

295/2021/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Brand24	Not rated	30.5	Not rated	Sobieslaw Pająk, CFA

Event: 1Q22 financial results.

On May 18 (before the session, at 8.15 a.m.) Brand24 released their 1Q22 financial results.

We would like to remind that on April 13, in the morning, the Company published selected operating results for 1Q21 (which we deemed positive) and on the same day we issued our report 200/2022/AR with detailed analysis; below we present only the most important information:

- At the end of 1Q22 monthly recurring revenues (**MRR**) stood at PLN 1.666 million (US\$ 404,000) which implies PLN 484,000 more than a year ago (up 41% yoy) and PLN 293,000 more than a quarter before (up 21% qoq); (the price rises for the existing clients + the price list alterations for new clients + PLN depreciation vs US\$);
- At the end of 1Q22 **ARPU** (average revenue per user) reached PLN 430 (US\$ 104) which implies a qoq increase by PLN 79 (up 22%); (price hikes for the existing clients + weaker PLN vs US\$);
- ARPU per a new subscriber (acquired in 1Q22) (so called **Initial ARPU**) stood at PLN 495 (US\$ 120) which is 15% above the ARPU for all clients;
- The global version of Brand24 tool generates higher ARPU (which is a derivative of the price list and higher share of clients choosing the most expensive version of the subscription plan) than the Polish version, thus an increasing share of foreign clients results in (*ceteris paribus*) an incremental growth of total ARPU.
- In 1Q22 the statistical subscriber remained the Company's client for almost 20 months, which is a historical high level.

Sales. The Group's consolidated 1Q22 revenues reached PLN 4.95 million (up 40%/ 12% yoy/ qoq) which exceeds our expectations of PLN 4.8 million by 3% (PLN 150,000). Given the level of 1Q22 revenues we maintain our FY22 revenues forecast at PLN 21.6 million.

Gross margin on sales in 1Q22 stood at 60.8% vs 52.4%/ 58.8% in 1Q21/ 4Q21; an over 8 pp growth of the margin in a yoy perspective was higher than we expected and it enabled a materially higher pace of gross profit on sales growth than of revenues: 62% vs 40%. Given 1Q22 result we believe there may be a slight (c. PLN 200,000 in the absolute terms) upside risk for our FY22 forecast of gross profit on sales.

OPEX. The OPEX base rose 27% yoy (at the slower rate than revenues), with a material growth seen in costs of sales (up 40% yoy; Brand24 intensifies activities in this area to improve a revenue growth dynamic) and external services costs (up 35% yoy, partially overlapping with the cost of sales); costs of salaries rose 14% yoy.

EBITDA/ EBIT/ NP at PLN 1.2 million/ 0.7 million/ 0.5 million (materially higher yoy and qoq) slightly (by c. PLN 0.1 million) exceeded our expectations. We believe as far as our FY22 EBITDA/ EBIT/ NP forecasts are concerned they may be set for some upside risk (of c. PLN 200,000 *ceteris paribus* for each level).

OCF in 1Q22 more than doubled yoy (PLN 1.4 million vs PLN 0.6 million), mainly due to a higher (by over PLN 400,000) net profit than in 1Q21 coupled with the surge of obligations to provide services (which effectively means a rise in the prepayments from clients).

Brand24: 1Q22 financials

IFRS consolidated (PLN million)	1Q22	1Q21	chg yoy	4Q21	chg qoq
Sales	5,0	3,5	40%	4,4	12%
Gross profit on sales	3,0	1,9	62%	2,6	16%
EBITDA (adj)	1,2	0,7	83%	0,9	33%
EBIT (adj)	0,7	0,1	390%	0,5	34%
Net profit (adj)	0,5	0,0	1 251%	0,4	20%
Gross profit on sales margin	60,8%	52,4%	-	58,8%	-
EBITDA margin (adj)	25,0%	19,1%	-	21,0%	-
EBIT margin (adj)	13,3%	3,8%	-	11,0%	-

Adjusted profits (EBITDA, EBIT, PBT, NP) exclude cost of the stock option program valuation and other operating revenues/ OPEX balance
 Source: Company.



All in all, we perceive the Company's 1Q22 results as positive given (i) significant growth of revenues and profits (both in a yoy and qoq perspective) that slightly exceeds our expectations and implies (*ceteris paribus*) a modest upside risk for our current FY22 forecasts and (ii) strong OCF. However, the quarterly results were published before the session and their positive impact should have been already discounted by the market.

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.