

Vivid Games SA

05.05.2023 08:15

Key data

Target price [PLN]	1,05
DCF Valuation [PLN]	1,20
Comparative Valuation [PLN]	0,78
Market price [PLN]	0,82
Growth/decrease potential [%]	28,8%
Market cap [mIn PLN]	26,4
Free float [%]	50,0%
Industry	mobile games
WSE code	VVD
Bloomberg code	VVD PW

Analyst

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 market.

Source: www.gpw.pl

Shareholders:

[%]

Wojczakowski Jarosław	22,5%
Kościelny Remigiusz	16,3%
Sominka Paweł	7,8%
Aleksandra Kościelna	6,2%

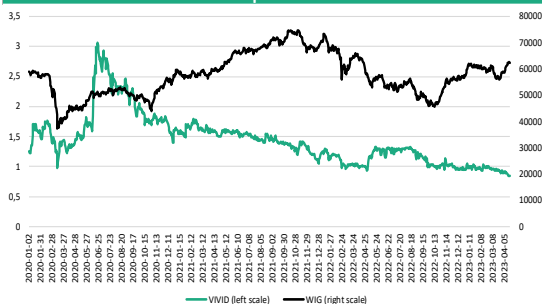
Growth factors

KF 2 revenue revival
data analytics investment
decrease of debt

Risk factors

low profitability
high costs of UA
economic downturn
USD depreciation

Stock performance



Source: DM Banku BPS SA calculations

Analytical report

New CEO, new strategy – new Vivid Games?

For the first three quarters of 2022, Vivid Games generated revenues close to our forecasts. In the third quarter alone, sales were positively influenced by a one-off event (sale of BidLogic technology). **The sales results allowed us to look with optimism at the chance to implement the strategy** announced by the Company in November 2021. **However, in the fourth quarter, along with the decrease in the USD exchange rate, changes in visibility in the App Store and lower consumer spending, the Company's revenues began to decrease significantly.**

Revenue declines (excluding one-off events) were greater than expenditures on user acquisition (30.2% vs. 25.4%), which **resulted in the loss of profitability at all operating levels in Q4.** Finally, Vivid Games ended the year with results much better than in 2021 (revenue increased by 49% y/y, and net profit amounted to PLN 0.69 million compared to a net loss a year earlier), nevertheless, expectations after good 3 quarters of 2022 were much higher.

We also negatively view the preliminary estimates of revenue and net loss in Q1 2023 and the Company's cash position. At the end of March, Vivid Games had only 70k PLN in cash. Thus, the funds received from the sale of the BidLogic technology were spent on the Company's current operations, unfortunately without a clearly positive effect.

Finally, we lower our valuation to PLN 1.05 (from PLN 1.09) per 1 share at the end of 2023, still seeing the potential for an increase in the price relative to current quotations.

PLN thd	2022	2023E	2024E	2025E	2026E	2027E
Sales	38 295	25 975	32 041	38 267	44 062	50 156
EBITDA	4 985	5 599	2 620	4 347	4 607	6 806
EBITDA margin	13,0%	21,6%	8,2%	11,4%	10,5%	13,6%
EBIT	1 113	2 467	-512	1 215	1 475	3 674
Net income	690	1 998	-264	1 134	1 345	3 126
Equity	7 314	9 312	9 048	10 182	11 527	14 653
Debt	2 730	224	224	224	224	228
P/E	38,23	13,21	-99,92	23,27	19,63	8,44
P/BV	3,61	2,83	2,92	2,59	2,29	1,80
EV/EBITDA	4,75	4,67	9,99	6,02	5,68	3,85
EPS	0,02	0,06	-0,01	0,04	0,04	0,10

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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The work on this study has been completed on: 5th May 2023, 8:15

Distribution of this study: 5th May 2023, 8:30

This report is published on the day of its completion on the publicly available website <https://dmbps.pl/wsparcie-analityczne/program-wsparcia-pokrycia-analitycznego-gpw/vivid-games-s-a>

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List of recommendations issued within the last 12 months

Company	Recommendation	Target price	Market price	Type of recommendation	Date of issue	Analyst(s)
PROCHEM	nd	37	32,8	Analytical report	10.05.2022	Artur Wizner
VIVID GAMES	nd	1,25	1,17	Analysis of results	13.05.2022	Łukasz Bryl, Tomasz Czarniecki
PROTEKTOR	nd	3,6	2,8	Analytical report	13.05.2022	Artur Wizner
PROCHEM	nd	37	33,6	Analysis of results	17.05.2022	Artur Wizner
MONNARI TRADE	nd	5,5	3,5	Analytical report	18.05.2022	Łukasz Bryl
VIVID GAMES	nd	1,29	1,26	Analysis of results	26.05.2022	Łukasz Bryl
MONNARI TRADE	nd	6,21	3,87	Analysis of results	31.05.2022	Łukasz Bryl
NTT SYSTEM	nd	7,92	4,28	Analysis of results	31.05.2022	Łukasz Bryl
UNIBEP	nd	11	8,1	Analysis of results	31.05.2022	Artur Wizner
PROTEKTOR	nd	3,6	2,83	Analysis of results	01.06.2022	Artur Wizner
JSW	BUY	74	38,7	Analytical report	12.09.2022	Artur Wizner
UNIBEP	nd	10	7,2	Analytical report	20.09.2022	Artur Wizner
VIVID GAMES	nd	1,07	1,03	Analytical report	29.09.2022	Łukasz Bryl
SNIEZKA	HOLD	67	64,2	Analytical report	29.09.2022	Artur Wizner
NTT SYSTEM	nd	7,03	3,95	Analytical report	04.10.2022	Łukasz Bryl
PROCHEM	nd	30	34,8	Analytical report	05.10.2022	Artur Wizner
PROTEKTOR	nd	2,9	2,6	Analytical report	12.10.2022	Artur Wizner
MONNARI TRADE	nd	6,74	3,87	Analytical report	21.10.2022	Łukasz Bryl
PROCHEM	nd	30	35	Analysis of results	15.11.2022	Artur Wizner
UNIBEP	nd	10	8,84	Analysis of results	18.11.2022	Artur Wizner
VIVID GAMES	nd	1,09	1,05	Analysis of results	29.11.2022	Łukasz Bryl
MONNARI TRADE	nd	7,20	4,85	Analysis of results	01.12.2022	Łukasz Bryl
NTT SYSTEM	nd	7,50	4,12	Analysis of results	02.12.2022	Łukasz Bryl
PROTEKTOR	nd	2,90	2,19	Analysis of results	06.12.2022	Artur Wizner
MONNARI TRADE	BUY	8,63	4,82	Analytical report	13.03.2023	Łukasz Bryl
PROTEKTOR	HOLD	2,70	2,36	Analytical report	13.03.2023	Artur Wizner
ESOTIQ & HENDERSON	BUY	47,23	29,2	Analytical report	13.03.2023	Łukasz Bryl
COCCODRILLO	BUY	26,77	17,75	Analytical report	13.03.2023	Łukasz Bryl
WITTCHEN	BUY	40,83	27	Analytical report	13.03.2023	Łukasz Bryl
VRG	BUY	5,07	3,3	Analytical report	13.03.2023	Artur Wizner
WOJAS	BUY	11,75	7,96	Analytical report	13.03.2023	Artur Wizner
LPP	HOLD	9328,17	9430	Analytical report	13.03.2023	Artur Wizner
CCC	SELL	27,57	35,43	Analytical report	13.03.2023	Artur Wizner
SILVANO GROUP	BUY	14,14	5,45	Analytical report	13.03.2023	Łukasz Bryl
SNIEZKA	BUY	83,00	71,6	Analytical report	17.03.2023	Artur Wizner
JSW	BUY	71,00	45,78	Analytical report	05.04.2023	Artur Wizner
NTT SYSTEM	nd	7,90	5	Analytical report	12.04.2023	Łukasz Bryl
VIVID GAMES	nd	1,05	0,82	Analytical report	05.05.2023	Łukasz Bryl