

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	2021	2022F	2023F
Price [PLN]	24,7	P/E	1 132,7	-	6,6	5,1
MC [mln PLN]	65,9	EV/EBITDA	-	-	4,9	3,0
		EV/EBIT	-	-	5,0	3,0
		P/BV	9,1	10,0	4,0	2,2

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

Q4'21 results [mln PLN]

	Q4'20	Q4'21	zmiana r/r	Q4'21F BDM	dev.
Sales	0,5	1,6	213,6%	1,4	13,7%
Gross profit	-0,5	-0,4	-	-0,4	-
Other op.income/expenses	-1,0	0,0	-	0,0	-
EBITDA	-1,5	-0,4	-	-0,4	-
EBIT	-1,5	-0,4	-	-0,4	-
Financial income/expense, net	0,8	0,0	-	0,0	-
Profit before tax	-0,7	-0,4	-	-0,4	-
Net profit	-0,6	-0,3	-	-0,4	-
Gross margin	-100,4%	-25,9%		-29,3%	
EBITDA margin	-288,2%	-25,6%		-28,1%	
EBIT margin	-290,7%	-26,0%		-29,3%	
Net margin	-122,2%	-18,7%		-28,7%	

Source: BDM S.A., company

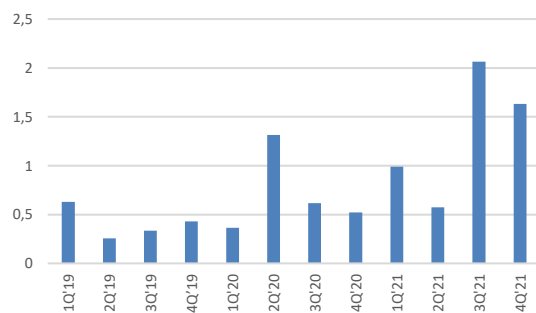
- In Q4'21, the company generated PLN 1,6 million in revenues, including PLN 0,4 m from product sales (old portfolio + game premiere - Timerunner, published by G-Devs, a subsidiary of CFG), which is in line with our expectations. The rest, ie PLN 1,2m, was due to the change in product inventory (+ 25.1% q/q), which was related to higher expenditure on game production. In the whole of 2021, the company generated PLN 5,3 million in revenues (+ 86.8% y/y), of which PLN 2,5 million were sales revenues (+ 0.4% y/y), and the rest, i.e. PLN 2,8 million from changes in the stock of products (+ 730.6% y/y).
- Due to such a dynamic development of the entity and the implementation of many projects at the same time, operating costs increased by 97.0% y/y and by 1,4% q/q, to the level of PLN 2,1 million. As usual, the highest cost is related to the production of games - the costs of external services increased by 89,8% y/y and q/q by 13,9% to PLN 1,1 million, and salaries y/y by approximately 133,5% to 0,8% PLN million. Throughout 2021, operating costs increased by 124,3% y/y to PLN 6,8 million, of which external services by 110,2% y/y to PLN 3,4 million, and salaries by 175,6% y/y. r up to PLN 3,0 million.
- Due to higher costs than generated revenues, the company generated EBITDA -0,4 million PLN in the last quarter (compared to PLN -1,5 million a year ago), and in the whole of 2021 - PLN -1,5 million (versus PLN 1,2 million in 2022).
- In 4Q'21, CFG generated a net loss of PLN 0,3m. In the whole of 2021, the loss amounted to PLN 0,5 million (vs. PLN 0,1 million of net profit in 2020).
- Over the past quarter, "products and semi-finished products in progress" increased q/q by PLN 0,6 million to the level of PLN 2,7 million, and "finished products" decreased by PLN 0,1 million to PLN 2,4 million.
- In 4Q'21, net cash flow from operating activities amounted to PLN -1,4 million (in the entire year 2021 - PLN 4,4 million). At the end of December '21, the company had PLN 3,2m in cash, its PLN 0,2m less q/q (+ PLN 0,4m in 2021).
- At the beginning of last quarter, CFG introduced players to the demo version of **House Flipper City**, giving players the opportunity to get to know one of its most anticipated productions. The final version of the game **will probably be ready this year**. The second demo that the company managed to prepare concerns the game **Deadwater Saloon, which allows players to travel to the times of the Wild West. The demo will be available in less than two weeks, and the full version of the game will be available on Steam in spring.**
- In addition to the demo versions, players had the opportunity to see the **trailer for the game "Colonize"** - a combination of survival and construction strategy, which takes place in the 17th century, and allows users to play the role of the first settlers. **The company plans to release the full version of the game in the last quarter of this year.**
- Through Devlogs available on Steam, the company shares activities related to the development of the games "Builders of Greece" and "Gimle: The Broken Prophecy". It presents the first detailed information about these productions, as well as their historical context.
- The plan for this year's premiere includes 12 titles**, including: "Aircraft Carrier Survival", "House Flipper City", "Stargate: Timekeepers", "Projekt Y", "Builders of Greece", "Monsters Domain", "City of Atlantis" or "POSTAL: Brain Damaged".
- At the end of Q4'21, the company had no full-time employment contracts, while CFG employed 13 people under civil law contracts (vs 7 in Q3'21) and one person from the management board with the title of calling. In total, in the group, full-time equivalents were not employed on the basis of an employment contract, 3 people were employed due to appointments and 70 people on the basis of civil law contracts.

BDM Comment: The company's results for Q4'21 are in line with our expectations. Over the period under review, CFG generated PLN 1,6m in revenues, including PLN 0,4m in revenues from product sales (old portfolio + game premiere - Timerunner, published by G-Devs, a subsidiary of CFG). The rest, ie PLN 1,2m, was due to the change in product inventory (+ 25.1% q/q), which was related to higher expenditure on game production. In the whole of 2021, the company generated PLN 5,3 million in revenues (+ 86.8% y/y), of which PLN 2,5 million were sales revenues (+ 0,4% y/y), and the rest, i.e. PLN 2,8 million from changes in the stock of products (+ 730,6% y/y). Due to the dynamic development of the entity and the implementation of many projects at the same time, operating costs increased by 97,0% y/y and q/q by 1,4% to the level of PLN 2,1 million. As usual, the highest cost is related to the production of games - the costs of external services increased by 89,8% y/y and q/q by 13,9% to PLN 1,1 million, and salaries y/y by approximately 133,5% to PLN 0,8 million. Throughout 2021, operating costs increased by 124,3% y/y to PLN 6,8 million, of which external services by 110,2% y/y to PLN 3,4 million, and salaries by 175,6% y/y. r up to PLN 3,0 million. Due to higher costs than generated revenues, the company generated EBITDA -0,4 million in the last quarter (vs PLN -1,5 million a year ago), and in the whole of 2021 - PLN -1,5 million (versus -1,2 PLN million in 2022). In 4Q'21, CFG generated a net loss of PLN 0,3m. In the whole of 2021, the loss amounted to PLN 0,5 million (vs. PLN 0,1 million of net profit in 2020). At the end of December '21, the company had PLN 3,2m in cash, its PLN 0,2m less q/q (+ PLN 0,4m in 2021). Last quarter, CFG introduced players to the demo version of the game "House Flipper City" (the final version will be ready later this year). In two weeks, another demo will be released, this time of the game "Deadwater Saloon", and its full version will be released in spring. In addition to the demo versions, players had the opportunity to see the trailer for the game "Colonize" (premiere planned for Q4'22). This year's premiere plan includes 12 titles, including: "Aircraft Carrier Survival", "House Flipper City", "Stargate: Timekeepers", "Projekt Y" or "Builders of Greece".

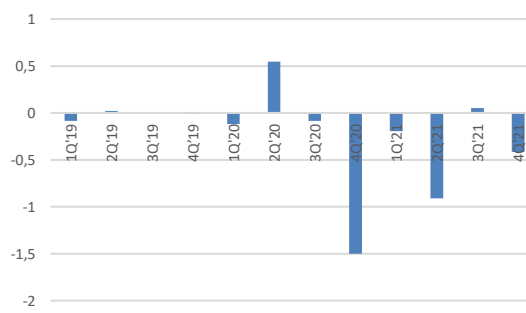
Results in previous quarters [mln PLN]

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	4Q'21	2018	2019	2020	2021
Sales	0,6	0,3	0,3	0,4	0,4	1,3	0,6	0,5	1,0	0,6	2,1	1,6	3,7	1,6	2,8	5,3
Gross profit	-0,1	0,0	0,0	0,1	-0,1	0,5	-0,1	-0,5	-0,2	0,9	0,0	-0,4	-0,5	-0,1	-0,2	0,3
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	0,0	-0,2	0,0	-1,0	-0,2
EBITDA	-0,1	0,0	0,0	0,0	-0,1	0,5	-0,1	-1,5	-0,2	-0,9	0,1	-0,4	-0,6	-0,1	-1,2	-1,5
EBIT	-0,1	0,0	0,0	0,0	-0,1	0,5	-0,1	-1,5	-0,2	-0,9	0,0	-0,4	-0,7	-0,2	-1,2	-1,5
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	-0,4	-0,9	-0,2	0,0	-1,0
Net profit	-0,1	-0,1	0,0	0,0	-0,1	0,5	0,3	-0,6	-0,2	-0,4	0,3	-0,3	-0,9	-0,2	0,1	-0,5
Sales change y/y	-	-	-	-	-42,2%	416,1%	84,0%	20,6%	172,4%	-56,4%	234,6%	213,6%	-	-55,7%	70,6%	86,8%
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%	-25,9%	-13,4%	-7,1%	-7,3%	6,2%
EBITDA margin	-13,6%	8,4%	-2,2%	-2,7%	-32,9%	41,5%	-13,7%	-288,2%	-19,6%	-158,8%	2,6%	-25,6%	-15,1%	-5,1%	-41,1%	-27,9%
EBIT margin	-16,7%	0,8%	-8,9%	-4,0%	-35,7%	40,8%	-15,1%	-290,7%	-21,4%	-160,7%	1,9%	-26,0%	-18,0%	-9,1%	-42,6%	-28,9%
Net margin	-8,2%	-45,9%	-2,8%	3,1%	-35,0%	39,6%	48,8%	-122,2%	-17,5%	-62,4%	13,9%	-18,7%	-23,4%	-10,0%	2,1%	-10,5%

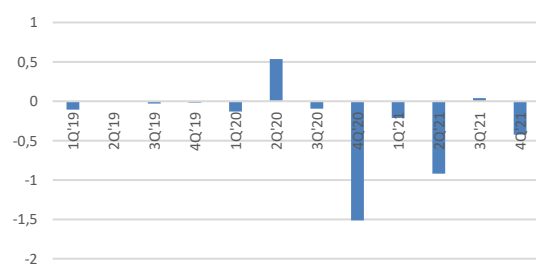
Źródło: BDM S.A., company

Sales [mln PLN]


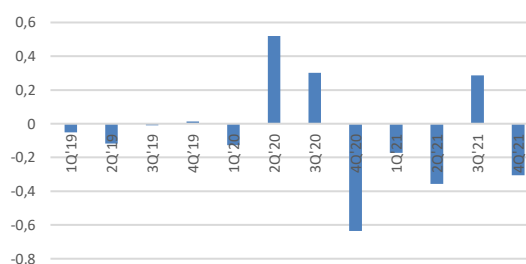
Źródło: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]


Źródło: Dom Maklerski BDM S.A., company

EBIT [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.
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 Q1'22*:

, 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%	3	100%
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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