

# R22

## The valuation does not reflect the value of the hosting segment

- Q2 2021 results.** We are expecting PLN 18.2m reported EBITDA, comprised of the Hosting segment: PLN 9m (+27% YoY ; -6% QoQ) , CPaaS PLN 8.6m (+48% YoY ; +11% QoQ), Telco PLN 1.5m (-6% YoY ; +10% QoQ); SaaS PLN -0.2m; adjustment for unallocated costs PLN -0.7m. In the CPaaS segment, it will be another quarter with the consolidation of the Czech ProfiSMS (with a customer base of 11.8 thousand at the end of 1Q21 and quarterly ARPU of PLN 3.02 thousand per month). Following the consolidation of Freshmail as of 3Q21 (its customer base is ca. 6.5k), we expect the ARPU of the segment to be diluted (the customer structure points to smaller entities). In the hosting segment, we expect: (1) maintain a stable customer base; (2) grow ARPU by 11% YoY; (3) improve margins YoY due to a high cost base related to the launch of the Cyber\_Folks brand. Profitroom may show good results on the back of recovering local tourism (at the level of profits of companies valued at MPW). We expect a slightly positive market reaction to the results.
- Outlook.** After the IPO of Vercom's subsidiary is finalized, acquisitions should be the main catalyst for growth. The last two acquisitions of Freshmail and PushPushGo cost ca. PLN 35m, which still leaves an order of magnitude of PLN 170-200m for further acquisitions. We expect the company to announce a larger acquisition (likely in foreign markets) later this year. We believe the market environment (strong e-commerce market) and further digitalization of economies should support further improvement of earnings
- Changes in forecasts / Recommendation.** The increase in forecasts is due to the inclusion of recent acquisitions: Freshmail and PushPushGo in the CPaaS segment. With the acquisitions factored in, we are upgrading our valuation slightly to PLN 65.5/share, and we are reiterating a BUY rating.

PLNm	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	y/y	q/q
Sales	40,1	44,4	47,8	49,5	52,9	49,4	70,9	67,3	70,0	32%	4%
EBITDA	10,4	12,4	13,0	13,6	14,3	15,0	18,0	17,7	18,2	28%	3%
EBIT	8,9	8,4	8,8	9,4	10,1	10,7	10,6	12,7	12,8	27%	1%
Net profit	3,3	3,4	3,8	3,9	5,7	6,8	4,0	6,9	5,8	1%	-16%
P/E12M trailing	65,6	62,1	54,8	52,9	45,2	37,5	37,1	32,3	32,2		
EV/EBITDA 12M trailing	24,5	22,6	20,4	19,5	17,8	17,2	16,8	15,7	16,6		
year-on-year change in re margin EBITDA	31%	43%	28%	33%	32%	11%	48%	36%	32%		
EBIT margin	22%	19%	18%	19%	19%	22%	15%	19%	18%		
net margin	8%	8%	8%	8%	11%	14%	6%	10%	8%		

Report 3Q 20'

31.08.2021

**Buy**

(Previous: Buy)

Target price: 65.6 PLN

Current price: 53.5 PLN

Growth Potential: 23%

COMPANY DETAILS		RECOMMENDATION HISTOF		Date	Valuation
Ticker	R22	Buy		28.05.2021	64,8
Sector	TMT	Buy		26.04.2021	62,0
Price (PLN)	53,5	Buy		07.12.2020	44,0
52-week min/max (PLN)	27,5 / 62,5	Buy		22.10.2020	40,0
Number of shares (million)	14,2	Buy		22.07.2020	35,5
Mkt Cap (PLNm)	759	Buy		27.04.2020	33,5
Free-float	37,3%	Buy		24.03.2020	31,2
3M Avg. turnover (PLNm)	0,90	Buy		09.12.2019	28,8
	1M	3M	1Y		
Price change	-0,2%	-4,1%	82,0%		

P/E 12M vs EV/EBITDA 12M

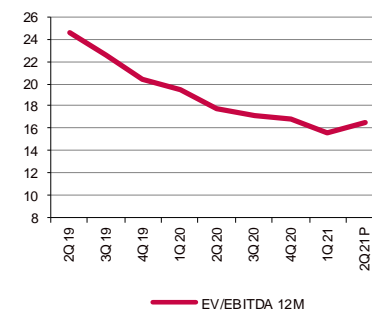
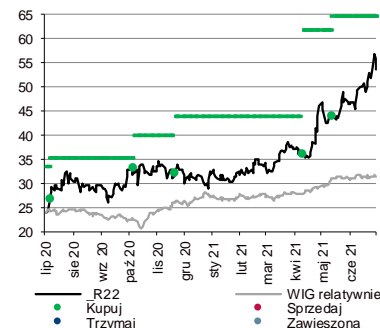


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PLNm	2018	2019	2020	2021E	2022E	2023E
Sales	128	169	223	303	358	390
EBITDA	30	46	61	78	93	102
EBIT	20	32	44	59	74	81
Net profit	9	14	20	27	34	40
EPS (PLN)	0,61	0,98	1,45	1,91	2,40	2,86
DPS (PLN)	0,00	0,47	0,40	0,57	0,67	0,84
P/E (x)	88,2	54,5	36,9	28,0	22,3	18,7
EV/EBITDA (x)	29,5	20,2	16,7	15,5	13,2	12,1
P/BV (x)	8,6	8,9	11,1	4,2	3,7	3,2
DY (%)	0,0%	0,9%	0,8%	1,1%	1,2%	1,6%

Valuation	Current		Previous		Change
DCF valuation	65,6	100%	64,8	100%	1%
Comparative valuation	53,7	0%	57,2	0%	-6%

Changes in forecasts PLN m	2021E			2022E			2023E		
	New	Old	Change	New	Old	Change	New	Old	Change
Sales	303	294	3%	358	338	6%	390	368	6%
EBITDA	78	77	2%	93	89	5%	102	97	5%
EBIT	59	57	3%	74	70	6%	81	77	6%
Net profit	27	26	5%	34	32	7%	40	38	5%
P/E (x)	28,2	29,5		22,5	24,1		18,8	19,8	
EV/EBITDA (x)	9,9	10,2		7,8	8,2		6,7	7,1	
P/BV (x)	4,2			3,7			3,2		
DY (%)	1,1%			1,2%			1,6%		

Market ratios	2019	2020	2021E	2022E	2023E
P/E (x)	54,5	36,9	28,0	22,3	18,7
P/E adj. (x)	54,5	36,9	28,0	22,3	18,7
P/BV (x)	8,9	11,1	4,2	3,7	3,2

EV/EBITDA (x)	20,2	16,7	15,5	13,2	12,1
EV/EBITDA adj. (x)	20,2	16,7	15,5	13,2	12,1
EV/Sales (x)	5,5	4,6	4,0	3,4	3,2

FCFF Yield (%)	-0,2%	-1,9%	1,9%	5,9%	6,3%
DY (%)	0,9%	0,8%	1,1%	1,2%	1,6%

Financial indicators	2019	2020	2021E	2022E	2023E
EPS (PLN)	1,0	1,5	1,9	2,4	2,9
EPS adj. (PLN)	1,0	1,5	1,9	2,4	2,9
DPS (PLN)	0,5	0,4	0,6	0,7	0,8
BVPS (PLN)	6,0	4,8	12,8	14,6	16,6

Operational indicators	2019	2020	2021E	2022E	2023E
Gross margin on sales (%)	18,8%	19,8%	19,4%	20,6%	20,9%
margin EBITDA adj. (%)	27,1%	27,4%	25,9%	26,1%	26,1%
margin EBIT (%)	18,8%	19,8%	19,4%	20,6%	20,9%
net margin adj. (%)	8,2%	9,2%	8,9%	9,4%	10,3%

ROE (%)	16,0%	26,8%	21,6%	17,5%	18,4%
ROA (%)	5,2%	6,2%	5,6%	5,6%	6,2%
CAPEX/Sales (%)	24,8%	34,5%	15,4%	3,1%	3,2%
CAPEX/Amortization (x)	3,0	4,6	2,4	0,6	0,6
Net Debt/equity (x)	2,1	3,9	2,6	2,3	2,0
Net Debt/EBITDA (x)	3,8	4,3	5,9	5,1	4,7

Cash conversion cycle (days)	6	6	7	11	14
Inventory turnover cycle (days)	0	0	0	0	0
Rotation cycle of trade receivables (days)	33	36	39	45	50
Trade payables cycle (days)	27	30	32	34	37

Profit and loss account (PLNm)	2018	2019	2020	2021E	2022E	2023E
<b>Revenues</b>	<b>128</b>	<b>169</b>	<b>223</b>	<b>303</b>	<b>358</b>	<b>390</b>
Operating costs	108	138	179	244	284	309
<b>Gross profit on sale</b>	<b>20</b>	<b>32</b>	<b>44</b>	<b>59</b>	<b>74</b>	<b>81</b>
Selling costs	-	-	-	-	-	-
General management costs	-	-	-	-	-	-
Profit on sale	-	-	-	-	-	-
Result on other operating activity	-	-	-	-	-	-
<b>EBITDA</b>	<b>30</b>	<b>46</b>	<b>61</b>	<b>78</b>	<b>93</b>	<b>102</b>
<b>EBITDA adj.</b>	<b>30</b>	<b>46</b>	<b>61</b>	<b>78</b>	<b>93</b>	<b>102</b>
Amortization	10	14	17	20	20	20
<b>EBIT</b>	<b>20</b>	<b>32</b>	<b>44</b>	<b>59</b>	<b>74</b>	<b>81</b>
Result on financial activity	-4	-6	-8	-10	-10	-11
<b>Gross profit</b>	<b>17</b>	<b>26</b>	<b>36</b>	<b>49</b>	<b>64</b>	<b>71</b>
Income Tax	3	5	5	7	10	11
Minority profit	5	7	11	15	20	19
<b>Net profit</b>	<b>9</b>	<b>14</b>	<b>20</b>	<b>27</b>	<b>34</b>	<b>40</b>
<b>Net profit adj.</b>	<b>9</b>	<b>14</b>	<b>20</b>	<b>27</b>	<b>34</b>	<b>40</b>

Balance sheet (PLNm)	2018	2019	2020	2021E	2022E	2023E
<b>Non-current assets</b>	<b>218</b>	<b>260</b>	<b>324</b>	<b>353</b>	<b>347</b>	<b>340</b>
<b>Current assets</b>	<b>30</b>	<b>30</b>	<b>51</b>	<b>229</b>	<b>280</b>	<b>326</b>
Inventory	0	0	0	0	0	0
Trade receivables	13	18	26	39	50	58
Cash	13	7	21	186	226	265
<b>Assets</b>	<b>247</b>	<b>290</b>	<b>375</b>	<b>582</b>	<b>627</b>	<b>666</b>
<b>Equity</b>	<b>88</b>	<b>85</b>	<b>68</b>	<b>181</b>	<b>205</b>	<b>234</b>
<b>Minority capitals</b>	<b>14</b>	<b>12</b>	<b>17</b>	<b>105</b>	<b>119</b>	<b>131</b>
<b>Long-term liabilities</b>	<b>95</b>	<b>121</b>	<b>205</b>	<b>200</b>	<b>198</b>	<b>192</b>
Interest-bearing liabilities	67	105	187	179	171	163
<b>Short-term liabilities</b>	<b>50</b>	<b>72</b>	<b>86</b>	<b>96</b>	<b>104</b>	<b>110</b>
Interest bearing liabilities	13	25	28	28	28	28
Trade payables	11	13	23	30	37	41
<b>Liabilities</b>	<b>247</b>	<b>290</b>	<b>375</b>	<b>582</b>	<b>627</b>	<b>666</b>

Statement of cash flows (PLNm)	2018	2019	2020	2021E	2022E	2023E
<b>Cash flows from operating activities</b>	<b>26</b>	<b>40</b>	<b>58</b>	<b>70</b>	<b>84</b>	<b>90</b>
Net profit (loss)	13	21	31	42	54	60
Amortization	10	14	17	20	20	20
<b>Cash flows from investing activities</b>	<b>-57</b>	<b>-40</b>	<b>-77</b>	<b>-47</b>	<b>-11</b>	<b>-12</b>
CAPEX	-57	-42	-77	-47	-11	-12
<b>Cash flows from financing activities</b>	<b>42</b>	<b>-6</b>	<b>33</b>	<b>142</b>	<b>-33</b>	<b>-38</b>
Dividend	0	-7	-6	-8	-9	-12
<b>Net cash flow</b>	<b>11</b>	<b>-6</b>	<b>14</b>	<b>165</b>	<b>40</b>	<b>39</b>
Cash at the beginning of period	16	13	7	21	186	226
Cash at end of period	13	7	21	186	226	265