

2021-10-18 08:45

Key data

Final price [PLN]	1,23
DCF Valuation [PLN]	1,34
Comparative Valuation [PLN]	1,08
Market price [PLN]	1,39
Growth/decrease potential [%]	-11,5%
Market cap [mIn PLN]	44,8
Free float	50,2%
Industry	gaming
Kod GPW	VVD
Bloomberg	VVD PW

Analysts

Tomasz Czarnecki
Tel.: +48 (22) 53 95 542
Łukasz Bryl
Tel.: 785 500 874

Company profile

A modern gaming studio that designs, produces and publishes games for portable and stationary consoles, PC and Mac computers, and smartphones - which are the most dynamically developing sector of the Source: www.gpw.pl

Shareholders [%]

Kościelny Remigiusz	22,23%
Wojczakowski Jarosław	22,23%
Sominka Paweł	5,32%
Vivid Games SA	0,34%

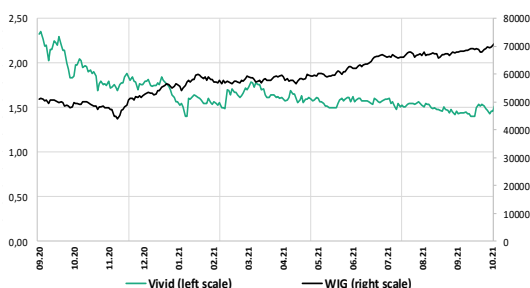
Growth factors

strong global gaming market
ARPU increase of main games
data analytics investment

Risk factors

low sales of newly-released titles
high amortization
increasing costs of UA

Stock performance



Source: DM Banku BPS SA calculations

Vivid Games SA

Analytical report

Deepening the monetization of offered games as an opportunity to stop the downward trend in revenues

In the Q2 2020, Vivid Games achieved a record-breaking revenue in the history of the Company at the level of PLN 10,068 thousand. Since then, quarterly revenues have been systematically decreasing (CAGR = -15.6%), to reach the value of PLN 5,048 thousand at the end of Q2 2021. New games release **did not result in the expected increases in revenues**. In order to increase the value of the key parameter (ARPU), the Company develops competences in the field of data analytics. In the case of the flagship title Real Boxing 2 ARPU increased by 59.6% in the period January-August 2021.

The financial results after the first half of the year still remain unsatisfactory (the Company recorded a loss of PLN 1,764 thousand, compared to PLN 1,886 thousand of net profit in the first half of 2020). The financial result is influenced by the high amortization of intangible assets, mainly R&D costs related with completing new games and improving the existing ones.

We positively assess the activities of the Company in terms of increasing the effectiveness of generating revenues by existing games, development in the area of business analytics and earlier repayment of liabilities (issued bonds).

We negatively perceive the Company in the context of the lack of sales success of the newly introduced games, high costs of depreciation of ongoing and completed R&D development works and high costs of acquiring users (AU).

Finally, **we are lowering our valuation to PLN 1.23** per share at the end of 2021.

	thd PLN	2020	2021E	2022E	2023E	2024E	2025E
Revenue		30 458	24 107	24 696	25 337	27 334	28 588
EBITDA		7 389	4 800	4 303	4 179	5 161	5 333
	<i>EBITDA margin</i>	24,3%	19,9%	17,4%	16,5%	18,9%	18,7%
EBIT		2 993	-700	-867	-681	593	1 039
Net income		2 094	-1 623	-1 250	-900	481	841
Equity		21 480	19 810	18 560	17 660	18 140	18 982
Debt		4 110	681	-3 066	-4 689	-8 442	-12 326
P/E		22,3	-28,7	-37,3	-51,8	97,0	55,4
P/BV		2,2	2,4	2,5	2,6	2,6	2,5
EV/EBITDA		5,8	9,6	11,5	12,3	10,7	11,1

Source: DM Banku BPS SA calculations, E - estimates

Basic definitions

CAPEX (capital expenditures) - investment expenditures on product development, system implementation (including intangible assets) or tangibles assets in the part in which the capital is intended to maintain the company's current ability to generate income.

DCF (discounted cash flows) - discounted cash flows; all future cash flows are estimated and discounted in order to determine their present value. The value of the discount rate used corresponds to the cost of capital and includes an assessment of the risk related to future cash flows.

DFCF - Discounted FCF (Free Cash Flows to Firm).

EBIT (earnings before interest and taxes) - operating income i.e. the income before deduction of taxes and interest.

EBITDA (earnings before interest, taxes, depreciation and amortization) - the company's operating profit before deducting interest on interest-bearing liabilities (loans, bonds), taxes, amortization and depreciation of tangible and intangible assets; here EBITDA = operating income + amortization of tangible fixed assets + depreciation of intangible assets.

EV (Enterprise Value) - total enterprise value; here EV = current stock market capitalization + net debt.

EV / EBITDA - the ratio is calculated by dividing the present value of the enterprise (EV) by the value of EBITDA.

FCFF (Free Cash Flow to Firm) - free cash flows for owners of equity capital and creditors, which can be defined as flows resulting from the company's operating and investment activities, after all financial expectations of capital donors, i.e. all parties financing the company, have been settled .

WSE – Warsaw Stock Exchange.

NOPLAT - net operating result less adjusted taxes; here NOPLAT = EBIT * (1 - tax rate).

P / BV (price / book value) - the ratio is calculated by dividing the current capitalization of a listed company by the book value of its equity, which is provided in the company's balance sheet.

P / E (price earnings ratio) - stock exchange ratio. It is calculated by dividing the market price of one share by the net profit per share.

PV TV - Present Value, ie the residual value (TV) discounted at the present moment.

CR - current report.

SB - Supervisory Board.

TV (Terminal Value) - residual value; enterprise value after the forecast period; here estimated with the help of the Gordon model.

WACC - weighted average cost of capital; financial indicator informing about the average relative cost of capital engaged in financing the enterprise. zaangażowanego w finansowanie przedsiębiorstwa.

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List of recommendations issued within the last 12 months as part of the Analytical Coverage Support Program 3.0.

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
NTT SYSTEM	nd	8,30	5,98	Initial report	2021-09-01	Łukasz Bryl, Tomasz Czarniecki
UNIBEP	nd	17,00	12,90	Initial report	2021-09-07	Artur Wizner
MONNARI TRADE	nd	5,30	2,80	Initial report	2021-09-07	Łukasz Bryl, Tomasz Czarniecki
PROTEKTOR	nd	4,60	3,60	Initial report	2021-09-07	Artur Wizner, Tomasz Czarniecki
NTT SYSTEM	nd	8,30	5,80	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czarniecki
MONNARI TRADE	nd	5,30	2,90	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czarniecki
PROCHEM	nd	31,00	25,00	Analytical report	2021-10-06	Artur Wizner
PROTEKTOR	nd	4,60	3,38	Analysis of results	2021-10-08	Artur Wizner, Tomasz Czarniecki
VIVID GAMES	nd	1,23	1,39	Analytical report	2021-10-18	Łukasz Bryl, Tomasz Czarniecki