

## Telematic Interactive Bulgaria AD

### A year of growth

#### Share Information

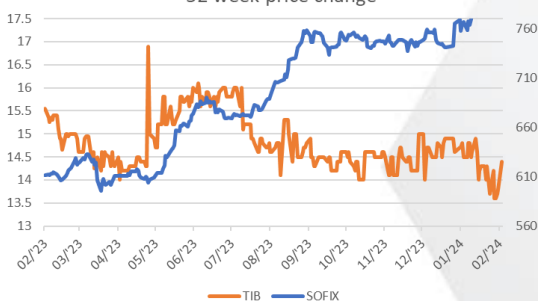
Price (BGN) 14.40  
 52-week price change -7.40%  
 52-week price range 13.60 – 16.90

Market Cap (BGN) 186,624,259  
 Market Cap (EUR) 95,419,468  
 Shares outstanding 12,960,018  
 Free Float 7.41%

P/E (ttm) 8.10  
 P/S (ttm) 1.62  
 P/BV 3.16

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

52 week price change



\* in BGN

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### Q4 Individual Results

- Telematic Interactive Bulgaria AD reported 15.8% revenue growth for Q4 YoY reaching BGN 113.1mln. Casino revenues take the lion's share of BGN 106.9mln or 94.1% of the total operational revenues after 19.8% YoY growth. Sports-betting reached BGN 6.6mln, which marked a decline of 23.3%, but that was due to the migration to a new sports-betting platform in Q2 and Q3. The new platform has better functionalities and is expected to have a positive role in growing this business in the future. Still, this line accounts for 5.8% of the operational revenues.

- The remaining 0.1% is revenues from providing gaming content to B2B customers. The company has strong expectations for its potential, but this account is also very different between the individual and consolidated revenues, where they are ca. 5%.

- The main reason behind the increasing revenues is the increased monthly average active clients as well as the average income per client. The new CRM system, as well as staff training towards a more individually targeted approach, has lead to a 6.5% increase in active clients, to reach a total of 88,662 per month. The average income per client has gone up by 8.9% The conversion rate has dropped to 33% and the churn rate still stays at impressive for the industry levels of 4%.

- OPEX increased proportionately a notch more than sales – by 24.2% to BGN 89.9 mln. The largest contributor is External services, which increased by 28% to BGN 57.6 mln but represents nearly 64% of OPEX. In that, the 3 largest sub accounts, responsible for 93.4% of the account value are Marketing, which increased 33.4% to BGN 21.4 mln (23.8% of OPEX), Fees for gaming content, which increased over 28.3% to BGN 24.7.7 mln (24.3% of OPEX) and Payments services, which increased 13.3% to BGN 10.8% (12% of OPEX).

- External services is the account showing the expense made to provide gaming content. The company uses gaming content by external suppliers, where the compensation is based on revenue share. The larger growth of this account (compared to total revenues) is due to the one-off expense in Q3 associated to the migration to the new gaming platform.

- On the shareholder meeting on 11.03.2024 the decision to distribute a dividend will be made – BGN 0.39 per share for a total amount of BGN 5 mln.

- The profile of the company is steadily shifting from an expected capital gain stock to a dividend stock.

**Commentary:**

Currently, the company shows outstanding performance by industry standards, but there are a few warning signs we should be aware of when looking forward.

The signs for reaching revenue plateau are increasing with the results of the last quarter. While the number of active clients has increased year on year, that metric has shown a decline of 13.7% when comparing Q4 2022 with Q4 2023. The conversion ratio has also dropped by 5% for the abovementioned quarters from 34% to 29%. It is clear that Telematic Interactive is getting into a more mature phase of its development and the decisions to implement a more effective CRM system and new gambling games, which limit the loss for the casino, show that.

It is natural to ask about the plans of the management once TIB reaches saturation point and annual sales growth reach zero. Currently, the saving point is the increase in efficiency, which allow considerably higher revenue per client (30% up when compared both quarters). However, the time when they will have to look seriously into ways to expand is not far down the line.

Strategic steps, such as the one where expansion in Peru is targeted, are imperative. Aside from the increased revenue, it will show that the company can adjust and target even more foreign destinations. This will be an extremely positive sign for the management and should create a much stronger trust in investors, thereby increasing the demand for its shares. Currently, little is known about this expansion and what the initial results are. The information bulletins by the company in Q3 stated that we would see stronger push in the region by the end of the year, but so far little has been revealed. Should this becomes reality, we, as well as most investors, would be very interested to see revenue and cost breakdowns per geography. Similarly, disclosures about the advances in the North Macedonian will be greatly appreciated.

We should not forget, however, that despite everything, Telematic Interactive is a superior investment. The steps towards efficiency have eroded part of the EBITDA and the Net Margin, but still the company remains a cash rich enterprise with very low debt, operating at nearly 19% margin – a feat very few businesses can show. Additionally, the dividends they distribute make this one of the best picks when shortlisting secure high-dividend yield stocks. The latest announcement for a general meeting on 11.03.2024 just proves this. The transparency, as mentioned earlier, is commendable and top notch. In this sense, it would be very positive to see the management focus again on a step that could be a game changer as it has shown that it knows how to do gaming and has attracted decent amount of interest through shareholders, who believe in their ability.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Extensive experience developing gaming solutions and in-house ability to adjust</li> <li>- Already established as one of the main and most trustworthy brands in Bulgaria</li> </ul>	<ul style="list-style-type: none"> <li>- Huge focus on gaming</li> <li>- Little B2B focus</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Use gained expertise to expand in Peru</li> <li>- Develop B2B channels in other countries</li> </ul>	<ul style="list-style-type: none"> <li>- A change in consumer preferences towards sports-betting or another type of gambling</li> <li>- Population in new markets could have different preferences and not find the betting games attractive</li> </ul>

**FINANCIAL SNAPSHOT**

QUARTERLY RESULTS			
Financial Metrics	Q4 2023	Q4 2022	% Change
Total Revenue	113,134	97,525	16.2%
Operating expenses	-89,936	-72,395	24.2%
EBIT	24,656	26,198	-5.9%
Operating Margin	22%	27%	-5.1%
EBITDA	25,033	26,338	-5.0%
Net profit	21,261	22,608	-6.0%
Net Margin	19%	23%	-4.4%
Total Assets	73,912	64,480	14.6%
Net Debt	-8,275	-32,897	-74.8%
Debt-to-Equity	0.31	0.21	-

FINANCIAL RATIOS				
Per share	Q4 2023	2022	2021	2020
Number of shares	12,960,018	12,960,018	4,000,000	4,000,000
EPS	1.64	1.78	5.16	1.85

Growth & Activity	Q4 2023	2022	2021	2020
Revenue growth	16.2%	32.3%	173.0%	517.2%
Earnings growth	24.2%	39.0%	168.9%	371.1%
CAPEX growth	n/a	52.9%	284.1%	0.0%
CAPEX/Revenue	0.3%	1.2%	1.0%	0.7%
Asset Turnover	155.0%	160.2%	241.1%	216.5%
Working Capital Turnover	271.9%	355.2%	889.3%	1804.7%

Return & Profitability	Q4 2023	2022	2021	2020
ROE	37.7%	43.4%	83.3%	80.6%
ROA	28.8%	35.9%	63.8%	55.9%
ROIC	37.2%	42.6%	83.3%	80.6%
EBITDA margin	21.8%	27.1%	30.4%	29.2%
Operating margin	21.5%	26.0%	29.5%	28.4%
Net margin	18.6%	22.4%	26.4%	25.8%

Gearing & Liquidity	Q4 2023	2022	2021	2020
Debt-to-Equity	0.3	0.2	0.3	0.4
Net Debt to EBITDA	-3.0	-0.9	-1.6	-6.6
Interest coverage	n/a	n/a	n/a	n/a
Cash ratio	1.5	4.3	2.9	1.3
Current ratio	3.5	5.2	3.0	1.6

**COMPANY DESCRIPTION**

Telematic Interactive Bulgaria AD is a licensed online gambling operator. The company operates under the Palms Bet brand primarily in Bulgaria. Online games generate all revenue and the services are in two directions- online casino and sports betting. The casino business offers over 600 online slot games, live casino, bingo and table games. In sports betting, customers have the opportunity to bet on over 20,000 sport events. Commenced in 2014 and have grown exponentially ever since, the focus is on B2C strategy, but in 2022 they started offering B2B content to international clients.

ANNUAL FINANCIAL RESULTS				
Income Statement (BGN th)	Q4 2023	2022	2021	2020
Operating Revenue	113,134	102,196	77,868	28,413
Financial Income	1,458	1,075	213	183
<b>Total Revenue</b>	<b>114,592</b>	<b>103,271</b>	<b>78,081</b>	<b>28,596</b>
Operating expenses	(89,936)	(76,470)	(55,015)	(20,463)
EBIT	24,656	26,801	23,066	8,133
<b>EBITDA</b>	<b>25,033</b>	<b>27,999</b>	<b>23,715</b>	<b>8,341</b>
<b>Net profit</b>	<b>21,261</b>	<b>23,122</b>	<b>20,651</b>	<b>7,384</b>

Balance Sheet (BGN th)	Q4 2023	2022	2021	2020
<b>Current assets</b>	<b>58,124</b>	<b>53,194</b>	<b>22,780</b>	<b>6,439</b>
Cash & equiv.	25,837	44,144	22,265	5,311
<b>Non-current assets</b>	<b>15,788</b>	<b>11,286</b>	<b>9,611</b>	<b>6,770</b>
PP&E and Inv. Properties	197	174	150	-
<b>Total Assets</b>	<b>73,912</b>	<b>64,480</b>	<b>32,391</b>	<b>13,209</b>
<b>Current Liabilities</b>	<b>16,828</b>	<b>10,204</b>	<b>7,614</b>	<b>4,044</b>
ST Loans	210	231	-	-
<b>Non-current liabilities</b>	<b>734</b>	<b>1,043</b>	<b>-</b>	<b>-</b>
LT Loans	734	1,043	-	-
<b>Total Liabilities</b>	<b>17,562</b>	<b>11,247</b>	<b>7,614</b>	<b>4,044</b>
<b>Equity</b>	<b>56,350</b>	<b>53,233</b>	<b>24,777</b>	<b>9,165</b>
Net Working Capital	41,296	42,990	15,166	2,395
Total Debt	17,562	11,247	7,614	4,044
Net Debt	(8,275)	(32,897)	(14,651)	(1,267)

Cash Flow Statement (BGN th)	Q4 2023	2022	2021	2020
CF from operations	20,849	24,485	23,591	23,591
CF from investments	(26,154)	(8,431)	(6,330)	(6,330)
CAPEX	400	1,222	799	208
Purchase of investments	(43,869)	(10,484)	-	(9,092)
CF from financing	(12,937)	5,848	-	(281)
Paid interest	-	-	-	-
Paid dividends	(12,937)	(10,152)	-	(281)

Source: Company financials and SIS calculations

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