

The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2018	2019	2020F	
Price [PLN]	9,60	P/E	-	-	12,9	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: 516 086 705
MC [mln PLN]	114,2	EV/EBITDA MSSF 16	-	-	6,2	
		EV/EBIT MSSF 16	-	-	10,6	
		P/BV	3,3	5,4	3,8	

Last recommendation BDM: Buy with target price 13,9 PLN/share (19.10.2020)

Q3'20 results [mln PLN]

	Q3'19	Q3'20	zmiana r/r	Q3'20F BDM	dev.	Q1-3'19	Q1-3'20	zmiana r/r
Sales	4,1	5,5	36,3%	5,5	0,0%	12,2	18,9	55,2%
Gross profit	1,9	3,2	66,2%	2,6	22,7%	6,0	11,3	89,3%
SG&A	1,3	0,8	-33,3%	0,7	17,6%	3,1	2,2	-31,0%
Other op.income/expenses	0,0	-0,1	-	0,0	-	-0,6	-0,9	56,7%
EBITDA	2,5	4,1	65,7%	4,0	3,1%	7,4	13,7	86,2%
EBIT	0,7	2,4	253,4%	1,9	27,2%	2,3	8,3	262,7%
Financial income/expense, net	0,2	0,0	-97,8%	0,0	-46,9%	0,2	0,0	-98,3%
Profit before tax	0,9	2,4	162,4%	1,9	26,8%	2,4	8,3	239,2%
Net profit	0,8	2,0	135,5%	1,5	28,1%	2,0	6,79	236,5%
Gross margin	47,4%	57,8%		47,1%		49,1%	59,9%	
EBITDA margin	60,6%	73,7%		71,4%		60,5%	72,6%	
EBIT margin	16,8%	43,7%		34,3%		18,7%	43,7%	
Net margin	20,7%	35,8%		27,9%		16,6%	35,9%	

Source: BDM S.A., company

- In Q3'20, the company generated PLN 5.5 m in revenues, an increase of approx. 36% y/y. The jump in sales was achieved thanks to better monetization of HOPA games, the portfolio of which was expanded to include consoles and the commercialization of F2P games, including "Unsolved".
- At the level of EBIT in this period, the company generated PLN 2.4 million (+ 253% y/y). Apart from higher revenues, the increase in operating result was also driven by lower management and sales costs. Costs of sales amounted to PLN 2.3 million (royalties = PLN 0.9 million, depreciation of: HOPA games = PLN 1.0 million, F2P games = PLN 0.2 million, premium games = PLN 0.2 million).
- Artifex Mundi generated PLN 2.0 million net profit in Q3'20 (+ 135% y/y).
- Gross profitability in this period increased to 57.8% from 47.4% a year earlier, which was due to mix of sold products and amortized HOPA games.
- Game production expenditure decreased by 26% y/y in Q3'20, to PLN 4.1m. In this period, due to the reorganization, the average number of employees in the company decreased by nearly 34% y/y from 132 people to 87.
- At the end of September 2020, the largest part of assets was the sum of capitalized costs of computer games, which increased to PLN 12.4 million (it includes expenditure on the development of games, partially reduced by depreciation and write-offs) and increased by PLN 1.7 million over the past quarter. The largest share of the item was the expenditure related to the implementation of games intended for commercialization in the F2P model, amounting to PLN 9.8 million at the end of Q3'20.
- Over the last three months, the company's cash and cash equivalents increased by PLN 1.6 million to PLN 8.9 million.
- In the entire Q1-3'20, the company generated PLN 18.9 m in revenues, PLN 15.7 m was attributable to the HOPA gaming segment, which grew by 51% y/y, PLN 2.4 million (+ 171% y/y) was by F2P productions (PLN 1.2 million "Bladebound" and PLN 1.0 million "Unsolved"), while the premium segment contributed PLN 0.8 million (-4% y/y).
- In Q3'20, the title from the group's portfolio generating the highest revenues was "Unsolved. It was responsible for approx. 10.1% of total revenues from the sale of games. In the period Q1-3'20, "Bladebound" (6.6%) retained its position as the game generating the highest revenues.
- In Q3'20, the company launched 1 new HOPA game for PC/mobile, 2 game ports for PS4/ X1/ NS and 1 for NC. Revenues from the sale of HOPA games for PS4, Nintendo Switch and Xbox One increased by 115% in this period, to PLN 1.5 million, with a 6-fold increase in sales on Nintendo Switch (to PLN 0.5 million).
- The expenditure related to the implementation of F2P games has the largest share in the balance sheet item "activated game costs". At the end of September 2020 activated costs of free-to-play games amounted to PLN 9.8 million, compared to PLN 13.0 million a year earlier. In the period Q1-3'20, the group recognized and booked in assets as activated game costs, expenses in the amount of PLN 8.5 million. PLN. 6.1 million was allocated to the F2P games segment, and PLN 2.4 million - capitalized costs of HOPA games.
- The Company invariably believes that "Bladebound" is a project with significant commercial potential. So far, the updates of the changes implemented in 2020 have had a positive impact on KPIs, but they are still below the levels justifying the acquisition of

Summary of Q3'20 results:

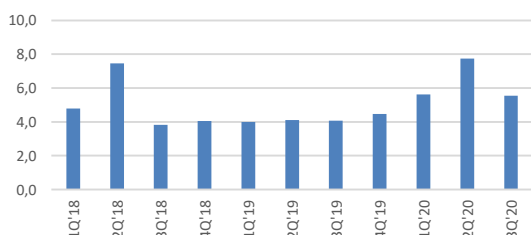
Artifex Mundi's results are in line with earlier estimates published in late October. In terms of EBIT and net profit, it turned out to be the second best quarter ever performed by a developer. The company systematically supplements its portfolio with game ports for PS4, X1, NS platforms, which contributes to a much better monetization of the HOPA segment. The company is constantly focusing on the development of F2P games, thus already in Q3'20 the "Unsolved" application turned out to be the production generating the highest revenues (PLN 0.6 million - Android). In September, it was made available on iOS devices, which will contribute to an increase in revenues from this title in the future (at least as much commercial potential as Android). Due to the expansion of the game "Bladebound" with new functionalities, its monetization improved in Q3'20 by 49% y / y (PLN 0.4 million) - despite the improvement of the KPI of the project, they are still below the levels justifying the acquisitions of players, decisions on further the fate of this production is to be decided by the end of this year.

Results in previous quarters [mln PLN]

Results Q [mln PLN]	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	2017	2018	2019
Sales	4,8	7,5	3,8	4,1	4,0	4,1	4,1	4,5	5,6	7,7	5,5	20,5	20,1	16,7
Gross profit	2,6	2,2	1,2	2,0	2,1	1,9	1,9	2,4	3,3	4,8	3,2	8,2	8,0	8,4
SG&A	2,8	6,0	3,6	3,0	2,8	3,1	3,4	3,1	3,0	3,5	0,8	15,2	15,4	12,4
Other op.income/expenses	-0,2	0,0	-0,1	-17,7	-0,6	0,0	0,0	-18,0	-0,7	-1,7	-0,1	-10,1	-17,6	-18,6
EBITDA	3,5	6,0	2,6	-14,6	2,0	2,9	2,5	-15,6	3,5	6,1	4,1	-4,3	-12,4	-8,2
EBIT	1,8	1,6	0,4	-16,6	0,6	1,0	0,7	-16,6	1,8	4,0	2,4	-4,8	-12,9	-14,4
Profit before tax	1,8	1,4	0,3	-16,7	0,6	0,9	0,9	-16,9	1,7	4,1	2,4	-4,3	-13,2	-14,4
Net profit	1,4	1,2	0,3	-13,4	0,3	0,9	0,8	-15,7	1,4	3,4	2,0	-3,6	-10,5	-13,7
Sales change y/y	17,5%	49,9%	-9,7%	-26,5%	-16,3%	44,9%	6,5%	10,1%	40,4%	88,2%	36,3%	-9,6%	-2,0%	17,2%
Net profit change y/y	30,0%	49,4%	-38,2%	94,9%	-80,4%	26,4%	163,1%	17,4%	431,1%	273,5%	135,5%	164,2%	191,9%	30,8%
Gross margin	54,8%	29,4%	30,2%	50,1%	53,5%	46,7%	47,4%	53,3%	59,0%	62,2%	57,8%	39,9%	39,8%	50,3%
EBITDA margin	73,3%	80,5%	67,3%	-360,8%	50,6%	70,1%	60,6%	-347,9%	63,1%	78,8%	73,7%	-20,9%	-61,6%	-49,1%
EBIT margin	37,3%	21,2%	9,9%	-409,7%	14,1%	25,0%	16,8%	-372,0%	32,6%	51,9%	43,7%	-23,4%	-64,1%	-86,2%
Net margin	28,3%	16,6%	8,4%	-329,6%	6,6%	22,2%	20,7%	-351,5%	25,0%	44,0%	35,8%	-17,5%	-52,1%	-82,3%

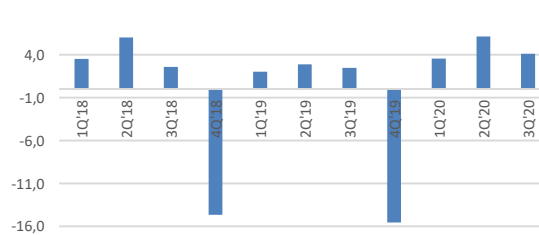
Źródło: BDM S.A., company

Sales [mln PLN]



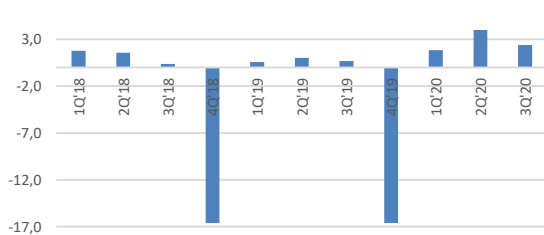
Source: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]



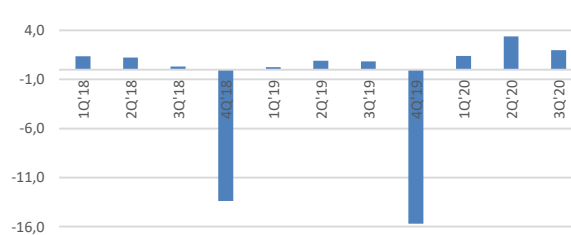
Source: Dom Maklerski BDM S.A., company

EBIT [mln PLN]



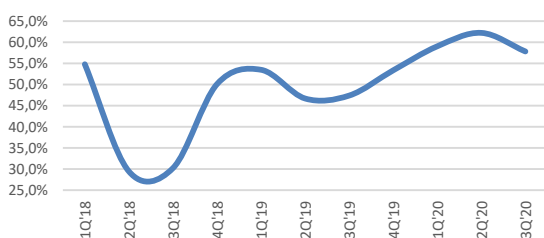
Source: Dom Maklerski BDM S.A., company

Net profit [mln PLN]



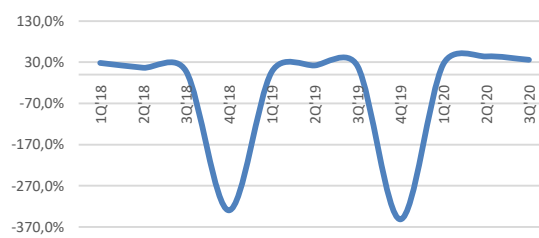
Source: Dom Maklerski BDM S.A., company

Gross margin [%]



Source: Dom Maklerski BDM S.A., company

Net margin [%]



Source: Dom Maklerski BDM S.A., company

RESEARCH DEPARTMENT:

Krzysztof Tkocz
Director
tel. (+48) 501 238 443
e-mail: krzysztof.tkocz@bdm.pl
strategy, chemicals, industry, energy

Michał Fidelus
Analityk rynku akcji
tel. (+48) 666 073 972
e-mail: michal.fidelus@bdm.pl
banking, financial services

Adrian Górniak
Analyst
tel. (+48) 668 516 977
e-mail: adrian.gorniak@bdm.pl
Real estate, retail, media

Krzysztof Tkocz
Junior analyst
e-mail: krzysztof.tkocz@bdm.pl
tel. (+48) 516 086 705
Gaming

INSTITUTIONAL SALES DEPARTMENT:

Leszek Mackiewicz
Director
tel. (022) 62-20-848
e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn
tel. (022) 62-20-854
e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki
tel. (022) 62-20-855
e-mail: maciej.fink-finowicki@bdm.pl

Explanations of terminology:

EBIT - earnings before interest and tax
EBITDA - earnings before interest, taxes, depreciation, and amortization
Net debt - interest bearing debt minus cash and equivalents
WACC - weighted average cost of capital
CAGR - cumulative average annual growth
EPS - earnings per share
DPS - dividend per share
CEPS - net profit plus depreciation per share
EV - market capitalization plus interest bearing debt minus cash and equivalents
EV/S - market capitalization / sales
EV/EBITDA - EV / sales
P/EBIT - market capitalization / EBIT
MC/S - market capitalization / sales
P/E - market capitalization / net profit
P/BV - market capitalization / book value
P/CE - market capitalization / net profit plus depreciation
ROE - net profit / equity
ROA - net income / assets
Gross margin - gross profit on sales / sales
EBITDA margin - EBITDA / sales
EBIT margin - EBIT / sales
Net margin - net profit / sales

Explanation of ratings:

Buy - we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);
Accumulate - we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);
Hold - we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);
Reduce - we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);
Sell - we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).
Target price - the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.
Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	13,9	Buy	13,6	19.10.2020	07:00 CEST	9,00	48 210
Buy	13,6	-	-	10.08.2020	07:00 CEST	9,12	51 732

Distribution of BDM's recommendations in Q4'20*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	5	63%	0	0%
Accumulate	1	13%	0	0%
Hold	0	0%	0	0%
Reduce	2	25%	1	100%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

A Legal note:

This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565.

The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gwpza>). BDM S.A. is a party to the „Agreement on the provision of analytical report services“ concluded with the Warsaw Stock Exchange Company („GPW“), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>

The report has been prepared and made available for distribution by BDM.

GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW.

This report does not constitute an investment, legal, accounting advice or any other, and BDM shall not be responsible for damages arising from or connected with the use of the data presented in the report or the use of any elements of the report by recipients. The report or any copy of it cannot be disseminated, directly or indirectly, in the United States, Canada, Australia or Japan, or transmitted to citizens or residents of a state where its distribution can be restricted by law, which does not limit the possibility of publishing the report on internet websites of the Issuer, BDM or GPW. Persons who disseminate this document should be aware of the necessity to comply with such restrictions.

The document can be intended for professional or institutional customers of BDM as well as for other BDM qualified customers entitled to receive general recommendations based on agreements for brokerage services. This report can also reach other entities through media distribution channels based on a decision of the manager of the analysis department. The fact that a recipient has obtained this report does not mean that he shall be treated as a BDM customer. The compilation cannot be published or copied without a prior written consent of BDM.

Persons who will receive this report and who are not professional customers or qualified investors should consult an independent financial advisor before making any investment decision based on this analysis in order to obtain any necessary and crucial explanations concerning the contents of this analysis.

To prepare this analytical report BDM has not considered individual needs or situations of customers. BDM is not obliged to guarantee that a financial instrument or financial instruments covered by this report are appropriate for a given investor.

Opinions of an analyst and any recommendations included in this report neither constitute an investment, legal, accounting or tax advice or a statement that any investment strategy is adequate or appropriate because of individual circumstances concerning the customer, nor constitute personal recommendation.

The analysis is for information purposes only and does not constitute an advertisement or an offer or an invitation to subscribe or purchase financial instruments.

An investor should be aware that each investment decision in the capital market is subject to numerous risks that finally can result in a financial loss suffered by him. The return rate on individual investments can fluctuate depending on various factors beyond the control of the investor. Therefore, a customer who makes a single investment decision should not only check currency and correctness of individual assumptions made by the analyst in the report but also to have an independent assessment and own analysis (also based on scenarios other than the ones presented in the report) taking into consideration the level of acceptable risk. When deciding on activity on the capital market the Investor should take into consideration the fact that the investment portfolio structure (diversification of investment through possessing more than one financial instrument) can reduce risk exposure to an individual instrument bringing a negative rate of return in a given period. At the same time, however, it can lead to limitation of a positive rate of return the investor could achieve in the case of a single financial instrument in a given time period. The investor should be aware that the investment portfolio structure and any investment strategy for the stock market do not guarantee the achievement of a positive rate of return and do not protect him against final loss.

For the first time this report has been made available to the public on 26.11.2020 (06:45 CEST). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

In the opinion of BDM this report has been prepared observing principles of methodological correctness and objectivity on the basis of sources available to the public which BDM considers reliable. The sources of information used in recommendation are all data related to financial instruments concerned and available to an analyst, including current and periodic reports of the company, current and periodic reports of entities used for comparative valuation, business reports, press releases and other. However, BDM S.A., in no case, guarantees the accuracy and completeness of this report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. The forecasts presented in the report are solely based on the analysis made by BDM without consultations with companies or other entities and are based on a number of assumptions which could prove to be wrong in the future. BDM does not guarantee that the presented forecasts will prove right.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

Any opinions, forecasts or estimates made in the report are merely an expression of analyst assessment as of the day of preparation of the report and at any moment they can be changed without notice. BDM does not guarantee that the opinions or assumptions made by an analyst/analysts and included in this report are compatible with other analysis prepared by BDM. BDM updates issued recommendations depending on the market situation and analyst assessment, and the frequency of such updates is not defined.

According to BDM this report has been made with due diligence and reliability. However, BDM shall not be held liable for any damages incurred as a result of decisions made on the basis of information included in this report.

The report was not transferred to the issuer prior to its publication.

An analyst (analysts) preparing this document receives a fixed remuneration and the BDM Management Board has the right to grant them additional remuneration. Additional remuneration may indirectly depend on the results of other services offered by BDM, including investment banking services, but it shall not depend directly on financial results resulting from other services, including financial banking, which have been or could have been reached by BDM.

The investor should assume that BDM employees or proxies or shareholders may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares; this particularly concerns the situation of holding not more than 5% of the capital, and they may also carry out transactions on them as proxies.

Each of the above-mentioned persons could carry out transaction relating to the financial instruments concerned prior to this publication. At the same time, however, the instruments concerned are entered in the restrictive list for employees of the Analysis Department immediately at the start of work on the report.

We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the “Policy of management of conflicts of interest at the BDM S.A.”. We point out that as for 25.11.2020:

- BDM states and assures that BDM is not involved financially in financial instruments of the Issuer.
- BDM is not a holder of net long or short positions exceeding the threshold of 0,5% of the total issued share capital of the issuer,
- The person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0,5% of the total issued share capital of the issuer,
- The issuer does not hold shares exceeding 5% of the BDM issued share capital,
- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005,
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to section A and B of Annex I to the Directive 2014/65/EU of the European Parliament and of the Council (hereinafter the Directive 2014/65/EU),
- BDM is not a party to an agreement with the issuer relating to the production of the recommendation,
- There is no other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments,
- There are no significant connections between BDM or its related affiliates and the issuer of financial instruments,
- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

BDM is subject to supervision by the Polish Financial Supervision Commission.

This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.