

IT				Current price	PLN 14.35*			Sell
Poland				Fair Value	PLN 12.00			Rating maintained
Performance over	1M	3M	12M	FY/e 31.12., PLN m	2008A	2009F	2010F	2011F
Absolute %	1%	-5%	-46%	Sales	995.7	602.2	688.5	756.9
Rel. WIG20 %	0%	-18%	-59%	Adj. EBITDA **	45.1	-74.1	26.9	43.6
12M Hi/Lo	PLN 25.8 / 11.49			Adj. EBIT **	0.0	-108.1	-8.1	6.1
Reuters	COMW.WA			Adj. net profit **	-12.4	-97.2	-14.8	-0.4
Bloomberg	SGN PW			Adj. EPS (PLN) **	-1.0	-8.2	-1.2	0.0
Market Cap €	41.9m			Adj. P/E (x) **	n.m.	n.m.	n.m.	n.m.
Next corporate event				DPS (PLN)	0.0	0.0	0.0	0.0
4Q09 results in February/March 2010				Yield (%)	0.0%	0.0%	0.0%	0.0%
PLN / €	4.07			Adj. EV/EBITDA (x) **	4.1	n.m.	8.8	5.5

Source: Sygnity, KBC Securities; ** figures adjusted for one-off gains on asset disposals

The outlook for Sygnity's fundamentals has deteriorated even further. As a result we have cut our adjusted bottom-line estimates to losses of PLN 97.2m for 2009, PLN 14.8m for 2010 and PLN 0.4m for 2011. Our fair value estimate has fallen 16.7% to PLN 12.00 per share, which implies 16% downside. We reiterate our Sell rating on the stock.

*Priced at COB 04/01/10

Sell maintained

- **Costs to fall by PLN 40m in 2010...**: With the implementation of the new restructuring program, Sygnity's management aims to lower operating costs (i.e. staff, third-party services, back office) by some PLN 40m y/y in 2010. We view the plan as realistic and include it in our estimates although we allow for hardware costs, which we expect to grow substantially in 2010.
- **...but EBIT still depressed**: Even incorporating significant cuts in operating costs next year, we do not expect the firm to be able to generate sufficient revenues to reach EBIT breakeven, and forecast an EBIT loss in 2010. Our forecasts run contrary to the consensus, which assumes an EBIT profit in 2010.
- **Unrealistic guidance for 2H09**: Sygnity's management guides for sales at PLN 640m-650m in 2009 and EBIT of at least PLN 20m (clean of one-offs) in 2H09. We see this guidance as unrealistic as it implies revenues of PLN 232m-242m in 4Q09, despite the fact that PLN 119m-PLN 129m is not yet covered by the backlog. The guidance also implies an EBIT margin of some 10% in 4Q09, which would be one of the highest in the firm's history. We forecast revenues at PLN 193.9m and an adjusted EBIT margin of 5.7% in 4Q09.
- **Another takeover story**: There has been renewed speculation on the market recently about the potential takeover of Sygnity. This time Finland's Tieto is rumoured to be targeting the firm. We reiterate our previous view: after the recent stock price performance the potential buyer would have to offer a substantial premium to Sygnity's existing shareholders. We believe the price necessary to encourage shareholders to sell would not be justified by the firm's fundamentals.
- **SPO given the go-ahead**: Shareholders have authorized the management to increase the company's share capital by 10% and place new shares through an SPO. However, we believe Sygnity will only be able to place new shares at a significant discount to the current stock price.
- **Still overvalued**: Sygnity's stock price has dropped 46% in 2009, massively underperforming the WIG20 and Poland's IT sector. We forecast the company's bottom line to remain in the red in 2010-2011. On a 2012F P/E of 20.3x Sygnity trades at a 67% premium to the sector average, which we believe is too high.

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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 Asseco issued by KBC Securities NV Branch in Poland during the last 12 months

	Valuation	Market price	Recommendation	Date of issue
Asseco	59.7	43.4	Buy	9 February 2009
Asseco	59.5	54.0	Buy	6 May 2009
Asseco	61.9	55.0	Buy	16 July 2009
Asseco	70.0	62.7	Buy	15 September 2009
Asseco	76.0	63.2	Buy	6 January 2010

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

	Valuation	Market price	Recommendation	Date of issue
Asseco Slovakia	30.6	17.5	Buy	9 February 2009
Asseco Slovakia	25.3	22.6	Buy	6 May 2009
Asseco Slovakia	30.0	23.7	Buy	6 January 2010

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

	Valuation	Market price	Recommendation	Date of issue
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	6 May 2009
Comarch	48.1	63.0	Sell	4 August 2009
Comarch	95.0	95.0	Hold	6 January 2010

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	57.5	42.5	Buy	9 February 2009
Comp	62.3	53.0	Buy	6 May 2009
Comp	75.0	67.35	Buy	6 January 2010

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

	Valuation	Market price	Recommendation	Date of issue
Sygnity	21.5	20.0	Hold	9 February 2009
Sygnity	18.0	17.4	Hold	25 March 2009
Sygnity	15.9	21.8	Sell	6 May 2009
Sygnity	14.4	16.3	Sell	17 August 2009
Sygnity	12.0	14.4	Sell	6 January 2010

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20 BUY	49%
11 HOLD	27%
10 SELL	24%

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