

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

			2021	2022	2023	
Price [PLN]	22,3	P/E skoryg..	20,1	21,1	11,2	<b>Analyst:</b> Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	265,3	EV/EBITDA skoryg.	12,6	16,2	8,7	
		P/BV	6,6	5,2	3,5	

**Last recommendation BDM: HOLD with target price 26,0 PLN/share (2024/05/08) [LINK](#)**

**BDM Comment:**

**The company's final results for Q2'24 were consistent with the estimated data presented at the end of August, which we perceive neutrally.** The cost of goods sold exceeded our forecasts, primarily due to the costs associated with updates for released games (HOPA) = PLN 0,2 million. The level of royalties was also slightly higher than our assumptions, amounting to PLN 1,9 million and the ratio of royalties from F2P games to revenues from this segment less UA, grew from 13,0% in Q1'24 to 13,6% in Q2'24. Meanwhile, SG&A expenses (PLN 14,3 million, -11% q/q) were close to our estimates. As a result, the adjusted EBITDA amounted to PLN 8,5 million (+27,1% y/y) and was slightly below our expectations. In the area of financial activities, the company generated PLN 0,6 million (of which PLN 0,5 million relates to interest from deposits and bonds). The final net profit for Q2'24 amounted to PLN 6,9 million (+19,1% y/y) and was in line with the previously presented estimates.

**During Q2'24, expenditure on game production increased q/q to PLN 6,3 million (+7% q/q), which is slightly above our assumptions.** Over the discussed period, the number of employees increased by 2% q/q to 112. **The quarter was characterized by strong operating cash flows, which amounted to PLN 4,8 million (+210% y/y).** At the end of June 2024, Artifex had PLN 34,1 million in cash and financial assets (excluding FX transactions = PLN 2,0 million; +PLN 4,7 million q/q).

**We do not hide our disappointment with the delay in the implementation schedule of the metagame for 'Unsolved' (in the previous recommendation, we assumed implementation by the end of 2024 and the first effects from Q1'25). We took into account the risk of a potential delay in production, but the current plan implies a delay of over half a year. In this scenario, the first effects, in the form of significant improvement in KPIs and app monetization, will be noticeable at the end of 2025.** The tests of the new RPG game have also been delayed. Currently, the company plans to make it available to a selected group of players at the beginning of Q4'24. Assuming positive project verification, the game reveal and the start of marketing activities are planned for 1H'25.

Today's conference will start at 12:00 pm.

**Q2'24 results [mln PLN]**

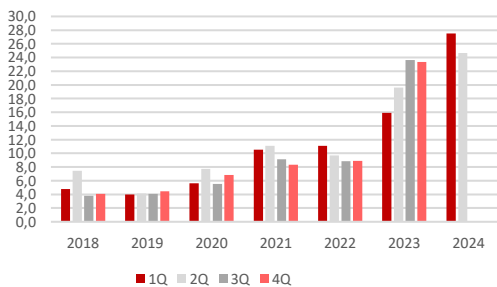
	Q2'23	Q2'24	change y/y	Q2'24E	dev.	Q2'24F BDM	dev.	H1'23	H1'24	change y/y
Sales	19,6	24,6	25,7%	24,6	0,0%	24,6	0,0%	35,5	52,1	46,7%
F2P Games	17,2	22,8	32,6%	-	-	22,8	0,0%	30,0	47,7	59,3%
HOPA Games	2,4	1,8	-23,7%	1,8	0,0%	1,8	0,0%	5,4	4,3	-20,6%
Premium Games	0,1	0,0	-14,1%	-	-	0,1	-27,3%	0,2	0,1	-28,2%
Gross profit	17,3	21,4	23,5%	-	-	21,7	-1,6%	31,0	45,7	47,3%
EBITDA	6,9	8,3	20,4%	-	-	8,9	-7,2%	12,2	17,7	44,9%
EBITDA adj.*	6,7	8,5	27,1%	-	-	9,1	-7,1%	12,4	18,1	45,7%
EBIT	5,7	7,1	23,6%	7,1	0,0%	7,7	-7,9%	9,9	15,2	54,5%
Net profit	5,8	6,9	19,1%	6,9	0,0%	7,2	-3,6%	9,8	14,4	46,0%
Net profit adj.*	5,6	7,1	27,0%	-	-	7,4	-3,5%	10,0	14,7	47,0%
Gross margin	88,3%	86,8%		-		88,2%		87,3%	87,6%	
EBITDA margin	35,1%	33,6%		-		36,2%		34,3%	33,9%	
Adj. EBITDA margin*	34,0%	34,3%		-		36,9%		34,9%	34,6%	
EBIT margin	29,2%	28,7%		28,7%		31,2%		27,8%	29,2%	
Net margin	29,8%	28,2%		28,2%		29,2%		27,7%	27,5%	
Adj. net margin*	28,7%	28,9%		-		30,0%		28,2%	28,2%	

Source: BDM S.A., company \*- adj. for cost of the incentive program



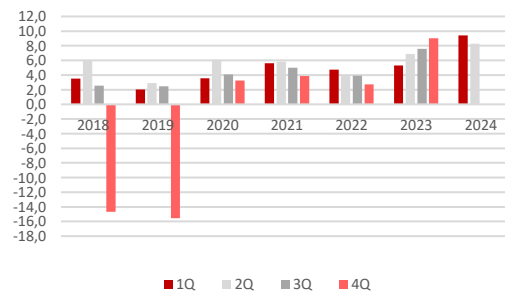
- In Q2'24, the company generated PLN 24,6 million in revenue (+25,7% y/y), of which HOPY accounted for PLN 1,8 million (-23,7% y/y), F2P for PLN 22,8 million (+32,6% y/y) - including 'Bladebound' at PLN 0,1 million (-59,9% y/y), 'Unsolved' at PLN 22,6 million (+34,6% y/y; PLN 4,3 million from advertising).
- In Q2'24, the cost of services amounted to PLN 3,3 million (+42,0% y/y, +1,7% q/q), including royalties of PLN 1,9 million (+71,3% y/y, +0,7% q/q) and depreciation of PLN 1,1 million (+1,6% y/y, -2,1% q/q), while the costs of updating released games (HOPA) = PLN 0,2 million (+166,6% y/y, +36,3% q/q).
- In the mentioned period, the group recognized PLN 2,4 million in general administrative costs (+106,3% y/y, +23,0% q/q - of which PLN 0,2 million were non-cash costs of the incentive programme) and PLN 11,9 million in selling expenses (+13,7% y/y, -16,1% q/q) – of which PLN 13,8 million pertains to User Acquisition (+13,5% y/y, -16,4% q/q).
- In Q2'24, EBITDA amounted to PLN 8,3 million (+20,4% y/y), adjusted EBITDA reached PLN 8,5 million (+27,1% y/y; PLN 0,2 million costs related to the incentive programme).
- Financial revenues amounted to PLN 0,6 million (of which PLN 0,5 mln concerns interest on bond deposits).
- In the reported period, the company generated adj. net profit of PLN 7,1 million (+27,0% y/y).
- In Q2'24, operating cash flow was PLN 4,8 million, investment cash flow was PLN -1,0 million, and financing cash flow was PLN -0,4 million. As of the end of June'24, the company had PLN 34,1 million in cash and financial assets (without FX transactions; PLN +4,7 million q/q).
- At the end of June'24, capitalized game development costs amounted to PLN 60,0 million (PLN +5,6 mln PLN q/q vs 5,2 mln PLN w Q1'24), of which PLN 63,2 million pertained to the F2P game in production (PLN +6,0 mln PLN q/q vs +6,3 mln PLN w Q1'24) – PLN 14,4 million for 'Unsolved' (PLN +2,1 mln PLN q/q vs +1,9 mln PLN w Q1'24), PLN 26,5 million for the New RPG game (PLN +3,9 mln PLN q/q vs +3,6 mln PLN w Q1'24), and PLN 17,1 million for research and development projects (no change q/q).
- Investment outlays for game production = PLN 6,8 million (+29,7% y/y, +66,8% q/q).
- Increase in the number of employees q/q by 2% to 112 in Q2'24 (vs. 110 in Q1'24).
- **“Unsolved”** – in Q2'24, work continued on the development of the current version of the game, including: increasing the number of titles available in the application to 45 (the same as at the end of Q1'24), implementing and optimizing mechanics and functionalities. The project implementation schedule in 2024 assumes further enrichment of Unsolved's content with new titles and, among others, implementing smaller-scale changes aimed at increasing the application's KPI. At the same time, work on the Unsolved metagame continues. Due to the longer than previously assumed time to reach the expected quality of the project in the milestones achieved so far, the schedule for further development of the project has been modified. The management board estimates that work on the MVP version of the metagame will be completed in H2'25, which will enable testing with players by the end of 2025.
- **New RPG game** - in the past quarter, the project was implemented according to schedule. The work focused on expanding the content and game mechanics. As a result of extending the scope of work to the current milestone, testing with players has been postponed to the beginning of Q4'24. As at the date of preparation of the report, the project was carrying out final work on preparing the final version of the game, which will be tested with the participation of players. After completion and evaluation of the collected data, decisions will be made regarding the further development schedule of the project. Assuming positive verification of the reveal project, the games and the start of marketing activities are planned for H1'25.
- **HOPA games** – at the end of June 2024, 55 games from the entire Artifex Mundi portfolio were available on at least two console platforms (+1 q/q).

Sales [mln PLN]



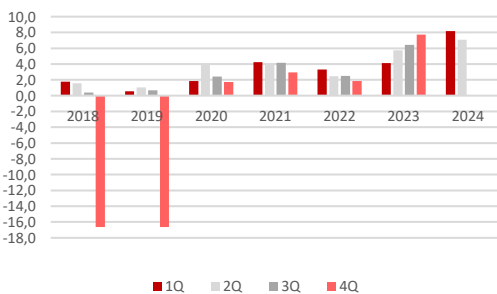
Source: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]



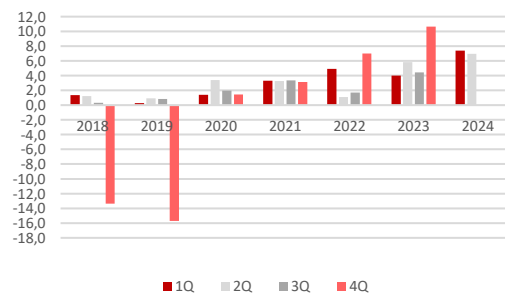
Source: Dom Maklerski BDM S.A., company

EBIT [mln PLN]



Source: Dom Maklerski BDM S.A., company

Net profit [mln PLN]



Source: Dom Maklerski BDM S.A., company

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**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.

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**Ratings and price targets history:**

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
hold*	26,0	buy*	24,8	08.05.2024	08:20 CEST	26,5	86 484
buy*	24,8	buy	22,8	01.12.2023	11:40 CEST	16,7	75 195
buy *	22,8	buy	14,1	30.08.2023	08:50 CEST	17,6	68 795
buy	14,1	buy	18,0	13.03.2023	12:40 CET	10,4	58 050
buy	18,0	buy	22,5	18.01.2022	07:00 CEST	9,94	72 250
Buy*	22,5	buy	13,9	16.04.2021	07:00 CEST	17,8	60 280
Buy*	13,9	buy	13,6	19.10.2021	07:00 CEST	9,00	48 210
Buy*	13,6	-	-	10.08.2021	07:00 CEST	9,12	51 732

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

**Distribution of BDM's recommendations in Q3'24\*:**

	number	%	number	%
Buy	8	62%	0	0%
Accumulate	2	15%	0	0%
Hold	1	8%	0	0%
Reduce	1	8%	0	0%
Sell	1	8%	0	0%

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

\* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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

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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
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