

IMS *summary of report*

buy

media

previous recommendation: -

Current price: 2.8

Target price: 3.8

A dividend company with potential

IMS is a growing dividend company operating on the sensory marketing market. The company's business model underwent a very difficult test during the coronavirus pandemic, which left a strong mark on the previously very good financial results of the entire group. The past year, however, showed that IMS's results did not collapse permanently and its good prospects largely remained in force. Unfortunately, the company's operating model results in limited opportunities for its development outside Poland, which over time will limit the dynamics of business growth. The Closer Music project, which has been developed since 2019, is to be the answer to these limitations. At the same time, however, the startup nature of the project causes great difficulties in its valuation, and therefore at the moment it should be treated as an interesting option, which in the future may, but does not have to, bring benefits to shareholders.

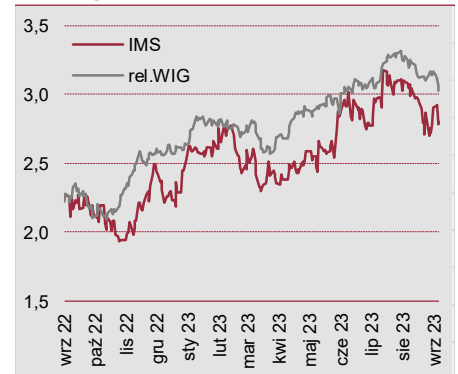
Cash generator by subscription model

IMS's distinguishing feature is the subscription model of its key audio, video and aromamarketing segments. This ensures high predictability and repeatability of revenues. At the same time, the company has shown that it can systematically grow both through acquisitions and organically. All this took place with high profitability of the business and, as a consequence, made it possible to share profits with shareholders in the form of annual dividends. A crack on this picture was caused by the pandemic, which showed that the company's operating model is not bulletproof and remains sensitive to both the economic situation and the development prospects of the brick-and-mortar sales and service network. However, it seems that with the end of the pandemic, the situation is returning to the old ways and customers have returned to shopping centers. Thus, IMS faces a real chance to return to the growth path outlined before 2020. The market valuation seems more conservative in this regard, hence we start covering the company with a "Buy" recommendation.

Prospects of profitable growth with an option for more

In our forecasts, we assume a gradual return of operating profitability to the levels achieved before the pandemic. In the longer term, we conservatively forecast a slight decrease, but systematically growing revenues will result in the progression of profit, which can be distributed in the form of dividends. Thus, we consider IMS to be an interesting investment option that combines the growing and predictable business of sensory marketing with a possible bonus in the form of the Closer Music project being developed. Due to the lack of financial data and the difficulty in assessing the likelihood of success by Closer Music, we valued it at the amount of costs incurred so far for the production of music content. It is of real value also for the IMS itself.

Share price vs index



Max/min 52 weeks (PLN)	3.4 / 2.05		
Shares issued (m)	33,9		
Market cap. (m PLN)	95		
EV (m PLN)	84		
Free float (m PLN)	45		
Average turnover (t PLN)	24,0		
Main shareholders	Dariusz Lichacz 19.16%, 19.16%		
% of shares, % of votes	Michał Kornacki 19.12%, 19.12%		
	1 m	3 m	12 m
Price change	-9,1%	-3,4%	32,7%
Change rel. WIG	-7,0%	-0,2%	34,9%

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	Sales	EBIT	EBITDA (non MSSF16)	Profit before tax	Net profit	EPS	CEPS	BVPS	P/E	P/BV	DY (%)	EV /EBIT	EV /EBITDA	ROE (%)
2022	57,3	9,5	15,0	8,7	6,9	0,22	0,39	0,9	13,3	2,9	6,6	8,6	5,4	22,9
2023f	65,9	12,7	19,0	11,1	9,0	0,27	0,45	1,0	10,2	2,8	7,7	6,4	4,3	27,0
2024f	72,5	14,3	21,3	12,5	10,1	0,29	0,49	1,1	9,1	2,5	6,6	5,7	3,8	26,6
2025f	79,0	15,3	22,7	13,7	11,1	0,32	0,53	1,2	8,3	2,2	7,0	5,3	3,6	26,1

f - forecasts; BM Bank Millennium; mIn PLN

The report was prepared by Biuro Maklerskie Banku Millennium S.A. on the order of the Warsaw Stock Exchange S.A. within the Program of Analytical Coverage Support Information regarding the links between Bank Millennium with the company being the subject of this report and other required information were placed on the last page of the report.

BM Banku Millennium recommendation for the last 12 months

Company	Recommendation	Date of the recommendation	Market price on the day the recommendation	Target price	Author
Mostostal Zabrze	Buy	12/09/2022	1,80	3,20	Adam Zajler
Ambra	Buy	20/09/2022	20,40	25,60	Marcin Palenik
KGL	Neutral	03/10/2022	11,70	12,00	Marcin Palenik
Agora	Buy	09/12/2022	4,40	7,50	Adam Zajler
VRG	Buy	27/02/2023	3,35	5,11	Seweryn Żołyński
Ambra	Buy	16/03/2023	22,00	32,10	Grzegorz Gawkowski
Mostostal Zabrze	Buy	28/03/2023	2,42	4,20	Adam Zajler
Agora	Buy	07/04/2023	6,90	7,70	Adam Zajler
KGL	Accumulate	19/05/2023	12,30	14,20	Łukasz Bugaj
LPP	Accumulate	24/05/2023	13 220,00	14 700,00	Seweryn Żołyński
Ambra	Buy	30/05/2023	25,30	33,60	Grzegorz Gawkowski
Mostostal Zabrze	Buy	07/06/2023	3,31	5,30	Adam Zajler
Agora	Accumulate	16/06/2023	8,10	9,30	Adam Zajler
KGL	Accumulate	20/06/2023	14,50	16,50	Łukasz Bugaj
VRG	Buy	05/07/2023	3,60	5,41	Seweryn Żołyński

Source: BM Bank Millennium recommendations issued by BM Bank Millennium are valid for 6 months from the date of issue, unless they are updated beforehand. Ambra, Mostostal Zabrze, IFIRMA and IMS participate in the analytical support program of the Warsaw Stock Exchange, and Agora and Korporacja KGL participated in the program until June 30 2023 and for which BM Bank Millennium receives or was receiving remuneration from the Warsaw Stock Exchange.

Structure of BM Banku Millennium recommendation for the last 12 months

	Number of recommendations	Share
Buy	10	67%
Accumulate	4	27%
Neutral	1	7%
Reduce	0	0%
Sell	0	0%

The structure of recommendations for companies for which BM Banku Millennium provided investment banking services*

No recommendations were issued for companies for which BM Banku Millennium provided services in the field of investment banking*

*last 12 months, including companies for which BM Banku Millennium is a market maker

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Explanation of the professional terminology used in the report

EV - market valuation of the company + net interest debt

EBIT - operating profit

EBITDA - operating profit + depreciation

WNB - result on banking activity

P/E - ratio of the share price to the net profit per share

P/BV - ratio of the share price to the book value per share

ROE - return on equity

ROA - return on assets

EPS - net profit per share

CEPS - net profit and depreciation per share

BVPS - book value per share

DPS - dividend per share

NPL - non performing loans

The scale of recommendation used in Biuro Maklerskie Banku Millennium S.A.

BUY - we believe that the company's shares have more than 20% upside potential

ACCUMULATE - we believe that the company's shares have more than 10% upside potential

NEUTRALALLY - we believe that the price of the company's shares will remain stable (+/- 10%)

REDUCE - we think that the company's shares are overvalued by 10-20%

SELL - we believe that the company's shares are overvalued by over 20%

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Recommendations are based on the following valuation methods (2 out of 3 selected):

DCF method (model of discounted cash flows) - the method considered to be the most suitable for enterprise valuation. The disadvantage of the DCF method is the sensitivity of the valuation obtained in this way to the assumptions made regarding both the company itself and its macroeconomic environment.

Comparative method (comparison of relevant market indicators at which the company is listed with similar indicators for other companies from the same industry or related industries) - better than the DCF method, it reflects the perception of the industry in which the company operates by investors. The disadvantage of the comparative method is the sensitivity to the selection of the adopted comparative group and the compared ratios, as well as high volatility of the valuation depending on the market situation.

ROE-P/BV method (a model that makes the appropriate P/BV ratio dependent on the company's profitability) - a method considered the most appropriate for the valuation of banks. The disadvantage of this method is the sensitivity of the valuation obtained in this way to the assumptions made regarding both the company itself (profitability, effectiveness) and its macroeconomic environment.

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Work related to the preparation of the report was completed on September 8, 2023. at 8:00, and the date of the first dissemination of the report is September 8, 2023. 8:45.

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