

161/2021/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Brand24	Not rated	31.3	Not rated	Sobiesław Pająk, CFA

Event: 4Q21 and FY21 results released

On March 29 (after the market close), Brand24 released their 4Q21 and FY21 financial results.

4Q21 financial results

Factors that had the vital impact on the Company's results (and KPIs as well) in 4Q21 were *inter alia* as follows: (i) **price list change for new clients** in November 2021 (price rises + new subscription plan introduction + annual subscriptions establishment; with respect to **new foreign clients, the ARPU** materially increased, from **US\$ 90 to US\$ 130¹**, (ii) discount revision for existing clients in October 2021, which translated into an MRR rise by US\$ 4,000 (despite the fact that out of 321 clients whose discounts were changed, 249 stayed which implied, *ceteris paribus*, a decline of the clients base by 72), and (iii) Black Friday annual promotion.

Additionally, 4Q21 reported profits were burdened by (non-cash) costs of valuation of the share-based motivation program in the amount of PLN -0.4 million (PLN -0.8 million in 4Q20). We would like to note that adjusting for the costs of valuation of the share-based motivation program (aside from the balance of other operating income and costs) constitutes the main reconciling item between the reported and adjusted (which we prefer to analyze) profits.

The Group's 4Q21 consolidated revenues reached PLN 4.4 million (up 26% yoy and up 10% qoq) with rising net client additions, growing MRR (operating revenues from subscriptions) and adjusted and reported EBITDA. The OPEX base increased slightly qoq, mainly as regards the cost of sales which is the area where the Company has been intensifying their efforts to improve a revenue growth dynamic. Net OCF improved in FY21, from PLN 2.2 million in FY20 to PLN 3.4 million, on the back of liabilities change normalization (PLN +0.2 million vs PLN -0.8 million), which is in line with our expectations. The Company's 4Q21 revenues and adj EBITDA are fully in line with our forecasts, while the gross profit on sales proved higher (by PLN 140,000) than we expected. All in all, Brand24 showed good financial results for 4Q21. We assess them slightly positive given the gross profit on sales that slightly beat our expectations.

Brand24; 4Q21 financials

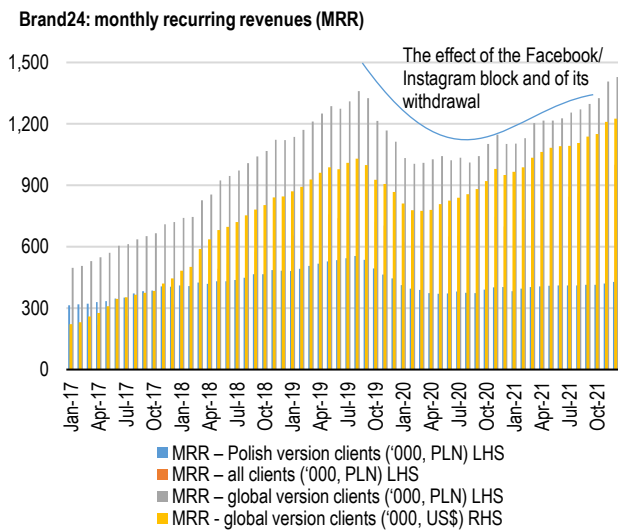
IFRS cons. (PLN million)	4Q21	4Q20	Chg yoy	3Q21	Chg qoq	1-4Q21	1-4Q20	Chg yoy
Revenues	4.4	3.5	26%	4.0	10%	15.8	13.4	18%
Gross profit on sales	2.6	1.8	41%	2.3	15%	8.9	6.7	32%
EBITDA (adj)	0.9	0.8	17%	0.9	5%	3.3	2.3	47%
EBIT (adj)	0.5	0.2	171%	0.3	41%	1.3	-0.2	n.m.
Net profit (adj)	0.4	0.1	284%	0.2	87%	0.8	-0.5	n.m.
Gross profit margin on sales	58.8%	52.5%	-	56.5%	-	56.3%	50.2%	-
EBITDA margin (adj)	21.0%	22.6%	-	22.0%	-	21.1%	17.0%	-
EBIT margin (adj)	11.0%	5.1%	-	8.6%	-	7.9%	-1.7%	-

Source: Company.

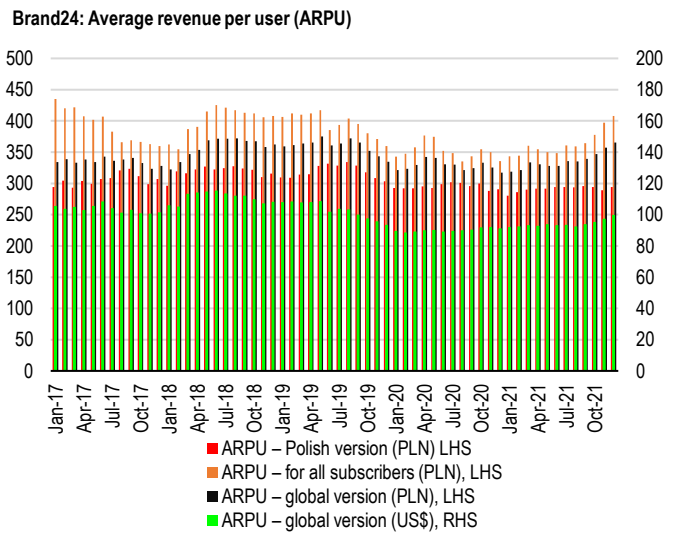
¹ A higher ARPU means a higher margin and may widen the marketing channels list available to the Company.

KPI for 4Q21²

At the end of 4Q21 monthly recurring revenues (**MRR**) stood at PLN 1,373 million which implies a yoy/ qoq increase by PLN 236,000 (up 21%/ PLN 80,000 (up 6%). Total MRR (in PLN) bounced back (after 8 months) to the level observed before the temporary block had been imposed by Facebook and Instagram. **ARR** (Annual Run Rate; calculated as 12x last (from December) MRR) stood at PLN 16.5 million (PLN 2.8 million more than in December 2020). At the end of 4Q21 **ARPU** reached PLN 352 which implies an increase by PLN 13 (up 4%) qoq; this growth can be attributed to (i) rising US\$-denominated ARPU for the global version and (ii) PLN weakening vs US\$ in the quarter (PLN-denominated ARPU for the Polish version turned marginally lower, by c. 0.6% qoq).

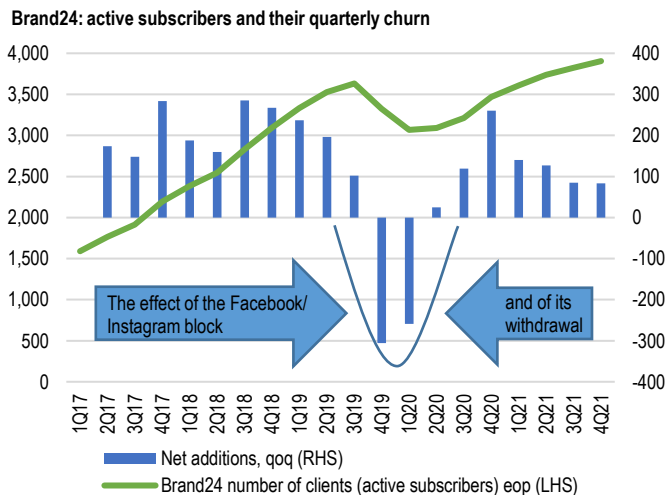


Source: Company, DM BOŚ estimates

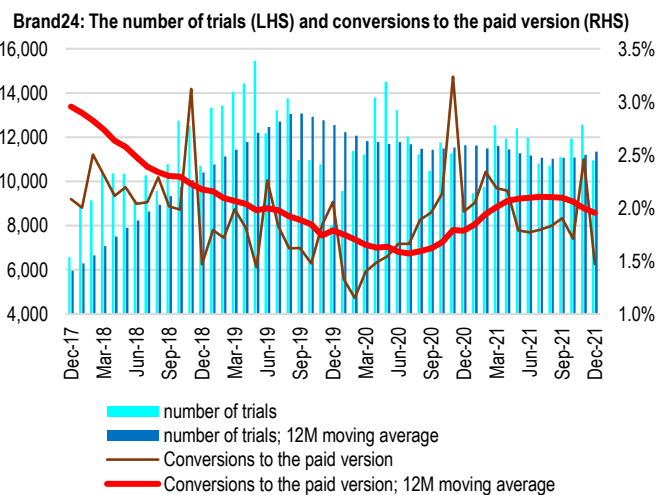


Source: Company, DM BOŚ estimates

At the end of 4Q21 a **number of clients** was 3,905 which implies a quarterly increase of 83 vs a net addition of 260 clients in 4Q20. Though between October and December a **number of trials** was c. 10% higher, both yoy and qoq, the conversion ratio deteriorated yoy (it did not change much with respect to the quarterly average in a qoq perspective)³.



Source: Company.

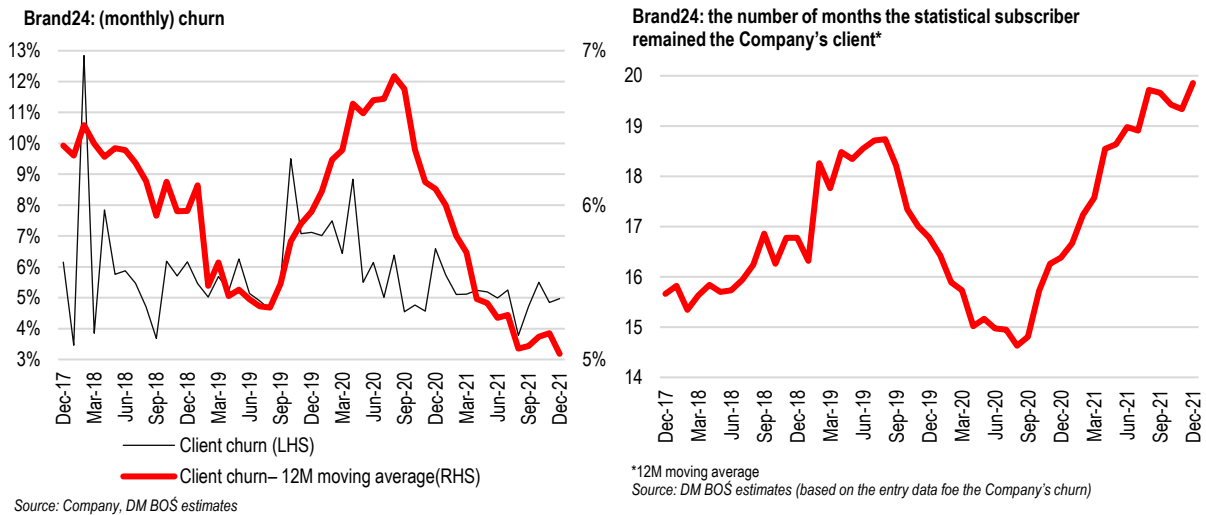


Source: Company, DM BOŚ estimates

² For the first time published on January 17.

³ At the end of 4Q21 PLN-denominated ARPU for all subscribers was still c. 5% below the level observed before the temporary block been imposed by Facebook and Instagram.

In 4Q21 **the customer churn** oscillated at 5% (similar to the 12M moving average). In the discussed quarter the statistical active subscriber remained the Company's client for almost 20 months which is a historical high level.



Outlook for 1Q22

The factor with the material impact on the Company's 1Q22 financials (and KPIs as well) is a price lift for the existing clients from January (for the first time in a decade; likely to be the most important development in the Company this year); according to the management, it was carried out smoothly ('very favorable' effect for revenues and margin, albeit at the same time higher prices take their toll on the net clients additions 'temporarily').

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.