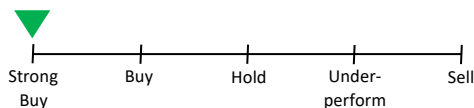


Recommendation: STRONG BUY

Sector: Casinos and Gaming



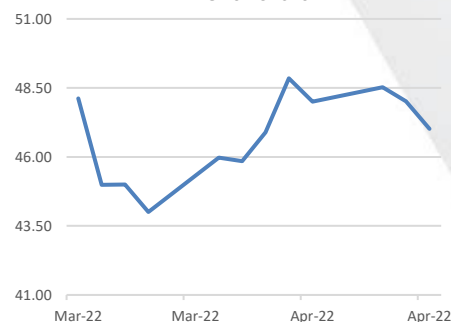
TARGET PRICE: BGN 62.7

Share Information

Price (BGN)	47.00
52-week price change	-
52-week price range	42.60 – 50.40
Market Cap (BGN)	203,040,282
Market Cap (EUR)	103,698,221
Shares outstanding	4,320,006
Free Float	7.41%
P/E (ttm)	9.98
P/S (ttm)	2.66
P/BV	8.19

Source: SIS Calculations and Market Data
The BGN is pegged at one euro equals 1.95583 leva.

1-month chart



* in BGN

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Telematic Interactive Bulgaria AD

Growth and profitability story

Annual Results

- Telematic Interactive Bulgaria AD reported 167% annual revenue growth up to BGN 75.89 mil for 2021, driven by high growth of the active monthly users of 155% to 49,321 and a slight increase of the average income per client of 5.74% to BGN 129. Furthermore, the percentage of the lost customers have decreased from 9% to 5%, resulting in higher retention rate of 56% vs 53% in 2020.

- The actual bottom-line revenue is slightly lower than our forecasts due to higher expectations of other revenue. Revenue streams from Casino games (187% growth up to BGN 69.28 mil) and sport betting (55% growth up to 6.46 mil), however, are in-line with our forecasts.

- The company delivers similar growth in terms of its earnings as well – 161%. The significant increase in the operating expenses stems from higher fees under the Gambling Act, expenses on game supplies and advertisements. The company ends the year with strong profitability metrics – 30% EBITDA margin and 27% net margin.

- Despite the recorded rapid growth, we anticipate the revenue to continue to rise due to the forward prospects of the company. In February 2022, it has raised BGN 16 mil that will invest in international expansion into countries where the online gambling industry is still in early stage (such as Kenya and Peru). In 2021 Telematic acquired 180 games and on online platform for nearly BGN 9 mil, entering the B2B segment.

- With a current market price of BGN 47 we see the stock as greatly undervalued with 38% potential. We believe investors abstain from purchases due to the geopolitical uncertainty, however, a strong catalyst for the stock price could be the successful penetration in the foreign markets in the subsequent quarters.

Key Statistics, 000s	2020A	2021A	2022E	2023E	2024E
Revenue	28,596	76,109	99,965	120,476	141,406
Revenue Growth	-	166.2%	31.3%	20.5%	17.4%
EBITDA Margin	29.2%	30.1%	29%	30.2%	30.4%
Net Margin	25.8%	26.7%	25.1%	26.2%	26.4%
EPS	1.85	5.01	5.81	7.31	8.64

Source: SIS Calculations

COMPANY DESCRIPTION

Telematic Interactive Bulgaria AD is a licensed online gambling operator. The company operates under the Palms Bet brand on 34 territories in Bulgaria. Online games generate all revenue, and the services offered are in two directions - online casino and sports betting. The casino business offers online over 400 slot games, live casino, bingo and table games. In sports betting, customers have the opportunity to bet on over 20,000 sporting events. The activity started in 2014 and is growing intensively, initially offering only casino games. In 2018, the company began to offer sports bets. The activity is entirely B2C - customers are individuals who deposit funds to participate in a game.

FINANCIAL METRICS

Income Statement (BGN th)	2018	2019	2020	2021
Operating Revenue	2053.8	4606.38	28,413	75,887
Financial Income	0	0	183	222
Total Revenue	2053.8	4606.38	28,596	76,109
Operating expenses	1905.144	4131.072	20,463	53,380
EBIT	148.656	475.308	8,133	22,729
EBITDA	148.656	475.308	8,341	22,905
Net profit	-50.856	287.532	7,384	20,352

Balance Sheet (BGN th)	2018	2019	2020	2021
Current assets	1,275	1,367	6,439	22,780
Cash & equiv.	1,172	1,125	5,311	22,265
Non-current assets	522	1,007	6,770	9,611
PP&E and Inv. Properties	520	485	277	287
Total Assets	1,798	2,375	13,209	32,391
Current Liabilities	282	593	4,044	7,614
ST Loans	-	-	-	-
Non-current liabilities	22	-	-	-
LT Loans	-	-	-	-
Total Liabilities	303	593	4,044	7,614
Equity	1,494	1,782	9,165	24,777
Net Working Capital	994	775	2,395	15,166
Total Debt	-	-	-	-
Net Debt	(1,172)	(1,125)	(5,311)	(22,265)

Cash Flow Statement (BGN th)	2018	2019	2020	2021
CF from operations	-	-	10,878	23,591
CF from investments	-	-	(6,687)	(6,330)
CAPEX	-	-	-	(182)
Purchase of investments	-	-	-	(8,910)
CF from financing	-	-	(5)	(307)
Change in debt	-	-	-	-
Paid interest	-	-	-	-
Paid dividends	-	-	-	(281)

VALUATION

	2022F	2023F	2024F	TV
Revenue	99,965	120,476	141,406	2.5%
Rev. growth %	31.3%	20.5%	17.4%	
NOPAT	25,091	31,565	37,331	
D&A	1,121	1,250	1,379	
CAPEX	1,295	1,295	1,295	
Change in NWC	(2,263)	(1,264)	(890)	
Free Cash Flows	22,654	30,256	36,525	356,554
Discounted FCF	20,048	23,695	25,314	247,110

Enterprise Value =	316,166
Cash & equiv. =	22,265
Debt =	0
Equity Value =	338,431
Number of Outst. Shares	4,320
Minority discount =	20%
Equity Value per share =	BGN 62.7

Minority Interst	Required rate of return			
		12%	13%	14%
	20%	69.1	62.7	57.4
10%	77.7	70.5	64.5	

FINANCIAL RATIOS

Per share	2018	2019	2020	2021
Number of shares	4,000,000	4,000,000	4,000,000	4,000,000
EPS	-0.01	0.07	1.85	5.09
DPS	0.00	0.00	0.00	0.07

Growth & Profitability	2018	2019	2020	2021
Revenue growth	0.0%	124.3%	520.8%	166.2%
Earnings growth	0.0%	116.8%	395.3%	160.9%
EBITDA margin	7.2%	10.3%	29.2%	30.1%
Operating margin	7.2%	10.3%	28.4%	29.9%
Net margin	-2.5%	6.2%	25.8%	26.7%

Return & Efficiency	2018	2019	2020	2021
ROE	-3.4%	16.1%	80.6%	82.1%
ROIC	-3.4%	16.1%	80.6%	82.1%
Asset turnover	1.1	1.9	2.2	2.3

Gearing & Liquidity	2018	2019	2020	2021
Debt-to-Equity	0.0	0.0	0.0	0.0
Net Debt to EBITDA	-0.1	-0.4	-1.6	-1.0
Cash ratio	4.2	1.9	1.3	2.9

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BUY	Target price above current market price between 10% and 25%
HOLD	Target price in the +/-10% range of the current market price
SELL	Target price below current market price between 10% and 25%
STRONG SELL	Target price above current market price by 25% or more

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