



The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2020	2021	2022	
Price [PLN]	4,0	P/E	5,6	7,8	13,7	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	25,0	EV/EBITDA	3,2	3,3	5,7	
		EV/EBIT	3,7	4,3	10,5	
		P/BV	1,7	1,4	1,0	

Last recommendation BDM: SELL with target price 7,5 PLN/share (2022/10/07) [LINK](#)

BDM Comment: SimFabric's results for 4Q'22 are below our expectations, which we perceive **negatively**. In the discussed quarter, the company generated PLN 0.9 million in **product sales revenue** (-68.4% y/y, +143.2% q/q). According to our estimates, they were generated from services related to creating e-learning materials and other developer services. Such a significant y/y decline in revenue results from a lack of payments for the production of publishing games (by the end of 2Q'22, the entire amount of 3.6 million EUR contracted for the production of three games was used up). In the discussed quarter, **operating expenses** amounted to PLN 6.7 million, of which PLN 5.2 million was related to write-offs updating the value of trade receivables. In 4Q'22, depreciation amounted to PLN 0.2 million (+3.6% q/q, -10.2% y/y), and external services amounted to PLN 1.3 million (+32.3% y/y, mostly related to development services) and were **significantly higher than our expectations**. In the last quarter of 2022, the company generated a **negative EBITDA of 5.5 million PLN** (compared to 1.9 million PLN in 4Q'21). **Adjusted EBITDA** for the amount of 5.2 million PLN related to updating the value of trade receivables amounted to -0.4 million PLN. SimFabric recognized -0.4 million PLN at the financial activity level (mostly related to fair value measurement of investments). In 4Q'22, SimFabric generated a **net loss of PLN 6.4 million**, of which **PLN 6.3 million was attributable to the parent company**. In the reported period, cash flows from operating activities amounted to PLN 3.9 million (of which PLN 9.4 million was a change in the state of receivables), cash flows from investing activities were -0.7 million PLN, and from financing activities -4.0 million PLN (relating to the net inflow from capital increase). **At the end of December'22, the company had PLN 5.0 million in cash and cash equivalents (-0.9 million PLN q/q, -5.1 million PLN y/y)**. The company's trade receivables and other receivables decreased from PLN 13.2 million at the end of Q3'22 to PLN 7.8 million at the end of December'22 (PLN -5.4 million - write-offs: PLN 3.9 million related to write-offs of receivables overdue by more than a year from the due date, and PLN 1.4 million resulting from a 50% write-off of receivables overdue by more than half a year from the due date).

Q4'22 results [mln PLN]s

	Q4'21	Q4'22	change y/y	Q4'22 BDM	dev.	2021	2022	change y/y
Sales	2,9	0,9	-68,7%	0,7	31,2%	9,0	6,2	-30,9%
Gross profit	1,6	-5,8	-	0,1	-	3,5	-3,6	-
Other op.income/expenses	0,0	0,0	-	0,0	-	0,0	0,0	-
EBITDA	1,9	-5,5	-	0,3	-	4,5	-2,3	-
EBITDA adj.	1,9	-0,4	-	0,3	-	4,5	2,8	-37,1%
EBIT	1,6	-5,8	-	0,1	-	3,5	-3,6	-
Financial income/expense, net	0,0	-0,6	-	0,0	-	0,0	1,2	-
Profit before tax	1,6	-6,3	-	0,1	-	3,5	-2,4	-
Net profit	2,0	-6,4	-	0,1	-	3,2	-2,9	-
Net profit of parent company	2,0	-6,3	-	0,1	-	3,3	-3,3	-
Gross margin	55,8%	-629,7%	-	13,9%	-	39,3%	-57,9%	-
EBITDA margin	64,5%	-601,2%	-	45,3%	-	50,3%	-37,5%	-
EBITDA adj. margin	64,5%	-41,0%	-	45,3%	-	50,3%	45,7%	-
EBIT margin	55,8%	-626,0%	-	13,9%	-	38,9%	-58,3%	-
Net margin	66,4%	-689,5%	-	12,5%	-	35,9%	-46,3%	-
Net margin of parent company	66,5%	-679,0%	-	12,5%	-	36,2%	-53,9%	-

Source: BDM S.A., company; *- adjusted by 5.2 million PLN related to write-offs concerning the value of trade receivables



- In Q4'22, the company generated PLN 0.9 million in revenue from the sale of products (-68.4% y/y, +143.2% q/q). They were generated from the services of creating e-learning materials and other development services.
- The operating costs amounted to PLN 6.7 million, of which PLN 5.2 million was related to updates in the value of trade receivables. During the period under discussion, depreciation amounted to PLN 0.2 million (+3.6% q/q, -10.2% y/y), and external services reached PLN 1.3 million (+32.3% y/y, this item mostly relates to development services) and were significantly higher than our expectations.
- In Q4'22, the company generated a negative EBITDA of PLN 5.5 million (compared to PLN 1.9 million in Q4'21). Adjusted EBITDA for the amount of PLN 5.2 million related to updates in the value of trade receivables amounted to -0.4 million PLN.
- In the last quarter of 2022, the company recognized a loss of PLN 0.4 million from financial activities (mostly related to fair value adjustments of investments).
- In Q4'22, SimFabric generated a net loss of PLN 6.4 million, of which PLN 6.3 million was attributable to the parent company.
- Cash flows from operating activities in Q4'22 amounted to PLN 3.9 million (of which PLN 9.4 million was a change in the state of receivables), cash flows from investing activities were -0.7 million PLN, and from financing activities -4.0 million PLN (relating to the net inflow from capital increase). At the end December'22, the company had PLN 5.0 million in cash and cash equivalents (-0.9 million PLN q/q, -5.1 million PLN y/y).
- The company's intangible assets increased from PLN 6.9 million at the end of Q3'22 to PLN 7.6 million at the end of Q4'22 (of which PLN 6.5 million is computer games in progress, and PLN 1.1 million is computer games produced).
- The company's trade receivables and other receivables decreased from PLN 13.2 million at the end of Q3'22 to PLN 7.8 million at the end of December'22 (PLN -5.4 million - write-offs: PLN 3.9 million related to write-offs of receivables overdue by more than a year from the due date, and PLN 1.4 million resulting from a 50% write-off of receivables overdue by more than half a year from the due date).
- In 2022, the company generated PLN 6.2 million in revenues (-30.9% YoY). Three games accounted for 44.7%, or PLN 2.8 million (including games such as "Farm&Fix" and "House Designer"), while e-learning material production services accounted for 37.7%, or PLN 2.3 million. The remaining developer services amounted to PLN 1.1 million (17.5%).
- During 2022, the company generated PLN -2.3 million EBITDA, while the adjusted EBITDA amounted to PLN 2.8 million (-37.1% YoY). The net loss attributable to the parent company was PLN 3.3 million.

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Explanations of terminology:

EBIT - earnings before interest and tax

EBITDA – earnings before interest, taxes, depreciation, and amortization

Net debt – interest bearing debt minus cash and equivalents

WACC - weighted average cost of capital

CAGR - cumulative average annual growth

EPS - earnings per share

DPS - dividend per share

CEPS - net profit plus depreciation per share

EV – market capitalization plus interest bearing debt minus cash and equivalents

EV/S – market capitalization / sales

EV/EBITDA – EV / sales

P/EBIT – market capitalization / EBIT

MC/S – market capitalization / sales

P/E – market capitalization / net profit

P/BV – market capitalization / book value

P/CE - market capitalization / net profit plus depreciation

ROE – net profit / equity

ROA - net income / assets

Gross margin - gross profit on sales / sales

EBITDA margin – EBITDA / sales

EBIT margin – EBIT / sales

Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);

Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);

Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);

Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);

Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).

Target price – the theoretical price which, in our opinion, should reach a security in the recommended period. This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Sell	7,5	Hold	11,5	07.10.2022*	12:50 CET	9,70	47 191
Hold	11,5	Buy	24,1	20.05.2022*	07:00 CEST	11,3	55 555
Buy	24,1	---	---	20.08.2021*	07:00 CEST	20,2	68 036

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme.

Distribution of BDM's recommendations in Q2'23*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	3	50%	0	0%
Accumulate	1	17%	0	0%
Hold	2	33%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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