



Dom Maklerski BDM S.A.

ARTIFEX MUNDI

ANALYTICAL REPORT - SUMMARY

The recent revenue dynamics of "Unsolved" have exceeded our previous assumptions, prompting us to revise our projections upward. We expect that in September and October, thanks to increased marketing expenditures in recent months and the release of the accumulated LTV potential since the beginning of the year (an improvement of around 40%), "Unsolved" will achieve record revenues. Considering seasonality, we anticipate a reduction in UA scale around November, which should lead to improved profitability and a record adjusted EBITDA of PLN 11.6 million (+27% y/y) in Q4'24. Although we do not hide our disappointment with the delay in the implementation schedule of the metagame for "Unsolved," we expect that 2025, driven by further content expansion and the introduction of new functionalities, will result in an improvement in the app's LTV by at least a low double-digit percentage. We assume that the improvement of key KPIs will translate into further year-on-year growth in the company's results. Considering the recent decline in the stock price of the Katowice-based mobile game developer and the improved monetization of "Unsolved," we are raising our recommendation from HOLD to ACCUMULATE, while slightly increasing the target price to PLN 26.4 per share, which is 13% above the current market price.

Since the beginning of Q2'24, we have observed a significant anomaly in user acquisition costs, with a sharp increase during this period, mainly due to intensified competition (more releases, increased UA costs) as well as aggressive marketing by the new e-commerce platform Temu. Elevated CPIs forced the company to reduce acquisition spending, which resulted in a q/q decline in "Unsolved" revenues in Q2'24 to PLN 22.6 million (+35% y/y; -8% q/q).

In recent months, the market situation has gradually started to normalize. Despite seasonally unfavorable conditions, the cost per instal (CPI) allowed the company to significantly scale up UA activities again, reaching historically record levels (in August). We expect that September and October, driven by increased marketing expenditures from recent months and the release of accumulated LTV potential since the beginning of the year (an improvement of about 40%), will enable „Unsolved“ to achieve record revenues. We anticipate that for the entire Q3'24, app monetization will amount to approximately 25.6 million PLN, with acquisition costs reaching around 15.4 million PLN. Considering seasonality, we expect a reduction in UA activities around November, which will improve profitability and result in a record adjusted EBITDA of 11.6 million PLN (+27% y/y) in Q4'24.

The implementation of the MVP version of the most important update to the „Unsolved“ app, in the form of a metagame, and player testing has been postponed from the end of 2024/25 to mid-2025. Meanwhile, full implementation is planned for the end of 2025/26. In this scenario, we expect the first results, in the form of significant improvements of KPIs and app monetization, to be noticeable only at the beginning of 2026. The delay resulted from a longer-than-expected process to achieve the desired project quality in the milestones completed so far, which was due, among other things, to poor team organization and a lack of necessary competencies.

Although we do not hide our disappointment with the delay in the implementation schedule of the metagame for "Unsolved," we expect that 2025, driven by further content expansion and the introduction of new functionalities, will result in an improvement in the app's LTV by at least a low double-digit percentage. We assume that the improvement of key KPIs will translate into further year-on-year progression in the company's results.

Taking into account the better-than-our-expected revenue dynamics in recent months, we are revising the assumptions regarding the monetization of "Unsolved" upwards. At the same time, we are shifting the first impact of the metagame on the company's results from 2025 to 2026. We hope that the cumulative effect of improving LTV in 2024-25 will translate into even higher application revenues compared to our earlier expectations.

The testing of the new RPG game has also been delayed, primarily due to the expanded scope of the milestone (the decision was made to provide players with more content). The project is now planned to be made available to a selected group of players at the beginning of Q4'24. Assuming positive feedback on the project, the game's reveal and the start of marketing activities are planned for the H1'25. Consequently, we are shifting the first payments from this project in our model from 2025 to 2026. We want to emphasize that the launch of the new RPG game, besides being a potential new revenue stream, also presents a potential risk for the company.

	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Revenues [mln PLN]	25,7	39,1	38,5	82,5	108,4	120,0	147,6	194,5
EBITDA [mln PLN]	17,0	20,3	14,9	28,8	37,1	42,2	55,2	73,9
EBITDA adj. [mln PLN]	19,5	21,5	16,4	29,3	37,8	42,9	56,0	73,9
EBIT [mln PLN]	10,0	15,3	9,9	24,0	32,2	36,3	37,3	51,2
Net income [mln PLN]	8,2	13,0	12,1	24,9	30,2	33,6	34,4	47,2
Net income adj. [mln PLN]	10,8	14,2	13,6	25,4	31,0	34,3	35,1	47,2
P/E	33,8	23,1	24,9	12,1	9,9	8,9	8,7	6,4
P/E adj.*	-	21,1	22,1	11,8	9,7	8,8	8,6	6,4
EV/EBITDA	15,9	14,0	18,8	9,4	7,1	6,4	4,7	3,3
EV/EBITDA adj.*	-	13,2	17,1	9,2	7,0	6,3	4,7	3,3
DPS	0,0	0,0	0,0	0,0	0,3	0,7	0,8	1,1
DY	0,0%	0,0%	0,0%	0,0%	1,3%	3,0%	3,4%	4,6%

*- adj. for cost of the incentive program

ACCUMULATE

(PREVIOUS: HOLD)

TARGET PRICE 26,4 PLN

30 SEPTEMBER 2024, 08:15 CEST

Target price [PLN]	26,4
Price upside/downside	13%
Cost of capital	14,7%
Price [PLN]	23,4
Market cap [mln PLN]	278,4
Shares mln. szt.]	11,9
Max. price 6M [PLN]	29,6
Min. price 6m [PLN]	20,8
Rate of return 3M	2%
Rate of return 6M	-12%
Rate of return 9M	36%
Shareholders (% of votes):	
Shareholders' agreement	21,7%
Warsaw Equity ASI	14,7%
Nationale-Nederlanden OFE	10,0%
G5 Entertainment AB	5,2%
Others	48,4%

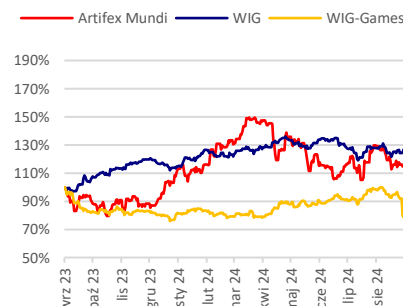
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Valuation summary

	Share	Valuation
DCF valuation	70%	25,0
Peer valuation	30%	29,6
Target price [PLN]		26,4

Source: BDM S.A.

DCF valuation

	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Revenues [mln PLN]	108,4	120,0	147,6	194,5	211,7	226,3	238,4	251,3	264,7	278,1
EBIT [mln PLN]	32,2	36,3	37,3	51,2	56,5	62,0	64,1	66,3	68,5	70,8
Tax rate	9,4%	9,6%	9,6%	9,6%	9,6%	9,6%	9,6%	9,6%	9,6%	9,6%
Tax on EBIT [mln PLN]	3,0	3,5	3,6	4,9	5,4	5,9	6,2	6,4	6,6	6,8
NOPLAT [mln PLN]	29,2	32,8	33,7	46,3	51,1	56,0	57,9	59,9	61,9	64,0
Amortization [mln PLN]	1,1	0,4	0,4	0,4	0,5	1,3	1,4	1,4	1,5	1,5
CAPEX [mln PLN]	-0,8	-0,8	-0,8	-0,8	-0,9	-1,7	-1,7	-1,8	-1,8	-1,9
Purchase of investment [mln PLN]	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Working capital movement [mln PLN]	-15,2	-27,9	-16,4	-14,4	-11,3	-9,6	-8,2	-8,1	-7,7	-8,2
FCF [mln PLN]	14,4	4,5	16,9	31,4	39,4	46,0	49,4	51,4	53,8	55,4
DFCF [mln PLN]	14,3	3,9	12,9	20,8	22,7	23,2	21,7	19,7	18,0	16,1
Total DFCF [mln PLN]	173,3									
Terminal value [mln PLN]	418,2									
Discounted terminal value [mln PLN]	121,7									
Enterprise value [mln PLN]	294,9									
Net debt 2023 [mln PLN]	-26,4									
Equity value [mln PLN]	321,4									
Number of shares [mln]	12,8									
Value per share [PLN]	25,0									

Terminal growth rate: 3,0%

WACC calculation

	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Risk-free rate	5,2%	5,2%	5,2%	5,2%	5,2%	5,2%	5,2%	5,2%	5,2%	5,2%
Risk premium	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%
Beta	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
Credit premium	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Cost of equity	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%
Contribution of equity	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Cost of debt after tax	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%
Contribution of debt	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
WACC	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%	14,7%

Source: BDM S.A.

Sensitivity analysis

beta	Terminal growth rate			Risk premium	Terminal growth rate			Risk premium	Beta		
	2,5%	3,0%	3,5%		2,5%	3,0%	3,5%		0,9	1,0	1,1
0,9	26,0	26,5	27,1	5,5%	26,8	27,4	28,0	5,5%	28,0	27,4	26,8
1,0	24,6	25,0	25,5	6,5%	24,6	25,0	25,5	6,5%	25,6	25,0	24,5
1,1	23,4	23,7	24,1	7,5%	22,7	23,1	23,4	7,5%	23,6	23,1	22,6

Source: BDM S.A.

Peer valuation – Polish game developers

	P/E			EV/EBITDA		
	2024F	2025F	2026F	2024F	2025F	2026F
11 BIT STUDIOS	276,8	5,9	5,6	151,8	3,9	3,2
BIG CHEESE STUDIO	19,2	-	-	12,4	-	-
BOOMBIT	-	4,5	8,5	-	-	-
CD PROJEKT SA	40,6	59,2	99,7	25,4	43,0	62,7
CI GAMES	8,1	-	-	2,9	-	-
CREEPY JAR	12,2	18,2	8,1	10,2	11,0	3,9
HUUUGE GAMES	3,5	4,9	6,2	1,4	1,9	2,1
PCF GROUP	-	-	-	41,4	-	-
PLAYWAY	14,2	15,0	13,4	9,6	11,1	9,4
TEN SQUARE GAMES	20,2	7,9	8,6	7,3	4,5	5,3
Median	16,7	7,9	8,5	10,2	4,5	4,6
Artifex Mundi*	9,7	8,8	8,6	7,0	6,3	4,7
Premium/discount	-41,9%	11,4%	0,9%	-31,2%	39,7%	1,2%
Valuation [PLN/share]	39,3	20,6	22,7	29,9	14,9	20,6
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]	27,5			21,8		
Multiple's contribution	50%			50%		
Value per share [PLN]	24,7					

Source: BDM S.A., Bloomberg

Peer valuation – global game developers

	P/E			EV/EBITDA		
	2024F	2025F	2026F	2024F	2025F	2026F
PLAYTIKA HOLDING CORP	11,2	10,9	10,4	5,4	5,7	5,3
GS ENTERTAINMENT AB	5,2	7,0	7,2	1,8	1,9	2,0
TENCENT HOLDINGS LTD	26,2	19,1	17,3	18,9	17,1	15,5
NETMARBLE CORP	-	23,5	31,1	55,4	16,9	16,2
STILLFRONT GROUP AB	4,0	4,7	3,6	3,0	3,1	2,7
ROBLOX	-	-	-	77,9	43,4	32,3
NEXON	19,5	17,7	17,4	12,3	10,8	9,4
Median	8,2	14,3	13,9	12,3	10,8	9,4
Artifex Mundi*	9,7	8,8	8,6	7,0	6,3	4,7
Premium/discount	18,3%	-38,8%	-38,3%	-43,2%	-42,2%	-50,5%
Valuation [PLN/share]	19,3	37,4	37,1	36,1	35,8	41,3
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]	31,3			37,7		
Multiple's contribution	50%			50%		
Value per share [PLN]	34,5					

Source: BDM S.A., Bloomberg

Main risks: 1) Risk associated with Apple's new privacy policy and planned changes in Google's policy; 2) Risk of diverse and unpredictable demand for the company's individual products; 3) The risk related to possible delays in game production; 4) Risk related to the loss of key employees; 5) Risk related to difficulties in acquiring experienced employees; 6) Risk related to the possible failure of IT systems, telecommunications infrastructure and servers; 7) Risk related to the competitive environment; 8) Risk related to the development of new technologies and industry 9) Risk of volatility of foreign exchange rates; 10) Risks of Unity's new charging policy; 11) Risk of writing off a new RPG game

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
accumulate *	26,4	hold *	26,0	30.09.2024	08:15 CEST	23,4	84 947
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 CET	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 Coverage Support Programme

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.

The strengths and weaknesses of the valuation methods used in the report:

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).
 DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.
 Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in 3Q'24*:		, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
numbers	%	numbers	%
Buy	8 57%	0	0%
Accumulate	3 21%	0	0%
Hold	1 7%	0	0%
Reduce	1 7%	0	0%
Sell	1 7%	0	0%

* 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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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 30.09.2024:

- BDM states and assures that BDM is 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 od 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 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.

*BDM is a party to the “ANALYTICAL REPORT PREPARATION AGREEMENT” concluded with the WSE.

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.