

Syzygy AG^{*5a,7,11}

Rating: BUY

Target price: €10.20
(previously: €10.20)

Current share price: 6.12
05.11.21 / XETRA / 1:20 pm
Currency: EUR

Key data:

ISIN: DE0005104806
WKN: 510480
Ticker symbol: SYZ
Number of shares³: 13.50
Market cap³: 82.62
EnterpriseValue³: 80.34
³ in million / in EUR million
Free float: 35.5%

Transparency level:
Prime Standard
Market segment:
Regulated market
Accounting:
IFRS

Financial year: 31.12.

Analysts:

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* Catalogue of possible conflicts of interest on page 6

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Date (time) completion english version: 09.11.21 (10:29 pm)
Date (time) first transmission german version: 09.11.21 (12:00 am)

Company profile

Industry: Communication and Technology

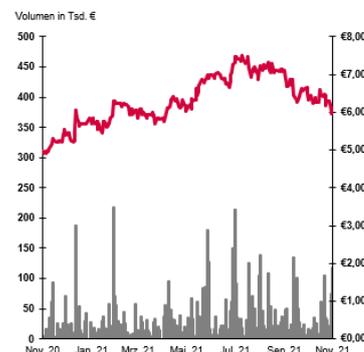
Focus: Digital Marketing

Employees: 506 (30.09.2021)

Foundation: 1995

Headquarters: Bad Homburg

Board of Directors: Franziska von Lewinski, Erwin Greiner, Frank Ladner



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P&L in EUR million \ FY-end	31.12.2020	31.12.2021e	31.12.2022e	31.12.2023e
Revenues	55.52	61.07	67.18	73.90
EBITDA	9.65	11.67	11.92	13.32
EBIT	4.00	6.27	6.92	7.92
Net profit for the year	2.06	4.05	4.23	4.96

Key figures in EUR				
Earnings per share	0.15	0.30	0.31	0.37
Dividend per share	0.15	0.20	0.25	0.30

Key figures				
EV/Revenues	1.45	1.32	1.20	1.09
EV/EBITDA	8.32	6.89	6.74	6.03
EV/EBIT	20.09	12.82	11.61	10.15
KGV	40.13	20.40	19.51	16.65
KBV	1.54			

Financial calendar	
22-24.11.21:	Equity Forum
07-08.12.21:	MKK

**last research from GBC:	
Date:	Publication / Target price in EUR / Rating
04.08.2021:	RS / 10.20 / BUY
07.05.2021:	RS / 9.60 / BUY
13.04.2020:	RS / 9.60 / BUY
01.02.2021:	RS / 9.35 / BUY
The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.	

Notice pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

9 months 2021: Turnaround successful; revenue and earnings development "in line"; forecasts, estimates and target price confirmed

P&L (in € million)	9M 2019	9M 2020	9M 2021
Revenues	47.63	40.69	44.66
thereof International segment	12.49	8.09	10.25
thereof Germany segment	36.34	33.42	35.39
EBIT	4.16	2.61	4.62
EBIT margin	8.7%	6.4%	10.3%
Financial result	-0.12	-0.56	-0.57
Result for the period	2.92	1.44	3.04

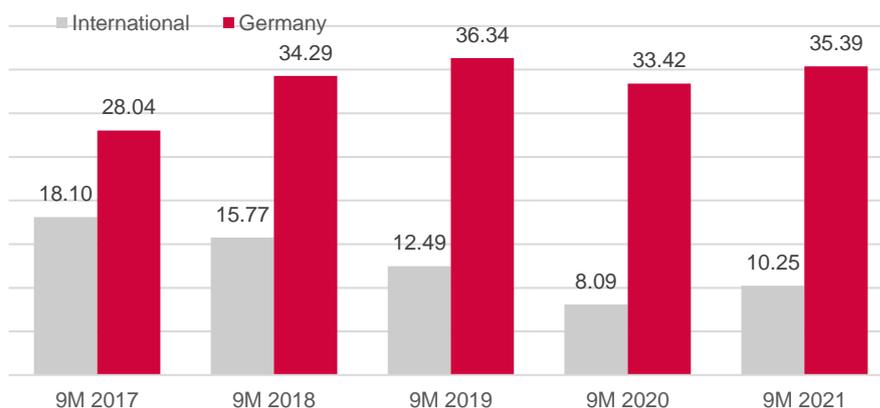
Sources: SYZYGY AG; GBC AG

Revenue development 9 month 2021

Based on the first nine months of 2021, Syzygy AG's sales revenues of € 44.66 million (previous year: € 40.69 million) were 9.8 % above the previous year's level and thus in line with our expectations. While the previous year's period was significantly affected by the impact of the corona pandemic, especially in the second quarter, the current 2021 financial year was characterised by signs of recovery. However, pandemic-related effects are still evident, so that their revenue level is still below the pre-Corona comparison period of the 2019 financial year.

Both the revenue in Germany and the revenue generated abroad contributed to their positive development. However, the significant expansion of their international business was particularly dynamic, with a 26.7% increase in turnover, due to higher expenditure by an existing customer in the UK. However, turnover in Poland and the USA also stabilised at a higher level. The restructuring measures implemented over the past few years at the foreign companies (e.g. realignment of operational structures, etc.) were successfully implemented. These measures should now "bear fruit" and we expect a sustainable trend reversal.

Segment-related revenue development (in € million)



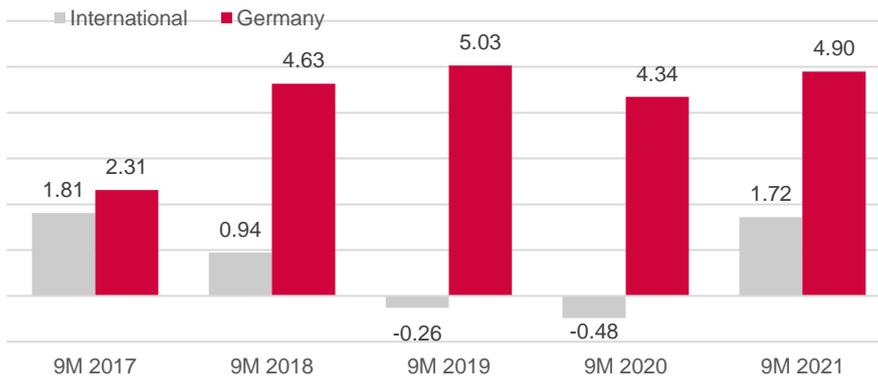
Sources: SYZYGY AG; GBC AG

The increase in sales of the Syzygy companies operating in Germany was 5.9% overall. Here too, the Syzygy Group benefited from an increase in sales to existing clients and was also able to acquire new clients. According to company information, the planned increase in personnel at the German companies took place somewhat more slowly than expected. Higher sales would have been possible here with correspondingly higher staff resources.

Earnings development 9 month 2021

Although the gap in turnover caused by the Corona pandemic in the previous business year could not yet be completely closed, a new nine-month record was achieved at the EBIT level. In the previous business years, only the German companies had made a positive contribution to the result. After completion of the restructuring measures and the associated implementation of cost savings at the foreign companies, a positive contribution to earnings was also generated here for the first time in two years.

Segment-related EBIT-development (in € million)



Sources: SYZYGY AG; GBC AG

The fact that a new record was achieved with a Group EBIT of € 4.62 million (previous year: € 2.61 million) is also due to the cost savings implemented in the context of the Corona pandemic. As a result, sales and marketing costs as well as administrative costs, for example, are significantly below the pre-Corona level. Although it can be assumed that marketing costs will rise again in the future, Syzygy AG has a sustainably leaner cost structure overall.

The strong improvement in the operating result has also continued at the level of the after-tax result. With a net profit for the period of € 3.04 million (PY: € 1.44 million), not only was the previous year's figure significantly exceeded, it was also higher than the period before the start of the pandemic (9M 2019: € 2.92 million). It is worth mentioning here that Syzygy AG is now reporting no significant financial income for the third financial year in a row. This is primarily due to the company acquisitions made in the past financial years and the resulting decline in securities held. In addition, Syzygy AG has been reporting financial expenses (rental expenses) since the 2019 financial year as part of IFRS 16 accounting.

Forecast and model assumptions

P&L (in € million)	FY 2020	FY 2021e	FY 2022e	FY 2023e
Revenues	55.52	61.07	67.18	73.90
EBIT	4.00	6.27	6.92	7.92
<i>EBIT margin</i>	7.2%	10.3%	10.3%	10.7%
Net profit for the year	2.08	4.05	4.23	4.96

Sources: Syzygy AG; GBC AG

Syzygy's management has confirmed its guidance with the publication of the nine-month report. The outlook remains unchanged for sales growth of around 10.0% and an EBIT margin of around 10.0%. Both geographic segments are expected to contribute equally to this. In view of the figures achieved in the first nine months of 2021, namely revenue growth of 9.8 % and an EBIT margin of 10.3 %, the company guidance is a very realistic scenario.

The foreign companies are likely to show higher growth dynamics, also on a full-year basis. In the last research study, we had already anticipated that the growth momentum of sales generated abroad would flatten out somewhat after an unusually strong performance in the first two quarters. This has occurred as expected, but we continue to assume that the budget increases from existing customers as well as the new customers acquired provide a good basis for a sustainable increase in turnover.

Parallel to this, the more stable business in Germany should benefit from an expansion of the business with existing clients as well as from the new clients already acquired. Worth mentioning here is the expansion of the mandate with Mazda Motors Germany, for which Syzygy is developing and implementing the communication strategy. New clients such as the Erwin Hymer Group, the Frankfurt Book Fair and Miles & More support the assumption of expected sales growth. For Miles & More, Syzygy AG is responsible for digital brand management, the further development of the Miles & More platform and shop management. In addition, the company is likely to benefit from the increasing digitisation needs of clients in the area of business consultancy. With the combination of consulting and technical implementation expertise, the company should be able to win new customers in this area as well.

Based on the reported revenue and earnings development as well as the confirmed corporate guidance, we also confirm our previous forecasts. For 2021, we continue to expect revenue growth of 10.0% and an EBIT margin of 10.3%. These are exactly the values that were already achieved after nine months. For the coming financial years, we assume that the growth dynamic will remain unchanged and, conservatively, we initially expect only slight improvements in the EBIT margin. We have made slight forecast adjustments at the level of the after-tax result. For 2021, we now assume a tax rate of 25.0% (previously: 28.3%), after no deferred taxes were recognised for the foreign companies in 2020. For 2022 and 2023, however, we increase this to 30.0% (previously: 28.3%).

The changes in the tax rate and thus the slight change in the after-tax forecasts have only a minor impact on the DCF model. Therefore, we confirm our price target of € 10.20 and, at a current price of € 6.12, continue to assign a BUY rating.

APPENDIX

I.

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BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
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Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Chefanalyst

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