

# 4iG

## CEO doubles down on 4iG

4iG has announced that Gellért Jászai (4iG chairman and CEO) has acquired the combined 22.3% equity stakes (excluding treasury shares) held by Konzum PE and Opus Global, entities controlled by Lőrinc Mészáros. This takes Mr Jászai's equity stake in 4iG to 63.9% of the total voting rights. We considered these holdings to represent a related party in our [initiation report](#), so in many respects this change in ownership does not reflect any change in control, but rather highlights Mr Jászai's long-term strategic commitment to 4iG as a vehicle for growth. As a result of the transaction, Mr Mészáros no longer holds an equity stake in 4iG and were there to have been any residual political exposure from his shareholding, that risk has now been removed. The free float remains 36.1% (excluding treasury shares).

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	19.9	3.5
12/20e	49.1	3.4	31.1	22.0	19.9	3.5
12/21e	58.9	4.8	43.9	31.0	14.1	5.0

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

## Transformation targeting market leadership

We set out overleaf a summary of the shareholder register, as disclosed in the [Q120 report](#), as well as our update following the announced transactions.

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

## Shareholding update

### IT services

2 July 2020

**Price** HUF620

**Market cap** HUF56.9bn

HUF316/€

Net cash (HUFbn) at end Q120 0.2

Shares in issue 91.7m

Free float 36.1%

Code 4iG

Primary exchange Budapest

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (10.5) 54.6 (42.6)

Rel (local) (9.3) 41.4 (34.1)

52-week high/low HUF1,100 HUF296

### 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.

### Next events

H120 results 28 August 2020

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## Impact on the shareholder register

We set out below a summary of the shareholder register, as disclosed in the [Q120 report](#), as well as our update following the announced transactions.

<b>Exhibit 1: Adjustments to the shareholder register</b>				
<b>Pre-transaction (as disclosed in Q120 report)</b>	<b>31-Mar-20</b>	<b>31-Mar-19</b>		
KZF Vagyonkezelő Kft. (Jászai Gellért)	35.02%	22.57%		
Manhattan Invest Kft. (Jászai Gellért)	3.29%	N/A		
MANhattan Magántőkealap (Jászai Gellért)	1.90%	N/A		
Konzum Magántőkealap (Mészáros Lőrinc)	11.63%	26.74%		
Opus Global (Mészáros Lőrinc)	9.95%	13.79%		
4iG treasury shares	3.23%	2.39%		
Free float	34.98%	34.51%		
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>		
<b>Post-transaction</b>			<b>02-Jul-20</b>	<b>02-Jul-20</b>
			<b>Inc. treasury shares</b>	<b>Ex treasury shares</b>
Jászai Gellért			61.79%	63.85%
Treasury shares			3.23%	-
Free float			34.98%	36.15%
<b>Total</b>			<b>100.00%</b>	<b>100.00%</b>

Source: 4iG, Edison Investment Research

**Exhibit 2: Financial summary**

	HUFm	2016	2017	2018	2019	2020e	2021e	2022e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>								
Revenue		15,686	16,915	14,007	41,129	49,083	58,881	68,467
Cost of Sales		(10,913)	(12,046)	(8,938)	(30,126)	(34,322)	(41,183)	(47,625)
Gross Profit		4,773	4,868	5,070	11,003	14,761	17,699	20,842
EBITDA		604	273	842	4,075	4,152	5,631	7,726
Normalised operating profit		98	(333)	240	3,362	3,380	4,792	6,811
Amortisation of acquired intangibles		0	0	0	0	0	0	0
Exceptionals		0	0	0	0	0	0	0
Share-based payments		0	0	0	0	0	0	0
Reported operating profit		98	(333)	240	3,362	3,380	4,792	6,811
Net Interest		(128)	(32)	(21)	(18)	(22)	2	31
Joint ventures & associates (post tax)		0	0	0	0	0	0	0
Exceptionals		0	0	0	0	0	0	0
Profit Before Tax (norm)		(29)	(364)	219	3,344	3,358	4,794	6,843
Profit Before Tax (reported)		(29)	(364)	219	3,344	3,358	4,794	6,843
Reported tax		(81)	(87)	(117)	(488)	(437)	(671)	(1,026)
Profit After Tax (norm)		(111)	(452)	102	2,857	2,921	4,123	5,816
Profit After Tax (reported)		(111)	(452)	102	2,857	2,921	4,123	5,816
Minority interests		0	0	0	66	0	0	0
Discontinued operations		0	0	0	0	0	0	0
Net income (normalised)		(111)	(452)	102	2,922	2,921	4,123	5,816
Net income (reported)		(111)	(452)	102	2,922	2,921	4,123	5,816
Basic average number of shares outstanding (m)		92.8	92.8	91.6	91.6	91.7	91.8	91.8
EPS – basic normalised (HUF)		(1.19)	(4.93)	1.11	31.87	31.84	44.93	63.39
EPS – diluted normalised (HUF)		(1.19)	(4.93)	1.08	31.09	31.08	43.86	61.87
EPS – basic reported (HUF)		(1.19)	(4.93)	1.11	31.87	31.84	44.93	63.39
Dividend (HUF)		0.00	0.00	0.00	22.00	22.00	31.00	44.00
Revenue growth (%)		(4.9)	7.8	(17.2)	193.6	19.3	20.0	16.3
Gross Margin (%)		30.4	28.8	36.2	26.8	30.1	30.1	30.4
EBITDA Margin (%)		3.8	1.6	6.0	9.9	8.5	9.6	11.3
Normalised Operating Margin		0.6	-2.0	1.7	8.2	6.9	8.1	9.9
<b>BALANCE SHEET</b>								
Fixed Assets		2,506	2,049	1,571	1,948	2,079	2,274	2,527
Intangible Assets		1,954	1,655	1,221	1,525	1,440	1,375	1,335
Tangible Assets		374	187	140	322	539	798	1,092
Investments & other		178	207	210	101	101	101	101
Current Assets		7,166	6,352	6,824	22,161	23,078	27,389	32,362
Stocks		461	274	242	523	686	824	953
Debtors		5,801	4,472	4,306	12,892	13,498	16,192	18,829
Cash & cash equivalents		187	323	176	6,238	6,386	7,865	10,073
Other		717	1,283	2,101	2,508	2,508	2,508	2,508
Current Liabilities		(6,544)	(5,756)	(5,652)	(17,861)	(18,006)	(20,408)	(22,662)
Creditors		(4,696)	(4,660)	(3,894)	(16,361)	(16,765)	(19,166)	(21,421)
Tax and social security		0	0	0	0	0	0	0
Short term borrowings		(1,848)	(1,096)	(1,758)	(1,500)	(1,242)	(1,242)	(1,242)
Other		0	0	0	0	0	0	0
Long Term Liabilities		(5)	(8)	(18)	(57)	(57)	(57)	(57)
Long term borrowings		0	0	0	0	0	0	0
Other long term liabilities		(5)	(8)	(18)	(57)	(57)	(57)	(57)
Net Assets		3,123	2,637	2,725	6,192	7,095	9,199	12,171
Minority interests		0	0	0	64	64	64	64
Shareholders' equity		3,123	2,637	2,725	6,255	7,158	9,262	12,234
<b>CASH FLOW</b>								
Op Cash Flow before WC and tax		604	273	842	4,075	4,152	5,631	7,726
Working capital		(1,020)	904	(1,360)	3,231	(366)	(430)	(510)
Exceptional & other		28	(0)	(26)	(5)	0	0	0
Tax		(100)	(104)	(117)	(415)	(437)	(671)	(1,026)
Net operating cash flow		(488)	1,072	(661)	6,886	3,350	4,530	6,190
Capex		(387)	(120)	(120)	(1,471)	(903)	(1,034)	(1,168)
Acquisitions/disposals		(89)	(11)	0	3	0	0	0
Net interest		0	(18)	(11)	(13)	(22)	2	31
Equity financing		(94)	(8)	0	185	0	0	0
Dividends		(183)	0	0	0	(2,019)	(2,019)	(2,844)
Other		(131)	(2)	(3)	36	0	0	0
Net Cash Flow		(1,373)	915	(795)	5,626	406	1,479	2,209
Opening net debt/(cash)		333	1,707	792	1,587	(4,039)	(4,445)	(5,924)
FX		0	0	0	0	0	0	0
Other non-cash movements		0	0	0	0	0	0	0
Closing net debt/(cash)		1,707	792	1,587	(4,039)	(4,445)	(5,924)	(8,133)

Source: 4iG accounts, Edison Investment Research

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