

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]	15,2	P/E	27,3	21,7	6,4	6,5	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	95,0	EV/EBITDA	24,9	19,3	6,6	5,5	
		EV/EBIT	25,0	19,3	7,1	6,0	
		P/BV	7,3	6,1	3,2	2,4	

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

Q4'21 results [mln PLN]

	Q4'20	Q4'21	zmiana r/r	Q4'21F BDM	dev.
Sales	4,8	3,2	-32,7%	3,6	-9,6%
Gross profit	2,3	1,8	-20,1%	1,8	0,7%
Other op.income/expenses	0,1	0,0	-100,0%	0,0	-
EBITDA	2,3	1,8	-18,4%	1,8	0,6%
EBIT	2,3	1,8	-18,7%	1,8	0,7%
Financial income/expense, net	0,1	0,0	-122,3%	0,0	-
Profit before tax	2,4	1,8	-23,5%	1,8	-0,7%
Net profit	2,4	2,2	-8,7%	1,6	33,0%
Gross margin	47,7%	56,6%		50,9%	
EBITDA margin	46,9%	56,9%		51,1%	
EBIT margin	46,8%	56,6%		50,9%	
Net margin	49,7%	67,3%		45,8%	

Source: BDM S.A., company

- In 4Q'21 the company generated revenues of PLN 3,2 million (-32,7% y/y), of which PLN 2,9 million was revenues from the sale of products (-35,8% y/y), and the remaining PLN 0,3 million is a change in the balance of products (+115,9% y/y). There were several debuts in the period in question ("Gardenia" - Steam, "Preventive Strike" - PS4 / 5, a series of three games "Saboteur!" For Android mobile devices and "Train Mechanic Simulator" VR for Oculus Rift devices), however as previously forecasted, we did not expect a significant contribution to the results. In the whole of 2021, the company generated PLN 11,1 million in revenues (+15,4% y/y), of which over 81% were revenues from the sale of products (PLN 9,0 million, -14,5% y/y), the rest was due to the change in the balance of products (PLN 2,1 million, vs PLN -1,0 million in 2020).
- In the last quarter, the company generated PLN 1,8 million EBITDA (-18,4% y/y). As usual, the highest cost is related to the production of games, hence the costs of external services amounted to PLN 0,7 million (-60,7% y/y), and salaries increased by 9,8% y/y to PLN 0,7 million. In the whole of 2021, the company generated EBITDA of PLN 4,6 million (+42,2% y/y). In the year under review, external services decreased by 16,5% to PLN 3,6 million, while payroll costs increased by 79,3% y/y to PLN 2,6 million.
- In 4Q'21 at the level of net profit n.j. the company generated PLN 2,2m (-8,7% y/y). Throughout the year, this result amounted to PLN 4,4 million (+32,1% y/y).
- "Gardenia" - the company is currently completing the necessary corrections and tests necessary to release the full version of the game for PS4 and PS5 consoles, followed by premieres on the following consoles: Nintendo Switch and Xbox One.
- The "Preventive Strike" game ported to PS4 / 5 consoles covered all production and marketing costs on the very first day and is currently increasing sales profits every day. Soon, this title is also planned to be released on Xbox One consoles.
- Subsidiaries of MobileFabric S.A. and VRFabric S.A. launched 4 more titles for sale. They were Saboteur I, Saboteur II: Avenging Angel, Saboteur SiO released by MobileFabric for Android mobile devices, and Train Mechanic Simulator VR released by VRFabric for Oculus Rift virtual reality goggles on the Steam store. Both companies are planning to release the above games on other platforms soon and are preparing further premieres, expanding their publishing portfolios ahead of the planned debuts of both subsidiaries on the New Connect exchange planned for this year.
- In both subsidiaries, at the beginning of February 2022, two successful share issues were carried out. Series D shares in MobileFabric S.A. were acquired by shareholders for over PLN 2,4 million. Series C shares in VRFabric S.A. were acquired by shareholders for over PLN 2,6 million.
- This year, the company plans to start the construction of a Research and Development Center with a total budget of PLN 25 million, for which it received funding from the Ministry of Development. For this purpose, the company signed a letter of intent to purchase two plots of land for the construction of the Center in Katowice. The purchase of a plot of land along with all building permits will trigger the financing of the project and co-financing. After completing the construction of the Research and Development Center, the implementation of Research and Development Agendas will begin there, for which the company intends to obtain further grants for research and development, both in cooperation with domestic and foreign institutions.
- In December '21, the company submitted the Prospectus to the PFSA in connection with the process of transferring the stock quotes to the main market of the WSE, is after the first round of questions from the Commission and the company is currently waiting for a decision on the approval of the Prospectus by the Polish Financial Supervision Authority.
- At the end of Q4'21, the company had PLN 10,1m in cash and cash equivalents (+22,8% y/y, +13,8% q/q).
- The level of inventories at the end of December '21 amounted to PLN 3,1 million (+ PLN 0,3 million q/q, + PLN 2,1 million y/y).
- In the period under review, net cash flows from operating activities amounted to PLN -0,8 million (in the entire year 2021 they amounted to PLN -2,2 million vs PLN +4,5 million in 2020), and cash flows from PLN 2,0 million from financial activities (capital increase).

- At the end of December '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 contracts, the rest on the basis of b2b contracts. MobileFabric S.A. companies and VRFabric S.A. they employ four people on the basis of a specific contract.
- 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.

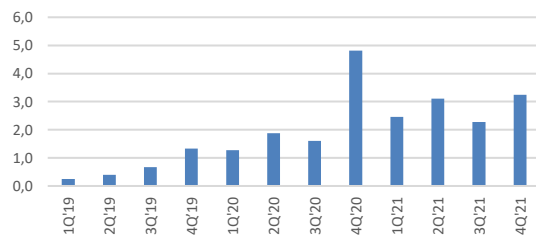
Results in previous quarters [mln PLN]

Results Q [mln PLN]	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	2018	2019	2020	2021
Sales	0,2	0,4	0,7	1,3	1,3	1,9	1,6	4,8	2,5	3,1	2,3	3,2	0,8	2,7	9,6	11,1
Gross profit	0,0	0,1	0,1	0,3	0,2	0,2	0,8	2,3	1,2	1,6	0,6	1,8	0,1	0,5	3,3	5,3
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	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	1,8	0,1	0,5	3,3	4,6
EBIT	0,0	0,1	0,1	0,3	0,2	0,2	0,8	2,3	1,2	0,9	0,6	1,8	0,0	0,5	3,3	4,6
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	1,8	0,0	0,5	3,3	4,6
Net profit	0,0	0,1	0,1	0,3	0,2	0,1	0,7	2,4	1,1	0,5	0,6	2,2	0,0	0,4	3,3	4,4
Sales change y/y	-	-	-	-	423,0%	372,1%	137,8%	261,7%	92,4%	64,7%	41,5%	-32,7%	-	218,3%	262,0%	15,4%
Net profit change y/y	-	-	-	-	743,7%	84,1%	820,3%	744,3%	533,5%	287,0%	-10,5%	-8,7%	-	3351,3%	637,4%	32,1%
Gross margin	6,1%	20,9%	15,7%	23,4%	15,7%	11,9%	49,4%	47,7%	49,2%	51,3%	28,0%	56,6%	6,1%	19,5%	36,2%	47,6%
EBITDA margin	10,3%	20,8%	15,8%	23,5%	15,8%	11,5%	49,6%	46,9%	49,3%	30,9%	27,9%	56,9%	6,3%	19,9%	36,8%	42,0%
EBIT margin	10,2%	20,8%	15,7%	23,4%	15,7%	11,4%	49,4%	46,8%	49,2%	30,6%	28,0%	56,6%	5,0%	19,8%	36,7%	41,8%
Net margin	8,6%	18,1%	10,7%	21,3%	13,9%	7,0%	41,5%	49,7%	45,9%	16,5%	26,2%	67,3%	1,6%	16,9%	36,8%	39,5%

Źródło: BDM S.A., company

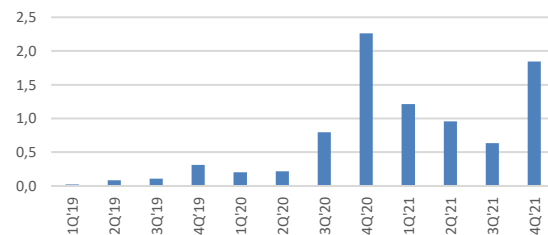
BDM Comment: SimFabric's results are in line with our earlier estimates and are close to our expectations, therefore we perceive them neutrally. In Q4'21, the company generated revenues of PLN 3,2m (-32,7% y/y), of which PLN 2,9m was revenue from the sale of products (-35,8% y/y), and the remaining PLN 0,3 million is a change in the state of products (+ 115,9% y/y). There were several debuts in the period in question ("Gardenia" - Steam, "Preventive Strike" - PS4 / 5, a series of three games "Saboteur!" For Android mobile devices and "Train Mechanic Simulator" VR for Oculus Rift devices), however as previously forecasted, we did not expect a significant contribution to the results. In the whole of 2021, the company generated PLN 11,1 million in revenues (+ 15,4% y/y), of which over 81% were revenues from the sale of products (PLN 9,0 million, -14,5% y/y) The rest was due to the change in the balance of products (PLN 2,1m, vs PLN -1,0m in 2020). As usual, the highest costs were related to the production of games, hence the costs of external services amounted to PLN 0,7 million (-60,7% y/y), and salaries increased y/y by 9,8% to PLN 0,7 million. In the year under review, external services decreased by 16,5% to PLN 3,6 million, while payroll costs increased by 79,3% y/y to PLN 2,6 million. In the last quarter, SIM generated PLN 1,8 million EBITDA (-18,4% y/y), while in the perspective of the entire 2021, this result reached PLN 4,6 million EBITDA (+ 42,2% y/y). In 4Q'21 at the level of net profit n.j. the company generated PLN 2,2m (-8,7% y/y). In the whole of 2021, this result amounted to PLN 4,4 million (+ 32,1% y/y). At the end of December '21, the company had PLN 10,1m in cash and cash equivalents (+ 22,8% y/y, + 13,8% q/q). It is worth recalling that in Q3'21, the first dividend in the company's history for 2020 was paid out in the amount of PLN 1,5 million. SimFabric is currently completing the necessary corrections and tests necessary to release the full version of "Gardenia" on PS4 / 5 consoles, followed by premieres for Nintendo Switch and Xbox One consoles. In December '21, the company submitted its Prospectus to the PFSA in connection with the process of transferring the listing of shares to the main market of the WSE, is already after the first round of questions from the Commission and currently the company is waiting for a decision on the approval of the Prospectus by the Polish Financial Supervision Authority.

Sales [mln PLN]



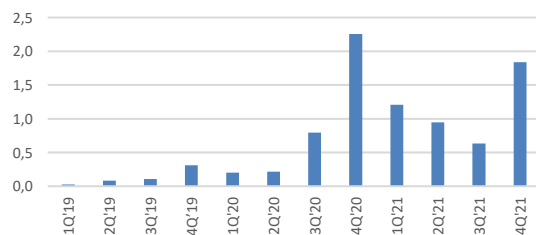
Źródło: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]



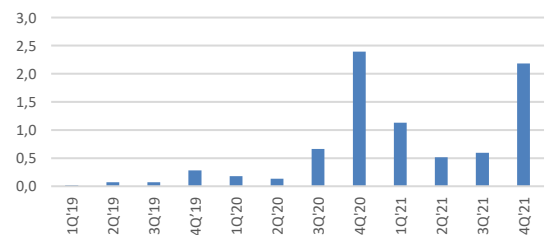
Źródło: Dom Maklerski BDM S.A., company

EBIT [mln PLN]



Źródło: Dom Maklerski BDM S.A., company

Net profit [mln PLN]



Źródło: Dom Maklerski BDM S.A., company

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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.
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.

Ratings and price targets history:

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 Q1'22*:

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

	number	%	number	%
Buy	1	100%	0	0%
Accumulate	0	0%	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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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
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- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
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