

Gamivo

Good quarter with effect of postponement of Q4'22 launches; dividend a positive surprise

#Results Q1 results should be good. We assume +26% growth on GMV y/y, implying a turnover of PLN 66m. We assume a decrease in the take-rate to 19.2% (-0.3ppts q/q), implying revenues of ca. PLN 12.7m. The good Q1 results from the launch of the Hogwarts Legacy game. We assume PLN 10m operating expenses, including PLN 7.9m third-party costs (62% to revenue; -6pp q/q). We expect the company to present a solid FCF result for another consecutive quarter. We adjust our net profit-adjusted results for the write-down of negative goodwill. We expect a positive market reaction to the results.

#Outlook / Newsflow Q1 promises to be record-breaking in terms of results (the release of Harry Potter: Legacy the strongest in the company's history) but we have concerns about consumer behaviour in H2. After an apparent increase in user acquisition cost in Q4, we expect the marketing environment to begin to normalise. In recent years, there has been an increasingly visible effect of shifting the release calendar of major producers' game launches from Q4. It therefore seems that the seasonality of results should diminish. The company's goal for 2023 is to further increase turnover and optimise marketing costs. A big positive surprise for investors may be the dividend proposal (PLN 10.42/share; DY of almost 10%).

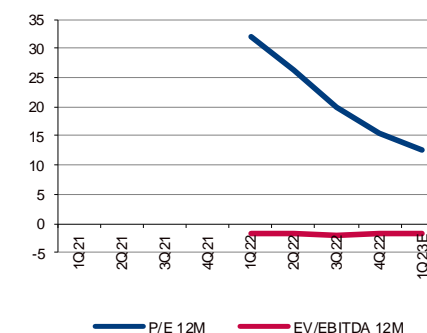
Model changes / recommendation We are slightly downgrading our forecasts, mainly due to the risks of an economic slowdown in H2 2023 and the downgrade of the take-rate forecast that has been declining for the last quarters (forecasts of turnover growth at a similar level vs. the previous recommendation). Nevertheless, the technical changes in the DCF (lower WACC, among others) imply a slightly higher valuation of the company. We reiterate our BUY recommendation with a target price of PLN 162/share.

mPLN	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23E	y/y	q/q
Sales	10	9	10	12	10	11	11	12	13	24%	6%
EBITDA	2	1	2	1	2	3	3	2	3	88%	39%
EBIT	1	1	1	0	1	2	2	2	3	124%	60%
Net profit adj.	1	2	1	0	1	2	2	2	3	164%	45%
P/E 12M trailing	-	-	-	-	31,8	26,1	19,8	15,4	12,6		
EV/EBITDA 12M trailing	-	-	-	-	-1,6	-1,8	-1,8	-1,7	-1,6		
sales growth y/y	-	-	-	-	6%	18%	18%	4%	24%		
EBITDA margin	20,1%	14,5%	17,3%	7,3%	17,0%	28,0%	27,3%	19,6%	25,7%		
EBIT margin	15,5%	9,5%	12,2%	1,6%	11,6%	22,8%	22,1%	14,0%	21,0%		
Net margin	8,5%	16,6%	8,6%	1,2%	9,3%	21,0%	18,9%	14,5%	19,7%		

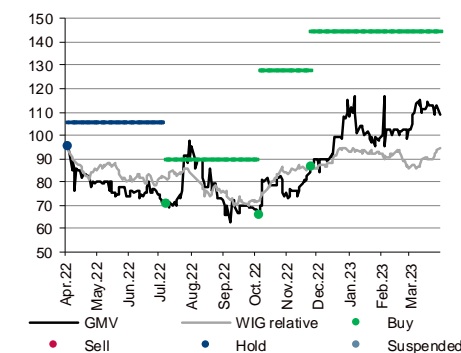
Financial results 15.05.2023

Company data		Recommendation history	Date	Price
Ticker	GMV	Buy	13.12.2022	145
Sector	Gaming	Buy	24.10.2022	128
Price (PLN)	108,0	Buy	25.07.2022	90
52w min/max (PLN)	54,4 / 117,5	Hold	21.04.2022	106
Shares (m)	1,0	Buy	09.12.2021	252
MC (PLNm)	108,8	Buy	21.10.2021	263
S&P Global ESG Scores	-	Buy	07.09.2021	290
Avg. 3M turnover (PLNm)	0,02			
Price chng.	1M	3M	1Y	
	12,2%	12,2%	12,2%	

P/E 12M vs EV/EBITDA 12M



WIG vs. GMV chart



mPLN	2020	2021	2022	2023E	2024E	2025E
Sales	31	40	44	51	59	67
EBITDA	9	6	10	13	14	15
EBIT	9	4	8	10	11	13
Net profit adj.	8	3	7	9	11	12
EPS (PLN)	-	5,7	9,5	11,7	12,8	12,0
DPS (PLN)	-	0,0	0,0	10,4	9,4	10,2
P/E (x)	-	33,1	15,4	11,5	10,2	9,0
EV/EBITDA (x)	-	17,5	9,0	7,2	6,5	5,8
P/BV (x)	-	14,6	6,3	5,8	4,9	4,6
DY (%)	-	0,0%	0,0%	9,6%	8,7%	9,5%

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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

Recommendations of the Brokerage House

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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