

## A solid start

*Following the turning point in FY 2018, Syzygy has reported a satisfactory set of results for Q1'19. Net sales reached EUR 15.7m, growing by 2% yoy (from EUR 15.4m in Q1'18), burdened by lower revenues from the UK segment. While EBIT has increased by impressive 30.6% yoy to EUR 1.4m supported by EUR 0.1m IFRS 16 effects. As a result of company's efforts in restructuring its overseas operations, Net Income after minorities has increased by 17.6% yoy to EUR 1.1m (from EUR 0.9 in Q1'18). We expect revenue growth to gain momentum in the quarters to come and expect SZY to meet its full-year guidance. Our rating remains Buy with a target price of EUR 10.7.*

EUR m	Q1 2019	Q1 2018	% yoy
Revenues	15.7	15.4	1.7%
EBIT	1.4	1.1	30.6%
EBIT Margin	9.2%	7.2%	203 BP
Net income	1.1	0.9	17.6%
EPS	0.08	0.07	17.6%

Source: SYZGY AG, Pareto

### Operating CF dragged down by significant working capital increase due to timing effects

Operating cash flow reported for Q1'19 yoy fell to EUR -9.2m (EUR 3.9m in Q1'18), which is mainly due to a sharp increase in working capital. Payables decreased by EUR 4.4m in Q1 while receivables increased by EUR 2.3m. The increase in working capital reflects the unwinding of positive timing effects, which is shown by EUR 7.2m operating cash flow in Q4'18 exceeding Net Income of EUR 1.1m by EUR 6.0m. Company's cash reserves have consequently decreased from EUR 11.5m to EUR 0.2m at the end of Q1'19. Maturing securities (total securities: EUR 12.1m) will ensure the payment of the proposed dividends of EUR 0.40 per share (totalling EUR 5.4m).

### Confirmed guidance

For the current FY 2019, SYZGY reaffirmed its guidance to reach an "upper single-digit" yoy sales growth, as well as an EBIT increase by c. 10% yoy. We see the company in a good position to achieve the guidance and are convinced that Syzygy is on the right track to reach its targeted 10.0% EBIT margin over the mid-term.

	Company guidance	Pareto
Revenue	Upper single-digit percentage growth yoy	8.5%
EBIT	10% yoy	14.9% yoy

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