.2	0.5	3.5	3.9	0.9	3.0	540%	234%
Transport	2.9	1.3	0.9	0.7	2.3	1.9	42%	-19%
Medicine and science	0.5	0.4	0.7	1.4	3.5	1.0	115%	-72%
Other	0.1	0.1	0.1	0.1	0.1	0.1	15%	46%
Materials for photonics	0.0	0.0	0.0	0.2	0.4	0.4	na	3%
EBITDA	5.1	2.8	5.6	5.1	5.5	6.4	126%	16%
EBIT	4.2	1.8	4.4	3.6	4.0	4.8	161%	20%
Net profit	4.1	1.9	3.7	4.1	2.6	5.3	171%	100%
Profitability ratios	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	y/y	q/q
Gross margin on sales	64.0%	58.3%	63.8%	64.7%	61.4%	63.4%	5.2 pp	2 pp
EBITDA margin	44.3%	33.4%	46.8%	46.2%	44.2%	45.8%	12.4 pp	-0.4 pp
EBIT margin	36.4%	21.8%	36.7%	32.9%	32.1%	34.5%	12.7 pp	1.6 pp
Net profit margin	36.1%	23.0%	31.3%	36.9%	21.2%	37.9%	14.9 pp	1 pp
Cash Flow Statement (PLN m)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	y/y	q/q
Net CAPEX (after grants)	-9.8	-13.3	-9.4	1.4	-4.4	-2.9	-78.1%	-33.1%
Net Debt/ (Net cash)	13.2	20.4	27.2	20.5	19.6	18.0	-12%	-8%

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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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (Apr 1 – Jun 30, 2020)

	Number	%
Buy	23	55%
Hold	11	26%
Sell	8	19%
Total	42	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