

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

			2020	2021F	2022F	2023F	
Price [PLN]	36,2	P/E	1 660,1	174,2	12,1	7,7	<b>Analyst:</b> Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	96,5	EV/EBITDA	-	6 126,3	9,8	5,4	
		EV/EBIT	-	-	9,9	5,4	
		P/BV	13,4	8,7	5,1	3,1	

**Last recommendation BDM: BUY with target price 39,0 PLN/share (2021/08/17) [LINK](#)**

**Q3'21 results [mln PLN]**

	Q3'20	Q3'21	zmiana r/r	Q3'21F BDM	dev.
Sales	0,6	2,1	234,6%	0,8	156,0%
Gross profit	-0,1	0,0	-	-0,5	-
Other op.income/expenses	0,0	-0,2	-	0,0	-
EBITDA	-0,1	0,1	-	-0,5	-
EBIT	-0,1	0,0	-	-0,5	-
Financial income/expense, net	0,4	0,2	-46,1%	0,0	-
Profit before tax	0,3	0,2	-19,8%	-0,5	-
Net profit	0,3	0,3	-4,8%	-0,5	-
Gross margin	-15,1%	1,9%		-66,8%	
EBITDA margin	-13,7%	2,6%		-64,7%	
EBIT margin	-15,1%	1,9%		-66,8%	
Net margin	48,8%	13,9%		-66,8%	

Source: BDM S.A., company

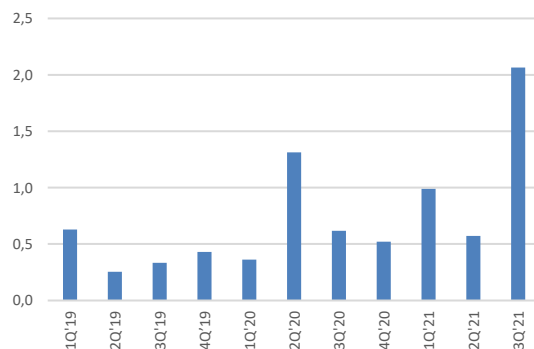
- In Q3'21, the company generated PLN 2.1m in revenues, of which PLN 1.1m from product sales (old portfolio), which is a much better level than our estimates (PLN 0.3m). The rest, ie PLN 1.0m, was due to the change in the stock of products, which is also significantly higher than our estimates (PLN 0.5m).
- Due to such a dynamic development of the entity and the implementation of many projects at the same time, operating costs increased by 185.4% y/y and by 69.0% q/q, to the level of PLN 2.0 million. As usual, the highest cost is related to the production of games - the costs of external services increased by 184.3% y/y to PLN 1.0 million, and salaries y/y by approx. 271% to PLN 0.9 million.
- In the last quarter, the company generated an EBITDA of PLN 0.1m (vs. PLN -0.1m a year ago). On the other hand, at the level of net profit, it generated PLN 0.3 million - this result was achieved thanks to financial income (profit on the disposal of financial assets = PLN 0.2 million).
- Over the past quarter, "products and semi-finished products in progress" increased by PLN 0.2 million to the level of PLN 3.5 million, and "finished products" by PLN 0.8 million to PLN 2.8 million.
- In 3Q'21, net cash flow from operating activities amounted to PLN -1.5 million. At the end of September '21, the company had PLN 3.3m in cash, i.e. PLN 1.4m less q/q.
- The financial outlays for the games produced by the company are constantly growing. Several of them are currently being finalized. Work on "Aircraft Carrier Survival" is at its most advanced level. The computer version of the game will soon be available on Steam.
- Other important in-house productions for CFG are: Stargate: Timekeepers, House Flipper City, Builders of Greece and the mysterious Project Y prepared with Slitherine Software UK LTD. Work on them is still ongoing and takes a lot of time, because they are large and very important productions for the company, they try to refine them as best as possible.
- From among the games of which CFG is the publisher, the premiere of Timerunner can be expected in November this year. In addition, the plans for the coming months include the release of games such as Colonize, Gnomepunk, Orc Warchieff, Deadwater Saloon and City of Atlantis.
- At the end of Q3'21, the company had no full-time employment contracts, while CFG employed seven people on the basis of civil law contracts and one person from the management board employed on the basis of an employment contract. calling. In total, in the group, full-time equivalents were not employed on the basis of an employment contract, one person was employed due to appointments and seven people on the basis of civil law contracts. In total, about 50 people worked on the company's products.

**BDM Comment:** In Q3'21, the company generated PLN 2.1m in revenues, of which PLN 1.1m from product sales, which is a much better level than our estimates (PLN 0.3m). The rest, ie PLN 1.0m, was due to the change in the stock of products, which also significantly exceeds our estimates (PLN 0.5m) and is related to the dynamic development of many projects. The scale of operating expenses is also surprising - they increased by 185.4% y/y and by 69.0% q/q, to the level of PLN 2.0 million. As usual, the highest cost is related to the production of games - the costs of external services increased by 184.3% y/y to PLN 1.0 million, and salaries y/y by approx. 271% to PLN 0.9 million. Thanks to the good monetization of the old portfolio, the company covered the growing costs of implemented projects, thus generating an EBITDA of PLN 0.1 million - we expected a loss of PLN 0.5 million, hence this result is positive. At the net profit level, CFG generated PLN 0.3 million - this result was achieved thanks to financial income (profit on the disposal of financial assets = PLN 0.2 million). In Q3'21, net cash flow from operating activities amounted to PLN -1.5 million. At the end of September '21, the company had PLN 3.3m in cash, i.e. PLN 1.4m less q/q. The company is currently finalizing several of the implemented projects. Work on "Aircraft Carrier Survival" is at its most advanced level. The computer version of the game will soon be available on Steam. However, when it comes to the publishing segment - the premiere of Timerunner is planned for November. In addition, the plans for the coming months include the release of games such as Colonize, Gnomepunk, Orc Warchieff, Deadwater Saloon or City of Atlantis.

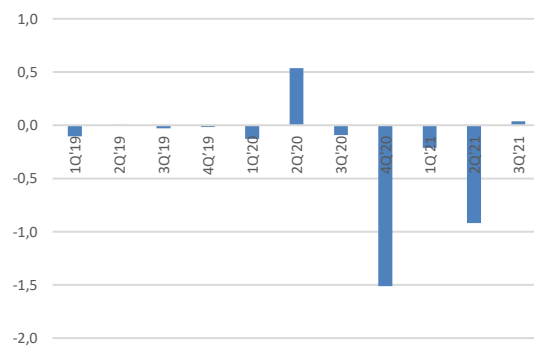
**Results in previous quarters [mln PLN]**

Results Q [mln PLN]	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	2018	2019	2020
Sales	0,6	0,3	0,3	0,4	0,4	1,3	0,6	0,5	1,0	0,6	2,1	3,7	1,6	2,8
Gross profit	-0,1	0,0	0,0	0,1	-0,1	0,5	-0,1	-0,5	-0,2	0,9	0,0	-0,5	-0,1	-0,2
Other op.income/expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-1,0	0,0	0,0	-0,2	-0,2	0,0	-1,0
EBITDA	-0,1	0,0	0,0	0,0	-0,1	0,5	-0,1	-1,5	-0,2	-0,9	0,1	-0,6	-0,1	-1,2
EBIT	-0,1	0,0	0,0	0,0	-0,1	0,5	-0,1	-1,5	-0,2	-0,9	0,0	-0,7	-0,2	-1,2
Profit before tax	-0,1	-0,1	0,0	0,0	-0,1	0,5	0,3	-0,7	-0,2	-0,5	0,2	-0,9	-0,2	0,0
Net profit	-0,1	-0,1	0,0	0,0	-0,1	0,5	0,3	-0,6	-0,2	-0,4	0,3	-0,9	-0,2	0,1
Sales change y/y	-	-	-	-	-42,2%	416,1%	84,0%	20,6%	172,4%	-56,4%	234,6%	-	-55,7%	70,6%
Net profit change y/y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross margin	-17,4%	-18,4%	-10,8%	17,3%	-34,2%	40,8%	-15,1%	-100,4%	-21,2%	160,6%	1,9%	-13,4%	-7,1%	-7,3%
EBITDA margin	-13,6%	8,4%	-2,2%	-2,7%	-32,9%	41,5%	-13,7%	-288,2%	-19,6%	-158,8%	2,6%	-15,1%	-5,1%	-41,1%
EBIT margin	-16,7%	0,8%	-8,9%	-4,0%	-35,7%	40,8%	-15,1%	-290,7%	-21,4%	-160,7%	1,9%	-18,0%	-9,1%	-42,6%
Net margin	-8,2%	-45,9%	-2,8%	3,1%	-35,0%	39,6%	48,8%	-122,2%	-17,5%	-62,4%	13,9%	-23,4%	-10,0%	2,1%

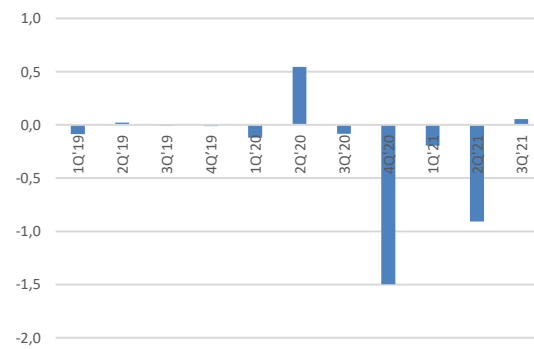
Źródło: BDM S.A., company

**Sales [mln PLN]**


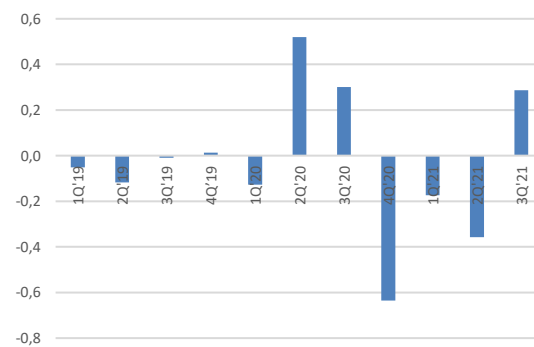
Źródło: Dom Maklerski BDM S.A., spółka

**EBIT [mln PLN]**


Źródło: Dom Maklerski BDM S.A., spółka

**EBITDA [mln PLN]**


Źródło: Dom Maklerski BDM S.A., spółka

**Net profit [mln PLN]**


Źródło: Dom Maklerski BDM S.A., spółka

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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.

**Ratings and price targets history:**

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
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 Q4'21\*:**

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

	number	%	number	%
Buy	1	100%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
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

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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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