

# ATM Grupa

## 4Q22 Results Review

*Opinion: Positive, as ATM Grupa delivered better both reported EBITDA and net profit than we anticipated, mainly due to better contribution of basically all key units: considered jointly core business segments, real estate segment, as well as associated JVs.*

Overall, we find ATM Grupa's 4Q22 results positively, as basically results of each main business unit exceeded our expectations, which allowed the company to report headline EBITDA of PLN 18.5m, 15% above our expectations, and the bottom line at PLN 14.4m, 27% above our expectations. We especially point at solid y/y growth of EBITDA in core TV production and fixed assets segment, which may soften a bit market worries regarding unit's performance in 2023E. As for beat in real estate we do not find it as recurrent item, hence we do not consider it overly positively. As for JVs the scale of contribution from JVs in fixed assets segment suggest in our view, that not only Lumina has delivered seasonally better contribution, but also ATM Virtual or Black Photon observed some improvement.

On the negative note, ATM Grupa noted that has changed the title of TV premium series produced in 2022 for Netflix from "Lovzone" to "Absolutni debutanci" ("Absolute rookies"). We find it as uninspiring, as based on Netflix recent announcement we presumed it was second separate production for Netflix for 2023E.

**Revenues.** 4Q22 total revenues came at PLN 91.2m (+97% y/y, or +22% y/y if real estate segment is excluded) and were 44% above our forecast mainly due to real estate segment's contribution. In particular, TV production segment revenues were 12% above our forecast (PLN 29.0m, +8% y/y, vs. PLN 25.8m assumed by us), while fixed asset management segment revenues came 13% above our forecast (PLN 29.2m, +38% y/y, vs. PLN 25.8m assumed by us). We consider dynamics of core business segment as supportive given the sentiment on the market in 4Q22. Real estate segment contributed surprisingly large PLN 37.2m of revenues vs. PLN 15.9m assumed us, yet it do not translate is proportional beat on EBITDA level.

**EBITDA.** We refer to reported EBITDA as a headline measure, although we consider standardized EBITDA (excluding D&A of programming assets from total D&A) to be a superior and comparable measure. 4Q22 reported consolidated EBITDA arrived at PLN 18.5m, +193% y/y, mainly due to low base effect (PLN 6.3m write-off recognised in 4Q21) and y/y improvements in both core segments and real estate. Excluding D&A of programming assets (negligible in 4Q22), standardized EBITDA in TV production would arrive to PLN 3.4m in 4Q22, +38% y/y, vs. PLN 2.4m assumed by us, which we find positively. EBITDA in fixed assets was a bit lower than we anticipated (PLN 9.8m vs. PLN 10.3m), but still implied decent y/y dynamic of +17%. In the real estate segment EBITDA amounted to 5.5m vs. PLN 4.0m assumed by us, despite larger beat on revenues.

**EBIT.** It arrived at PLN 13.7m vs. PLN 11.4m assumed by us and PLN 1.4m year ago (low base effect due to write-off).

**Net profit.** The consolidated bottom line arrived at PLN 14.4m, i.e. above our PLN 11.3m forecast due mix of better EBIT and larger contribution of gain from JVs, while larger tax (PLN -3.7m vs. PLN -2.1m assumed) and net financial costs (PLN -1.2m vs. PLN -0.3m assumed) had an opposite effect. Recognized contribution from associates amounted to surprising PLN 5.6m (vs. PLN 2.6m

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## ATM Grupa

BUY

FV PLN 4.50

36% upside

Price as of 28 April 2023 PLN 3.30

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assumed by us) and included PLN 1.3m accounted for Boombit (in-line with Boombit's reported results, we assumed PLN 0.8m) and PLN 4.3m for JVs in fixed asset segment, including Lumina, Black Photon and ATM Virtual, which we find as surprisingly strong (we assumed PLN 1.8m in total).

**Cash flow.** Net operating cash flow amounted to PLN 31.2m (vs. PLN 16.1m year ago) following positive change in WC contribution. Net CAPEX amounted to PLN -23m as included PLN -17.4m purchase of subsidiary.

**Net debt.** ATM Grupa's net debt to reported EBITDA as of 31 December 2022 amounted to -0.2x vs. -0.1x quarter ago.

Figure 1. ATM Grupa 4Q22 P&L summary (PLN m)

(PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Y/Y	Q/Q	4Q22E	Act vs. IPOPEMA
<b>Revenues total</b>	<b>50.7</b>	<b>35.1</b>	<b>46.1</b>	<b>61.6</b>	<b>52.9</b>	<b>58.4</b>	<b>66.3</b>	<b>46.2</b>	<b>46.6</b>	<b>83.7</b>	<b>78.4</b>	<b>91.2</b>	<b>97%</b>	<b>16%</b>	<b>63.3</b>	<b>44%</b>
TV and movie production	38.1	21.7	28.9	23.3	35.5	38.3	48.5	27.0	33.5	30.9	49.6	29.0	8%	-41%	25.8	12%
Fixed asset management	12.8	7.6	15.9	13.1	13.3	15.4	21.6	21.2	18.5	20.2	31.3	29.2	38%	-7%	25.8	13%
Broadcasting	3.9	3.5	4.2	5.3	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-100%	na	0.0	na
Real estate	0.9	5.2	1.7	23.4	6.9	9.2	1.9	2.0	0.0	37.0	4.1	37.2	1773%	817%	15.9	135%
Video games development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	na	na	0.0	na
Other activities and exclusions	-5.0	-2.8	-4.7	-3.5	-5.4	-4.5	-5.6	-4.0	-5.4	-4.4	-6.5	-4.2	7%	-35%	-4.3	0%
Subsidy proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	na	na	0.0	na
Costs of sales total	-44.5	-29.8	-37.6	-54.4	-44.7	-49.1	-48.4	-36.7	-38.3	-68.6	-58.0	-74.9	104%	29%	-47.5	58%
<b>Gross profit on sales</b>	<b>6.2</b>	<b>5.3</b>	<b>8.5</b>	<b>7.2</b>	<b>8.3</b>	<b>9.4</b>	<b>17.8</b>	<b>9.5</b>	<b>8.3</b>	<b>15.1</b>	<b>20.4</b>	<b>16.2</b>	<b>72%</b>	<b>-20%</b>	<b>15.8</b>	<b>3%</b>
G&A costs	-3.6	-3.3	-3.5	-4.5	-3.9	-4.0	-4.5	-3.9	-3.7	-4.5	-4.9	-5.2	32%	6%	-5.7	-9%
Other operating revenues	1.3	1.3	1.3	3.4	1.1	1.0	1.3	2.6	1.0	1.1	1.7	2.2	-14%	31%	1.7	31%
Other operating costs	-0.3	-0.1	-0.2	-0.7	-0.3	-0.6	-0.1	-6.8	-0.9	-0.5	-0.5	0.4	-105%	-172%	-0.4	-192%
<b>EBITDA excluding write-off one-off</b>	<b>13.1</b>	<b>8.3</b>	<b>11.5</b>	<b>13.8</b>	<b>9.7</b>	<b>10.9</b>	<b>21.7</b>	<b>12.6</b>	<b>8.6</b>	<b>16.1</b>	<b>21.3</b>	<b>18.5</b>	<b>47%</b>	<b>-13%</b>	<b>16.0</b>	<b>15%</b>
<b>Reported EBITDA</b>	<b>13.1</b>	<b>8.3</b>	<b>11.5</b>	<b>13.8</b>	<b>9.7</b>	<b>10.9</b>	<b>21.7</b>	<b>6.3</b>	<b>8.6</b>	<b>16.1</b>	<b>21.3</b>	<b>18.5</b>	<b>193%</b>	<b>-13%</b>	<b>16.0</b>	<b>15%</b>
TV and movie production	9.0	6.4	4.6	5.4	4.3	4.8	13.0	2.9	3.2	3.8	10.1	3.4	18%	-67%	2.7	27%
EBITDA stand. TV and movie production	4.2	6.0	4.2	2.0	4.1	3.7	10.2	2.4	3.2	2.9	10.1	3.4	38%	-67%	2.4	38%
Fixed asset management	4.3	2.1	6.9	5.9	4.8	5.7	8.7	8.3	5.9	7.1	10.4	9.8	17%	-6%	10.3	-5%
Broadcasting	0.1	-0.3	0.3	0.1	0.2	-0.1	-0.1	0.9	0.0	0.0	0.0	0.0	-102%	-41%	0.0	na
Real estate	-0.1	0.4	0.0	2.8	0.8	1.0	0.4	0.6	0.3	5.9	1.4	5.5	798%	298%	4.0	39%
Video games development	-0.1	0.0	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	-0.1	-0.1	83%	13%	0.0	93%
Other activities and exclusions	-0.1	-0.2	-0.2	-0.3	-0.3	-0.4	-0.3	-6.3	-0.7	-0.6	-0.6	-0.1	-98%	-82%	-0.9	-88%
<b>EBIT</b>	<b>3.4</b>	<b>3.1</b>	<b>6.1</b>	<b>5.4</b>	<b>5.1</b>	<b>5.8</b>	<b>14.6</b>	<b>1.4</b>	<b>4.7</b>	<b>11.2</b>	<b>16.7</b>	<b>13.7</b>	<b>909%</b>	<b>-18%</b>	<b>11.4</b>	<b>20%</b>
Financial income	0.1	0.2	0.1	1.0	0.1	-0.1	0.1	-0.1	0.0	0.0	0.1	0.2	-340%	167%	0.0	1271%
Financial costs	-0.3	-0.4	-0.2	-0.2	-0.2	-0.3	-0.1	-0.2	-0.4	-1.0	-0.1	-1.4	572%	1157%	-0.3	320%
Profit from associated companies	2.0	0.5	0.6	0.7	1.0	0.7	1.1	2.7	0.9	0.7	1.6	5.6	104%	257%	2.6	118%
<b>Profit before tax</b>	<b>5.3</b>	<b>3.5</b>	<b>6.6</b>	<b>6.9</b>	<b>6.1</b>	<b>6.1</b>	<b>15.7</b>	<b>3.8</b>	<b>5.3</b>	<b>10.8</b>	<b>18.3</b>	<b>18.1</b>	<b>375%</b>	<b>-1%</b>	<b>13.6</b>	<b>32%</b>
Income tax	-0.6	-0.5	-1.4	-0.9	-1.0	-1.2	-3.0	-1.2	-0.8	-1.0	-2.4	-3.7	211%	57%	-2.1	75%
Minorities	-0.1	-0.3	-0.1	0.1	0.0	-0.1	-0.5	-0.1	-0.1	-0.1	-0.6	0.0	-82%	-97%	-0.2	-93%
<b>Net profit for dominant shareholders</b>	<b>4.6</b>	<b>2.6</b>	<b>5.2</b>	<b>6.0</b>	<b>5.0</b>	<b>4.8</b>	<b>12.2</b>	<b>2.5</b>	<b>4.3</b>	<b>9.8</b>	<b>15.3</b>	<b>14.4</b>	<b>467%</b>	<b>-6%</b>	<b>11.3</b>	<b>27%</b>
Reported EBITDA margin	25.9%	23.5%	24.9%	22.4%	18.3%	18.7%	32.7%	13.6%	18.5%	19.2%	27.1%	20.2%			25.3%	
EBIT margin	6.8%	8.9%	13.2%	8.8%	9.7%	9.9%	22.0%	2.9%	10.0%	13.3%	21.3%	15.0%			18.0%	
Net profit for dominant shareholders margin	9.1%	7.5%	11.2%	9.8%	9.5%	8.3%	18.4%	5.5%	9.3%	11.7%	19.5%	15.8%			17.9%	

Source: Company, IPOPEMA Research

Figure 2. ATM Grupa 4Q22 Balance Sheet summary (PLN m)

Balance Sheet (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Y/Y	Q/Q
<b>Fixed assets</b>	<b>209.7</b>	<b>204.4</b>	<b>201.3</b>	<b>211.5</b>	<b>209.6</b>	<b>214.3</b>	<b>214.2</b>	<b>215.7</b>	<b>225.2</b>	<b>223.0</b>	<b>234.0</b>	<b>258.4</b>	<b>20%</b>	<b>10%</b>
<b>Current assets</b>	<b>155.8</b>	<b>160.7</b>	<b>159.8</b>	<b>140.6</b>	<b>136.4</b>	<b>134.5</b>	<b>158.9</b>	<b>158.4</b>	<b>166.4</b>	<b>168.3</b>	<b>188.3</b>	<b>133.1</b>	<b>-16%</b>	<b>-29%</b>
Inventories	53.5	53.8	59.0	49.5	49.1	50.7	58.6	67.1	72.1	47.5	58.8	32.2	-52%	-45%
Trade receivables and other	43.7	30.6	43.2	30.4	39.9	34.7	49.5	31.6	47.5	44.7	44.9	29.9	-5%	-33%
Cash and equivalents	16.6	34.9	15.4	39.2	26.8	26.0	23.3	33.3	24.5	38.8	39.0	43.9	32%	13%
Other	42.0	41.3	42.2	21.5	20.6	23.0	27.5	26.4	22.2	37.4	45.6	27.1	3%	-41%
<b>Assets for sale</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>	<b>2.5</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>na</b>	<b>na</b>
<b>Total assets</b>	<b>365.5</b>	<b>365.0</b>	<b>361.1</b>	<b>352.2</b>	<b>347.1</b>	<b>348.8</b>	<b>373.2</b>	<b>376.6</b>	<b>395.6</b>	<b>391.4</b>	<b>422.2</b>	<b>391.4</b>	<b>4%</b>	<b>-7%</b>
<b>Equity for dominant shareholders</b>	<b>260.8</b>	<b>263.4</b>	<b>261.9</b>	<b>268.1</b>	<b>273.0</b>	<b>265.2</b>	<b>277.3</b>	<b>279.8</b>	<b>284.2</b>	<b>277.1</b>	<b>292.5</b>	<b>300.4</b>	<b>7%</b>	<b>3%</b>
<b>Minority equity</b>	<b>1.0</b>	<b>1.3</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.3</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>	<b>0.4</b>	<b>1.0</b>	<b>1.0</b>	<b>10%</b>	<b>2%</b>
<b>Long-term liabilities</b>	<b>43.3</b>	<b>41.9</b>	<b>37.4</b>	<b>34.1</b>	<b>32.4</b>	<b>31.2</b>	<b>48.9</b>	<b>40.2</b>	<b>38.7</b>	<b>35.6</b>	<b>37.8</b>	<b>39.1</b>	<b>-3%</b>	<b>4%</b>
Loans and leases	25.9	24.2	20.0	18.4	17.0	15.4	20.5	19.9	18.8	19.8	20.1	20.6	3%	2%
Other	17.4	17.7	17.4	15.7	15.4	15.8	28.5	20.3	19.9	15.8	17.7	18.5	-9%	5%
<b>Short-term liabilities</b>	<b>60.5</b>	<b>58.4</b>	<b>61.1</b>	<b>49.3</b>	<b>41.0</b>	<b>52.1</b>	<b>46.1</b>	<b>55.6</b>	<b>71.7</b>	<b>78.3</b>	<b>91.0</b>	<b>50.9</b>	<b>-9%</b>	<b>-44%</b>
Loans and leases	10.8	9.5	10.5	10.0	9.0	7.9	11.2	8.0	11.8	13.6	16.1	8.2	2%	-49%
Trade and other liabilities	27.8	27.9	31.1	23.1	17.2	25.2	20.9	35.1	38.3	42.5	50.1	21.2	-39%	-58%
Other	21.9	21.0	19.5	16.2	14.7	19.0	14.0	12.6	21.5	22.1	24.7	21.5	71%	-13%
<b>Total equity &amp; liabilities</b>	<b>365.5</b>	<b>365.0</b>	<b>361.1</b>	<b>352.2</b>	<b>347.1</b>	<b>348.8</b>	<b>373.2</b>	<b>376.6</b>	<b>395.6</b>	<b>391.4</b>	<b>422.2</b>	<b>391.4</b>	<b>4%</b>	<b>-7%</b>
Net debt	20.1	-1.2	15.1	-10.8	-0.8	-2.7	8.3	-5.4	6.1	-5.3	-2.8	-15.1	180%	446%
<b>Net debt / EBITDA reported</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>	<b>-0.2</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>-0.1</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.2</b>	<b>111%</b>	<b>343%</b>

Source: Company, IPOPEMA Research

Figure 3. ATM Grupa 4Q22 Cash Flow summary (PLN m)

CF (PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Y/Y	Q/Q
<b>Pre-tax profit</b>	<b>5.3</b>	<b>3.5</b>	<b>6.6</b>	<b>6.9</b>	<b>6.1</b>	<b>6.1</b>	<b>15.7</b>	<b>3.8</b>	<b>5.3</b>	<b>10.8</b>	<b>18.3</b>	<b>18.1</b>	<b>375%</b>	<b>-1%</b>
D&A (incl. programing assets)	9.7	5.1	5.4	8.4	4.6	5.1	7.1	4.9	3.9	4.9	4.5	4.8	-3%	5%
Change in working capital	-11.8	14.4	-16.3	9.9	-15.0	7.4	-20.1	7.0	-4.9	24.5	-1.6	14.1	102%	-1002%
Other adjustments	-3.0	-1.8	-1.6	5.9	-3.0	-1.9	-0.5	0.4	-2.8	1.7	-1.5	-5.8	-1552%	287%
<b>Cash flow from operating assets</b>	<b>0.2</b>	<b>21.3</b>	<b>-5.9</b>	<b>31.0</b>	<b>-7.3</b>	<b>16.8</b>	<b>2.3</b>	<b>16.1</b>	<b>1.5</b>	<b>42.0</b>	<b>19.7</b>	<b>31.2</b>	<b>94%</b>	<b>58%</b>
<b>Cash flow from investing activities</b>	<b>-10.1</b>	<b>0.3</b>	<b>-2.9</b>	<b>-3.0</b>	<b>-2.3</b>	<b>-2.3</b>	<b>-5.1</b>	<b>-0.5</b>	<b>-12.0</b>	<b>-9.0</b>	<b>-12.3</b>	<b>-11.1</b>	<b>1989%</b>	<b>-10%</b>
<b>Cash flow from financing activities</b>	<b>2.9</b>	<b>-3.2</b>	<b>-10.8</b>	<b>-4.2</b>	<b>-2.7</b>	<b>-15.3</b>	<b>0.1</b>	<b>-5.6</b>	<b>1.7</b>	<b>-18.7</b>	<b>-7.2</b>	<b>-15.2</b>	<b>170%</b>	<b>112%</b>
<b>Net cash flow</b>	<b>-7.0</b>	<b>18.3</b>	<b>-19.6</b>	<b>23.8</b>	<b>-12.4</b>	<b>-0.8</b>	<b>-2.7</b>	<b>10.0</b>	<b>-8.8</b>	<b>14.3</b>	<b>0.2</b>	<b>4.9</b>	<b>-51%</b>	<b>2006%</b>

Source: Company, IPOPEMA Research

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The date and the time stated on the front page is the date of the preparation of this document. The price used throughout the recommendation to calculate adequate ratios is the "last" price stated on the front page of this document.

The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

#### IPOPEMA Research - Distribution by rating category (1 January – 31 March 2023)

	Number	%
Buy	9	90%
Hold	1	10%
Sell	0	0%
Total	10	100%

#### Rating History – ATM Grupa

Date	Recommendation	Fair Value	Price at recommendation	Author
09/06/2021	BUY	PLN 6.00	PLN 4.19	Marcin Nowak Michał Wojciechowski
06/09/2021	BUY	PLN 5.90	PLN 4.15	Michał Wojciechowski Marcin Nowak
13/12/2021	BYU	PLN 5.80	PLN 4.42	Marcin Nowak Michał Wojciechowski
04/07/2022	BUY	PLN 4.40	PLN 3.46	Marcin Nowak Michał Wojciechowski
14/12/2022	BUY	PLN 4.50	PLN 3.53	Marcin Nowak, Michał Wojciechowski