

## Artifex Mundi

### Weak performance in HOPA; waiting for new RPG in F2P segment

- Q2 2022 results.** The company reported preliminary Q2 revenue of approximately PLN 9.7m (-13% y/y ; -13% q/q). Revenues from the HOPA games segment amounted to PLN 3.7m (-20% y/y ; -2% q/q) and from the F2P segment PLN 5.8m (-7% y/y ; -18% q/q). Initial expenditure on UA amounted to PLN 3.3m. F2P's UA/revenue multiplier was 55.9%, almost at the same level as in Q1. We assume COGS to be PLN 2.5m in the quarter and G&A expenses to be PLN 1.4m. We expect a neutral market reaction to the results.
- Outlook.** We can see the pressure on the side of the difficult games market and the UA environment, which does not allow us to scale Unsolved, at the rate we previously assumed. Additionally, the erosion of HOPA games is faster than we previously assumed. The company is generating positive FCF and is attractively valued, but there are no stronger products in sight to improve newsflow and scale it to an even higher level. A key project in development is an RPG in the F2P segment. On the one hand, the new RPG could represent a significant upside to forecasts, and on the other hand, we are cautious about discounting this project due to Bladebound's less than ideal track-record ART in the same genre. We believe that in the short term the mobile games market may be under recessionary pressure, but long-term market trends should be favourable.
- Changes to forecasts / Recommendation.** We are lowering our forecasts mainly due to the very weak dynamics of the HOPA segment. We are reiterating a BUY rating with a reduced target price to PLN 14.7/share.

**Buy**

(Previous: Buy; PLN 17,6)

**TP: 14,7 PLN**

**Cur. price: 7,4 PLN**

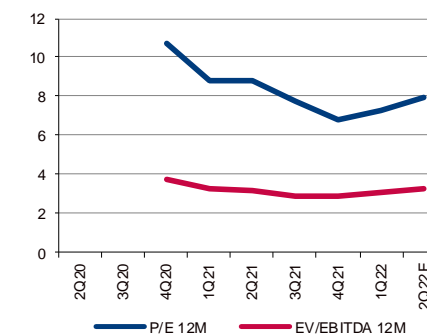
**Upside: 99%**

#### Financial results

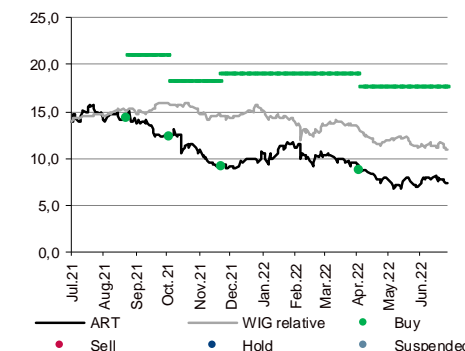
21.09.2022

Company data	Recommendation history	Date	Price
Ticker	ART	Buy	22.04.2022 17,6
Sector	Games	Buy	09.12.2021 19,0
Price (PLN)	7,4	Buy	21.10.2021 18,3
52w min/max (PLN)	5,02 / 12,4	Buy	10.09.2021 21,0
Shares (m)	11,9		
MC (PLNm)	88		
Free-float	1		
Avg. 3M turnover (PLNm)	0,06		
Price chng.	1M 28,0%	3M 16,8%	1Y -30,5%

#### P/E 12M vs EV/EBITDA 12M



#### WIG vs. ART chart



mPLN	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	y/y	q/q
Sales	8	6	7	11	11	9	8	11	10	-13%	-13%
EBITDA	6	4	3	6	6	5	4	5	4	-26%	-11%
EBIT	4	2	2	4	4	4	3	3	3	-35%	-17%
Net profit	3	2	1	3	3	3	3	2	2	-31%	2%
P/E12M trailing	-	-	10,7	8,8	8,8	7,8	6,8	7,3	7,9		
EV/EBITDA 12M trailing	-	-	3,7	3,3	3,2	2,8	2,9	3,0	3,3		
sales growth y/y	88%	36%	53%	87%	43%	65%	22%	5%	-13%		
EBITDA margin	78,8%	73,7%	47,4%	56,1%	50,0%	56,7%	49,1%	41,5%	42,2%		
EBIT margin	51,9%	43,7%	25,5%	40,1%	36,2%	45,3%	35,5%	28,3%	26,8%		
Net margin	44,0%	35,8%	21,2%	30,1%	30,4%	36,5%	37,5%	20,7%	24,1%		

mPLN	2019	2020	2021	2022E	2023E	2024E
Sales	17	26	39	44	58	67
EBITDA	-7	17	21	19	27	31
EBIT	-14	10	15	13	20	20
Net profit	-14	8	13	11	18	18
EPS (PLN)	-1,15	0,7	1,1	0,9	1,5	1,4
DPS (PLN)	0,0	0,0	0,0	0,0	0,0	0,0
P/E (x)	-	10,7	6,8	8,1	5,0	5,2
EV/EBITDA (x)	-	4,5	3,5	3,5	2,2	1,5
P/BV (x)	4,2	3,0	2,0	1,6	1,2	1,0
DY (%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

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#### Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

OCF – cash generated through the operational activities of the company

FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets

ROE – rate of return on equity

NWC – net working capital

Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

Gross profit margin – a ratio of gross profit to net revenue

EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – a ratio of operating profit to net revenue

net margin – a ratio of net profit to net revenue

EPS – earnings per share

DPS – dividends per share

P/E – a ratio of market price to earnings per share

P/BV – a ratio of market price to book value per share

EV/EBITDA – a company's EV to EBITDA ratio

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, dividend paid to share price ratio

RFR - risk-free rate

WACC - weighted average cost of capital

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BUY – we expect that the rate of return on an investment will be at least 10%

NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%

SELL – we expect that an investment will make a loss greater than 0%

Recommendation prepared by: Grzegorz Kujawski, Maciej Marcinowski, David Sharma, Dominik Niszcz, Michał Kozak, Kacper Koproń, Katarzyna Kosiorek, Łukasz Rudnik, Piotr Rychlicki, Piotr Chodyra

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