

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]	17,7	P/E skoryg..	15,9	16,7	8,9	<b>Analyst:</b> Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	210,6	EV/EBITDA skoryg.	9,8	12,6	6,7	
		P/BV	5,2	4,1	2,8	

**Last recommendation BDM: ACCUMULATE with target price 26,4 PLN/share (2024/09/30) [LINK](#)**

**BDM Comment:**

The company's results at the adjusted EBITDA level (PLN 7,7 million; flat y/y) were in line with our expectations. Thanks to higher financial income (FX transaction valuation), Artifex exceeded our forecast for adjusted net profit (PLN 7,7 million; +66% y/y).

**During Q3'24, expenditure on game production increased q/q to PLN 7,9 million (+17% q/q), which is a level exceeding our assumptions and which we perceive negatively.** This increase is caused, among others, by increasing the employment level by 3% q/q to 115 and expanding the staff with talents from outside Poland. As a result of higher investment expenditures, the company's operating cash flow turned negative (-PLN 0,1 million) for the first time since Q1'23. By the end of September '24, cash and financial assets decreased by PLN 2,8 million q/q to PLN 31,3 million (excluding FX transactions). At the same time, we would like to remind that during the quarter, the company allocated PLN 0,5 million for the purchase of 23,6 thousand treasury shares.

At the beginning of Q4'24, a new RPG game underwent testing with influencers and players well-versed in the genre. **Preliminary analysis of the data gathered during these tests, including player feedback, indicates the very high potential of the project and the possibility of competing with leading titles of the genre, which makes us optimistic.** The better-than-expected test results led the company to adopt a bolder approach for further project development. The updated plan now includes canceling additional tests originally scheduled for 2025, instead focusing on preparing a full version of the game directly for a soft launch, preceded by a beta testing phase. The project's marketing reveal is planned for 3-6 months before the beta test date (H1'26). The SL version of the game is expected to launch a few months after the beta testing phase.

The conference will take place on November 19 (Tuesday) at 2:00 p.m.

**Q3'24 results [mln PLN]**

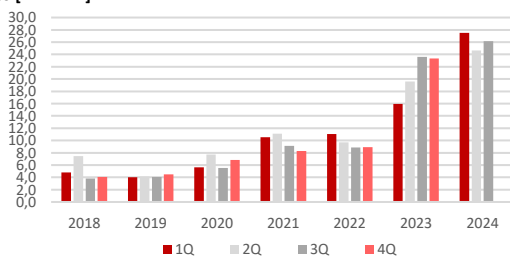
	Q3'23	Q3'24	change y/y	Q3'24F BDM	dev.	Q1-3'23	Q1-3'24	change y/y
Sales	23,6	26,2	10,9%	26,2	0,0%	59,1	78,3	32,4%
F2P Games	21,3	24,5	15,1%	24,5	0,0%	51,2	72,2	40,9%
HOPA Games	2,3	1,7	-27,1%	1,7	0,0%	7,7	6,0	-22,6%
Premium Games	0,1	0,0	-23,4%	0,0	0,0%	0,2	0,2	-27,2%
Gross profit	21,2	23,5	11,0%	23,2	1,4%	52,2	69,2	32,6%
EBITDA	7,6	7,6	-0,5%	7,6	0,1%	19,8	25,2	27,5%
EBITDA adj.*	7,8	7,7	-0,5%	7,7	0,1%	20,2	25,8	27,9%
EBIT	6,4	6,3	-2,1%	6,4	-1,1%	16,3	21,5	32,2%
Net profit	4,5	7,5	68,9%	6,7	11,9%	14,3	21,9	53,1%
Net profit adj.*	4,6	7,7	66,2%	6,9	11,6%	14,7	22,4	53,1%
Gross margin	89,6%	89,7%		88,5%		88,2%	88,3%	
EBITDA margin	32,2%	28,9%		28,9%		33,5%	32,2%	
Adj. EBITDA margin*	33,0%	29,6%		29,6%		34,1%	32,9%	
EBIT margin	27,2%	24,0%		24,3%		27,5%	27,5%	
Net margin	18,9%	28,8%		25,7%		24,2%	27,9%	
Adj. net margin*	19,7%	29,5%		26,4%		24,8%	28,6%	

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



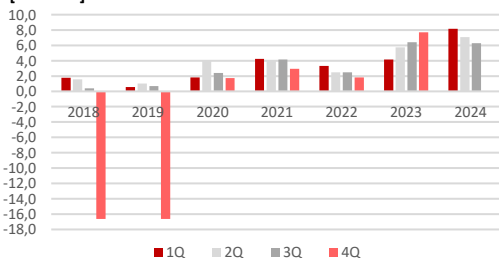
- In Q3'24, the company generated PLN 26,2 million in revenue (+10,9% y/y), of which HOPY accounted for PLN 1,7 million (-27,1% y/y), F2P for PLN 24,5 million (+15,1% y/y) - including 'Bladebound' at PLN 0,1 million (-56% y/y), 'Unsolved' at PLN 24,3 million (+16% y/y; PLN 4,3 million from advertising).
- In Q3'24, the cost of services amounted to PLN 2,7 million (+10% y/y, -18% q/q), including royalties of PLN 1,6 million (+30% y/y, +16% q/q) and depreciation of PLN 1,1 million (-3% y/y, +3% q/q).
- In the mentioned period, the group recognized PLN 2,3 million in general administrative costs (+42% y/y, -2% q/q - of which PLN 0,2 million were non-cash costs of the incentive programme) and PLN 14,8 million in selling expenses (+13% y/y, +24% q/q) – of which PLN 14,6 million pertains to User Acquisition (+13% y/y, +24% q/q).
- In Q3'24, EBITDA amounted to PLN 7,6 million (-0,5% y/y), adjusted EBITDA reached PLN 7,7 million (-0,5% y/y; PLN 0,2 million costs related to the incentive programme).
- Financial revenues amounted to PLN 2,3 million (of which PLN 0,5 mln concerns interest on bond deposits and PLN 1,8 million to the valuation of FX transactions).
- In the reported period, the company generated adj. net profit of PLN 7,7 million (+66% y/y).
- In Q3'24, operating cash flow was PLN -0,1 million, investment cash flow was PLN -1,3 million, and financing cash flow was PLN -0,8 million (PLN 0,5 million relates to the purchase of treasury shares). As of the end of September'24, the company had PLN 31,3 million in cash and financial assets (without FX transactions; PLN -2,8 million q/q).
- As of September 30, 2024, the company had acquired 23 568 treasury shares.
- At the end of September'24, capitalized game development costs amounted to PLN 66,7 million (PLN +6,7 mln PLN q/q vs 5,6 mln PLN w Q2'24), of which PLN 74,2 million pertained to the F2P game in production (PLN +7,2 mln PLN q/q vs +6,0 mln PLN w Q2'24) – PLN 16,7 million for 'Unsolved' (PLN +2,3 mln PLN q/q vs +2,1 mln PLN w Q2'24), PLN 33,3 million for the New RPG game (PLN +6,8 mln PLN q/q vs +3,9 mln PLN w Q2'24), and PLN 17,1 million for research and development projects (no change q/q).
- Investment outlays for game production = PLN 7,9 million (+67% y/y, +17% q/q).
- Increase in the number of employees q/q by 3% to 115 in Q3'24 (vs. 112 in Q2'24).
- **"Unsolved"** – in Q3'24, work on developing the current version of the game continued, including increasing the number of titles available in the app to 47, up from 45 at the end of June '24. Simultaneously, work on enhancing the game engine is ongoing, aimed at expanding Unsolved with a metagame layer. This layer will introduce additional gameplay mechanics for engaged players, enhancing monetization depth and unlocking more of the game's potential. The work on the metagame in H2'24 is progressing according to the updated schedule, which includes completing the MVP version of the metagame in H2'25, allowing for its rollout to players in H1'26.
- **New RPG game** - in the past quarter, as part of the game's development, work on the next playable version was completed, which was expanded with additional content and the full version of the main gameplay loop. At the beginning of Q4'24, the game underwent testing with influencers and players familiar with the genre. Preliminary analysis of the data collected during testing, including player feedback, indicates a very high potential for the project and its ability to compete with leading titles in the genre. Player reviews specifically confirmed critical elements of the main loop that contribute to the game's uniqueness, as well as its positioning in terms of atmosphere, high production values, and key economic elements. The test results, which exceeded expectations, led the company to decide on a bolder approach to further project development. The revised plan now involves canceling additional tests originally scheduled for 2025 in favor of preparing a full game version directly for soft launch, preceded by a beta testing phase. The marketing reveal of the project will occur 3-6 months before the beta tests, which are currently scheduled for H1'26. The SL version of the game is expected to launch a few months after the beta testing phase.
- **HOPA games** – as of the end of September '24, a total of 56 games from the Artifex Mundi portfolio were available on at least two console platforms (+1 q/q).

Sales [mln PLN]



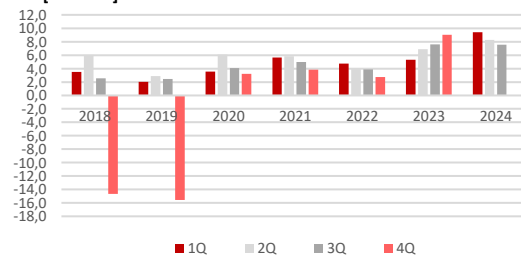
Source: Dom Maklerski BDM S.A., company

EBIT [mln PLN]



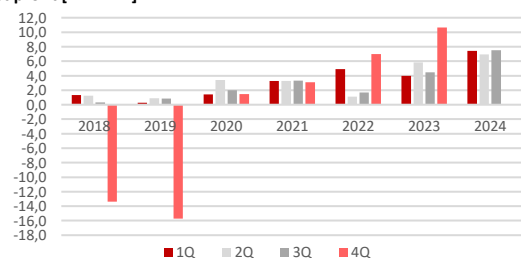
Source: Dom Maklerski BDM S.A., company

EBITDA [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
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 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 Q4'24\*:**

	number	%	number	%
Buy	4	50%	0	0%
Accumulate	2	25%	0	0%
Hold	1	13%	0	0%
Reduce	1	13%	0	0%
Sell	0	0%	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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