



Dom Maklerski BDM S.A.

ATM GRUPA

EQUITY RESEARCH

BUY

(MAINTAINED)

PRICE TARGET 4,51 PLN

13 SEPTEMBER 2023, 23:37 CEST

We are keeping our Buy rating on ATM Grupa shares, while lowering our valuation to PLN 4.51/share (which is 37% above the current market price). We are not changing our stance and approach the current year's results with caution. We note the low contracting level of the tv and film production segment and the challenging earnings base in the fixed asset management segment. We are therefore preparing for the scenario that the company is likely to show negative y/y earnings growth for the next few quarters. At the same time in the 2024-2025 perspective, we are counting on a noticeable improvement in results from audiovisual activities. Our current simulation indicates that EBITDA from the two segments related to audiovisual activities in 2023 will be 13.8% lower y/y, while in 2024 and 2025 it will enter the area of positive dynamics: +7.1% and +13.7% y/y, respectively.

In our view, Q2'23 will indicate that, in terms of the last four quarters (LTM) within the two core segments (tv and film production and management), the EBITDA reading will remain stable at PLN 52.1 million. This will therefore be the eighth consecutive quarter that LTM EBITDA will remain in the range of PLN 52.0-53.6 million. At the same time, we note that, point-wise, Q2'23 itself is likely to be the weakest quarter for the tv and film production segment this year. This is a result, as we pointed out earlier, of low contracting of new tv titles and, at the same time, the discontinuation of two long-standing and important positions for ATM Grupa. In addition, we remind you that the company in Q1'23 showed stronger-than-expected data in the tv and film production segment, and this is an indication to us that there may have been an earlier consumption of the revenues we had in the model factored in for Q2. In Q3 and Q4, we are counting on a gradual improvement in the revenue line in the tv and film production segment relative to H1'23, although we are preparing for it to remain weak on a y/y basis.

While ATM Group's earnings momentum does not encourage optimism, we emphasize the current low market valuation. We also appreciate the fact that the company consistently directs a generous stream of dividends to shareholders. Finally, we look with increasing optimism at the potential that Lumina Park is building. We assess that this entity may present a significant element in the future valuation of the assets in ATM Grupa's investment portfolio in the coming years. We also note that although the process of selling Boombit's stake currently seems vague (at current market prices), ATM Grupa is receiving a stream of dividends from Boombit.

Price target [PLN]	4,51
Potential upside/downside	+37%
Price [PLN]	3,29
Market Cap [PLN mln]	277,3
Shares outstanding [mln]	84,3
Max. price 6M [PLN]	3,67
Min. price 6m [PLN]	3,21
Rate of return 3M	-6%
Rate of return 6M	-5%
Rate of return 9M	-3%
Rate of return YTD	-9%
Shareholders	
Kurzewski Investment	40,0%
Zygmunt Solorz (Karswell)	17,4%
NN OFE PTE	9,9%
PKO TFI	7,6%

Maciej Bobrowski

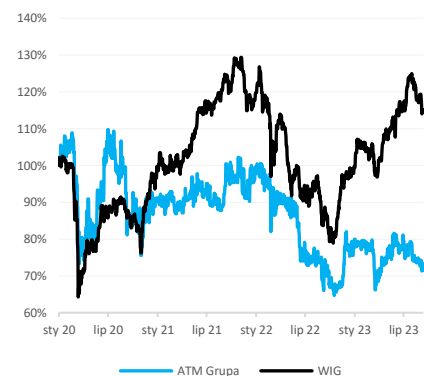
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	2021	2022	2023E	2024E	2025E	2026E
Total revenue [PLN mln]	223,9	299,9	209,3	226,1	264,6	298,7
EBITDA [PLN mln]	48,6	64,4	46,0	48,9	56,5	65,0
EBIT [PLN mln]	26,8	46,2	22,6	26,9	32,8	39,9
Net income [PLN mln]	24,6	43,8	25,8	30,3	35,4	42,0
EPS [PLN]	0,29	0,52	0,31	0,36	0,42	0,50
P/BV	1,0x	0,9x	0,9x	0,9x	0,8x	0,8x
P/E	11,3x	6,3x	10,8x	9,2x	7,8x	6,6x
EV/EBITDA	5,7x	3,9x	5,4x	5,3x	4,5x	3,9x
EV/EBIT	10,3x	5,4x	11,0x	9,6x	7,7x	6,3x
DPS [PLN]	0,15	0,29	0,24	0,22	0,26	0,30
Dividend yield	4,7%	8,7%	7,3%	6,7%	7,9%	9,2%

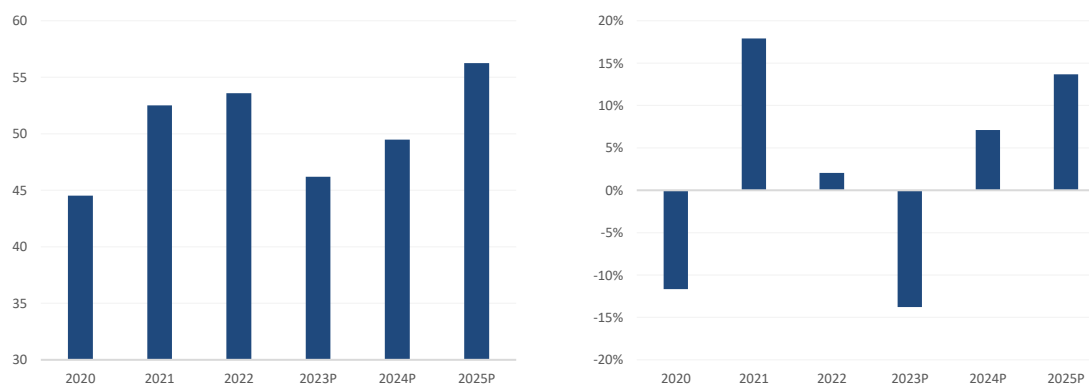


VALUATION AND SUMMARY

We are keeping our Buy recommendation for ATM Grupa's shares, while lowering our valuation to PLN 4.51/share (which is 37% above the current market price).

We are not changing our stance and approach the current year's results with caution. We draw attention to the low contracting level of the tv and film production segment and the challenging earnings base in the fixed asset management segment. Therefore, we are preparing for the scenario that the company is likely to show negative y/y earnings growth for the coming quarters. At the same time, we are counting on a perceptible improvement in results from audiovisual activities in the 2024-2025 timeframe. Our current simulation indicates that EBITDA from the two segments related to audiovisual activities in 2023 will be 13.8% lower y/y, while in 2024 and 2025 it will enter the area of positive dynamics: +7.1% and +13.7% y/y, respectively.

**Assumed EBITDA growth path and year-on-year growth rate in 2023-2025
(for the tv and film production and fixed asset management segments)**



Source: Dom Maklerski BDM S.A.

Although ATM Group's earnings momentum does not encourage optimism, we emphasize the current low market valuation. We also appreciate the fact that the company consistently directs a generous stream of dividends to shareholders. Finally, we look with increasing optimism at the potential that Lumina Park is building. We assess that this entity may present a significant element in the future valuation of assets in ATM Grupa's investment portfolio in the coming years. We also note that although the process of selling the Boombit stake currently seems vague at current market prices, ATM Grupa is receiving a stream of dividends from Boombit.

The valuation presented is based on the SOTP method. We have prepared a DCF and multiplier valuation of the TV and film production and fixed asset management segments. In addition, we include an estimate of the value of net assets related to the real estate business. We also add to the final value the market value of the stake in the Boombit entity.

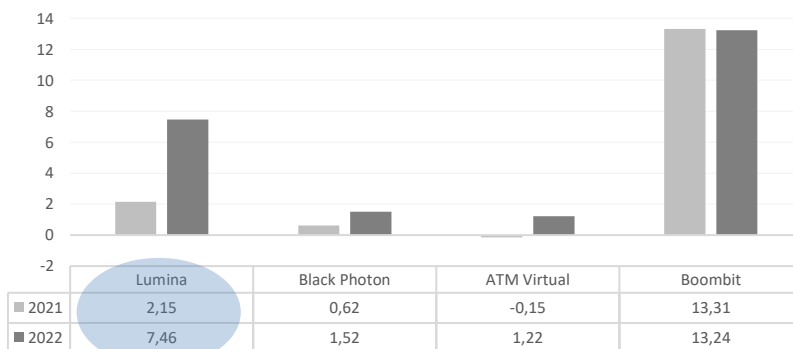
Valuation summary

$A = 0,5 \cdot A1 + 0,5 \cdot A2$	Valuation of tv and film production + asset management segment [PLN million]	266,8
A1	DCF [PLN million]	244,2
A2	Peer valuation [PLN million]	289,5
B	Valuation of real estate assets [PLN million]	65,1
C	Boombit [PLN million]	48,0
D = A+B+C	Final valuation [PLN million]	379,9
	Price target [PLN]	4,51
	Current market price [PLN]	3,29
	Potential upside/downside	37%

Source: Dom Maklerski BDM S.A.

Our approach to the valuation of assets held in associates and joint ventures is similar to the previous approach. As we indicated, we value Boombit's assets in accordance with current market value. On the other hand, we continue to treat the assets represented by Lumina, Black Photon and ATM Virtual as "start-up" projects at this stage and value them collectively at the level of the value of the loans granted to them by ATM Grupa - this is included in net debt. In future updates, we do not rule out changing our approach to Lumina. Indeed, we note that Lumina wants to open additional illumination parks in 2023 (there will likely be a total of 10 parks in the 2023/2024 holiday season). This is a business that surprised us in the upside in 2022 (strong Q4'22 results), and we note that for the full year 2022 Lumina reported a net income of PLN 7.5 million (in 2021 it was PLN 2.15 million).

Historical net income of selected entities in which ATM Group is involved [PLN million]. (affiliates and joint ventures)



Source: Dom Maklerski BDM S.A.

INCOME STATEMENT [PLN mln]	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Total revenue	249,0	193,5	223,9	299,9	209,3	226,1	264,6	298,7	319,2
EBITDA	55,7	46,6	48,6	64,4	46,0	48,9	56,5	65,0	69,7
television and film production segment	20,3	25,4	24,9	20,5	17,6	20,9	26,2	28,8	30,4
Infrastructure & management segment	30,1	19,2	27,6	33,1	28,6	28,5	30,0	32,3	33,9
broadcasting segment	6,0	0,1	0,8	-0,1	-0,2	-0,2	-0,2	-0,2	-0,2
real estate segment	-0,1	3,0	2,8	13,1	2,3	1,8	2,7	6,4	7,9
other activity	-0,5	-1,0	-7,6	-2,1	-2,3	-2,2	-2,2	-2,3	-2,4
EBIT	34,9	18,1	26,8	46,2	22,6	26,9	32,8	39,9	43,9
Net interest and others	-0,9	0,4	-0,7	-2,5	-1,1	-1,1	-1,2	-1,2	-1,2
Share in profits under equity accounting method	3,0	3,8	5,6	8,7	10,9	12,6	13,4	14,6	15,1
Profit before income tax	37,0	22,3	31,7	52,4	32,4	38,4	45,0	53,3	57,9
Net profit	30,7	18,8	25,3	44,6	26,5	31,1	36,4	43,2	46,9
equity holders of the parent company	30,1	18,4	24,6	43,8	25,8	30,3	35,4	42,0	45,6
BALANCE SHEET [PLN mln]									
2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	
Non-current assets	209,2	211,5	215,7	258,4	262,2	269,3	276,5	284,7	293,9
PP&E	157,4	149,4	155,4	175,9	172,0	171,9	172,0	172,4	173,7
Long term programming rights	2,0	2,5	2,2	1,3	1,3	1,3	1,3	1,3	1,3
Intangible assets	3,2	2,0	1,9	1,7	1,7	1,7	1,7	1,7	1,8
Goodwill	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Other non-current assets	46,3	57,4	55,9	79,3	87,0	94,2	101,3	109,1	116,9
Current assets	148,5	140,6	158,4	133,1	129,4	148,5	161,8	176,1	185,9
Short term programming rights	14,0	5,2	1,4	7,5	2,6	2,5	2,9	3,3	3,5
Inventory	46,8	49,5	67,1	32,2	33,3	40,3	45,0	50,7	54,2
Trade receivables and other assets	36,3	30,4	31,6	29,9	22,9	43,4	47,1	53,2	56,8
Cash and cash equivalents	23,6	39,2	33,3	43,9	36,5	28,3	32,7	34,8	37,2
Other assets	27,8	16,3	25,1	19,7	34,1	34,1	34,1	34,1	34,1
Total assets	357,6	352,2	376,6	391,4	391,6	417,8	438,3	460,8	479,8
Equity	257,0	268,8	280,8	301,4	307,2	318,9	332,5	349,0	364,3
Total liabilities	100,6	83,4	95,9	90,0	84,5	99,0	105,8	111,9	115,5
Long-term liabilities	42,7	34,1	40,2	39,1	36,5	36,5	36,5	36,5	36,5
Short-term liabilities	57,9	49,3	55,1	50,9	48,0	62,4	69,3	75,4	79,0
Total liabilities & equity	357,6	352,2	376,6	391,4	391,6	417,8	438,3	460,8	479,8
CASH FLOW STATEMENT [PLN mln]									
2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	
Cash flow from operating activities	24,8	46,7	27,8	94,4	42,6	32,3	50,0	53,0	59,8
Cash flow from investing activities	-9,9	-15,7	-10,2	-44,4	-33,1	-21,9	-23,8	-25,4	-27,1
Cash flow from financing activities	-26,0	-15,4	-23,5	-39,4	-11,6	-18,6	-21,8	-25,5	-30,2
Net increase/(decrease) in cash and cash equivalents	-11,1	15,6	-5,9	10,6	-2,2	-8,2	4,4	2,1	2,4

Source: Dom Maklerski BDM S.A.

VALUATION AND OTHER METRICS	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Price [PLN]	3,29	3,29	3,29	3,29	3,29	3,29	3,29	3,29	3,29
Market Cap [PLN mln]	84,3	84,3	84,3	84,3	84,3	84,3	84,3	84,3	84,3
Shares outstanding [mln]	277	277	277	277	277	277	277	277	277
Net debt [PLN mln]	4	-25	-1	-26	-28	-20	-25	-27	-29
EV [PLN mln]	282	252	276	252	249	257	253	251	248
EPS [PLN]	0,36	0,22	0,29	0,52	0,31	0,36	0,42	0,50	0,54
BVPS [PLN]	3,04	3,18	3,32	3,56	3,63	3,77	3,93	4,13	4,31
DPS [PLN]	0,24	0,09	0,15	0,29	0,24	0,22	0,26	0,30	0,36
Dividend yield (%)	7,2%	2,6%	4,7%	8,7%	7,3%	6,7%	7,9%	9,2%	10,9%
P/E	9,2x	15,0x	11,3x	6,3x	10,8x	9,2x	7,8x	6,6x	6,1x
EV/EBITDA	5,1x	5,4x	5,7x	3,9x	5,4x	5,3x	4,5x	3,9x	3,6x
EV/EBIT	8,1x	14,0x	10,3x	5,4x	11,0x	9,6x	7,7x	6,3x	5,6x
P/BV	1,1x	1,0x	1,0x	0,9x	0,9x	0,9x	0,8x	0,8x	0,8x
Revenue change y/y	11,3%	-22,3%	15,7%	34,0%	-30,2%	8,1%	17,0%	12,9%	6,9%
EBITDA margin	22,4%	24,1%	21,7%	21,5%	22,0%	21,6%	21,3%	21,8%	21,8%
EBIT margin	14,0%	9,3%	12,0%	15,4%	10,8%	11,9%	12,4%	13,4%	13,8%
Net margin	12,3%	9,7%	11,3%	14,9%	12,7%	13,8%	13,8%	14,5%	14,7%
ROE	12,0%	7,0%	9,0%	14,8%	8,7%	9,8%	11,0%	12,4%	12,9%
ROA	8,6%	5,3%	6,7%	11,4%	6,8%	7,4%	8,3%	9,4%	9,8%
Current assets / Revenue	60%	73%	71%	44%	62%	66%	61%	59%	58%
Non-current assets / Revenue	84%	109%	96%	86%	125%	119%	104%	95%	92%
Total assets / Revenue	144%	182%	168%	131%	187%	185%	166%	154%	150%
Short-term liabilities / Revenue	23%	25%	25%	17%	23%	28%	26%	25%	25%
Long-term liabilities / Revenue	17%	18%	18%	13%	17%	16%	14%	12%	11%
Total liabilities/ Total liabilities & equity	28%	24%	25%	23%	22%	24%	24%	24%	24%
Equity / Total liabilities & equity	72%	76%	75%	77%	78%	76%	76%	76%	76%
Total loan and lease liabilities [PLN mln]	33	28	28	29	32	32	32	32	32
Net debt [PLN mln]	4	-25	-1	-26	-28	-20	-25	-27	-29
Debt / Equity	12,9%	10,6%	9,9%	9,5%	10,5%	10,1%	9,7%	9,2%	8,8%

Source: Dom Maklerski BDM S.A.

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
buy	4,51	buy	4,95	2023-09-13	23:37 CEST	3,29	66 664
buy	4,95	buy	4,58	2023-05-22	11:23 CEST	3,45	65 398
buy	4,58	resume	---	2022-11-28	16:35 CEST	3,51	56 008
hold	4,00	buy	4,75	16.10.2017	09:25 CEST	4,10	65 601
buy	4,75	hold	3,62	01.12.2016	09:17 CEST	3,93	48 619
hold	3,62	buy	3,92	16.02.2016		3,84	44 288
buy	3,92	accumulate	4,11	26.10.2015		3,3	51 157
accumulate	4,15	hold	3,62	01.07.2015		3,74	53 200
hold	3,62	buy	3,71	24.10.2014		3,66	53 582
buy	3,71	buy	3,54	11.06.2014		3,10	53 148
buy	3,54	accumulate	2,83	11.03.2014		3,03	51 230
accumulate	2,83	accumulate	2,06	21.10.2013		2,59	53 854
accumulate	2,06	hold	1,44	27.08.2013		1,86	49 410
hold	1,44	buy	1,43	08.04.2013		1,46	45 200
buy	1,43	buy	1,58	14.12.2012		0,93	46 653
buy	1,58	hold	2,00	12.09.2012		1,08	43 010
hold	2,00	buy	1,59	21.02.2012		2,01	42 047
buy	1,59	---	---	28.09.2011		1,16	37 826

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

The strengths and weaknesses of the valuation methods used in the report:

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).

DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.

Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

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.

	Distribution of BDM's recommendations in 3Q'23*:		, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
	liczba	%	liczba	%
Buy	9	69%	0	0%
Accumulate	2	15%	0	0%
Hold	1	8%	0	0%
Reduce	1	8%	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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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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