

Telematic Interactive Bulgaria AD

Monthly active users grew, despite the amplified competition in the industry.

Industry: Casino and Gaming
Sector: Consumer Discretionary

Share Information

Price (BGN)	47.00
Price (EUR)	24.13
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)	2.67
P/B	4.33

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

3-month chart



* in BGN

Rosen Dimitrov

Equity Analyst
Tel.: +359 889 222 104
e-mail: dimitrov@sis.bg

Svetozar Abrashev

Senior Managing Partner
Tel.: +359 2 937 9879
e-mail: abrashev@sis.bg

Sofia International Securities

Sofia 1000,
140 G. S. Rakovski Str.
Tel.: + 359 2 937 98 65
e-mail: info@sis.bg

Q1 Results (Individual Basis)

- Telematic Interactive Bulgaria AD reported 32% YoY revenue growth on an individual basis (CT Interactive not included) for Q1. Despite the decrease of the average revenue per user (from BGN 128 in Q1 2021 to BGN 114 in Q1 2022), the revenue growth was driven by strong expansion of 48% in the base of monthly active users (from 44,570 in Q1 2021 to 65,944 in Q1 2022). The conversion rate (ratio of new active customers to the number of registrations) for Q1 2021 was 52%.

- The firm records 29% growth in the revenue from Casino games segment and 68.5% in the sports betting segment. Yet, the latter still accounts for only 10% of the total sales.

- During the earnings call, the management outlined the amplified local competition in the industry which, in turn, has increased the user acquisition cost. This has led to the decision to focus more on the loyalty of the existing users rather than the aggressive acquisition of new ones. The number of competitors in the domestic market has increased from 5 to 9 for the past couple of months. This is likely to constrain the company's growth, however considering the updated focus, we expect to see the conversion rate and the average revenue per user growing. Taking into account that for the past 8 years the company has built a strong customer base, occupying approximately 15% of the market share, the undertaken step to enhance customer's loyalty seems fully reasonable.

- In February, the company has raised BGN 16mIn through an IPO. The firm stated that it will use the funds to expand in Peru and Ukraine. Due to the geopolitical conflicts in Ukraine, the penetration plans there are halted, and the company will focus on acquiring an online casino operator in Peru and expanding its business in Kenya, where it started operating in January. Thanks to the IPO, the company has solid cash reserves of BGN 44mIn (EUR 22.5mIn) to execute its strategy. In addition, Telematic Interactive Bulgaria is actively looking for opportunities to enter new markets in Europe and South America.

- The operating expenses grew by 31% YoY in Q1. The main part of the expenses which is the advertisements, decreased with nearly 15% as the company's focus shifted from acquiring new users. The advertisement costs are likely to remain the same until the company begins expansion operations in third countries. As a result of the similar growth in the expenses, the net profit was up 32% to BGN 6,1mIn.

FINANCIAL SNAPSHOT
QUARTERLY RESULTS

Financial Metrics	Q1 2021	Q1 2022	% Change	TTM
Total Revenue	17,139	22,538	31.5%	76,109
Operating expenses	12,038	15,786	31.1%	53,380
EBIT	5,101	6,752	32.4%	22,729
Operating Margin	0	0	0.2%	0
EBITDA	5,149	6,785	31.8%	22,905
Net profit	4,588	6,067	32.2%	20,352
Net Margin	27%	27%	0.1%	0
Total Assets	32,391	54,875	69.4%	-
Net Debt	-22,265	-44,040	97.8%	-
Debt-to-Equity	0	0	-	-

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

Growth & Activity	2018	2019	2020	2021
Revenue growth	0.0%	124.3%	520.8%	166.2%
Earnings growth	0.0%	116.8%	395.3%	160.9%
CAPEX growth	-	0.0%	0.0%	0.0%
CAPEX/Revenue	0.0%	0.0%	0.0%	0.2%
Asset Turnover	114.3%	194.0%	216.5%	235.0%
Working Capital Turnover	0.0%	521.0%	1804.4%	866.8%

Return & Profitability	2018	2019	2020	2021
ROE	-3.4%	16.1%	80.6%	82.1%
ROA	-2.8%	12.1%	55.9%	62.8%
ROIC	-3.4%	16.1%	80.6%	82.1%
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%

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
Interest coverage	0.0	0.0	0.0	0.0
Cash ratio	4.2	1.9	1.3	2.9
Current ratio	4.5	0.0	0.0	0.0

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

ANNUAL FINANCIAL RESULTS

Income Statement (BGN t)	2018	2019	2020	2021
Operating Revenue	2,054	4,606	28,413	75,887
Financial Income	-	-	183	222
Total Revenue	2,054	4,606	28,596	76,109
Operating expenses	1,905	4,131	20,463	53,380
EBIT	149	475	8,133	22,729
EBITDA	149	475	8,341	22,905
Net profit	(51)	288	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)	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)

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