

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	
Price [PLN]	12,1	P/E	-	-	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	32,3	EV/EBITDA	-	-	
		EV/EBIT	-	-	
		P/BV	3,5	5,7	

Last recommendation BDM: HOLD with target price 9,1 PLN/share (2022/10/28) [LINK](#)

BDM Comment: The company's results for 4Q'22 are below our expectations, therefore we perceive them negatively. At the revenue level, CFG generated PLN 1.2 million in revenue during the discussed period (-28.3% y/y, -30.6% q/q). The sales revenue amounted to PLN 0.9 million (+44.8% y/y, +12.4% q/q), which is in line with our expectations. The significant decrease in this position was influenced by the change in the product state, which amounted to only PLN 0.2 million (-75.7% y/y, -72.0% q/q) compared to our forecast of PLN 0.9 million. During the discussed period, operating costs decreased by 32.7% y/y, while q/q they increased by 8.4% to PLN 1.7 million, which was higher than our expectations (PLN 1.5 million). The biggest cost, as usual, is associated with game production - external service costs decreased y/y and q/q by -58.2% / -59.3% to PLN 0.5 million, and salaries decreased y/y by approximately 8.1% and increased q/q by 252.6% to PLN 1.1 million. We were negatively surprised by the other operating costs, which amounted to PLN 0.4 million (of which PLN 0.3 million was the update of non-financial assets value). At the EBITDA level, the company generated a loss of PLN 0.8 million in 4Q'22 (compared to a loss of PLN 1.6 million in 4Q'21 and a profit of PLN 0.2 million in 3Q'22), while the EBIT amounted to -0.9 million PLN (compared to -1.6 million PLN in 4Q'21 and a profit of 0.2 million PLN in 3Q'22). If we exclude the change in the product state from the company's results, the EBITDA would amount to -1.1 million PLN, compared to our forecast of -0.7 million PLN. In 4Q'22, CFG generated a negative financial result of 1.0 million PLN. In addition, a significant negative impact on the results of the discussed period was a loss (-0.7 million PLN) related to the sale of all or part of shares of subordinate units. In the last period, the company incurred a gross loss of 2.5 million PLN (compared to -2.0 million PLN in 4Q'22, 1.2 million PLN in 3Q'22). In 4Q'22, the net loss amounted to 2.5 million PLN (compared to -1.7 million PLN in 4Q'21, 1.1 million PLN in 3Q'22), while the minority loss was 0.1 million PLN. In 4Q'22, the net cash flows from operating activities amounted to -0.6 million PLN, the investment cash flow amounted to -1.2 million PLN (most of which pertained to other investment expenses), while the financial cash flow amounted to 34 thousand PLN. As of the end of December'22, the company had 0.5 million PLN in cash, which is 0.3 million PLN less q/q. At the end of 2022, CFG no longer has any subsidiaries, only associated companies. Starting from the quarterly report for 1Q'23, due to the lack of subsidiaries, CFG will only provide unit reports. The game closest to its premiere from those in production is "Colonize".

Q4'22 results [mln PLN]

	Q4'21	Q4'22	change y/y	Q4'22F BDM	dev.	2021	2022	change y/y
Sales	1,7	1,2	-28,3%	1,7	-30,4%	5,3	4,9	-7,8%
Net revenues from sales	0,7	0,9	44,8%	0,9	10,9%	2,7	3,5	28,7%
Gross profit	-0,8	-0,5	-	0,2	-	-1,9	-0,6	-
Other op.income/expenses	-0,8	-0,4	-	0,0	-	-0,8	-0,4	-
EBITDA	-1,6	-0,8	-	0,2	-	-2,7	-0,9	-
EBIT	-1,6	-0,9	-	0,2	-	-2,7	-1,0	-
Financial income/expense, net	-0,6	-1,0	-	0,0	-	0,0	-0,1	-
Profit before tax	-2,0	-2,5	-	0,2	-	-2,5	-1,8	-
Net profit	-1,7	-2,5	-	0,2	-	-1,9	-1,8	-
Gross margin	-119,1%	-214,2%		9,9%		-47,5%	-37,7%	
EBITDA margin	-98,0%	-71,1%		10,5%		-50,6%	-19,1%	
EBIT margin	-98,8%	-72,9%		9,9%		-51,7%	-19,8%	
Net margin	-99,7%	-208,0%		8,9%		-35,9%	-36,1%	

Source: BDM S.A., company

- In 4Q'22, the company generated revenue of PLN 1.2 million (-28.3% y/y, -30.6% q/q), of which PLN 0.9 million came from sales revenue (+44.8% y/y, +12.4% q/q), while the change in the product state accounted for less than PLN 0.2 million (-75.7% y/y, -72.0% q/q).
- Operating costs decreased y/y by 32.7% during the discussed period but increased q/q by 8.4% to PLN 1.7 million. As usual, the largest cost was associated with game production, where costs for external services decreased y/y and q/q by -58.2% / -59.3% to PLN 0.5 million, and salaries decreased y/y by around 8.1% but increased q/q by 252.6% to PLN 1.1 million.
- Other operating costs had a negative impact on the company's results during the discussed period, reaching PLN 0.4 million (of which PLN 0.3 million was related to the update of non-financial assets' value).
- The company generated an EBITDA loss of PLN 0.8 million (vs PLN 1.6 million in 4Q'21 and PLN 0.2 million in 3Q'22), and the EBIT amounted to PLN -0.9 million (vs PLN -1.6 million in 4Q'21 and PLN 0.2 million in 3Q'22).
- In 4Q'22, the company recorded a negative financial balance of PLN 1.0 million.
- A large negative impact on the results of this period was the loss (-0.7 million PLN) associated with the sale of all or part of subordinate units' shares.

- The company had a gross loss of PLN 2.5 million during the previous period (vs -2.0 million PLN in 4Q'22, 1.2 million PLN in 3Q'22).
- In 4Q'22, the net loss amounted to PLN 2.5 million (vs -1.7 million PLN in 4Q'21, 1.1 million PLN in 3Q'22), and the minority loss was PLN 0.1 million.
- During the previous quarter, "products and unfinished products in progress" decreased q/q by PLN 1.1 million to PLN 3.2 million, and "finished products" decreased by PLN 0.1 million to PLN 1.6 million.
- In 4Q'22, net cash flows from operating activities amounted to -0.6 million PLN, the investment cash flow amounted to -1.2 million PLN (most of which related to other investment expenses), and the financing cash flow amounted to PLN 34 thousand. At the end of December'22, the company had PLN 0.5 million in cash, which is PLN 0.3 million less q/q.
- The company employed an average of 49 people throughout 2022 compared to 59 in 2021.
- At the end of 2022, CFG no longer had any subsidiaries, only associated companies. Starting from the quarterly report for 1Q'23, due to the lack of subsidiary companies, CFG will only report unit reports.
- The company's share in G-Devs decreased from 51.0% in 3Q'22 to 49.1% in 4Q'22.
- In 2022, the company continued to work on three key titles, one of which, Aircraft Carrier Survival, was completed and released. The other two, House Flipper City and Monsters Domain, can already be tried in the demo versions.
- Several other larger and smaller productions are currently in progress. The closest to the premiere is Colonize. Additionally, the company is still working on projects such as Builders of Greece, Orc Warchieff, or Route 66.

Planowane premiery gier

Gra	Planowany termin premiery gry
House Flipper City	Q4 2023
Music Store Simulator	Q2 2023
Orc Warchieff	2023-2024
Builders of Greece	Q4 2023
Beer Factory	Q2 2023
Monsters Domain	Q3 2023
Once upon a Time... Life	2023 - 2024
Builders of Egypt	2023
Colonize	Q2 2023
Black Gold	Q4 2023

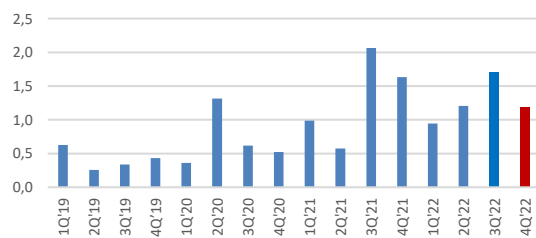
Źródło: company

Results in previous quarters [mln PLN]

Results Q [mln PLN]	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	2018	2019	2020	2021	2022
Sales	0,4	1,3	0,6	0,5	1,0	0,6	2,1	1,6	0,9	1,2	1,7	1,2	3,7	1,6	2,8	5,3	4,9
Gross profit	-0,1	0,5	-0,1	-0,5	-0,2	0,9	0,0	-0,4	-0,2	-0,3	0,2	-0,5	-0,5	-0,1	-0,2	0,3	-0,6
Other op.income/expenses	0,0	0,0	0,0	-1,0	0,0	0,0	-0,2	0,0	0,0	0,0	0,0	-0,4	-0,2	0,0	-1,0	-0,2	-0,4
EBITDA	-0,1	0,5	-0,1	-1,5	-0,2	-0,9	0,1	-0,4	-0,2	-0,2	0,2	-0,8	-0,6	-0,1	-1,2	-1,5	-0,9
EBIT	-0,1	0,5	-0,1	-1,5	-0,2	-0,9	0,0	-0,4	-0,2	-0,2	0,2	-0,9	-0,7	-0,2	-1,2	-1,5	-1,0
Profit before tax	-0,1	0,5	0,3	-0,7	-0,2	-0,5	0,2	-0,4	-0,1	-0,3	1,2	-2,5	-0,9	-0,2	0,0	-1,0	-1,8
Net profit	-0,1	0,5	0,3	-0,6	-0,2	-0,4	0,3	-0,3	-0,1	-0,3	1,1	-2,5	-0,9	-0,2	0,1	-0,5	-1,8
Sales change y/y	-42,2%	416,1%	84,0%	20,6%	172,4%	-56,4%	234,6%	213,6%	-5,7%	110,5%	-17,1%	-28,3%	-	-55,7%	70,6%	86,8%	-7,8%
Net profit change y/y	-	-	-	-	-	-	-	-	-	-	294,1%	-	-	-	-	-	-
Gross margin	-34,2%	40,8%	-15,1%	-100,4%	-21,2%	160,6%	1,9%	-25,9%	-18,0%	-21,7%	10,2%	-214,2%	-13,4%	-7,1%	-7,3%	6,2%	-37,7%
EBITDA margin	-32,9%	41,5%	-13,7%	-288,2%	-19,6%	-158,8%	2,6%	-25,6%	-16,9%	-19,4%	10,5%	-71,1%	-15,1%	-5,1%	-41,1%	-27,9%	-19,1%
EBIT margin	-35,7%	40,8%	-15,1%	-290,7%	-21,4%	-160,7%	1,9%	-26,0%	-18,1%	-20,5%	10,2%	-72,9%	-18,0%	-9,1%	-42,6%	-28,9%	-19,8%
Net margin	-35,0%	39,6%	48,8%	-122,2%	-17,5%	-62,4%	13,9%	-18,7%	-14,5%	-23,3%	65,9%	-208,0%	-23,4%	-10,0%	2,1%	-10,5%	-36,1%

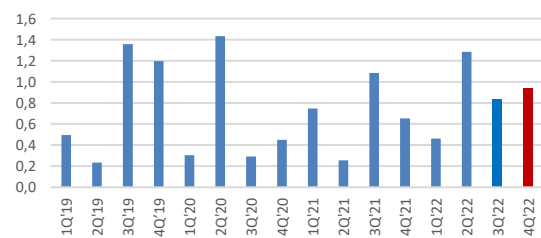
Źródło: BDM S.A., company

Sales [mln PLN]



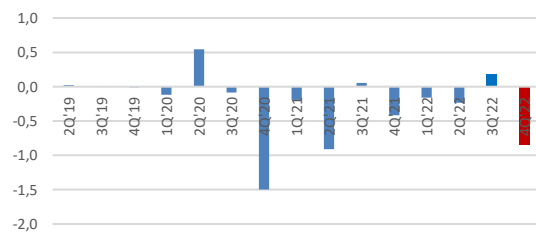
Źródło: Dom Maklerski BDM S.A., company

Revenue from the sale of products [mln PLN]



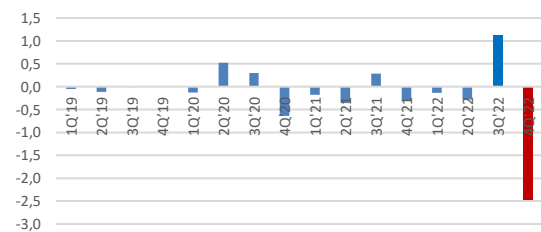
Źródło: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]



Źródło: Dom Maklerski BDM S.A., company

Net profit [mln PLN]



Źródło: 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.
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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	9,1	Buy	33,7	28.10.2022*	11:30 CEST	9,18	48 970
Buy	33,7	buy	39,0	13.04.2022*	07:00 CEST	29,0	63 863
Buy	39,0	---	---	17.08.2021*	08:00 CEST	33,5	68 812

* 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 Q1'23*:

, 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	2	25%	0	0%
Hold	0	20%	0	0%
Reduce	1	13%	0	0%
Sell	0	0%	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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