

Ultimate Games

4Q22 Results Review

Opinion. Neutral. The results arrived broadly in line with preliminary data. As of now the major drivers for the company are ongoing marketing campaign of Thief Simulator 2 (release scheduled for this year) as well as expected reveal of new trailer for Ultimate Hunting game (delayed, as previously was expected in 1Q23).

Ultimate Games 4Q22 net revenues from product sales arrived at PLN 6.0m (in line with preliminary data and close to our forecast), EBITDA at PLN 0.8m (vs. our forecast of PLN 1.3m) and norm. net profit at PLN 0.6m (vs. our forecast of PLN 0.9m).

Revenues. The net revenues from sales of products reached PLN 6.0m (down 26% q/q, up 4% y/y), and were driven primarily by console sales of PLN 2.1m, PC sales of PLN 2.7m, and mobile of PLN 1.2m. During the quarter the company released 7 games. Change in the balance of products amounted to PLN 1.0m (up 3% q/q). In total in 2022 the company sold 255.7k copies games on Nintendo store and 41.1k on Xbox store. The best selling games on Steam this year were Ultimate Fishing Simulator (182k copies sold) and Fishing Adventure (70.3k copies sold), whereas Ultimate Fishing Simulator 2 reached nearly 42k copies sold. On Nintendo Store the best selling game was House Flipper (109k copies sold) as well as CMS Pocket Edition 1 and 2 (respectively 25k and 13.7k copies sold).

Operating costs. Operating costs arrived at PLN 6.3m (down 20% q/q), driven by brought-in services at PLN 5.4m (down 24% q/q) and PLN 0.6m in salaries (up 36% q/q). The company's operating margin arrived at 10%, down from 18% in 3Q22 and vs. 24% on average in 2021.

EBITDA. EBITDA arrived at PLN 0.8m (vs. PLN 1.8m in 3Q22 and 42% below our forecast).

Net income. Net income arrived at PLN -12.6m, which included negative write-offs at PLN 16.2m (with PLN 3.1m tax effect) related to revaluation of stakes in subsidiaries. Net income attributable to minorities arrived at PLN -0.4m and norm. net income arrived at PLN 0.6m, 37% below our forecast.

Cashflow. Net operating cash flow arrived at PLN -0.4m (vs. PLN -1.0m in 3Q22). Net investing cash flow and net financial cash flow both arrived at immaterial levels.

Net cash. Net cash at the end of quarter amounted to PLN 10.2m, down 5% q/q and in line with preliminary data.

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HOLD

FV PLN 15.50

8% upside

Price as of 14 April 2023 PLN 14.36

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Figure 1. Ultimate Games 4Q22 results review

PLNm	4Q21	1Q22	2Q22	3Q22	4Q22	Y/Y	Q/Q	IPOPEMAvs. IPOPEMA	
Sales revenues	6.8	6.5	7.7	9.5	7.1	4%	-26%		
Net revenues from sales of products	6.0	5.9	6.7	8.5	6.0	1%	-29%	5.8	4%
Change in the balance of products	0.8	0.6	1.0	1.0	1.0	22%	3%		
Other revenues	0.0	0.0	0.0	0.1	-0.1	230%	na		
Operating costs	-6.2	-4.0	-7.1	-7.8	-6.3	1%	-20%		
D&A	0.0	0.0	0.0	0.0	0.0	37%	37%		
Bought-in services	-5.5	-3.6	-6.6	-7.1	-5.4	-2%	-24%		
Salaries	-0.4	-0.3	-0.4	-0.5	-0.6	39%	36%		
Other operating costs	-0.2	0.0	0.0	-0.2	-0.2	-4%	-12%		
EBITDA	0.6	2.5	0.7	1.8	0.8	26%	-58%	1.3	-42%
EBIT	0.6	2.5	0.6	1.8	0.7	26%	-59%	1.3	-44%
Net financial result	0.1	0.0	0.4	0.2	-16.3	na	na		
Profit/loss from affiliate companies	0.2	0.0	0.0	-0.1	-0.2	na	44%		
Result on loss of control over subsidiary	0.0	0.0	0.0	0.0	0.0	na	na		
Profit (loss) before tax	0.8	2.5	1.0	1.8	-15.8	na	na		
Income tax	0.0	-0.6	-0.1	-0.4	2.8	na	na		
Minorities	-0.1	0.0	-0.1	-0.2	-0.4	329%	101%		
Net income	0.9	1.9	1.1	1.6	-12.6	na	na	0.9	na
Norm. net income*	0.9	1.9	1.1	1.6	0.6	-35%	-64%	0.9	-37%
Net operating cash flow	-0.2	1.1	0.8	-1.0	-0.4	54%	-62%		
Net investment cash flow	0.3	-0.1	-0.4	0.6	0.0	-84%	-92%		
Net financial cash flow	0.5	0.0	-7.8	0.0	-0.1	na	750%		
Net debt	-17.6	-18.6	-11.2	-10.8	-10.2	-42%	-5%		

Source: Company, IPOPEMA Research *normalized by non-cash result on loss of control over subsidiaries and deferred tax related (assumed as 19% of the loss of control value); normalized by write-offs.

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

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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	9	90%
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Sell	0	0%
Total	10	100%

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Data	Rekomendacja	Wartość godziwa	Cena z dnia rekomendacji	Autor
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08.12.2021	TRZYMAJ	PLN 26.00	PLN 24.70	Michał Wojciechowski, Marcin Nowak
04.07.2022	TRZYMAJ	PLN 18.00	PLN 19.00	Michał Wojciechowski, Marcin Nowak
14.12.2022	TRZYMAJ	PLN 15.50	PLN 16.42	Michał Wojciechowski, Marcin Nowak