

43/2021/GPW (133) December 5, 2021

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program. 3.0.  
This is an excerpt from the Polish version of DM BOŚ SA's research report.

Analyst: Tomasz Rodak, CFA

Sector: TMT – IT software & services

Fundamental rating: Buy (→)

Market relative: Overweight (→)

Price: PLN 211.00

12M EFV: PLN 259.0 (↓)

Market Cap: US\$ 254 m

Bloomberg code: DAT PW

Av. daily turnover: US\$ 0.31 m

12M range: PLN 158.40-259.00

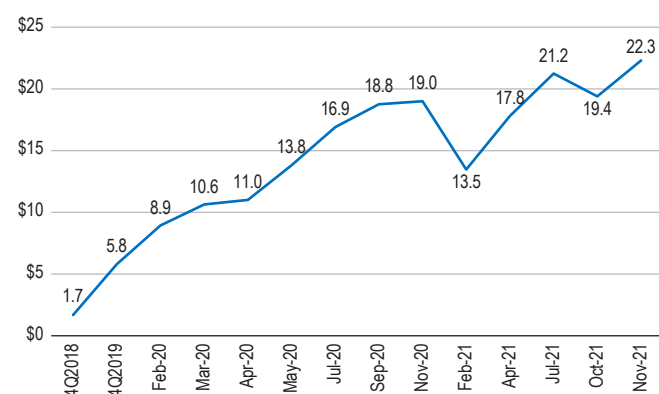
Free float: 76%

# DataWalk

## Key points

- Since our recent update (September 2021) DataWalk has signed four more production contracts for the delivery of its platform (incl. US Department of Labor, US National Intelligence organization, GrabTaxi Holdings and Tel Link Corporation). As the year-end is usually busy (as many clients intends to close the annual budget), we expect further contracts may follow by the end of 2021. So far the Company has signed 11 contracts in 2021 (vs total of 13 contracts signed in 2020).
- **Record high sales funnel.** DataWalk informed that the total value of sales funnel (for potential customers qualified as leads) currently stands at US\$ 22.3 million, which is 15% higher than a month ago. At the same time, the value of sales funnel is highest in the history (exceeding record high in July by 5%).

Fig. 1. Value of sales funnel for potential customers qualified as sales leads (US\$ m)



Source: Company, DM BOŚ estimates

- **Increasing number of application areas.** So far the Company's system has been used mainly by insurance companies and government agencies (for investigation and fraud detection applications). However, we like the fact that recently the Company has been expanding the array of

## Guide to adjusted profits

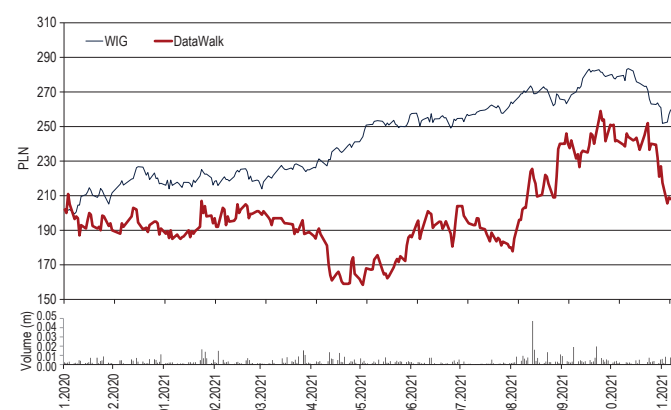
No factors necessitating adjustments.

## Key data

| IFRS consolidated   |       | 2020  | 2021E | 2022E | 2023E |
|---------------------|-------|-------|-------|-------|-------|
| Sales               | PLN m | 15.7  | 26.9  | 44.2  | 70.0  |
| Sales yoy chg       | %     | 348   | 71    | 64    | 58    |
| EBITDA              | PLN m | -5.0  | -7.3  | -9.0  | -0.8  |
| EBIT                | PLN m | -6.2  | -8.8  | -10.8 | -2.8  |
| Net profit          | PLN m | -6.3  | -8.4  | -10.8 | -2.8  |
| EPS                 | PLN   | -1.39 | -1.72 | -2.20 | -0.57 |
| Net debt            | PLN m | -73.2 | -58.9 | -42.9 | -31.1 |
| EV/Sales            | x     | 55.4  | 35.6  | 22.0  | 14.1  |
| No. of shares (eop) | m     | 4.5   | 4.9   | 4.9   | 4.9   |

Source: Company, DM BOŚ SA estimates

## Stock performance



Source: Bloomberg

## Upcoming events

1. Release of 4Q21 financial results: March 2022

applications and clients to: pandemic prevention, banks (Ally Financial), telecommunication services (Tel Link Corporation), Motion Picture Association or Grab Taxi Holdings, among others.

- **4Q21E results.** Based on our FY21 revenue forecast (PLN 26.9 million), we expect 4Q21 sales at PLN 7.0 million (+3% yoy; +18% qoq). Also, due to growing employment in the United States, we expect the qoq increase of operating costs to PLN 11.2 million in 4Q21 (vs PLN 9.2 million in 3Q21). 4Q21 net loss may arrive at PLN 4.2 million.

- **Risk to financial forecast.** High. Due to the early stage of development as well as relative immaturity of the sector, DataWalk's financial forecasts bear a high risk of uncertainty.
- **Forecast changes.** We introduced only marginal changes to our 2021E-23E sales forecasts. Net losses forecasts are decreased due to slightly lower (than expected) costs reported in 2-3Q21.
- **Valuation.** Our estimate of the Company's 12M EFV drops to PLN 259 per share (from PLN 280 per share), down 8%, mostly due to (i) c. 20% decrease of peer companies valuations multiples as well as (ii) valuation horizon forward shift.
- **Recommended action.** We believe that a growing base of prestigious clients paired with brisk increase of sales force should boost the contracts acquisition (and, in consequence, the revenues) in the foreseeable future. Consequently, we uphold our Buy + Hold recommendations for the Company

Fig. 1 DataWalk; Changes in DM BOS forecast

| IFRS consolidated<br>(PLN m) | 2021E   |          |        | 2022E   |          |        | 2023E   |          |        |
|------------------------------|---------|----------|--------|---------|----------|--------|---------|----------|--------|
|                              | current | previous | change | current | previous | change | current | previous | change |
| Sales                        | 26.9    | 26.7     | 1%     | 44.2    | 43.4     | 2%     | 70.0    | 68.7     | 2%     |
| EBITDA                       | -7.3    | -12.0    | -39%   | -9.0    | -9.4     | -5%    | -0.8    | -1.6     | -50%   |
| EBIT                         | -8.8    | -13.6    | -35%   | -10.8   | -11.2    | -4%    | -2.8    | -3.6     | -22%   |
| NI                           | -8.4    | -13.2    | -36%   | -10.8   | -11.2    | -4%    | -2.8    | -3.6     | -22%   |
| Net debt (cash)              | -58.9   | -54.5    | 8%     | -42.9   | -37.8    | 14%    | -31.1   | -25.3    | 23%    |

Source: DM BOS estimates

## Catalysts

1. Dynamic growth of the link-based analysis segment in the foreseeable future
2. High revenue dynamics expected in the upcoming years
3. Increasing number of contracts signed
4. Signing another contract within the framework of the agreement with the American DoJ
5. Dynamic growth of sales funnel value
6. Growing interest of foreign financial investors
7. Engagement of experts experienced in the development of the Silicon Valley start-ups
8. Huge cost and efficiency advantage of DataWalk's platform over rivaling solutions
9. High gross margins on sales of Enterprise IT products

## Risk factors

1. Slower than expected revenue growth rate in the upcoming years
2. Faster cash burning than expected unfollowed by the revenue growth
3. Funding and liquidity loss risk
4. Long sale cycles
5. Early stage of development
6. Bad market sentiment toward growth companies

## BASIC DEFINITIONS

**A/R turnover** (in days) =  $365/(\text{sales}/\text{average A/R})$

**Inventory turnover** (in days) =  $365/(\text{COGS}/\text{average inventory})$

**A/P turnover** (in days) =  $365/(\text{COGS}/\text{average A/P})$

**Current ratio** =  $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$

**Quick ratio** =  $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$

**Interest coverage** =  $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$

**Gross margin** = gross profit on sales/sales

**EBITDA margin** = EBITDA/sales

**EBIT margin** = EBIT/sales

**Pre-tax margin** = pre-tax profit/sales

**Net margin** = net profit/sales

**ROE** = net profit/average equity

**ROA** =  $(\text{net income} + \text{interest payable})/\text{average assets}$

**EV** = market capitalization + interest bearing debt – cash and equivalents

**EPS** = net profit/ no. of shares outstanding

**CE** = net profit + depreciation

**Dividend yield** (gross) = pre-tax DPS/stock market price

**Cash sales** = accrual sales corrected for the change in A/R

**Cash operating expenses** = accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes

DM BOŚ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

## KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:

**Buy** – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;

**Hold** – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;

**Sell** – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:

**Overweight** – expected to perform better than the benchmark (WIG) over the next quarter in relative terms

**Neutral** – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms

**Underweight** – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŚ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.

Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

### Distribution of DM BOŚ's current recommendations

|            | Buy | Hold | Sell | Suspended | Under revision | Not rated |
|------------|-----|------|------|-----------|----------------|-----------|
| Numbers    | 50  | 22   | 5    | 10        | 0              | 1         |
| Percentage | 57% | 25%  | 6%   | 11%       | 0%             | 1%        |

### Distribution of DM BOŚ's current market relative recommended weightings

|            | Overweight | Neutral | Underweight | Suspended | Under revision | Not rated |
|------------|------------|---------|-------------|-----------|----------------|-----------|
| Numbers    | 40         | 28      | 9           | 10        | 0              | 1         |
| Percentage | 45%        | 32%     | 10%         | 11%       | 0%             | 1%        |

## Banks

**Net Interest Margin (NIM)** = net interest income/average assets

**Non interest income** = fees&commissions + result on financial operations (trading gains) + FX gains

**Interest Spread** =  $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$

**Cost/Income** =  $(\text{general costs} + \text{depreciation})/(\text{profit on banking activity} + \text{other net operating income})$

**ROE** = net profit/average equity

**ROA** = net income/average assets

**Non performing loans (NPL)** = loans in 'basket 3' category

**NPL coverage ratio** = loan loss provisions/NPL

**Net provision charge** = provisions created – provisions released

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### Distribution of DM BOŚ's current recommendations for the companies which DM BOŚ has supplied with material investment services within the last 12 months

|            | Buy | Hold | Sell | Suspended | Under revision | Not rated |
|------------|-----|------|------|-----------|----------------|-----------|
| Numbers    | 11  | 4    | 0    | 1         | 0              | 1         |
| Percentage | 65% | 24%  | 0%   | 6%        | 0%             | 6%        |

### Distribution of DM BOŚ's current market relative recommended weightings for the companies which DM BOŚ has supplied with material investment services within the last 12 months

|            | Overweight | Neutral | Underweight | Suspended | Under revision | Not rated |
|------------|------------|---------|-------------|-----------|----------------|-----------|
| Numbers    | 7          | 6       | 2           | 1         | 0              | 1         |
| Percentage | 41%        | 35%     | 12%         | 6%        | 0%             | 6%        |

**LT fundamental recommendation tracker**

| Analyst         | Recommendation | Report date | Reiteration date | Distribution date | Expiry date               | Performance | Relative performance | Price at issue/<br>reiteration* | EFV<br>(12 months) |
|-----------------|----------------|-------------|------------------|-------------------|---------------------------|-------------|----------------------|---------------------------------|--------------------|
| <b>DataWalk</b> |                |             |                  |                   |                           |             |                      |                                 |                    |
| Tomasz Rodak    | Buy            | 05.09.2021  | -                | 06.09.2021        | Not later than 05.09.2022 | 4%          | 9%                   | 203.00                          | 280.00             |
| Tomasz Rodak    | -              | →           | -                | 07.10.2021        | 07.10.2021                | -           | -                    | 234.50                          | 280.00             |
| Tomasz Rodak    | -              | →           | -                | 04.11.2021        | 04.11.2021                | -           | -                    | 246.00                          | 280.00             |
| Tomasz Rodak    | -              | →           | -                | 05.12.2021        | 06.12.2021                | -           | -                    | 211.00                          | 259.00             |

\* prices at issue/reiteration are the closing prices at the report or reiteration date

**Market-relative recommendation tracker**

| Analyst         | Relative Recommendation | Report date | Reiteration date | Distribution date | Expiry date               | Price at issue/<br>reiteration* | Relative performance |
|-----------------|-------------------------|-------------|------------------|-------------------|---------------------------|---------------------------------|----------------------|
| <b>DataWalk</b> |                         |             |                  |                   |                           |                                 |                      |
| Tomasz Rodak    | Overweight              | 05.09.2021  | -                | 06.09.2021        | Not later than 05.09.2022 | 203.00                          | 9%                   |
| Tomasz Rodak    | -                       | →           | -                | 07.10.2021        | 07.10.2021                | 234.50                          | -                    |
| Tomasz Rodak    | -                       | →           | -                | 04.11.2021        | 04.11.2021                | 246.00                          | -                    |
| Tomasz Rodak    | -                       | →           | -                | 05.12.2021        | 06.12.2021                | 211.00                          | -                    |

\* prices at issue/reiteration are the closing prices at the report or reiteration date

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The production of the report was completed on December 6, 2021 at 7.20 a.m.  
The report was distributed on December 6, 2021 at 7.30 a.m.

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