

2021-11-24 08:55

Key data

Final price [PLN]	1,23
DCF Valuation [PLN]	1,34
Comparative Valuation [PLN]	1,08
Market price [PLN]	1,37
Growth/decrease potential [%]	-10,2%
Market cap [mln PLN]	44,8
Free float	50,2%
Industry	gaming
Kod GPW	VVD
Bloomberg	VVD PW

Analysts

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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%

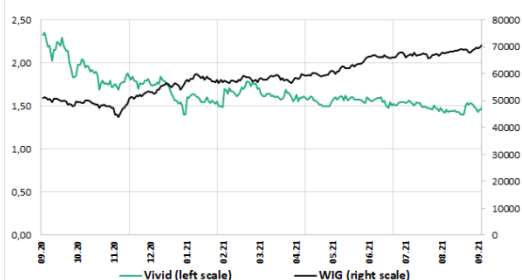
Growth factors

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

Financial forecasts for Q3 2021

- Revenue forecast.** The company presented preliminary revenues for the third quarter, which amounted to PLN 5.7 million (a decrease by 27.2% yoy and an increase by 12.3% qoq). We expect that the increase in revenues compared to the previous quarter results from the in-depth monetization of the flagship title Real Boxing 2, the effectiveness of which shows a positive trend (Average Revenue Per Player (ARPU) in October amounted to PLN 6.75 compared to PLN 1.8 in January 2020).
- Profit forecast.** At the operating level, the Company in the third quarter showed a loss of PLN 339 thousand, while the pre-reported net result was also negative and amounted to PLN 85 thousand which is a significant improvement compared to the second quarter, which ended with a net loss of almost PLN 1.5 million. The losses are mainly due to the high costs of acquiring users (AU) and investments in data analysis and machine learning. We forecast a positive EBITDA of PLN 1.2 million, which is more than a threefold increase compared to the previous quarter (18.5% decrease yoy).
- Opinion.** The Company's revenues are still largely generated by Real Boxing 2. We assume a further (slight) increase in revenues from this title due to the debut on Nintendo Switch at the end of November this year. The increase in revenues denominated in PLN is fostered by the appreciation of USD, which is the main currency used for settling micropayments and advertisements in the Company's mobile games. We expect that the game Chrono Cards: Mobbles, which will be released on November 24, is just starting to build its revenue maturity, and its real impact on revenues will depend on acceptance by the players, which will be visible in 2022 at earliest. The current share price is 1.39, which is a 11.4% premium to our October valuation.

	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
	EBITDA margin	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 Czamecki
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 Czamecki
PROTEKTOR	nd	4,60	3,60	Initial report	2021-09-07	Artur Wizner, Tomasz Czamecki
PROCHEM	nd	31,00	25,00	Initial report	2021-10-06	Artur Wizner
NTT SYSTEM	nd	8,30	5,80	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czamecki
MONNARI TRADE	nd	5,30	2,90	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,60	3,40	Analysis of results	2021-10-08	Artur Wizner, Tomasz Czamecki
VIVID GAMES	nd	1,23	1,39	Analytical report	2021-10-18	Łukasz Bryl, Tomasz Czamecki
PROCHEM	nd	31,00	25,40	Analysis of results	2021-11-17	Artur Wizner
VIVID GAMES	nd	1,23	1,37	Financial forecast	2021-11-24	Łukasz Bryl, Tomasz Czamecki