

Gamivo

The market environment is getting tougher

- Q2 2022 results.** We assume +8% momentum on GMV (estimate PLN 51m) with a gently better q/q take-rate of c. 19.8%. Under these assumptions, we estimate revenue at ca. PLN 10m (+10% y/y). We assume that the effect of lower operating expenses from the previous quarter (estimated at PLN 8.9m) will be maintained, mainly due to lower marketing expenses (no sponsoring of major events). We estimate EBITDA to be approximately PLN 1.7m. We adjust the results at the net profit level for the write-down of negative goodwill. The key for us will be whether the results translate into positive cash generation, as seen in Q1.
- Outlook.** It is apparent that the games market is decelerating (global PC/console revenues -10% y/y) due to a lack of major launches, weak macro and hardware supply chain issues. The risk of a recession seems likely to weigh on results in the short term. On the other hand, we think there is a scenario in which a potential recession could be slightly positive for the company due to a greater tendency for consumers to seek cheaper versions of games, which is what the platform offers (substitution effect). After a disappointing Q4, Q1 saw an improvement in FCF, which we view slightly positively. For the full year, we expect GMV growth of 11%.
- Changes to forecasts / Recommendation.** We are slightly lowering our operating earnings forecasts (lower revenues, but also lower costs). After a strong decline in the share price, our valuation at PLN 90/share implies a BUY recommendation.

Buy

(Previous: Hold; PLN 106)

TP: 90 PLN

Cur. price: 76,4 PLN

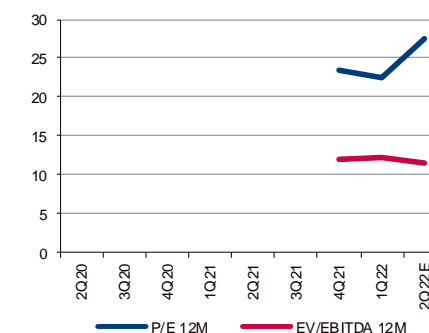
Upside: 18%

Financial results

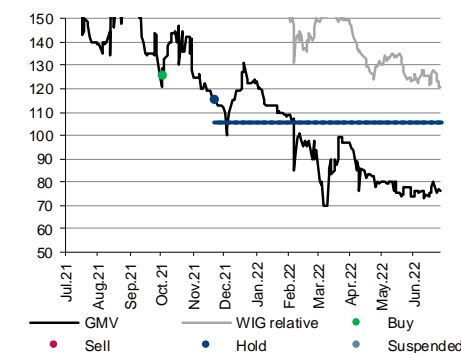
16.08.2022

Company data		Recommendation history	Date	Price
Ticker	GMV	Hold	09.12.2021	106
Sector	Gaming	Buy	09.12.2021	252
Price (PLN)	76,4	Buy	21.10.2021	263
52w min/max (PLN)	54,4 / 117,5	Buy	07.09.2021	290
Shares (m)	1,0			
MC (PLNm)	77,0			
S&P Global ESG Scores	1,0			
Avg. 3M turnover (PLNm)	0,02			
Price chng.	1M 12,2%	3M 12,2%	1Y 12,2%	

P/E 12M vs EV/EBITDA 12M



WIG vs. GMV chart



mPLN	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	y/y	q/q
Sales	-	-	-	10	9	10	12	10	10	10%	-2%
EBITDA	-	-	-	2	1	2	1	2	2	24%	-5%
EBIT	-	-	-	1	1	1	0	1	1	27%	-7%
Net profit adj.	-	-	-	1	2	1	0	1	1	-41%	-5%
P/E12M trailing	-	-	-	-	-	-	23,4	22,5	27,5		
EV/EBITDA 12M trailing	-	-	-	-	-	-	11,9	12,2	11,4		
sales growth y/y	-	-	-	-	-	-	-	6%	10%		
EBITDA margin	-	-	-	-	14,5%	17,3%	7,3%	17,0%	16,5%		
EBIT margin	-	-	-	-	9,5%	12,2%	1,6%	11,6%	11,0%		
Net margin	-	-	-	-	16,6%	8,6%	1,2%	9,3%	9,0%		

mPLN	2019	2020	2021	2022E	2023E	2024E
Sales	10	31	40	44	54	63
EBITDA	1	9	6	8	9	11
EBIT	0	9	4	6	7	9
Net profit adj.	0	8	3	5	6	7
EPS (PLN)	-	8,0	5,7	6,6	7,9	9,0
DPS (PLN)	-	0,0	0,0	0,0	0,0	0,0
P/E (x)	-	9,8	23,4	16,8	13,7	11,5
EV/EBITDA (x)	-	7,5	11,9	8,2	6,1	4,7
P/BV (x)	-	62,3	10,3	5,4	3,5	2,5
DY (%)	-	0,0%	0,0%	0,0%	0,0%	0,0%

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Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

OCF – cash generated through the operational activities of the company

FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets

ROE – rate of return on equity

NWC – net working capital

Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

Gross profit margin – a ratio of gross profit to net revenue

EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – a ratio of operating profit to net revenue

net margin – a ratio of net profit to net revenue

EPS – earnings per share

DPS – dividends per share

P/E – a ratio of market price to earnings per share

P/BV – a ratio of market price to book value per share

EV/EBITDA – a company's EV to EBITDA ratio

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, dividend paid to share price ratio

RFR - risk-free rate

WACC - weighted average cost of capital

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BUY – we expect that the rate of return on an investment will be at least 10%

NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%

SELL – we expect that an investment will make a loss greater than 0%

Recommendation prepared by: Grzegorz Kujawski, Maciej Marcinowski, David Sharma, Dominik Niszcz, Michał Kozak, Kacper Koproń, Katarzyna Kosiorek, Łukasz Rudnik, Piotr Rychlicki, Piotr Chodyra

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