



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	2022	
Price [PLN]	3,8	P/E	5,3	7,4	-8,3	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	23,8	EV/EBITDA	3,0	3,0	-8,1	
		EV/EBIT	3,4	3,9	-5,2	
		P/BV	1,7	1,3	1,0	

Last recommendation BDM: HOLD with target price 4,0 PLN/share (2023/05/23) [LINK](#)

BDM Comment: SimFabric's results for Q1'23 are better than our expectations, which we perceive **positively**. In the discussed quarter, the company generated PLN 1.2 million in **product sales revenue** (-53.1% y/y, +21.2% q/q). Out of this figure, PLN 0.3 million corresponds to the services of creating e-learning materials (in our forecasts, we assumed that, similar to what happened in Q4'22, a significant majority of the revenues, around PLN 0.8 million, would be generated from this source), PLN 0.7 million represents revenues from games number 4-6, and PLN 0.1 million pertains to the sales of other games. In the discussed quarter, operating expenses amounted to PLN 0.6 million (-44.6% y/y). In Q1'23, depreciation amounted to PLN 0.3 million (+0.6% y/y, +38.4% r/r) and external services amounted to PLN 0.2 million (-71.2% y/y, -85.2% q/q, mostly related to development services) and were significantly lower than our expectations. In the first quarter of 2023, the company generated 0.9 million PLN on **EBITDA** level (-48.5% y/y) and PLN 0.6 million (-59.4% y/y) on **EBIT** level. In Q1'23, SimFabric generated a **net profit** of PLN 0.7 million (-47,0% y/y), of which PLN 0.6 million (-58,4% y/y) was attributable to the parent company. In the reported period, cash flows from operating activities amounted to PLN 0.5 million and cash flows from investing activities were PLN -2.0 million. **At the end of March'23, the company had PLN 3.5 million in cash and cash equivalents (-1,6 mln PLN q/q, -4,2 mln PLN y/y)**. The company's trade receivables and other receivables increased from PLN 7.8 million at the end of Q4'22 to PLN 8.3 million at the end of March'23.

Q1'23 results [mln PLN]

	Q1'22	Q1'23	change y/y	Q1'23 BDM	dev.
Sales	2,5	1,2	-53,1%	0,9	22,9%
Gross profit	1,4	0,6	-59,6%	0,2	249,8%
Other op.income/expenses	0,0	-0,1	-	0,0	-
EBITDA	1,7	0,9	-48,5%	0,4	120,1%
EBIT	1,4	0,6	-59,4%	0,2	249,8%
Financial income/expense, net	0,0	0,0	-	0,0	-
Profit before tax	1,4	0,6	-56,6%	0,2	271,0%
Net profit	1,4	0,7	-47,0%	0,1	398,9%
Net profit of parent company	1,4	0,6	-58,4%	0,1	291,3%
Gross margin	58,0%	50,0%		17,6%	
EBITDA margin	70,4%	77,4%		43,2%	
EBIT margin	57,6%	50,0%		17,6%	
Net margin	56,7%	64,1%		15,8%	
Net margin of parent company	56,7%	50,3%		15,8%	

Source: BDM S.A., company

- In Q1'23, the company generated PLN 1.2 million in revenue from the sale of products (-53.1% r/r, +21.2% q/q). Out of this figure, PLN 0.3 million corresponds to the services of creating e-learning materials, PLN 0.7 million represents revenues from games 4-6, and PLN 0.1 million pertains to the sales of other games.
- The operating costs amounted to PLN 0.6 million (-44.6% y/y). During the mentioned period, depreciation reached PLN 0.3 million (+0.6% YoY, +38.4% QoQ), while external services amounted to PLN 0.2 million (-71.2% YoY, -85.2% QoQ, mainly related to development services), which was significantly lower than our expectations.
- In Q1'23, the company generated 0.9 million PLN on EBITDA level (-48.5% y/y) and PLN 0.6 million (-59.4% y/y) on EBIT level.
- In the first quarter of 2023, SimFabric generated a net profit of PLN 0.7 million (-47.0 y/y), of which PLN 0,6 million (-58,4% r/r) was attributable to the parent company.
- Cash flows from operating activities in Q1'23 amounted to PLN 0.5 and cash flows from investing activities were -2.0 million PLN. At the end March'23, the company had PLN 3.5 million in cash and cash equivalents (-1.6 million PLN q/q, -4.2 million PLN y/y).
- At the end of 1Q'23, the company's financial assets amounted to 7.2 million PLN (-1.3% q/q). Out of this, 2.4 million PLN pertains to Green Wave Factory, and 3.6 million PLN corresponds to Spark VC ASI.
- The company's intangible assets increased from PLN 7.6 million at the end of Q4'22 to PLN 8.9 million at the end of Q1'23 (of which PLN 7.2 million is computer games in progress, and PLN 1.7 million is computer games produced).
- The company's trade receivables and other receivables increased from PLN 7.8 million at the end of Q4'22 to PLN 8.3 million at the end of March'23.

RESEARCH DEPARTMENT:

Maciej Bobrowski

Director

tel. (032) 208 14 12

e-mail: maciej.bobrowski@bdm.pl

strategy, industry, media/entertainment, TMT

Krzysztof Pado

Deputy Director

Investment Adviser

tel. (032) 208 14 35

e-mail: krzysztof.pado@bdm.pl

oil&gas, construction, building materials, real estate

Krzysztof Tkocz

Analyst

tel. (032) 208 14 38

e-mail: krzysztof.tkocz@bdm.pl

gaming

Anna Tobiasz

Junior analyst

Investment Adviser

tel. (032) 208 14 35

e-mail: anna.tobiasz@bdm.pl

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.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

INSTITUTIONAL SALES DEPARTMENT:

Leszek Mackiewicz

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn

tel. (022) 62-20-854

e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Hold	4,0	Sell	7,5	23.05.2023*	14:40 CEST	3,87	65 477
Sell	7,5	Hold	11,5	07.10.2022*	12:50 CET	9,70	47 191
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 Q2'23*:

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

	number	%	number	%
Buy	7	54%	0	0%
Accumulate	2	15%	0	0%
Hold	4	31%	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 is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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