

IT		Current price	PLN 21.79*	Sell
Poland		Fair Value	PLN 15.87	Rating downgraded
Performance over	1M 3M 12M	FY/e 31.12., PLN m	2008A 2009F 2010F 2011F	
Absolute %	7% 13% -34%	Sales	995.7 829.0 841.3 896.7	
Rel. WIG20 %	-4% -10% 5%	EBITDA	56.6 57.9 65.4 71.3	
12M Hi/Lo	PLN 33.0 / 14.91	Adj. EBIT **	26.6 25.2 31.2 34.1	
		Adj. net profit **	10.7 17.3 23.8 26.5	
Reuters	COMW.WA	Adj. EPS (PLN) **	0.9 1.4 2.0 2.2	
Bloomberg	SGN PW	Adj. P/E (x) **	24.4 15.1 11.0 9.9	
Market Cap €	54.0m	DPS (PLN)	0.0 0.0 0.0 0.0	
Next corporate event		Yield (%)	0.0% 0.0% 0.0% 0.0%	
1Q09 results – 14 May 2009		EV/EBITDA (x)	4.9 4.3 3.6 3.1	
PLN / €	4.36	Source: Sygnity, KBC Securities; ** figures adjusted for additional depreciation		

To reflect a weaker revenue outlook and a lack of profitable contracts, we have lowered our net earnings forecasts for Sygnity by 58.0% to PLN 6.7m for 2009 (versus a slight net loss booked in 2008), 31.4% to PLN 13.6m (+102.3% y/y) for 2010, and 24.8% to PLN 17.1m (+26.2% y/y) for 2011. This has lowered our fair value estimate by 11.8% to PLN 15.87 per share. As our new fair value implies 27.2% downside, we downgrade the stock from Hold to Sell.

*Priced at COB 04/05/09

Rating downgraded to Sell

- **Outlook for disappointing 1Q09 results:** We expect Sygnity to book a negative EBIT of PLN 14.1m and a net loss of PLN 15.0m in 1Q09. Due to a continuous fall in revenues, which we believe is Sygnity's biggest problem at present, limited improvement is expected in the seasonally weak quarters ahead.
- **Another year of falling revenues:** We forecast Sygnity's revenues to fall by a further 17% in 2009 after a 18% y/y decline in 2008. We expect to see the deepest declines in the public (-23% y/y), finance (-20% y/y) and telco (-15% y/y) sectors. We expect Sygnity's clients to lower their IT budgets to the absolute minimum required for operations (i.e. urgent upgrades or maintenance only) and we believe that most outstanding orders could be postponed or cancelled. As a result, we expect hardware sales to fall 48% y/y in 2009.
- **Management's 2009 outlook overly ambitious:** In our opinion, management guidance for a repeat of 2008's PLN 1.0bn top line in 2009 is overly ambitious. Our new sales forecast is 17% below this guidance. Our EBIT margin forecast of 1.5% for 2009 is also slightly below the guidance range (2%-3%). Thus, our EBIT forecast is 39%-60% below guidance.
- **Further sale of assets possible in 2009:** Sygnity successfully disposed of non-core and redundant assets in 2007-2008, which brought in cash of PLN 53m and a pre-tax profit of PLN 41m. The management aims to continue this process in 2009, which could involve the sale of some real estate and GIS assets. As the visibility of these transactions is low, we do not include them in our projections.
- **Better value elsewhere:** On a 2009F P/E of 15.1x Sygnity trades at a 17.0% premium to the sector average of 12.9x. We believe the premium is unjustified given lack of new profitable contracts and relatively low margin on sales of proprietary solutions.

Leszek Iwaszko, CFA	+48 22 581 08 08	leszek.iwaszko@kbcsecurities.pl
Piotr Janik	+48 22 581 09 19	piotr.janik@kbcsecurities.pl
Kamil Szlaga	+48 22 581 08 18	kamil.szlaga@kbcsecurities.pl

Important Polish Disclosure

Belgian Banking and Finance Commission is exercising the Supervision over KBC Securities NV Branch in Poland.

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The definitions of terms applied in the publication:

EBITDA = EBIT + amortization and depreciation

EPS = Net profit / No of shares outstanding

DPS = Dividend per Share

NBV per share = Net Book Value / No of shares outstanding

EBITDA margin = EBITDA / Revenue

EBIT margin = EBIT / Revenue

CFPS = Cash flow / No of shares outstanding

Net Financial Debt = Financial debt – Cash equivalents

ROE = Net profit / Average Equity

EV = Market Capitalization + Net Financial Debt

P/E = Stock Price / EPS

P/CF = Stock Price / (Net Profit + amortization and depreciation)

P/BV = Stock Price / NBV per share

P/S = Market Capitalization / Revenue

Gross Dividend Yield = Dividend per share / Stock

The list of recommendations concerning below listed companies issued by KBC Securities NV Branch in Poland during the last 6 months

	Valuation	Market price	Recommendation	The date of issuing
Asseco	103.1	71.8	Buy	21 February 2008
Asseco	80.7	61.8	Buy	26 August 2008
Asseco	70.6	45.3	Buy	03 November 2008
Asseco	59.7	43.4	Buy	09 February 2009
Asseco	59.5	54.0	Buy	06 May 2009

The list of recommendations concerning Asseco issued by KBC Securities NV Branch in Poland during the last 6 months

	Valuation	Market price	Recommendation	The date of issuing
Asseco Slovakia	52.5	37.9	Buy	12 February 2008
Asseco Slovakia	32.0	29.9	Hold	26 August 2008
Asseco Slovakia	33.0	22.0	Buy	14 October 2008
Asseco Slovakia	30.6	17.5	Buy	09 February 2009
Asseco Slovakia	25.3	22.6	Buy	06 May 2009

List of recommendations concerning Comarch issued by KBC Securities NV Branch in Poland during the last six months

	Valuation	Market price	Recommendation	The date of issuing
Comarch	141.9	163.0	Sell	7 January 2008
Comarch	115.1	108.0	Hold	25 March 2008
Comarch	99.4	80.2	Buy	23 June 2008
Comarch	67.5	62.5	Hold	20 October 2008
Comarch	52.1	48.4	Hold	9 February 2009
Comarch	53.6	57.4	Hold	30 March 2009
Comarch	53.5	71.4	Sell	14 April 2009
Comarch	50.0	70.4	Sell	06 May 2009

List of recommendations concerning Comp issued by KBC Securities NV Branch in Poland during the last six months

	Valuation	Market price	Recommendation	Date of issue
Comp	111.0	78.7	Buy	5 February 2008
Comp	59.0	55.6	Hold	6 August 2008
Comp	59.7	50.0	Buy	14 August 2008
Comp	60.1	38.6	Buy	5 November 2008
Comp	57.5	42.5	Buy	9 February 2009
Comp	62.31	53.0	Buy	06 May 2009

The list of recommendations concerning ComputerLand issued by KBC Securities NV Branch in Poland

	Valuation	Market price	Recommendation	The date of issuing
Sygnity	39.0	20.9	Buy	12 June 2008
Sygnity	41.7	20.2	Buy	18 August 2008
Sygnity	18.4	16.8	Hold	27 October 2008
Sygnity	18.0	26.9	Sell	25 November 2008
Sygnity	21.5	20.0	Hold	9 February 2009
Sygnity	18.0	17.4	Hold	25 March 2009
Sygnity	15.9	21.8	Sell	06 May 2009

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18 BUY	44%
12 HOLD	29%
11 SELL	27%

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www.kbcsecurities.com

Brussels
+32 2 417 44 04

London
+44 20 7283 9666

New York
+1 212 845 22 89

Paris
+33 1 53 05 35 55