

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	
Price [PLN]	15,0	P/E	688	-	<b>Analyst:</b> Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	40,0	EV/EBITDA	-	-	
		EV/EBIT	-	-	
		P/BV	5,5	4,3	

**Last recommendation BDM: BUY with target price 33,7 PLN/share (2022/04/13) [LINK](#)**

**BDM Comment:** The company's results for Q2'22 are below expectations, therefore we perceive them negatively. Despite the premiere of its first own game ("Aircraft Carrier Survival"), released in a "new team", the company recorded another weak quarter in terms of results. On the level of revenues, CFG generated PLN 1.2 million in revenues in the discussed period (+ 110.5% y/y), of which PLN 1.3 million from sales revenues, incl. in connection with the premiere of "ACS", this item was reduced by the change in the status of products, which amounted to -0.1 million PLN (vs + 0.5 million PLN in 1Q'22). In our forecasts, we expected sales of "ACS" at the level of approx. 30 thousand. copies in Q2'22 and we stick to this number, but we estimate that the revenue per copy is lower than our previous forecasts. In the period under review, operating expenses decreased by 1.7% y/y and increased by 31.6% q/q to PLN 1.5 million. As usual, the highest cost is related to the production of games - the costs of external services increased by 18.2% y/y and by 45.5% q/q to PLN 0.6 million, and salaries decreased by approx. 16.4% y/y, and increased q/q by 22.3% to PLN 0.6m. On the EBITDA level, the company posted a loss of PLN 0.2m (vs. PLN 0.9m loss a year ago), EBIT was PLN -0.2m, and the net loss was PLN 0.3m (vs. PLN 0.4m losses in Q2'21). In 2Q'22, net cash flow from operating activities amounted to -0.5 million PLN. At the end of June 22, the company had PLN 0.9m in cash, i.e. PLN 0.6m less q/q. The company in 2022. plans to release games such as: "Deadwater Saloon", "Handyman Corporation" or "Colonize". The final version of the game "House Flipper City" will be ready next year (we were hoping for a debut in 2022 i EA). **Attention is drawn to the date that appears next to the game "Stargate Timekeepers", i.e. 2022/23, which may indicate that the game will not appear as previously announced, in the summer of '22 and will not debut until 2023, which we perceive negatively.**

**Q2'22 results [mln PLN]**

	Q2'21	Q2'22	change y/y	Q2'22F BDM	dev.	H1'21	H1'22	change y/y
Sales	0,6	1,2	110,5%	1,8	-33,1%	1,6	2,1	37,5%
Gross profit	-0,9	-0,3	-	0,4	-	-1,1	-0,4	-
Other op.income/expenses	0,0	0,0	-	0,0	-	0,0	0,0	-
EBITDA	-0,9	-0,2	-	0,4	-	-1,1	-0,4	-
EBIT	-0,9	-0,2	-	0,4	-	-1,1	-0,4	-
Financial income/expense, net	0,4	-0,1	-	0,0	-	0,4	0,0	-
Profit before tax	-0,5	-0,3	-	0,4	-	-0,8	-0,5	-
Net profit	-0,4	-0,3	-	0,4	-	-0,5	-0,4	-
Gross margin	-160,6%	-21,7%		23,6%		-72,3%	-20,1%	
EBITDA margin	-158,8%	-19,4%		24,3%		-70,6%	-18,3%	
EBIT margin	-160,7%	-20,5%		23,6%		-72,4%	-19,4%	
Net margin	-62,4%	-23,3%		23,2%		-34,0%	-19,4%	

Source: BDM S.A., company

- In 2Q'22, the company generated PLN 1.2 million in revenues (+ 110.5% y / y), of which PLN 1.3 million from sales revenues, incl. in connection with the premiere of "ACS", this item was reduced by the change in the status of products, which amounted to -PLN 0.1m (vs PLN 0.5m in Q1'22).
- In the period under review, operating expenses decreased by 1.7% y / y and increased q / q by 31.6% to PLN 1.5 million. As usual, the highest cost is related to the production of games - the costs of external services increased by 18.2% y / y and by 45.5% q / q to PLN 0.6 million, and salaries decreased by approx. 16.4% y / y, and increased q / q by 22.3% to PLN 0.6m.
- On the EBITDA level, the company posted a loss of PLN 0.2m (vs. PLN 0.9m loss a year ago), EBIT was PLN -0.2m, and the net loss was PLN 0.3m (vs. PLN 0.4m). PLN loss in Q2'21).
- Over the past quarter, "products and semi-finished products in progress" decreased q / q by PLN 0.1 million to the level of PLN 4.7 million, and "finished products" fell by PLN 0.4 million to PLN 1.7 million.
- In 2Q'22, net cash flows from operating activities amounted to -0.5 million PLN. At the end of June 22, the company had PLN 0.9m in cash, i.e. PLN 0.6m less q / q.
- At the end of June '22, at CreativeForge Games, converted into full-time jobs, there were no people employed under a contract of employment, but she employed 9 people under civil law contracts and one person from the management board employed with the title of calling. In total, in the group, converted into full-time jobs, there were no people employed on the basis of an employment contract, 2 people were employed due to appointments and 42 people on the basis of civil law contracts.
- At the beginning of 2Q'22, the company presented players with a demo version of the game "House Flipper City". The final version of the game will probably be ready next year. The second demo that CFG managed to prepare concerned the game Deadwater Saloon. The prologue of this game is also planned to be released in the middle of Q3'22. This will be the introduction of players to the final product. The full version of the game will be available on Steam later this year.



- "HandymanCorporation" - the production phase is currently underway and the game is currently being tested for optimization. The planned release date is 4Q'22. Before this happens, however, the company plans to release a demo version this quarter to collect free player feedback and possible ideas for improving the gameplay.
- "MyHotel" - the pre-production stage was completed and CFG moved to the production stage. Errors and elements that lower performance are removed on an ongoing basis. The production is not endangered, currently analyzes are being carried out examining the direction in which the marketing of the game should go, and an appropriate publishing window is being sought to maximize premiere profits.
- In addition to the demo versions, players had the opportunity to see the trailer for the game "Colonize". CFG plans to release the full game in Q4'22.
- The company focuses this quarter on maximizing the efficiency of the production team, optimizing production stages and managing the team. Appropriate procedures have been created to quickly identify potential errors related to adding new features and mechanics to games, while at the same time improving the error reporting system and identifying them, and thus faster removal by testing teams.

Planowane premiery gier

Gra	Planowany termin premiery gry
Deadwater Sallon	IVQ 2022
House Flipper City	2022/2023
Stargate: Timekeepers (nazywana wcześniej Projekt X)	2022/2023
Projekt Y (współpraca z Slitherine Software UK LTD)	2022
Handyman Corporation	IVQ2022
My Hotel	IVQ2022
Black Gold	IIQ2023
Orc Warchieff	2023
Gnomepunk	2023
Builders of Greece	2023
Gimle	2024
Monsters Domain	2023
Once upon a Time... Life	2023
Builders of Egypt	TBA
City of Atlantis	2023

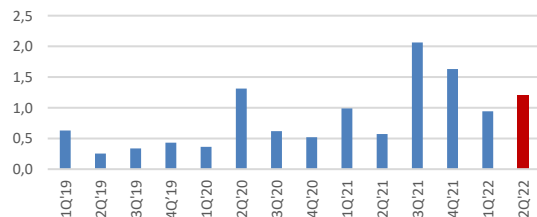
Źródło: company

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	1Q'22	2Q'22	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	0,9	1,2	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	-0,2	-0,3	-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	0,0	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	-0,2	-0,2	-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	-0,2	-0,2	-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	-0,1	-0,3	-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	-0,1	-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%	-5,7%	110,5%	-	-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%	-18,0%	-21,7%	-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%	-16,9%	-19,4%	-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%	-18,1%	-20,5%	-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%	-14,5%	-23,3%	-23,4%	-10,0%	2,1%	-10,5%

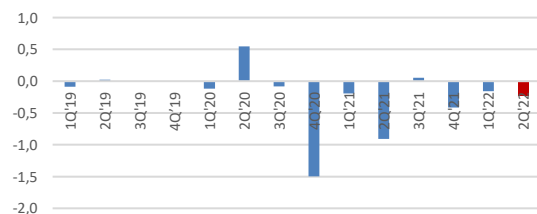
Źródło: BDM S.A., company

Sales [mln PLN]



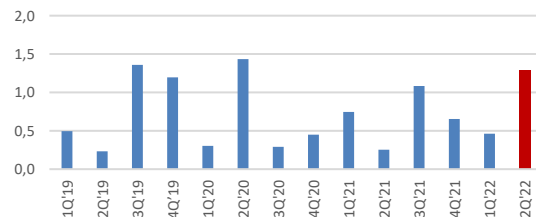
Źródło: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]



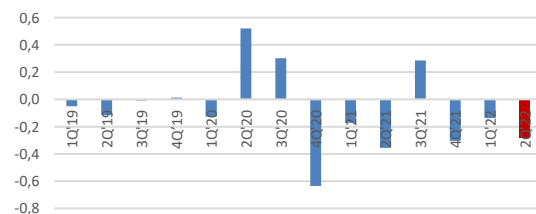
Źródło: Dom Maklerski BDM S.A., company

Revenue from the sale of products [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.

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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	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 Q3'22\*:**

, 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	33%	2	100%
Accumulate	2	67%	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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