

Neutral

Recommendation unchanged

Share price: EUR 10.78

closing price as of 26/04/2017

Target price: EUR 11.50

from Target Price: EUR 13.00

Upside/Downside Potential 6.7%

Reuters/Bloomberg SYZG.DE/SYZ GY

Market capitalisation (EURm) 138

Current N° of shares (m) 13

Free float 49%

Daily avg. no. trad. sh. 12 mth 7

Daily avg. trad. vol. 12 mth (m) 171.68

Price high/low 12 months 9.70 / 12.90

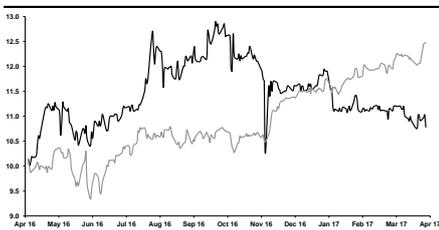
Abs Perfs 1/3/12 mths (%) -3.32/-9.41/12.29

Key financials (EUR)

	12/16	12/17e	12/18e
Sales (m)	64	69	74
EBITDA (m)	7	8	9
EBITDA margin	11.5%	12.0%	12.4%
EBIT (m)	6	6	7
EBIT margin	8.7%	9.4%	10.0%
Net Profit (adj.)(m)	5	6	6
ROCE	9.5%	10.9%	12.2%
Net debt/(cash) (m)	(15)	(18)	(17)
Net Debt/Equity	-0.3	-0.3	-0.3
Debt/EBITDA	-2.1	-2.1	-1.9
Int. cover(EBITDA/Fin. int)	(8.4)	(8.3)	(9.2)
EV/Sales	2.1	1.8	1.7
EV/EBITDA	18.3	14.7	13.3
EV/EBITDA (adj.)	18.3	14.7	13.3
EV/EBIT	24.1	18.8	16.6
P/E (adj.)	29.9	25.0	22.3
P/BV	3.0	2.8	2.8
OpFCF yield	3.4%	7.6%	6.4%
Dividend yield	3.6%	4.0%	4.5%
EPS (adj.)	0.39	0.43	0.48
BVPS	3.86	3.88	3.90
DPS	0.39	0.43	0.48

Shareholders

WPP Plc 50%; SYZYGY AG 0.61%; TBF Global Asset Management GmbH 3%;



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Weak Q1 - Organic growth does not appear to be sufficient

The facts: Yesterday afternoon we received SYZYGY's (SYZ) preliminary Q1/17 numbers. All in all, figures came in somewhat subdued as expected mainly due to a weaker development on top but especially on bottom line. The company justified this with one-off restructuring costs in the area of its subsidiary Hi-Res! Berlin as well as generally declining customer orders.

Our analysis: Q1/17 results: Revenues came in at EUR 14.8m (+3% YoY) which is 2% lower than the growth rate of last year's Q1. EBIT reached EUR 1.0m (-32% YoY) which is a significantly negative beat to last year where the growth rate counts +10%. The EBIT margin decreased by 300bps yoy to 6.8% from 10.3% due to higher OPEX which due to competitive factors could not be passed on to customers. We assume among other things that SYZ had to hire more Freelancers which additionally burdened gross margin. EBT came in EUR 1.5m (-20% YoY) and therefore better than EBIT due to a higher financial result with EUR 0.5m (+27% YoY). Net profit (before minorities) came in at EUR 1.07m (-22% YoY). Regarding top line growth it is important to keep in mind that SYZ's subsidiary HI-Res Berlin lost its major client project of the international website of BMW with a volume of round about 5m sales, accounting last for 50% of the company's business.

What could change our view to the positive: Due to the negative margin development in general we expect SYZ to focus on inorganic growth, expected to come in the next quarters. SYZ Track record speaks in favour of management to have a keen sense for M&A. New deals are still possible with 18m net cash, (although 10% cash is required for operating business). Possible sectors could be consulting in digital communication like "CRM" or a platform for building online shops. Furthermore some news like the acquisition of new big customers equal to BMW would be a good signal.

Conclusion & Action: With their guidance of a merely single-digit growth on top line for FY17, and a decline in its EBIT margin yoy and especially seen in Q1, we are concerned about SYZ's own target of 10-12% EBIT margin which is planned to be reached in medium term. Unfortunately we miss the short-term fantasy for a stronger organic growth as the current circumstances look quite negative at first glance. After revising our model we lower our short term estimates but stick to our Neutral recommendation with a DCF-based target price of EUR 11.50.