

# Safetech Innovations

## 3Q24 Results Review

Safetech reported a net profit of RON 3.2m (-7% q/q, +59% y/y) in 3Q24, 2.0% below our expectations of RON 3.2m, primarily due to lower revenue than our forecasts, in-line expenses, and a positive contribution from a non-cash item. Our model, forecasts, as well as these results are based solely on a standalone basis, as the company does not report consolidated results every quarter. On a consolidated basis, Safetech reported a net profit of RON 2.7m in 3Q24. These results were mainly driven by:

- **Revenues:** Total revenues reached RON 7.3m (-34% q/q, +10% y/y), 15% below our expectations of RON 8.5m. The cybersecurity services division accounted for 35% revenues, while implementation of solutions accounted for 65%. In 3Q24, the company gained 9 new customers.
- **OPEX:** Total operating expenses reached RON 9.4m (-13% q/q, +31% y/y), 2% below our expectations of RON 9.6m, of which.
  - **Raw materials and consumables** costs amounted to RON 2.3m (+32% q/q, +194% y/y), 7% below our expectations of RON 2.4m. These expenses are closely related to the implementation of solutions and less by services.
  - **Employee benefits** reached RON 3.4m (-3% q/q, +20% y/y), 2% below our expectations of RON 3.5m.
  - **D&A** reached RON 0.7m (+21% q/q, +38% y/y), in line with our expectations of RON 0.7m.
- **Other items** were a gain of RON 2.2m, against a RON 1.7m loss q/q and RON 0.5m loss in 3Q23, and compared to expectation of a RON 1.3m gain. These items constitute non-cash items and the merchandise expense.
- **Operating profit:** Reached RON 3.7m in 3Q24 (-9% q/q, +55% y/y), 4% below our expectations of RON 3.9m. The company's operating margin was of 51.4% against 37.2% in the previous quarter and 36.6% in 3Q23.
- **EBITDA:** Reached RON 4.4m in 3Q24 (-6% q/q, +52% y/y), 4% below our expectations of RON 4.6m. The company's EBITDA margin was of 60.6% against 42.2% in the previous quarter and 44.0% in 3Q23.
- **Net financial loss:** Came in at RON 0.05m (-29% q/q, +77% y/y), 27% above our expectations of RON 0.04m.
- **Income tax:** Was of RON 0.5m (-19% q/q, +32% y/y), 15% lower than our expectations of RON 0.6m. The effective income tax rate was 13.7%, against 15.5% q/q, 16.0% y/y and 15.4% our expectation.
- **Net profit:** Was reported at RON 3.2m (-19% q/q, +32% y/y), 2% below our expectations of RON 3.2m. The company's net margin for the quarter stood at 43.8% vs 31.0% q/q, 30.4% y/y, and 38.2% our expectation.
- **Cash position:** The company generated RON 5.9m (+73% q/q, +53% y/y) from operating activities in 3Q24. Even with the significantly higher payments for acquisitions of intangible assets, the cash position increased to RON 1.3m from RON 1.1m.

**Opinion on results: Neutral.** Sales missed our expectations, while the bottom line was a close miss by 2%. We point out that the sales miss was offset by income from the production of fixed assets, which positively influenced the bottom line. On the other hand, the company generated significantly more net cash from operating activities, which is supportive.

**Results conference call:** Safetech will organize a conference call on 13 November 2024 at 12:00 Bucharest time. [Registration link.](#)

Telecom, Media & IT

## Safetech Innovations

**HOLD**

**FV RON 2.62**

8.71% upside

Price as of 12 November 2024 RON 2.41

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**Figure 1. Safetech Innovations – Standalone 3Q24 Results**

P&L (RON m)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	Y/Y	Q/Q	IPOP	vs IPOP
<b>Operating revenues</b>	<b>3.4</b>	<b>7.3</b>	<b>10.1</b>	<b>14.1</b>	<b>6.0</b>	<b>7.5</b>	<b>6.6</b>	<b>11.0</b>	<b>11.7</b>	<b>11.0</b>	<b>7.3</b>	<b>10%</b>	<b>-34%</b>	<b>8.5</b>	<b>-15%</b>
Raw materials	-0.4	-2.3	-2.7	-6.8	-3.0	-0.6	-0.8	-2.7	-5.3	-1.7	-2.3	194%	32%	-2.4	-7%
Employee benefits	-2.3	-2.1	-2.4	-3.2	-2.8	-2.4	-2.9	-3.5	-3.2	-3.5	-3.4	20%	-3%	-3.5	-2%
Other	-0.3	-0.4	-1.9	1.4	1.2	-1.4	-0.5	-0.6	0.0	-1.7	2.2	N/A	N/A	1.3	67%
<b>Operating profit</b>	<b>0.5</b>	<b>2.6</b>	<b>3.1</b>	<b>5.6</b>	<b>1.3</b>	<b>3.1</b>	<b>2.4</b>	<b>4.2</b>	<b>3.2</b>	<b>4.1</b>	<b>3.7</b>	<b>55%</b>	<b>-9%</b>	<b>3.9</b>	<b>-4%</b>
Net financial income	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0	77%	-29%	0.0	27%
<b>Profit before tax</b>	<b>0.5</b>	<b>2.6</b>	<b>3.1</b>	<b>5.5</b>	<b>1.4</b>	<b>3.1</b>	<b>2.4</b>	<b>4.2</b>	<b>3.2</b>	<b>4.0</b>	<b>3.7</b>	<b>55%</b>	<b>-9%</b>	<b>3.8</b>	<b>-4%</b>
Income tax	-0.1	-0.4	-0.4	-0.5	-0.2	-0.4	-0.4	-0.3	-0.4	-0.6	-0.5	32%	-19%	-0.6	-15%
<b>Net profit</b>	<b>0.4</b>	<b>2.2</b>	<b>2.6</b>	<b>5.0</b>	<b>1.2</b>	<b>2.7</b>	<b>2.0</b>	<b>3.8</b>	<b>2.7</b>	<b>3.4</b>	<b>3.2</b>	<b>59%</b>	<b>-7%</b>	<b>3.2</b>	<b>-2%</b>

Source: Company, IPOPEMA Research

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NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

### IPOPEMA Research - Distribution by rating category (1 April – 28 June 2024)

	Number	%
Buy	18	56%
Hold	8	25%
Sell	6	19%
Total	32	100%

### Rating History – Safetech Innovations

Date	Recommendation	Fair Value	Price at recommendation	Author
27/04/2023	BUY	RON 3.40	RON 3.1	Ionut Gavris
22/05/2023	BUY	RON 3.60	RON 3.1	Ionut Gavris
26/06/2023	BUY	RON 3.70	RON 3.1	Ionut Gavris
13/11/2023	HOLD	RON 2.60	RON 2.6	Ionut Gavris
19/07/2024	HOLD	RON 2.62	RON 2.4	Ionut Gavris