

45/2024/GPW (108) December 1, 2024

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 4.0.

Cloud Technologies

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This is an excerpt from the Polish version of DM BOŚ SA's research report.

Analyst: Tomasz Rodak, CFA

Sector: TMT – IT software & services

Market Cap: US\$ 76 m

Fundamental rating: Hold (→)

Bloomberg code: CLD PW

Market relative: Neutral (→)

Av. daily turnover: US\$ 0.01 m

Price: PLN 62.00

12M range: PLN 57.60-77.00

12M EFV: PLN 70.00 (→)

Free float: 33%

Cloud Technologies

Key points

- **A hard year behind us...** After 3 quarters the Company's revenues in the main Data sales segment grew merely 6% yoy (vs 53% and 16%, respectively, in 2022 and 2023) which was caused by a deceleration of growth dynamics of US\$-denominated revenues (+14% yoy on average between January and September vs +41% and +28% yoy, respectively, in 2022 and 2023) and substantial weakening of US\$ (by 6% yoy in 1-3Q24) which is the currency the Company's most revenues are denominated. As a result, adj EBITDA was down 3% yoy in 1-3Q24.
- **... but things have been improving.** Just in August the Company's sales to key clients (in US\$) increased 20% yoy which marks the 3rd consecutive month featuring a double-digit monthly sales dynamic: 15%/37%/20% in June/July/August; this may flag some improvement on the Internet advertising market. The pressure exerted by weaker yoy US\$ on the Company's results will linger till November, but the US\$ stabilization following Trump's electoral victory gives hope that next year Cloud would not suffer from unfavorable FX changes.
- **New data distribution channels gained thanks to the acquisition.** In July the Company acquired a 100% stake in a Norwegian company Nordic Data Resources (NDR) for PLN 6.9 million which gave access to new channels of data distribution. According to our estimations extra revenues – generated thanks to the new acquisition – may reach c. PLN 0.4 million at the end of next year which may imply c. PLN 4-5 million of additional sales over a year.
- **4Q24E.** Given assumed low double-digit dynamics of revenues (yoy) from the Company's main segment Data sales and expected US\$

Guide to adjusted profits

Adj profits (EBITDA, EBIT, NI) exclude costs of the incentive program valuation

Key data

IFRS consolidated		2023	2024E	2025E	2026E
Sales	PLN m	54.7	47.6	53.7	60.7
EBITDA	PLN m	25.3	24.8	29.2	32.9
Adj EBITDA	PLN m	27.5	26.6	31.0	34.8
EBIT	PLN m	13.2	11.2	15.9	22.2
Adj EBIT	PLN m	15.5	13.0	17.7	24.0
Net income	PLN m	8.7	9.9	14.3	19.7
Adj net income	PLN m	11.0	12.1	16.1	21.5
Adj EPS	PLN	2.20	2.42	3.22	4.30
Adj EPS yoy chg	%	-21	10	33	34
Net debt	PLN m	-15.1	-26.2	-39.0	-55.0
EV/Sales	x	5.4	6.0	5.1	4.3
Adj P/E	x	28.4	25.9	19.4	14.6
EV/Adj EBITDA	x	10.8	10.8	8.8	7.4
EV/Adj EBIT	x	19.3	22.1	15.5	10.7
Gross dividend yield	%	1.6	2.0	1.9	2.1
DPS	PLN	1.00	1.25	1.21	1.29
Number of shares (eop)	m	5.0	5.0	5.0	5.0

Source: Company, DM BOŚ SA estimates

Stock performance



Source: Bloomberg

Recent events

1. Estimated sales to key clients in July: September 23, 2024
2. 1H24 financial results release: September 16, 2024
3. Purchase of a stake in Nordic Data Resources: July 12, 2024
4. 3Q24 financial results release: November 25, 2024

Upcoming events

1. 4Q24 financial results release: March 2025

yoy weakening we forecast revenues at PLN 13.0 million (up 1% yoy) and adj EBITDA at 7.5 million (down 6% yoy) in the discussed quarter.

■ **Expected results momentum in the upcoming years.** We believe that a material improvement of the Company’s revenue dynamics and results will be possible from 1Q25, when the impact of a low US\$/PLN rate is not that painful (yoy). We forecast a 13%/13% yoy growth of adj EBITDA in 2025E/2026E on the back of expected synergies from the acquisition of Nordic Data Resources and favorable development prospects for the Internet advertising industry.

■ **Risk to financial forecasts.** Average or high. The ad market is heavily exposed to the economic slowdown risk with additional uncertainty related to changes of US\$/PLN rate.

■ **Financial forecast changes.** Our forecasts for the Company are slightly down as US\$ weakening vs PLN has continued since we issued our previous report.

■ **Valuation.** Our 12M EFV for Cloud Technologies remains unchanged at PLN 70.0 per share.

■ **Recommended action.** Our 12M EFV is close to the current share market price, therefore we take a Neutral stance vs Cloud’s equities.

Catalysts

1. Rising importance of Internet advertising
2. Dynamic growth of the programmatic segment (main market model)
3. More and more frequent implementation of AI (more precise users profiling, growing demand for data)
4. Active dividend policy
5. Strong cash generation
6. Dynamic improvement of financial results
7. Positive impact of acquisitions
8. Strong USD vs PLN

Risk factors

1. Economic slowdown
2. Rise in competitive pressures
3. Changes in personal data protection laws
4. IT systems malfunction
5. Loss of key data sources
6. Key data distributor loss
7. Internet advertising business model change
8. FX risk (USD weakening vs PLN)
9. Negative impact of potential acquisitions
10. Low liquidity on the WSE

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	44	28	5	5	0	5
Percentage	51%	32%	6%	6%	0%	6%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	27	41	9	5	0	5
Percentage	31%	47%	10%	6%	0%	6%

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

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	4	5	0	1	0	2
Percentage	33%	42%	0%	8%	0%	17%

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	3	5	1	1	0	2
Percentage	25%	42%	8%	8%	0%	17%

LT fundamental recommendation tracker

Analyst	Recommendation	Report date	Reiteration date	Distribution date	Expiry date	Performance	Relative performance	Price at issue/reiteration*	EFV (12 months)	
Cloud										
Tomasz Rodak	Hold	–	11.09.2023	-	11.09.2023	12.08.2024	-33%	-46%	94.00	88.00 –
Tomasz Rodak	-	→	-	25.09.2023	26.09.2023	-	-	-	88.60	88.00 →
Tomasz Rodak	-	→	-	12.10.2023	12.10.2023	-	-	-	88.80	88.00 →
Tomasz Rodak	-	→	-	06.11.2023	06.11.2023	-	-	-	73.00	88.00 →
Tomasz Rodak	-	→	-	08.12.2023	08.12.2023	-	-	-	68.00	71.00 ↓
Tomasz Rodak	-	→	-	09.01.2024	09.01.2024	-	-	-	65.20	71.00 →
Tomasz Rodak	-	→	-	01.02.2024	01.02.2024	-	-	-	63.00	71.00 →
Tomasz Rodak	-	→	-	29.02.2024	29.02.2024	-	-	-	61.60	71.00 →
Tomasz Rodak	-	→	-	04.04.2024	04.04.2024	-	-	-	74.20	71.00 →
Tomasz Rodak	-	→	-	30.04.2024	30.04.2024	-	-	-	70.60	75.00 ↑
Tomasz Rodak	-	→	-	06.05.2024	06.05.2024	-	-	-	71.40	75.00 →
Tomasz Rodak	-	→	-	29.05.2024	29.05.2024	-	-	-	66.40	75.00 →
Tomasz Rodak	-	→	-	12.07.2024	12.07.2024	-	-	-	68.80	75.00 →
Tomasz Rodak	Hold	→	12.08.2024	-	12.08.2024	Not later than 12.08.2025	-2%	2%	63.00	75.00 →
Tomasz Rodak	-	→	-	24.09.2024	24.09.2024	-	-	-	66.60	75.00 →
Tomasz Rodak	-	→	-	01.10.2024	01.10.2024	-	-	-	66.00	70.00 ↓
Tomasz Rodak	-	→	-	11.10.2024	11.10.2024	-	-	-	60.80	70.00 →
Tomasz Rodak	-	→	-	04.11.2024	04.11.2024	-	-	-	63.80	70.00 →
Tomasz Rodak	-	→	-	01.12.2024	02.12.2024	-	-	-	62.00	70.00 →

* 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
Cloud							
Tomasz Rodak	Neutral	–	11.09.2023	-	11.09.2023	08.12.2023	94.00 -38%
Tomasz Rodak	-	→	-	25.09.2023	26.09.2023	-	88.60 -
Tomasz Rodak	-	→	-	12.10.2023	12.10.2023	-	88.80 -
Tomasz Rodak	-	→	-	06.11.2023	06.11.2023	-	73.00 -
Tomasz Rodak	Underweight	↓	08.12.2023	-	08.12.2023	30.04.2024	68.00 -5%
Tomasz Rodak	-	→	-	09.01.2024	09.01.2024	-	65.20 -
Tomasz Rodak	-	→	-	01.02.2024	01.02.2024	-	63.00 -
Tomasz Rodak	-	→	-	29.02.2024	29.02.2024	-	61.60 -
Tomasz Rodak	-	→	-	04.04.2024	04.04.2024	-	74.20 -
Tomasz Rodak	Neutral	↑	30.04.2024	-	30.04.2024	Not later than 30.04.2025	70.60 -6%
Tomasz Rodak	-	→	-	06.05.2024	06.05.2024	-	71.40 -
Tomasz Rodak	-	→	-	29.05.2024	29.05.2024	-	66.40 -
Tomasz Rodak	-	→	-	12.07.2024	12.07.2024	-	68.80 -
Tomasz Rodak	-	→	-	12.08.2024	12.08.2024	-	63.00 -
Tomasz Rodak	-	→	-	24.09.2024	24.09.2024	-	66.60 -
Tomasz Rodak	-	→	-	01.10.2024	01.10.2024	-	66.00 -
Tomasz Rodak	-	→	-	11.10.2024	11.10.2024	-	60.80 -
Tomasz Rodak	-	→	-	04.11.2024	04.11.2024	-	63.80 -
Tomasz Rodak	-	→	-	01.12.2024	02.12.2024	-	62.00 -

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

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