

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 3.0.

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Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
DataWalk	Buy	201.0	Neutral	Tomasz Rodak, CFA +48 797 487 381

Event: Preliminary 2Q22 results – 32% sales yoy growth; another sale to US Department of Defense.

After yesterday's market close DataWalk released its preliminary 1H22 financial results.

1H22 revenues reached PLN 18.2 million (up 29% yoy), which implies 2Q22 revenues at PLN 14.0 million (up 32% yoy). 2Q22 EBIT was in the red at PLN -106.2 million due to a non-cash cost of the incentive program (PLN 92.3 million). Adj EBIT (after the incentive program costs excluded) reached PLN 0.1 million. Operating costs in the discussed quarter stand at PLN 13.9 million (up 110% yoy and up 20% qoq).

The Company's CEO Paweł Wiecznyński commented on the results:

- 1H22 financials are mixed; on the one hand, the revenue dynamic is lower than the management's expectations, on the other, DataWalk has already signed several important contracts which bode well for the future results;
- DataWalk acquired the key client (Total Energies) on the French market, where the Company's presence was small;
- In 1H22 the Company faced problems related to field engineering. DataWalk had to focus on the existing key clients which resulted in a slower inflow of new contracts.

Our commentary: field engineering relates, in our understanding, to, among other things, the pre-sale (software trial version installation) and post-sale services (software implementations). Due to staff shortages the Company was not able to implement new contracts (even trials) despite successfully clinched deals.

1H22 full financial report will be available on September 13 (next week). On September 15 the Company intends to organize a conference related to the publication of 1H22 financials and also provide a summary of its development 3rd stage.

DataWalk; preliminary 1H22 financial results

(PLN m)	2Q22 (preliminary)	2Q21	1Q22	yoy chg	qoq chg	1-2Q22	1-2Q21	yoy chg
Revenues	14.0	10.6	4.2	32%	234%	18.2	14.1	29%
Operating costs	-13.9	-6.6	-11.6	110%	20%	-25.5	-15.5	65%
EBIT	-106.2	4.0	-7.4	n.m.	n.m.	-113.6	-1.4	n.m.
Adj EBIT	0.1	4.0	-7.4	-98%	-101%	-7.3	-1.4	428%

Adj EBIT excludes PLN 92.3 million of no-cash costs of the initiative program

Source: Company, DM BOŚ SA estimates

Another sale to US Department of Defense.

Yesterday, during WSE trading hours, the Company informed about an acquisition of another (3rd) order from US Department of Defense (Department of Defense Office of Inspector General) for DataWalk's software license. The Company disclosed information about the initial sale on September 25, 2020.

Our commentary: Still another order from the existing client (cooperation widening) confirms the efficiency of the Company's product.

Expected impact: Slightly negative, as 2Q22 revenues are lower by over PLN 1 million (10%) than our tentative expectations. After 1H22 the sales yoy growth stands at 29% vs our FY22 forecast at 72% yoy. Thus it seems that achieving our forecast revenue dynamic may be quite a challenge for DataWalk.

The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.