

**52/2022/GPW (141)** December 2, 2022

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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# DataWalk

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**Analyst:** Tomasz Rodak, CFA

# DataWalk

**Sector:** TMT – IT software & services

**Market Cap:** US\$ 125 m

**Fundamental rating:** Hold (→)

**Bloomberg code:** DAT PW

**Market relative:** Neutral (→)

**Av. daily turnover:** US\$ 0.07 m

**Price:** PLN 108.6

**12M range:** PLN 103.00-227.00

**12M EFV:** PLN 107.0 (↓)

**Free float:** 75%

## Key points

- This year we have observed a slowdown of the Company's revenue dynamic to expected 30% yoy from 96% in 2021 which implies that the management target results (assuming a 70% revenue yoy growth) will not be achieved. There are two main reasons for this; namely (i) insufficient training and slower performance of field engineering teams handling the pre-sale and post-sale services (internal factor) and (ii) a delay in purchase decisions taken by some clients and a decrease in a value of the first contract which are related to the economic slowdown (external factor). The management declares that the dominating internal factor is being addressed and the effectiveness of field engineering teams should not limit growth in 2023.

- A new issue in 2023/2024?** In August the Company carried out a private placement of shares within authorized capital and collected PLN 38.3 million for further development. These funds should enable the Company to continue optimal development for a year and a half (until 1H24), we believe. Therefore, we expect another issue not later than in 1H24.

- The Company informed that to-date it signed 15 new contracts this year, which implies a 36% increase vs the analogical period of 2021 when it acquired 11 new contracts. Usually the year-end is particularly busy (clients tend to close their budgets) and we expect an inflow of new contracts till the end of 2022.

- Sales funnel value skewed slightly upwards.** DataWalk informed that on September 14 a sales funnel value stood at c. US\$ 25.3 million (including c. US\$ 12.6 million in the US market and \$ 12.7 million in other markets) which

## Guide to adjusted profits

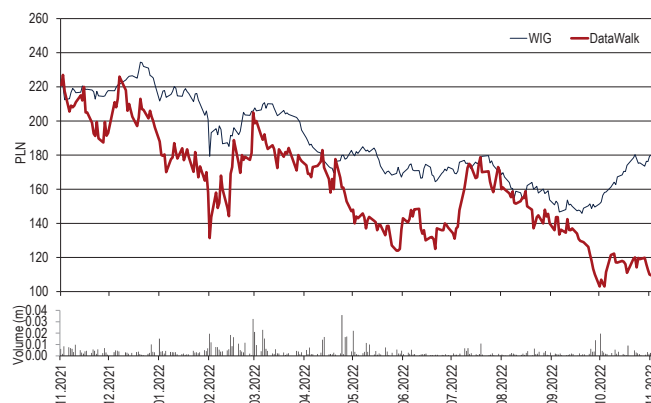
Adj EBIT excludes costs of the incentive program.

## Key data

IFRS consolidated		2021	2022E	2023E	2024E
Sales	PLN m	30.8	40.0	60.1	90.1
Sales yoy chg	%	96	30	50	50
EBITDA	PLN m	-3.1	-117.5	-28.7	-39.4
EBIT	PLN m	-5.7	-120.7	-32.1	-42.9
Adj EBIT	PLN m	-5.7	-17.5	-32.1	-42.9
Net profit	PLN m	-1.6	-100.2	-32.1	-42.9
EPS	PLN	-0.34	-19.51	-6.25	-8.37
Net debt	PLN m	-51.0	-67.7	-19.0	38.2
EV/Sales	x	15.6	12.3	9.0	6.6
No. of shares (eop)	m	4.9	5.1	5.1	5.1

Source: Company, DM BOŚ SA estimates

## Stock performance



Source: Bloomberg

## Recent events

- PLN 38.3 million acquired from the shares issue: August 22

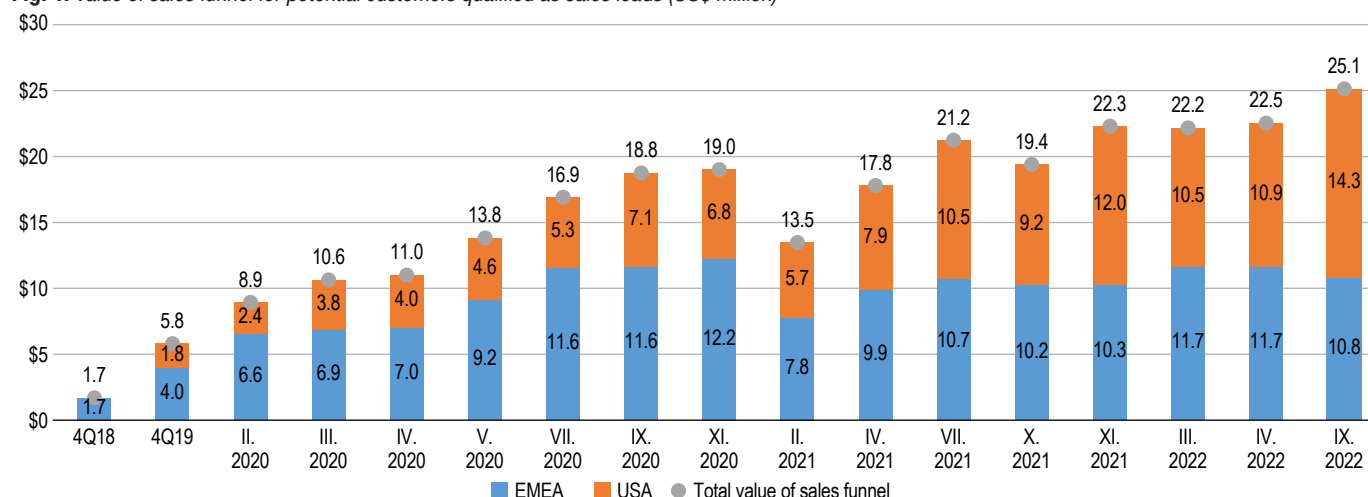
## Upcoming events

- 4Q22 financial results release: March 2023

reflected a slightly rising trend of the sales funnel value, nonetheless we would like to see stronger growths which could support expectations of higher future growth dynamics.

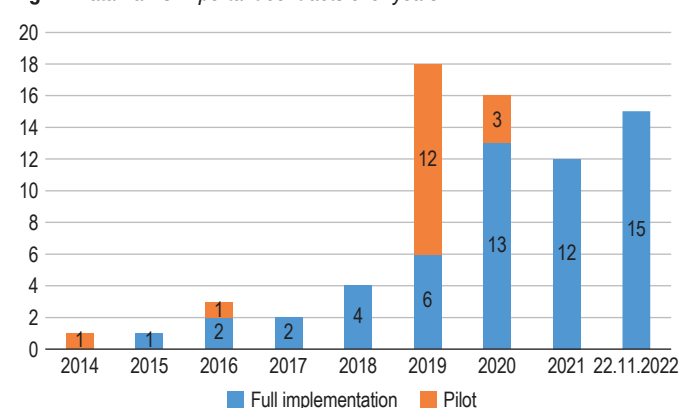
- 4Q22E.** Based on our FY revenue forecast in the amount of PLN 40.0 million, we expect 4Q22 revenues to reach PLN 14.2 million (up 31%/ 85% yoy/ qoq).

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



Source: Company, DM BOŚ

**Fig. 2. DataWalk's important contracts over years**



Source: Company, DM BOŚ

■ **Risk to financial forecasts.** High. Financial forecasts for DataWalk are encumbered with a high level of uncertainty given the early stage of the Company's development and a relatively immature industry it operates in. During the last conference the management explained that

the Company's target for 2023 was a growth of revenues by at least 50% yoy (earlier they assumed 70% yoy). In consequence, we also lower our expectations related to revenues.

- **Valuation.** Our target 12M EFV drops by 32% to PLN 107 per share (from PLN 158 per share), mainly on the back of (i) the revenue forecasts decrease, (ii) the peer multiples lowering by c. 50%, and (iii) valuation horizon forward shift.
- **Recommended action.** For us, DataWalk remains an attractive growth company suffering temporary problems related to sales processes and unfavorable macro environment. Given this current negative market sentiment towards the growth companies with high needs for external funding, we maintain our recommendations: LT fundamental Hold and ST relative Neutral.

**Fig. 3. DataWalk; Changes in DM BOŚ forecast**

IFRS consolidated (PLN m)	2022E			2023E			2024E		
	current	previous	change	current	previous	change	current	previous	change
Sales	40.0	46.2	-13%	60.1	78.5	-23%	90.1	133.4	-32%
EBITDA	-117.4	-114.3	3%	-28.9	-10.4	176%	-39.5	3.8	-1151%
EBIT	-120.7	-117.7	3%	-32.4	-14.0	132%	-43.3	0.0	n.m.
Adj. EBIT	-14.5	-11.5	27%	-32.4	-14.0	132%	-43.3	0.0	n.m.
NI	-84.4	-81.7	3%	-32.4	-14.0	132%	-43.3	0.0	n.m.
Net debt (cash)	-73.6	-74.3	-1%	-24.5	-39.6	-38%	33.0	-17.4	-290%

Adjusted EBIT excludes the impact of motivation program's valuation

Source: Company, DM BOŚ

**Catalysts**

1. Dynamic growth of the link-based analysis segment in the near future
2. High revenue dynamics expected in the upcoming years
3. Increasing number of contracts signed
4. Growing interest of foreign financial investors
5. Cooperation with specialists experienced in start-up development from the Silicon Valley
6. Huge price and effectiveness advantage over competitive solutions
7. High gross profit on sales margins realized in the Enterprise IT segment

**Risk factors**

1. Slower than expected revenue growth rate in the upcoming years
2. Faster cash burning than expected without the following revenue growth
3. Lacking access to funding and loss of liquidity
4. Long sale cycle
5. Early stage of the Company's development
6. Negative sentiment towards 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** =  $\text{gross profit on sales}/\text{sales}$   
**EBITDA margin** =  $\text{EBITDA}/\text{sales}$   
**EBIT margin** =  $\text{EBIT}/\text{sales}$   
**Pre-tax margin** =  $\text{pre-tax profit}/\text{sales}$   
**Net margin** =  $\text{net profit}/\text{sales}$   
**ROE** =  $\text{net profit}/\text{average equity}$   
**ROA** =  $(\text{net income} + \text{interest payable})/\text{average assets}$   
**EV** =  $\text{market capitalization} + \text{interest bearing debt} - \text{cash and equivalents}$   
**EPS** =  $\text{net profit}/\text{no. of shares outstanding}$   
**CE** =  $\text{net profit} + \text{depreciation}$   
**Dividend yield** (gross) =  $\text{pre-tax DPS}/\text{stock market price}$   
**Cash sales** =  $\text{accrual sales corrected for the change in A/R}$   
**Cash operating expenses** =  $\text{accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes}$

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

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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	39	32	7	8	0	2
Percentage	44%	36%	8%	9%	0%	2%

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

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	38	30	10	8	0	2
Percentage	43%	34%	11%	9%	0%	2%

## Banks

**Net Interest Margin (NIM)** =  $\text{net interest income}/\text{average assets}$   
**Non interest income** =  $\text{fees\&commissions} + \text{result on financial operations (trading gains)} + \text{FX gains}$   
**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** =  $\text{net profit}/\text{average equity}$   
**ROA** =  $\text{net income}/\text{average assets}$   
**Non performing loans (NPL)** = loans in 'basket 3' category  
**NPL coverage ratio** =  $\text{loan loss provisions}/\text{NPL}$   
**Net provision charge** =  $\text{provisions created} - \text{provisions released}$

DM BOŚ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. 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 fundamental target fair P/E and target fair P/BV multiples method is its independence of 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. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

### 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	7	6	0	1	0	2
Percentage	44%	38%	0%	6%	0%	13%

### 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	4	2	1	0	2
Percentage	44%	25%	13%	6%	0%	13%

**LT fundamental recommendation tracker**

Analyst	Recommendation		Report date	Reiteration date	Distribution date	Expiry date	Performance	Relative performance	Price at issue/reiteration*	EFV (12 months)	
<b>DataWalk</b>											
Tomasz Rodak	Buy	–	05.09.2021	-	06.09.2021	16.08.2022	-16%	6%	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	↓
Tomasz Rodak	-	→	-	16.01.2022	17.01.2022	-	-	-	206.50	259.00	→
Tomasz Rodak	-	→	-	07.02.2022	07.02.2022	-	-	-	184.00	259.00	→
Tomasz Rodak	-	→	-	28.02.2022	28.02.2022	-	-	-	158.00	259.00	→
Tomasz Rodak	-	→	-	14.04.2022	14.04.2022	-	-	-	184.20	259.00	→
Tomasz Rodak	-	→	-	26.05.2022	26.05.2022	-	-	-	144.00	259.00	→
Tomasz Rodak	-	→	-	06.06.2022	07.06.2022	-	-	-	141.48	201.00	↓
Tomasz Rodak	-	→	-	15.07.2022	15.07.2022	-	-	-	137.08	201.00	→
Tomasz Rodak	Buy	→	16.08.2022	-	16.08.2022	20.09.2022	-13%	-1%	170.50	201.00	→
Tomasz Rodak	-	→	-	02.09.2022	02.09.2022	-	-	-	151.52	201.00	→
Tomasz Rodak	Hold	↓	20.09.2022	-	21.09.2022	Not later than 20.09.2023	-27%	-36%	148.00	158.00	↓
Tomasz Rodak	-	→	-	07.10.2022	07.10.2022	-	-	-	137.02	158.00	→
Tomasz Rodak	-	→	-	28.10.2022	28.10.2022	-	-	-	111.40	158.00	→
Tomasz Rodak	-	→	-	02.12.2022	02.12.2022	-	-	-	108.60	107.00	↓

\* 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/reiteration*	Relative performance
<b>DataWalk</b>								
Tomasz Rodak	Overweight	–	05.09.2021	-	06.09.2021	06.06.2022	203.00	-14%
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	-
Tomasz Rodak	-	→	-	16.01.2022	17.01.2022	-	206.50	-
Tomasz Rodak	-	→	-	07.02.2022	07.02.2022	-	184.00	-
Tomasz Rodak	-	→	-	28.02.2022	28.02.2022	-	158.00	-
Tomasz Rodak	-	→	-	14.04.2022	14.04.2022	-	184.20	-
Tomasz Rodak	-	→	-	26.05.2022	26.05.2022	-	144.00	-
Tomasz Rodak	Neutral	↓	06.06.2022	-	07.06.2022	Not later than 06.06.2023	141.48	-21%
Tomasz Rodak	-	→	-	15.07.2022	15.07.2022	-	137.08	-
Tomasz Rodak	-	→	-	16.08.2022	16.08.2022	-	170.50	-
Tomasz Rodak	-	→	-	02.09.2022	02.09.2022	-	151.52	-
Tomasz Rodak	-	→	-	20.09.2022	21.09.2022	-	148.00	-
Tomasz Rodak	-	→	-	07.10.2022	07.10.2022	-	137.02	-
Tomasz Rodak	-	→	-	28.10.2022	28.10.2022	-	111.40	-
Tomasz Rodak	-	→	-	02.12.2022	02.12.2022	-	108.60	-

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

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This report constitutes 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 the 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. This report is for information purposes only.

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The report was not shown to the analyzed company before the distribution of the report.

#### Stockbrokers

**Piotr Kalbarczyk**  
tel.: +48 (22) 504 32 43  
[p.kalbarczyk@bossa.pl](mailto:p.kalbarczyk@bossa.pl)

#### Research

**Sobiesław Pająk, CFA**  
(Equity strategy, TMT)

**Sylwia Jaśkiewicz, CFA**  
(Construction materials,  
Consumer staples & discretionary,  
Health care & biotechnology)

**Tomasz Rodak, CFA**  
(Consumer discretionary, Video games)

**Lukasz Prokopiuk, CFA**  
(Chemicals, Mining,  
Mining – machinery, Oil & gas)

**Michał Sobolewski, CFA, FRM**  
(Financials)

**Jakub Viscardi**  
(Telco, Consumer staples & discretionary,  
IT – hardware distribution, Utilities)

**Maciej Wewiórski**  
(Residential construction,  
Construction, Real estate)

**Mikołaj Stępień**  
Junior Analyst

**Michał Zamel**  
Associate

---

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**Dom Maklerski Banku Ochrony  
Środowiska Spółka Akcyjna**  
ul. Marszałkowska 78/80  
00-517 Warszawa  
[www.bossa.pl](http://www.bossa.pl)  
Information: (+48) 0 801 104 104