

Syzygy AG*5a,7,11

Rating: BUY

Target price: €9.60
(previously: €9.35)

Current share price: 6.10
06.05.21 / XETRA / 1:51 pm
Currency: EUR

Key data:

ISIN: DE0005104806
WKN: 510480
Ticker symbol: SYZ
Number of shares³: 13.50
Market cap³: 82.35
Enterprise Value³: 85.07
³ in million / in EUR million
Free float: 43.7%

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

Date (time) completion german version: 06.05.21 (3:08 pm)

Date (time) first transmission german version: 07.05.21 (09:30 am)

Validity of the target price: until max. 31.12.2021

Company profile

Industry: Communication and Technology

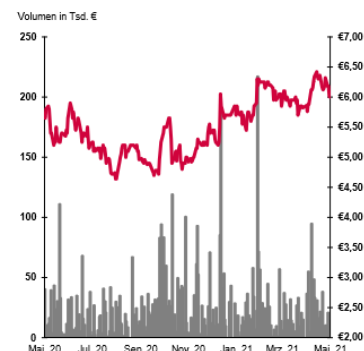
Focus: Digital Marketing

Employees: 546 (31.03.2021)

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	11.49	11.92	13.32
EBIT	4.00	6.09	6.92	7.92
Net profit for the year	2.06	3.74	4.34	5.08

Key figures in EUR				
Earnings per share	0.15	0.28	0.32	0.38
Dividend per share	0.15	0.20	0.25	0.30

Key figures				
EV/Revenues	1.53	1.39	1.27	1.15
EV/EBITDA	8.81	7.40	7.14	6.39
EV/EBIT	21.27	13.97	12.29	10.74
KGV	40.00	22.00	18.98	16.20
KBV	1.54			

Financial calendar		**last research from GBC:	
28.05.21: Annual General Meeting		Date: Publication / Target price in EUR / Rating	
28.07.21: Q2 Report 2021		13.04.2020: RS / 9.60 / BUY	
27.10.21: Q3 Report 2021		01.02.2021: RS / 9.35 / BUY	
22-24.11.21: Equity Forum		03.11.2020: RS / 9.00 / BUY	
07-08.12.21: MKK		06.08.2020: RS / 9.40 / BUY	

The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.

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Visible revenue growth of foreign subsidiaries; German SYZGY companies with positive trend; new record Q1 EBIT achieved; forecasts and price target of €9.60 confirmed; Rating: BUY

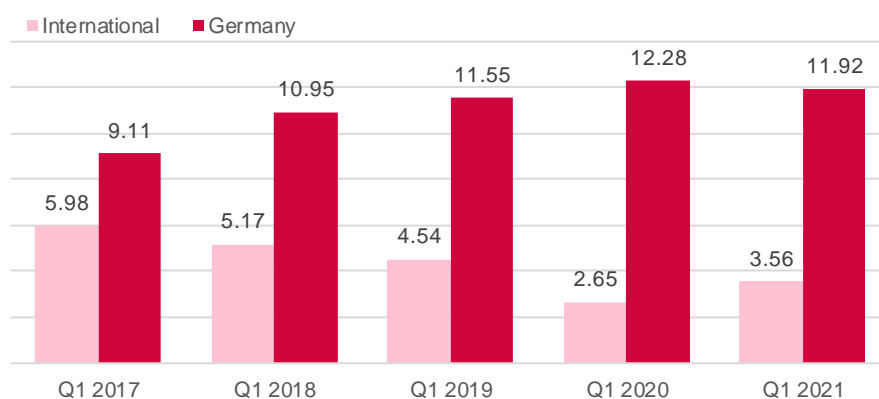
P&L (in € million)	Q1 2019	Q1 2020	Q1 2021
Revenues	15.69	14.93	15.06
thereof International segment	4.54	2.65	3.56
thereof Germany segment	11.55	12.28	11.92
EBIT	1.44	1.10	1.57
EBIT margin	9.2 %	7.4%	10.4%
Result for the period	1.06	0.65	1.03

Source: SYZGY AG; GBC AG

Revenue development Q1 2021

In the first quarter of 2021, SYZGY AG generated moderate revenue growth of 0.9% with total revenue of €15.06 million (previous year: €14.93 million). Although the company still has a low growth dynamic, there is a clear trend reversal after the previous periods were characterised by declining turnover. This trend reversal is particularly a result of the strong growth in revenues of their international subsidiaries. In Great Britain and the USA, an increase in turnover of 34.4% was achieved by expanding business with existing customers, which can be seen as a clear sign of a sustainable trend reversal.

Segment-related revenue development (in € million)



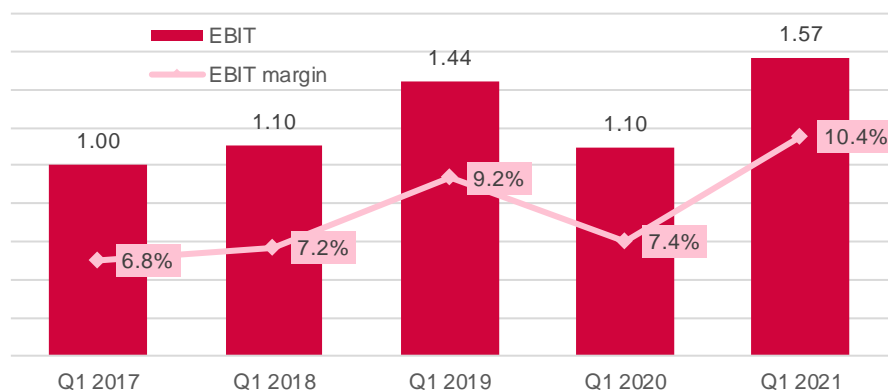
Source: SYZGY AG; GBC AG

This contrasts with a slight decline in domestic sales of -2.9%. After SYZGY AG's being characterised by strong revenue declines in Germany from the second quarter of 2020 onwards, a catch-up trend is visible here. In the last three quarters of 2020, the average decline in revenue was -8.5% and, thus, a weakening of this trend can be seen in the first quarter of 2021.

Earnings development Q1 2020 - New record achieved

The slight increase in turnover of 0.9 % contrasts with a significant improvement in EBIT of 42.8 % to € 1.57 million (previous year: € 1.10 million), so that the EBIT margin rose significantly to 10.4 % (previous year: 7.4 %). In a Q1 comparison, the EBIT level reached marks a new record.

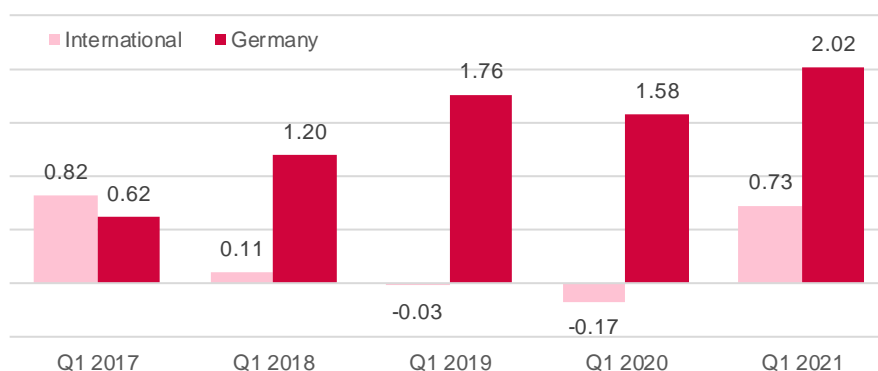
EBIT (in € million) and EBIT margin (in %)



Source: SYZYGY AG; GBC AG

The return to sales growth of the foreign SYZYGY companies, combined with the implemented restructuring measures in the USA and Great Britain, contributed to this in particular. With an EBIT of € 0.73 million (previous year: € -0.17 million), the foreign subsidiaries clearly exceeded the break-even point again and achieved an above-average EBIT margin of 20.5 %. At the same time, the German companies also significantly exceeded the previous year's figure by 27.7% with an EBIT of €2.02 million (previous year: €1.58 million).

Segment-related EBIT development (in € million)



Source: SYZYGY AG; GBC AG

Over the past financial years, the financial result, which had made a significant contribution to the after-tax result prior to the 2018 financial year, has become less relevant for SYZYGY AG. This is primarily due to the company acquisitions, for which the portfolio of securities held was reduced. At the same time, in the course of IFRS 16 accounting, the company has been reporting financial expenses since the 2019 financial year, which in the first quarter of 2021 amounted to € -0.22 million (previous year: € -0.22 million). Overall, the financial result was therefore once again negative at € -0.16 million (previous year: € -0.14 million).

SYZYGY AG achieved an after-tax result of € 1.03 million (previous year: € 0.65 million) in the first quarter of 2021. The fact that the foreign subsidiaries, which have lower tax rates, are now also making a positive contribution to earnings should go hand in hand with an overall lower group tax rate.

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	6.09	6.99	7.87
<i>EBIT margin</i>	7.2%	10.0%	10.4%	10.6%
Net profit for the year	2.08	3.74	4.39	5.07

Source: Syzygy AG; GBC AG

With the publication of the Q1 figures for 2021, SYZYGY management has confirmed the guidance published in their 2020 annual report. Thus, for the current financial year 2021, an increase in revenue of around 10% and an EBIT margin in the high single-digit percentage range are still expected. The Q1 figures provide a good basis for both the revenue guidance and the achievement of the EBIT forecast. Even though only a moderate increase in turnover was achieved, it is important to bear in mind that in the previous year, the second and third quarters in particular were affected by the restrictions in connection with the corona pandemic, so that a significant increase in turnover can be expected in these quarters.

The company can currently see that the pandemic-related restraint seems to have been overcome and is observing an increase in customer enquiries. In addition, the turnaround achieved by the international companies should continue on the basis of budget increases with existing clients as well as an increase in new client business. As was observed in the first quarter, the turnover dynamics of the German companies should be lower against this background, but this is also due to the base effect of the higher revenue level.

In terms of earnings, SYZYGY AG has already exceeded its target for the full year 2021. For the remainder of the year, the forecast increases in sales and the fact that marketing and sales costs are expected to remain low (no more face-to-face events) should contribute to the disproportionate EBIT development.

We confirm our forecasts for the current financial year and continue to expect an increase in revenue of 10 % to € 61.07 million in 2021. We maintain this dynamic in our forecasts for the coming financial years. Our EBIT forecast of € 6.09 million, which is also unchanged, corresponds to an expected EBIT margin of 10.0% and should be easily achievable in view of the Q1 value. We also assume further improvements in profitability for the following years.

As our estimates remain unchanged, we confirm our price target of € 9.60 per share. At the current share price of € 6.10 we continue to give the rating BUY.

APPENDIX

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

Manuel Hölzle, Dipl. Kaufmann, Chefanalyst

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