

The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2020	2021	2022F	2023F	
Price [PLN]	10,8	P/E	15,1	20,9	-	-	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	67,5	EV/EBITDA	11,4	12,7	-	-	
		EV/EBIT	12,9	16,4	-	-	
		P/BV	5,2	3,7	-	-	

Last recommendation BDM: HOLD with target price 11,5 PLN/share (2022/05/20) [LINK](#)

BDM Comment: SimFabric's results for Q2'22 are below the previous estimates presented by the company at the beginning of September (H1'22: revenues from sales of products = PLN 4.6 million, EBITDA = PLN 3.2 million, Gross profit = PLN 2.7 million, profit net = PLN 2.6m) and our expectations, therefore we perceive them negatively. In the reporting period, the company generated PLN 2.4 million in revenues (-1.0% y/y). In H1'22, SimFabric generated PLN 4.9m in revenues (+ 7.7% y/y), of which 32.1% (PLN 1.6m) are revenues from e-learning materials, 2.8 PLN million (56.6%) three games, and PLN 0.5 million other. In 2Q'22, the operating costs amounted to PLN 1.9 million (+ 7.7% y/y). As usual, the highest cost is related to the production of games, hence the costs of external services amounted to PLN 1.3 million (+ 11.8% y/y), which was higher than our expectations, hence we perceive it negatively. In the last quarter, the company generated PLN 1.1 million EBITDA (+ 11.8% y/y), and at the level of net profit of parent company it managed to generate PLN 0.3 million (+ 55.6% y/y). Cash flows from operating activities in 2Q'22 amounted to -PLN 0.2 million, cash flows from investing activities were equal to -PLN 0.8 million, and financial flows were equal to PLN +0.4 million. At the end of June 22, the company had PLN 7.1m in cash and cash equivalents (-PLN 0.6m q/q). The company's intangible assets increased from PLN 5.5m at the end of Q1'22 to PLN 5.6m at the end of Q2'22 (of which PLN 4.3m were costs of games in progress (PLN +1.1m q/q)), and PLN 1.3 million in costs of completed games.

Q2'22 results [mln PLN]

	Q2'21	Q2'22	change y/y	Q2'21 BDM	dev.	1H'21	1H'22	change y/y
Sales	2,5	2,4	-1,0%	2,4	3,2%	4,6	4,9	7,7%
Gross profit	0,7	0,5	-22,6%	1,2	-53,3%	1,7	2,0	18,4%
Other op.income/expenses	0,0	0,0	-	0,0	-	0,0	0,0	-
EBITDA	1,0	1,1	11,8%	1,4	-21,2%	2,2	2,8	29,4%
EBIT	0,7	0,5	-22,6%	1,2	-53,3%	1,7	2,0	18,5%
Financial income/expense, net	-0,1	0,0	-133,6%	0,0	-	-0,1	0,2	-265,3%
Profit before tax	0,6	0,7	24,5%	1,2	-38,5%	1,6	2,1	36,3%
Net profit	0,3	0,6	113,7%	1,0	-45,0%	1,1	2,0	72,6%
Net profit of parent company	0,2	0,3	55,6%	1,0	-70,7%	1,1	1,9	73,5%
Gross margin	28,6%	22,4%		49,5%		36,5%	40,1%	
EBITDA margin	39,0%	44,1%		57,7%		47,7%	57,3%	
EBIT margin	28,6%	22,4%		49,5%		36,5%	40,1%	
Net margin of parent company	11,0%	23,7%		44,5%		25,2%	40,3%	
Net margin	8,1%	12,7%		44,5%		24,1%	38,9%	

Source: BDM S.A., company

- In 2Q'22, the company generated PLN 2.4m in revenues (+ 18% y / y). In H1'22, SimFabric generated PLN 4.9m in revenues (+ 7.7% y / y), of which 32.1% (PLN 1.6m) are revenues from e-learning materials, 2.8 million PLN (56.6%) three games, and PLN 0.5 million others.
- In the reported period, the operating costs amounted to 1.9 million (+ 7.7% y / y). As usual, the highest cost is related to the production of games, hence the costs of external services amounted to PLN 1.3 million (+ 11.8% y / y).
- In the last quarter, the company generated PLN 1.1 million EBITDA (+ 11.8% y / y), and at the level of net profit n.a. it managed to generate PLN 0.3 million (+ 55.6% y / y).
- Cash flows from operating activities in 2Q'22 amounted to PLN -0.2 million, cash flows from investing activities were equal to PLN -0.8 million, and cash flows from financial activities amounted to PLN +0.4 million. At the end of June 22, the company had PLN 7.1m in cash and cash equivalents (-PLN 0.6m q / q).
- The company's intangible assets increased from PLN 5.5m at the end of Q1'22 to PLN 5.6m at the end of Q2'22 (of which PLN 4.3m were costs of games in progress (PLN +1.1m q / q), and PLN 1.3m for the costs of completed games.
- Trade and other receivables increased from PLN 7.3 million at the end of Q1'22 to PLN 8.6 million at the end of June '22 (PLN 1.3 million).
- During 1H'22, the company and the entire SimFabric group continued the implementation of the Capital Group's Sustainable Development Strategy, initiated in 2019 and currently consisting of 6 pillars. In addition to the existing five pillars: creating proprietary games, game porting, research and development services and creating mobile games and virtual reality goggles, this year the sixth pillar has been added, which is the creation of games in the Play to Earn model based on blockchain and NFT technology.
- The development of four subsidiaries begins to enter the next phase, which begins with VRFabric with the submission of an application for introduction of shares to trading on the NewConnect exchange.
- At the end of June '22, the SimFabric team consists of a total of 70 people, ie: 4 people employed on specific specific contracts, the rest on the basis of b2b contracts. MobileFabric, VRFabric and GR Games employ four people on the basis of a specific work contract, Blind Warrior employs 3 people on a mandate contract.



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Explanations of terminology:

EBIT - earnings before interest and tax

EBITDA — earnings before interest, taxes, depreciation, and amortization

Net debt – interest bearing debt minus cash and equivalents

WACC - weighted average cost of capital

CAGR - cumulative average annual growth

EPS - earnings per share

DPS - dividend per share

CEPS - net profit plus depreciation per share

EV – market capitalization plus interest bearing debt minus cash and equivalents

EV/S – market capitalization / sales

EV/EBITDA – EV / sales

P/EBIT – market capitalization / EBIT

MC/S – market capitalization / sales

P/E – market capitalization / net profit

P/BV – market capitalization / book value

P/CE - market capitalization / net profit plus depreciation

ROE – net profit / equity

ROA - net income / assets

Gross margin - gross profit on sales / sales

EBITDA margin – EBITDA / sales

EBIT margin – EBIT / sales

Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);

Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);

Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);

Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);

Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).

Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Hold	11,5	Buy	24,1	20.05.2022*	07:00 CEST	11,3	55 555
Buy	24,1	---	---	20.08.2021*	07:00 CEST	20,2	68 036

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme.

Distribution of BDM's recommendations in Q3'22*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	3	60%	2	100%
Accumulate	2	40%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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