

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	2021F	2022F	2023F
Price [PLN]	19,0	P/E	34,2	18,5	8,3	7,2
MC [mln PLN]	119,0	EV/EBITDA	31,8	15,9	8,1	6,6
		EV/EBIT	31,9	16,0	8,1	6,6
		P/BV	9,1	6,5	3,9	2,8

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Last recommendation BDM: BUY with target price 24,1 PLN/share (2021/08/20) [LINK](#)

Q3'21 results [mln PLN]

	Q3'20	Q3'21	zmiana r/r	Q3'21F BDM	dev.
Sales	1,6	2,3	41,5%	3,3	-31,6%
Gross profit	0,8	0,6	-20,0%	1,1	-41,0%
Other op.income/expenses	0,0	0,0	-100,0%	0,0	-
EBITDA	0,8	0,6	-20,3%	1,1	-41,2%
EBIT	0,8	0,6	-20,0%	1,1	-41,0%
Financial income/expense, net	0,0	-0,1	-652,4%	0,0	-
Profit before tax	0,8	0,7	-7,7%	1,1	-30,6%
Net profit	0,7	0,6	-10,5%	1,0	-38,5%
Gross margin	49,4%	28,0%		32,4%	
EBITDA margin	49,6%	27,9%		32,5%	
EBIT margin	49,4%	28,0%		32,4%	
Net margin	41,5%	26,2%		29,2%	

Source: BDM S.A., company

- Due to the lack of major premieres, in the third quarter of 2021, the company generated PLN 2.3 million (+ 41.5% y/y), including PLN 1.5 million in revenues from the sale of products, and PLN 0.8 million change of product state.
- In the last quarter, the company generated EBITDA of PLN 0.6 million (-20.3% y/y). As usual, the highest cost is related to the production of games - the costs of external services increased by 78.4% y/y to PLN 1.0 million, and salaries y/y by approx. 268.8% to PLN 0.6 million.
- At the level of net profit the company generated PLN 0.6m.
- In Q3'21, the developer continued work on the production of the game "Architect Life: A Building Simulator", created in cooperation with the Nacon concern. The game will be released on PC and new generation consoles. Work is also underway on games created for the Koch Media GmbH concern, as well as over a dozen in-house productions and 4 game ports.
- The company is finalizing work on the game "Farm & Fix 2020".
- The free prologue to Gardenia, produced and published entirely by SimFabric, will have premiere on November 11th. The players' reception of the prologue will give the company a hint whether it meets the tastes of a mass audience. The full game is now ready for PC and console, and they want to release it before Christmas.
- In Q3'21, the first dividend in the company's history for 2020 was paid out in the amount of PLN 1.5 million.
- The company hopes to finalize its transition to the main trading floor of the WSE later this year.
- In 4Q'21 SIM, plans to release Gardenia: Prologue, as well as the full version of the game for all platforms, such as: PC, Nintendo Switch, PS4 / PS5 and Xbox One / Xbox series S | X. They are counting on a good reception of the game Gardenia, after which it is starting to regularly release new games from both the SimFabric portfolio and its subsidiaries: MobileFabric and VRFabric.
- In MobileFabric, the Saboteur series should be released on mobile devices this year. In VRFabric, on the other hand, the Train Mechanic Simulator VR simulator is nearing completion, which is planned to be released first on the Steam VR platform, and then for the other most popular virtual reality goggles.
- Another own game, or rather a series of games they are working on, is Gumball 3000, developed by the subsidiary GR Games. There are plans to create a demo version and make it available during the premiere of the next edition of the Gumball 3000 rally in May 2022. Players must wait until 2024 for the full version.
- In recent months, the company has received two large funding from the Ministry of Development and the National Center for Research and Development, for the construction of the Research and Development Center and the creation of the SAR augmented reality platform, respectively. In both cases, the projects are at an early stage.
- In connection with the funding received for the project of creating the CBR - Space Engine Lab, preparations for the construction of the Center were started. The project is in the process of finalizing the location for the construction of the Research and Development Center. Construction is scheduled to start in early 2022.
- At the end of Q3'21, the company had PLN 8.9m in cash and cash equivalents.
- At the end of October, the company concluded eight contracts for the provision of e-learning services for GroMar. The contracts were concluded under the grant of the European Regional Development Fund, the European Social Fund and the Cohesion Fund for 2014-2020 and concern the performance of programming services in accordance with the guidelines contained in the contracts. For the performance of the concluded contracts, she will be entitled to remuneration not exceeding the total amount of PLN 1.2 million gross. The projects will be implemented by the branch in Łódź and the company VRFabric.

- At the end of September '21, the SimFabric team consists of a total of 70 people, ie: 1 person employed under an employment contract and 4 persons employed under specific specific contracts, the rest on the basis of b2b contracts. MobileFabric and VRFabric employ four people each.
- The group includes 16 development teams, consisting of 2 people and a team of 10 dealing with porting games to consoles, mobile devices and virtual reality devices, a team of animators and 3D graphic designers of 20 people and an 8-person R&D team.

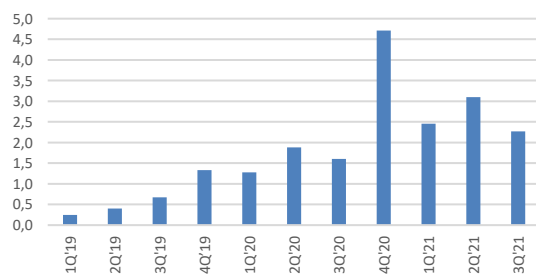
Results in previous quarters [mIn PLN]

Results Q [mIn PLN]	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	2018	2019	2020
Sales	0,2	0,4	0,7	1,3	1,3	1,9	1,6	4,7	2,5	3,1	2,3	0,8	2,7	9,5
Gross profit	0,0	0,1	0,1	0,3	0,2	0,2	0,8	2,2	1,2	1,6	0,6	0,1	0,5	3,4
Other op.income/expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	0,0	0,1	0,1	0,3	0,2	0,2	0,8	2,3	1,2	1,0	0,6	0,1	0,5	3,5
EBIT	0,0	0,1	0,1	0,3	0,2	0,2	0,8	2,3	1,2	0,9	0,6	0,0	0,5	3,5
Profit before tax	0,0	0,1	0,1	0,3	0,2	0,2	0,8	2,4	1,2	0,8	0,7	0,0	0,5	3,6
Net profit	0,0	0,1	0,1	0,3	0,2	0,1	0,7	2,4	1,1	0,5	0,6	0,0	0,4	3,5
Sales change y/y	-	-	-	-	423,0%	372,1%	137,8%	253,7%	92,4%	64,7%	41,5%	-	218,3%	257,6%
Net profit change y/y	-	-	-	-	743,7%	84,1%	820,3%	762,9%	533,5%	287,0%	-10,5%	-	3351,3%	676,1%
Gross margin	6,1%	20,9%	15,7%	23,4%	15,7%	11,9%	49,4%	46,9%	49,2%	51,3%	28,0%	6,1%	19,5%	36,2%
EBITDA margin	10,3%	20,8%	15,8%	23,5%	15,8%	11,5%	49,6%	48,2%	49,3%	30,9%	27,9%	6,3%	19,9%	36,8%
EBIT margin	10,2%	20,8%	15,7%	23,4%	15,7%	11,4%	49,4%	48,1%	49,2%	30,6%	28,0%	5,0%	19,8%	36,7%
Net margin	8,6%	18,1%	10,7%	21,3%	13,9%	7,0%	41,5%	51,9%	45,9%	16,5%	26,2%	1,6%	16,9%	36,8%

Źródło: BDM S.A., company

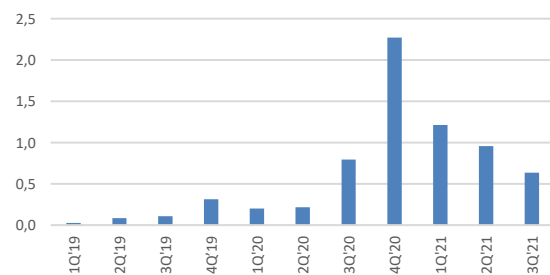
BDM Comment: SimFabric's results, due to the lower level of revenues (PLN 2.3m) compared to the levels estimated by us, are worse than our expectations, therefore we perceive them negatively. Most of this item was due to product sales (PLN 1.5 million) and this item turned out to be nearly PLN 1 million worse than our assumptions - which may be due to the seasonality and poor sales of games from the aging portfolio, as well as shifts in payments for game production for Nancon + Koch. The rest of this item is accounted for by the change in the condition of products, which is in line with our forecasts. As usual, the largest cost was external services, which increased by 78.4% y/y to PLN 1.0 million, and salaries y/y by approx. 268.8% to PLN 0.6 million. On the EBITDA level, the company generated PLN 0.6m, and after Q1-3'21 it managed to generate PLN 2.8m (+178.3% y/y). Net profit in 3Q'21 it amounted to PLN 0.6m. At the end of September '21, the company had PLN 8.9m in cash and cash equivalents (-15% q/q) - the first dividend in the company's history for 2020 was paid out in the amount of PLN 1.5m. In Q3'21, the developer continued work on the production of the game "Architect Life: A Building Simulator", and is finalizing work on the game "Farm & Fix 2020". The prologue of the game "Gardenia" will have premiere tomorrow. In 4Q'21 SIM, it plans to release its full version on all platforms, i.e. PC, Nintendo Switch, PS4 / PS5 and Xbox One / Xbox series S | X. In MobileFabric, the Saboteur series should be released on mobile devices this year. In VRFabric, on the other hand, the Train Mechanic Simulator VR simulator is nearing completion, which is planned to be released first on the Steam VR platform, and then for the other most popular virtual reality goggles.

Sales [mIn PLN]



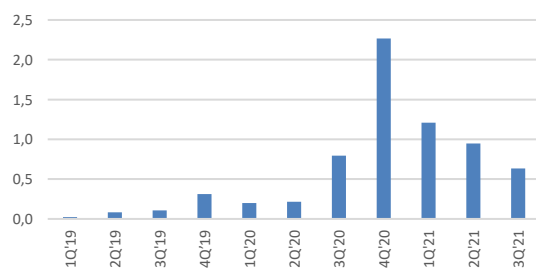
Źródło: Dom Maklerski BDM S.A., spółka

EBITDA [mIn PLN]



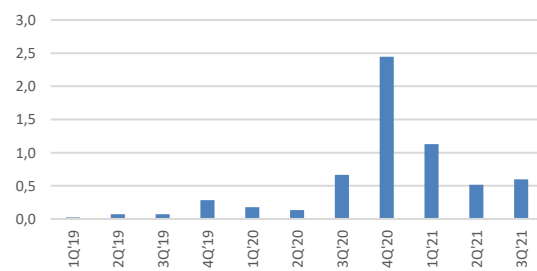
Źródło: Dom Maklerski BDM S.A., spółka

EBIT [mIn PLN]



Źródło: Dom Maklerski BDM S.A., spółka

Net profit [mIn PLN]



Źródło: Dom Maklerski BDM S.A., spółka

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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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rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
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 Q4'21*:

	number	%	number	%
Buy	1	100%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

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

* 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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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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