

ATM Grupa

Delay driven 2023E outlook

Although we still perceive ATM Grupa as a good long-term premium content exposure, there are limited positive triggers within the core business in the short term. We expect the company's core media business to adapt to the curbed pipeline of premium TV series content and lower comparable demand for usual TV content anticipated in 2023E. Moreover, after the payment of a PLN 0.08ps advance dividend in December, our forecast of a total 2023E DPS of PLN 0.31ps (DY of 8.8%) looks neutral vs. the total paid 2022 DPS of PLN 0.28ps (combined with the advance payment). On the other hand, we are negative about the company's decision to expand its real estate operations with the purchase of a SPV in Sweden for SEK 25.7m. The company now owns a land plot that will allow the construction of a project roughly five times the size of the one that recently ended, to be realized in three to five stages. The company is also contributing PLN 16.5m to the ATM Baltic SPV (ATM Grupa holds a 50% stake) for the Sianozety project on the Baltic Sea coast. In our view focusing on the core business might be more beneficial over the long term and would be welcomed by investors. Overall, we forecast revenues at PLN 238m/271m (-10%/+14% y/y) in 2023E/2024E (excluding estimated PLN 46m from the Swedish project in 2022E we forecast 2023E adj. top line dynamic at +9% y/y) and net profit at PLN 37m/44m (-5%/+21% y/y), down from PLN 43m/51m assumed earlier. We maintain our BUY recommendation and increase our FV to PLN 4.50 per share (implying 27% upside) from PLN 4.40ps. On our forecasts, ATM Grupa trades at a P/E of 8.1x/6.7x for 2023E/2024E.

Dark clouds gather on the premium pipeline. We remain optimistic about the demand for premium content over the long term, as we believe OTT platforms in general will gradually increase in the mix of local market content. However, the outlook for 2023E seems uninspiring. With the completion of "Lovzone" in 2022 (ordered by Netflix) and the uncertain timing of the "Black Dog" TV series for Viaplay (delayed from 2022) the company's short-term pipeline of TV series looks relatively thin on the ground in terms of anchor projects. Within movies, ATM Grupa has one movie scheduled for release in 1Q23, but the subsequent pipeline is limited according to management comments made after the 2Q22 results. Overall we have reduced the number of premium TV series to be produced from 1.6x/2.8x to 1.3x/2.0x in 2023E/2024E respectively, but we maintain our long-term assumption of 5x premium TV series annually.

Potential disposal of Boombit remains uncertain. In our base scenario we do not include the potential disposal of ATM Grupa's stake in Boombit (4.0m shares, 29.63% of Boombit's equity; the strategic review process started in November 2021). The likelihood of the disposal taking place declines with each passing month, in our view, and the company does not have to push for the transaction if the conditions are not ideal, as ATM Grupa has a healthy balance sheet and a relatively low need for cash to finance core content operations.

Figure 1. Summary of financial data (PLN m)

PLN m	2020	2021	2022E	2023E	2024E	2025E
Revenues	193.5	223.9	264.0	237.9	271.0	318.1
Reported EBITDA	46.6	48.6	59.5	59.8	60.8	71.1
EBITDA adj. excluding D&A of programming assets	36.9	44.1	58.0	52.3	59.6	69.8
Net profit	18.4	24.6	38.3	36.5	44.4	51.9
EPS (PLN)	0.22	0.29	0.45	0.43	0.53	0.62
DPS (PLN)	0.08	0.15	0.28	0.31	0.30	0.36
EV/EBITDA rep. (x)	5.7	4.6	3.1	3.1	3.1	2.7
P/E rep. (x)	18.7	15.3	7.8	8.1	6.7	5.7

Source: Company, IPOPEMA Research

TMT | Media

ATM Grupa

BUY

FV PLN 4.50 from PLN 4.40

27% upside

Price as of 8 December 2022 PLN 3.53

Maintained



Share data

Number of shares (m)	84.3
Market cap (EUR m)	63.3
12M avg daily volume (k)	6.5
12M avg daily turnover (EUR m)	0.01
12M high/low (PLN)	4.52/2.91
WIG weight (%)	0.04
Reuters	ATGP.WA
Bloomberg	ATG.PW

Total performance

1M	19.6%
3M	21.6%
12M	-10.5%

Shareholders (% of equity)

Mr Tomasz Kurzewski and Ms Dorota Michalak-Kurzewska	40.0%
Mr Zygmunt Solorz-Zak	17.4%
Nationale-Nederlanden OFE	10.1%
PKO TFI	7.5%
MetLife OFE	6.2%
Uniqa OFE	5.3%
Others	13.5%

Analysts

Marcin Nowak
marcin.nowak@ipopema.pl
+ 48 22 236 92 44
Michał Wojciechowski
michal.wojciechowski@ipopema.pl
+ 48 22 236 92 69

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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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Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

IPOPEMA Research - Distribution by rating category (1 July – 30 September 2022)

	Number	%
Buy	29	44%
Hold	20	30%
Sell	17	26%
Total	66	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	Marcin Nowak Michał Wojciechowski
13/12/2021	BUY	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