



Dom Maklerski BDM S.A.

CREATIVEFORGE GAMES

ANALYTICAL REPORT - SUMMARY

We maintain a positive attitude to the values of CreativeForge Games and we issue a BUY recommendation, setting our target price at PLN 33,7 / share. We expect that 2022. will come out to be a turning point for the company. Already on april 20, the first own game ("Aircraft Carrier Survival") will be released, it will be a new opening for the company after CFG underwent a major transformation in 2019. In the summer of 2022, players will receive the most important production in the group "Stargate: Timekeepers" (this title is content and physically completed and is currently in its final phase so-called "polishing"). Throughout 2022, we assume 10 premieres (including EA "House Flipper City" in Q3'22), which will translate into PLN 26,0 million in revenues, PLN 9,6 million in EBITDA and PLN 9,1 million of net profit. After the big interest of the game "Monsters Domain" at the Steam Next Festival, we are raising our assumptions about this title and postponing its debut to 2023 (expansion to meet the expectations of players).

„Aircraft Carrier Survival“

The title, which we expected to debut in Q4'21, was postponed to April 20'22 (the company needed more time to polish the game). It will be the company's first own game that underwent a thorough transformation in 2019. This title is currently on the 111th place of the most anticipated games on Steam. We maintain our assumptions regarding the sale of 99 thousand. copies one year after the premiere, which will translate into PLN 3,8m in revenues in this period. For comparison, a similar game - "Uboat" sold in 72 hours with a circulation of 53 thousand. units, in 20 days - 93 thousand, and a year after the premiere with a circulation of 200,4 thousand (in the EA formula), it must be borne in mind, that its community on Steam was over 3x larger than ACS. Due to the close cooperation of CFG with the PLW group, we hope that the premiere will be supported by "bundles", and later also by cross-promotions. In addition, we would like to emphasize that the created wishlist is not too "fresh", which may imply additional risks, but we hope that thanks to marketing efforts, it will be possible to "stimulate" it just before the premiere.

„Stargate: Timekeepers“

Currently, the most important project in the company. This title is content and physically completed and is currently in its final phase (so-called "polishing"). ST's full-fledged marketing campaign has yet to be implemented. CFG hopes that, inter alia, before the premiere, the game will be high in the position of the most awaited games (currently 302th place). We uphold our assumption regarding the sale of 226 thousand. units a year, which will translate into PLN 6,2 million, which will go to the company (the publisher of the game will be Slitherine).

Many other new premieres scheduled for 2022

All projects in the CFG group (excluding PD, HW, Postal and Stargate) exceeded 1 million entries on wishlists. There are 6 city builders in the group, thanks to which it will be easier for it to do marketing (it is easier to "target" this type of player, for example, there was no marketing on "Builders of Greece", and users of the game "Builders of Egypt" were used). We expect 10 debuts of CFG games this year. At CFG, further large projects are being prepared based on external IP, not smaller than "Stargate: Timekeepers".

	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Revenues [mln PLN]	3,7	1,6	2,8	5,3	26,0	40,3	39,8	40,3
EBITDA [mln PLN]	-0,6	-0,1	-1,2	-1,5	9,6	18,1	15,9	17,0
EBIT [mln PLN]	-0,7	-0,2	-1,2	-1,5	9,6	18,1	15,9	17,0
Gross income [mln PLN]	-0,9	-0,2	0,0	-1,0	9,5	18,0	15,9	17,0
Net income [mln PLN]	-0,9	-0,2	0,1	-0,5	9,1	16,2	14,3	15,3
P/BV	10,5	10,8	10,7	7,3	3,9	2,1	2,0	1,8
P/E	-	-	-	-	8,5	4,8	5,4	5,1
EV/EBITDA	-	-	-	-	6,8	3,0	3,1	2,9
EV/EBIT	-	-	-	-	6,8	3,0	3,1	2,9
DPS	0	0	0	0	0	0	4,6	4,0
DY	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	15,8%	13,9%

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

BUY

(PREVIOUS: BUY)

TARGET PRICE 33,7 PLN

13 APRIL 2022, 07:00 CEST

Target price [PLN]	33,7
Price upside/downside	17%
Cost of capital	13,5%
Price [PLN]	29,0
Market cap [mln PLN]	77,2
Shares [mln.]	2,7
Max. price 6M [PLN]	37,2
Min. price 6m [PLN]	21,6
Rate of return 3M	-2,2%
Rate of return 6M	-21,8%
Rate of return 9M	-20,7%
Shareholders (% of votes):	
PlayWay	47,8%
Andrzej Goczoł	10,5%
Capeman Investments Limited	8,4%
Jarosław Dąbrowski	7,3%
Others	26,0%

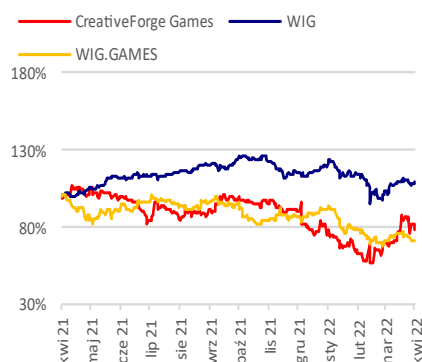
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This report has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565. Detailed contents of legal notes is located on the last page of this report. The report has been prepared and made available for distribution by BDM. GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW.

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Valuation summary

	Share	Valuation
DCF valuation	100%	33,7
Peer valuation	0%	47,8
Target price [PLN]		33,7

Source: BDM S.A.

DCF valuation

	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Revenues [mln PLN]	26,0	40,3	39,8	40,3	30,3	40,9	36,7	40,3	37,4	48,9
EBIT [mln PLN]	9,6	18,1	15,9	17,0	7,0	15,7	10,7	14,8	9,5	20,1
Tax rate	4,5%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
Tax on EBIT [mln PLN]	0,4	1,8	1,6	1,7	0,7	1,6	1,1	1,5	1,0	2,0
NOPLAT [mln PLN]	9,1	16,3	14,3	15,3	6,3	14,1	9,6	13,3	8,6	18,1
Amortization [mln PLN]	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
CAPEX [mln PLN]	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
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]	-0,5	-4,4	2,3	-5,4	0,9	-1,4	1,2	-8,3	8,9	-9,1
FCF [mln PLN]	8,7	11,8	16,7	9,9	7,2	12,7	10,9	5,0	17,5	9,0
DFCF [mln PLN]	7,9	9,5	11,8	6,2	3,9	6,2	4,6	1,9	5,8	2,6
Total DFCF [mln PLN]	60,5									
Terminal value [mln PLN]	89,9									
Discounted terminal value [mln PLN]	26,3									
Enterprise value [mln PLN]	86,7									
Net debt 2021 [mln PLN]	-3,2									
Equity value [mln PLN]	90,0									
Number of shares [mln]	2,7									
Value per share [PLN]	33,7									

Terminal growth rate: 3,0%

WACC calculation

	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Risk-free rate	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%
Risk premium	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Beta	1,40	1,40	1,40	1,40	1,40	1,40	1,40	1,40	1,40	1,40
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	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%
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	7,6%	7,2%	7,2%	7,2%	7,2%	7,2%	7,2%	7,2%	7,2%	7,2%
Contribution of debt	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
WACC	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%

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%		1,3	1,4	1,5
1,3	34,5	35,1	35,7	4,0%	37,2	37,9	38,7	4,0%	38,5	37,9	37,4
1,4	33,2	33,7	34,3	5,0%	33,2	33,7	34,3	5,0%	34,2	33,7	33,3
1,5	32,1	32,5	33,0	6,0%	30,1	30,5	30,9	6,0%	30,9	30,5	30,1

Source: BDM S.A.

Peer valuation

	P/E			EV/EBITDA		
	2022F	2023F	2024F	2022F	2023F	2024F
11 bit studios	103,4	10,3	15,2	62,6	6,9	8,4
Artufex Mundi*	8,7	8,1	6,3	6,2	5,6	4,4
BoomBit*	13,7	11,8	11,4	3,6	2,7	2,2
CD Projekt	35,6	38,1	57,1	23,8	25,9	33,8
CI Games	20,1	4,6	-	7,0	2,1	-
Huuuge Games	7,4	6,7	6,0	1,9	0,9	-0,1
PCF Group	21,6	21,3	21,5	18,3	17,8	15,8
PlayWay	13,5	11,6	9,8	8,9	7,5	6,8
Ten Square Games	6,1	5,3	6,7	4,9	3,8	4,1
Median	13,7	10,3	10,6	7,0	5,6	5,6
CreativeForge Games	8,5	4,8	5,4	6,8	3,0	3,1
Premium/discount	62,1%	46,2%	51,0%	97,1%	52,7%	54,9%
Valuation [PLN/share]	46,6	62,7	56,8	29,7	47,0	44,0
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]		55,4			40,2	
Multiple's contribution		50%			50%	
Value per share [PLN]		47,8				

Main risks: 1) The risk of diversified and unforeseen demand for different products 2) The risk related to possible delays in game production 3) Risk related to the loss of key employees 4) Risk related to difficulties in acquiring experienced employees 5) The risk related to the possible failure of IT systems, telecommunications infrastructure and servers 6) The risk related to the competitive environment 7) Risk related to the development of new technologies and industry 8) Risk of volatility of foreign exchange rates 9) Risk of aging wishlists

Source: BDM S.A., Bloomberg ; *BDM forecasts

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	33,7	Buy	39,0	13.04.2022*	07:00 CEST	33,5	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 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.
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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 2Q'22*:		, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months		
	numbers	%	numbers	%
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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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
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