

Recommendation "BUY" for IMS S.A. shares with a target price of PLN 4.60.

On 8th September 2023, a "BUY" recommendation for IMS S.A. shares was published by Biuro Maklerskie Banku Millennium S.A. (eng: Brokerage Office of Bank Millenium S.A.) The December 2023 recommendation was updated from a target price of PLN 3.80 per share to a target price of PLN 4.60 per share.

The updated valuation was largely based on future cash flows estimated from settlements with collective copyright management organisations. This business is part of responsibility of Closer Music Sp. z o.o., which, according to the Brokerage House, "has moved from a pure start-up to a business with the potential to generate real profits."

Updated after the Q2 and Q3 2023 results, the valuation of IMS was carried out based on the DCF (discounted cash flow) method and the comparative method against mainly foreign advertising and marketing companies. Based on the DCF method, the company's value was set at PLN 171.1 million, or PLN 4.87 per share. Using the comparative method, the company's valuation was PLN 151.5 million (PLN 4.32 per share). The results of the DCF and comparative valuation methods were assigned a weight of 50% each. This resulted in a valuation of the company at PLN 161.3 million, or PLN 4.60 per share. In view of the valuation obtained, a 'buy' recommendation was maintained for IMS S.A. shares.

The recommendation indicated the key investment rationale for potential Shareholders:

- the Closer Music project - the project, which aims to produce high-quality proprietary music databases for their use and commercialization, is a response to the limitations of the growth dynamics of the Group's existing subscription model and is also intended to enable foreign expansion on a wider scale.
- subscription model as a stabilizer for revenues - IMS Group's sales are about 50% driven by recurring monthly subscription revenues in the audio, video and aromamarketing segments. The subscription model provides high predictability and recurring revenue.
- systematic growth - the Company has shown that it can grow steadily both through acquisitions and organically, while maintaining high profitability in its operations.
- stable dividend policy - IMS has been paying dividends since its first year on the public market. A predictable, repeatable and profitable business model makes it possible to combine growth with systematic profit sharing with shareholders in the form of annual dividends.
- prospects for profitable growth with an option for more - after a difficult period for the market during the coronavirus pandemic, the IMS Group's performance is returning to pre-2020 levels, thus providing an interesting investment option that combines a growing and predictable sensory marketing business with the possible bonus of the Closer Music project under development.
- sensory marketing market and competition for IMS - as a result of an analysis performed by Biuro Maklerskie Banku Millennium S.A., the entire market for subscription audio and aromamarketing services was estimated at nearly PLN 46 million, with IMS' share reaching as high as 70.8%. Thus, the Group holds the position of undisputed leader, and its strategy to develop various segments of this market has been successful.

According to Biuro Maklerskie Banku Millennium S.A, the definition of "BUY" means that the company's shares have more than 20% growth potential.

Recommendations issued by Biuro Maklerskie Banku Millennium S.A. are valid for 6 months from the date of issuance, unless updated sooner. Millennium Dom Maklerski S.A. updates the recommendations issued depending on the market situation and the analyst's assessment.

The report was prepared by Biuro Maklerskie Millennium Banku S.A. on behalf of the Warsaw Stock Exchange S.A. under the Analyst Coverage Support Program.

The above information constitutes a summary from an investment recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of March 9, 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards on technical measures for the objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and disclosure of vested interests or indications of conflicts of interest, the result of investment advice. Other information required by law, including information on possible possible relationships and circumstances that can reasonably be expected to have a negative impact on the objective presentation of the recommendation, including the interests or conflicts of interest of the persons making the recommendations with respect to financial instruments or the Company are disclosed in the content of the recommendation.

Excerpt from the recommendation

Date the recommendation was made	Date and time of first publication of recommendations	Institution (author)	Type	Target price	Full content of the recommendation
2023.09.08	2023.09.08 At 8:45	Biuro Maklerskie Banku Millennium S.A.	BUY	3,80 PLN	https://www.bankier.pl/static/att/464000/8607728_46269442-20230908-0956-ims-pl-ri.pdf
2023.12.08	2023.12.08 At 08:20	Biuro Maklerskie Banku Millennium S.A.	BUY	4,60 PLN	https://www.millenniumbm.pl/delegate/managedfiles/1908/latest