

# Ultimate Games

## Thief Simulator 2 is coming

In the past few years the company decided to shift from multiple small game production and instead focus on a few major titles with material budgets. Both this process of a change in strategy as well as ongoing wage pressure have translated into lack of growth in recent years. That said, we expect that the company is currently entering a period of monetization, which will start with the release of Thief Simulator 2, a sequel to one of the top-selling Polish titles. In our model we assume the sales of the game to arrive at 10% higher levels than the predecessor on PC in the initial 12M. At the same time, Ultimate Games is approaching the reveal of its next major games, which we expect to be a positive trigger. The company is currently working as well on Ultimate Fishing Simulator 2 on mobile and the Ultimate Fishing Simulator China version, which we currently perceive more as upsides to the core business. We forecast Ultimate Games' revenues in 2023E/24E at PLN 32.3m/PLN 54.8m and norm. net income of PLN 6.0m/PLN 12.9m. On our forecasts, the company trades at a 2023E/24E P/E of 11.2x/5.2x, representing a high double-digit discount to its foreign peers. We upgrade our recommendation to BUY from HOLD, setting a FV at PLN 17.0 (33% upside).

### Thief Simulator 2 is coming this summer

According to the Steam webpage (we note that the dates may change), Thief Simulator is going to be released on 23 August 2023, published by Ultimate Games in cooperation with PlayWay. The game successfully passed the tests, including a prologue published on 3 May 2023 (83% positive reviews on Steam from 568 players, CC peak at 1.5k). As of now the game is in 135th place in Steam's Top Wishlist rankings and has 11.2k followers. The game also garnered significant interest on YouTube (100-200k views for top materials), which suggest substantial chances for commercial success. In our forecasts, we assumed 240k copies sold in 2023E on PC, which represents a roughly 10% increase vs. Thief Simulator 1 in the same timeframe. As for Ultimate Games, the key will be the release on consoles (substantially higher revshare), which we expect to occur in 2024E with franchise sales for the company at PLN 15.4m in that year. We highlight that Thief Simulator is one of the best-selling games from PlayWay group, with over 2m copies sold on Steam alone.

### Ultimate Hunting and ensuing games

We maintain our expectations for one annual release of a larger game with potential sales of 150k copies in 12M since release, starting from 2024E. Currently the major pretender for best sellers (besides TS2) is Ultimate Hunting, which we expect to be released in 2024E. Nevertheless, we highlight that Ultimate Games is working as well on three other larger scale projects which still has been not announced and whose reveals could be visibly supportive for the sentiment to the stock.

Figure 1. Summary of financial data (PLN m)

	2020	2021	2022	2023E	2024E	2025E
Revenues	17.5	25.3	30.8	32.3	54.8	57.0
EBITDA	7.2	6.2	5.7	5.8	13.7	14.7
Norm. net income	5.7	5.1	5.2	6.0	12.9	13.7
EV/EBITDA (x)	27.0	24.5	14.5	11.2	5.2	4.9
P/E (x)	15.1	13.4	11.8	10.1	4.1	3.7
DY	1.4%	8.3%	10.4%	3.9%	6.7%	9.6%

Source: Company, IPOPEMA Research

TMT | Video Games

## Ultimate Games

BUY

FV PLN 17.0

33% upside

Price as of 16 June 2023 PLN 12.85

Upgraded from HOLD



### Share data

Number of shares (m)	5.23
Market cap (EUR m)	15.1
12M avg daily volume (k)	2.6
12M avg daily turnover (EUR k)	9.1
12M high/low (PLN)	19.8/12.55
WIG weight (%)	0.01
Reuters	ULG.WA
Bloomberg	ULG.PW

### Total performance

1M	-8%
3M	-13%
12M	-29%

### Shareholders

PlayWay S.A.	45.9%
Mateusz Zawadzki (CEO)	7.3%
Others	46.8%

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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 (January 1 – March 31, 2023)

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

#### Rating History – Ultimate Games

Date	Recommendation	Fair Value	Price at recommendation	Author
07/09/2021	BUY	35.0	28.5	Michał Wojciechowski, Marcin Nowak
08/12/2021	HOLD	26.0	24.70	Michał Wojciechowski, Marcin Nowak
04/07/2022	HOLD	18.0	19.00	Michał Wojciechowski, Marcin Nowak
14/12/2022	HOLD	15.5	15.98	Michał Wojciechowski, Marcin Nowak
19/06/2023	BUY	17.0	12.85	Michał Wojciechowski, Marcin Nowak