

# Vivid Games SA

05.06.2023 08:30

Analytical report

## Key data

Target price [PLN]	0,90
DCF Valuation [PLN]	1,10
Comparative Valuation [PLN]	0,61
Market price [PLN]	0,90
Growth/decrease potential [%]	0,3%
Market cap [mln PLN]	29,0
Free float [%]	50,0%
Industry	mobile games
WSE code	VVD
Bloomberg code	VVD PW

## Analyst

Łukasz Bryl

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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 market.

Source: www.gpw.pl

## Shareholders:

[%]

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

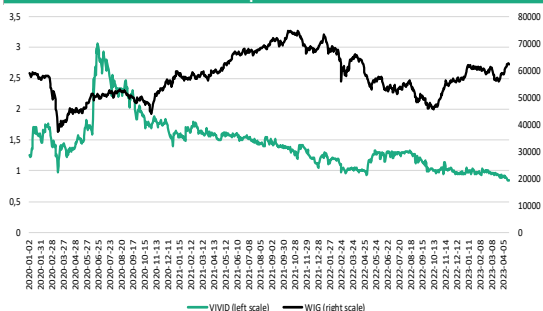
## Growth factors

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

## Negative impact of lack of NCRD funding

**The results for the first quarter of 2023 are in line with preliminary estimates and we assess them as weak.** Revenues amounted to PLN 6.7 million, of which revenues from games generated PLN 5.8 million (the remaining part of revenues was generated for own needs). This is a decrease of 14.9% y/y and 0.6% q/q. These values confirm that the pandemic boom in game sales is coming to an end. At the level of results, Vivid Games also disappointed, with an operating profit of just PLN 64k (decrease by 5.2% y/y), while the net loss amounted to minus PLN 17k (a year earlier the net profit was PLN 50k). **On the other hand, preliminary estimates for April are optimistic.** Monthly revenue from games increased to PLN 2.14 million (an increase of 8.1% m/m), and the net result was positive and amounted to PLN 0.32 million. This means a significant improvement compared to March and the entire first quarter of 2023.

**However, the April's enthusiasm related to the improvement of profitability was quickly brought down in May,** when the Company received information about the suspension of financing the project from the National Center for Research and Development for a total amount of PLN 6.4 million (of which PLN 3.9 million was subsidized). The reasons for the suspension are unknown, while the consequences are clearly negative. In addition to the lack of the co-financing amount in the category of other operating income, the Company will not receive cash in the assumed time (or at all), which worsens its liquidity.

**Finally, we lower our valuation to PLN 0.90 (from PLN 1.05) per 1 share at the end of 2023,** which results from a lower valuation both using the DCF and comparative method.

PLN thd	2022	2023E	2024E	2025E	2026E	2027E
Sales	38 295	26 836	32 041	38 267	44 062	50 156
EBITDA	4 985	3 742	3 676	4 534	4 794	6 993
EBITDA margin	13,0%	13,9%	11,5%	11,8%	10,9%	13,9%
EBIT	1 113	423	357	1 215	1 475	3 674
Net income	690	247	439	1 134	1 345	3 126
<b>Equity</b>	7 314	7 561	8 001	11 840	17 190	24 192
Debt	2 730	1 081	181	181	181	181
P/E	41,99	117,19	65,97	25,56	21,56	9,27
P/BV	3,96	3,83	3,62	2,45	1,69	1,20
EV/EBITDA	5,27	7,46	7,84	6,35	6,01	4,12
EPS	0,02	0,01	0,01	0,04	0,04	0,10

Source: DM Banku BPS SA, 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

Company	Recommendation	Target price	Market price	Type of recommendation	Date of issue	Analyst(s)
JSW	BUY	74	38,7	Analytical report	12.09.2022	Artur Wizner
UNIBEP	N/A	10	7,2	Analytical report	20.09.2022	Artur Wizner
VIVID GAMES	N/A	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	N/A	7,03	3,95	Analytical report	04.10.2022	Łukasz Bryl
PROCHEM	N/A	30	34,8	Analytical report	05.10.2022	Artur Wizner
PROTEKTOR	N/A	2,9	2,6	Analytical report	12.10.2022	Artur Wizner
MONNARI TRADE	N/A	6,74	3,87	Analytical report	21.10.2022	Łukasz Bryl
PROCHEM	N/A	30	35	Analysis of results	15.11.2022	Artur Wizner
UNIBEP	N/A	10	8,84	Analysis of results	18.11.2022	Artur Wizner
VIVID GAMES	N/A	1,09	1,05	Analysis of results	29.11.2022	Łukasz Bryl
MONNARI TRADE	N/A	7,20	4,85	Analysis of results	01.12.2022	Łukasz Bryl
NTT SYSTEM	N/A	7,50	4,12	Analysis of results	02.12.2022	Łukasz Bryl
PROTEKTOR	N/A	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	N/A	7,90	5	Analytical report	12.04.2023	Łukasz Bryl
VIVID GAMES	N/A	1,05	0,82	Analytical report	05.05.2023	Łukasz Bryl
UNIBEP	N/A	13,30	10,4	Analytical report	09.05.2023	Artur Wizner
MONNARI TRADE	N/A	7,84	5,34	Analytical report	12.05.2023	Łukasz Bryl
PROTEKTOR	N/A	2,70	2,30	Analytical report	12.05.2023	Artur Wizner
PROCHEM	N/A	30,00	31,00	Analytical report	17.05.2023	Artur Wizner
VIVID GAMES	N/A	0,90	0,90	Analytical report	05.06.2023	Łukasz Bryl