

4iG Nyrt

Q120 update

Continuing momentum despite lockdown

IT services

21 May 2020

4iG has announced its Q120 results. These show continuing momentum from the step change achieved in FY19, where revenues almost tripled to HUF41bn. Q120 revenues were HUF8.6bn, representing 78% organic growth y-o-y (Q119: HUF4.9bn), with EBITDA rising to HUF578m, up 20% y-o-y (Q119: HUF483m), an EBITDA margin of 6.7% (FY19: 9.9%, FY20e: 8.5%). Weaker margins were expected as 4iG is carrying additional personnel costs (HUF0.79m) to allow the business to scale (headcount increased to 620) as well as high software development investment. Q120 will also include weakness due to the COVID-19 lockdown, although management indicated that the impact on the business has been minimal, with previous financial guidance maintained. 4iG has HUF23bn of contracted revenue for FY20, close to 50% of our FY20e revenue forecast of HUF49.1bn. We maintain our estimates.

Price **HUF678**

Market cap **HUF62.2bn**

HUF349.9/€

Net cash (HUFbn) at end Q120 0.2

Shares in issue 91.7m

Free float 35.82%

Code 4iG

Primary exchange Budapest

Secondary exchange N/A

Share price performance



Business description

4iG is one of the leading IT services and systems integrators in Hungary, working with public sector clients, large corporates and SMEs. Management is focused on becoming the market leader in Hungary by FY22 as well as targeting expansion in Central and Eastern Europe.

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Year end	Revenue (HUFbn)	PBT* (HUFbn)	Adjusted EPS* (HUF)	DPS (HUF)	P/E (x)	Yield (%)
12/18	14.0	0.2	1.1	0.0	N/A	N/A
12/19	41.1	3.3	31.1	22.0	21.8	3.2
12/20e	49.1	3.4	31.1	22.0	21.8	3.2
12/21e	58.9	4.8	43.9	31.0	15.5	4.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

A reinvigorated 4iG is now clearly one of the market leaders in the IT services sector in Hungary, with an ambition to become the undisputed market leader by FY22. Management expects continued organic growth to be supplemented by market share gains, with COVID-19 potentially accelerating market consolidation.

In terms of a segmental breakdown, in line with its strategy, the proportion of higher-margin development and outsourcing increased to 30% of revenues (Q119: 24%), with hardware and software reselling together falling to 60% of revenues in Q120 (Q119: 69%). Hardware reselling (59% of Q120 revenues) rose by 89% y-o-y, benefiting from a lockdown-led increase in hardware demand. Development (17% of revenues) and outsourcing (13% of revenues) both grew by c 120%, with a number of FY19 contracts starting in Q120. Software reselling (1% of revenues) fell by 89%, although some software reselling revenue bundled with hardware sales has been caught in the hardware category.

The company reported net cash of HUF0.2bn at 31 March 2020 vs net debt of HUF1.7bn at the end of Q119 (FY19: HUF4.0bn net cash). The fall in net cash from YE19 is due to changes in working capital, including a number of one-off items.

Our recent [initiation report](#) provides further background information on the company and our detailed forecasts.

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