

SIFY Sidoti - Company Note for 7/21/2025

1Q:F26 Revenue Beat, Earnings In Line; Data Center Expansion Delivering Growth; Expect Earnings Leverage To Improve As Revenue Scales And SG&A Growth Moderates; Maintain \$14 Price Target



- Revenue in 1Q:F26 grew 13.8% year over year to \$165 million, beating our \$161 million forecast. All segments showed growth in the quarter. Sify posted a loss per share of \$0.01, in line with our estimate.
- The upfront costs of Sify's growth investments are hurting the company's near-term profitability, but management thinks the business will start to show stronger earnings leverage in the next 12-18 months.
- New data center capacity continues to come online, providing Sify with a tailwind for growth that enables the company to capitalize on the growing demand for data and Cloud services in India.
- Given the company's cash on hand, organic cash generation, and the remainder of its Kotak investment, we think Sify has the liquidity to fund its capital plans for the next 12 months.
- At the end of 1Q:F26, net debt was \$449 million, or 3.6x trailing 12-month EBITDA.
- We maintain our \$14 price target, based on 75x our F2027 EPS forecast of \$0.03 multiplied by six (shares per ADR exchange ratio). We maintain our moderate risk rating, which considers Sify's track record of growth and positive earnings and cash generation.