

Artifex Mundi

Unsolved's strong growth will drive results; new RPG soft-launch soon

#Results The company reported preliminary Q1 revenues of approximately PLN 15.9m (+44% y/y ; +79% q/q). Revenue from the HOPA games segment was PLN 3.1m (-20% y/y ; +12% q/q) and from the F2P segment PLN 12.8m (+80% y/y ; +110% q/q). Initial spending on UA amounted to PLN 8m. UA/ F2P revenue multiplier was 62% (+20pp q/q). We assume COGS of PLN 2.3m and G&A of PLN 1.8m for the quarter. We expect a positive market reaction to the results. Performance dynamics strongest in the sector;

#Outlook / Newsflow The most important project in the medium term is the strongly growing Unsolved app. The company expanded Unsolved's marketing team in '22 and is seeing efficiency improvements of several tens of percent from the end of 2022. It appears that, following the company's announcements, Unsolved can grow in terms of content, new UA channels, new platforms and on the performance / monetisation side. There are plans to release Unsolved on Steam (2Q23) and Amazon. The biggest revenue potential is the meta-game expansion, which is expected to be done in 2-3 quarters. Furthermore, ART wants to implement more LiveOps in the game to improve monetisation. The company is also working on a new RPG, which could have tests in the second half of 2023. For now, we remain sceptical about the success of the title due to the difficult market environment and the lack of success in RPGs (Bladebound). A risk for the game could be the relatively high budget. The company's Guidance is optimistic, and after Q1 it seems that this could be a record year of results;

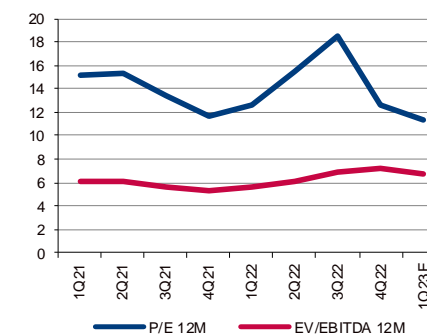
#Model changes / recommendation We are strongly raising our forecasts and assumptions for the F2P segment. We expect F2P revenue growth to be +144% in 2023 - the fastest revenue growth in the Polish sector. We see further room for Unsolved revenue growth. We reiterate our BUY recommendation with a target price of PLN 18.7/share.

mPLN	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23E	y/y	q/q
Sales	11	11	9	8	11	10	9	9	16	44%	79%
EBITDA	6	6	5	4	5	4	4	3	6	21%	68%
EBIT	4	4	4	3	3	2	2	2	4	27%	119%
Net profit	3	3	3	3	2	1	2	7	4	57%	-48%
P/E12M trailing	15,2	15,3	13,4	11,7	12,6	15,5	18,6	12,6	11,4		
EV/EBITDA 12M trailing	6,1	6,1	5,6	5,3	5,6	6,1	6,8	7,2	6,7		
sales growth y/y	87%	43%	65%	22%	5%	-13%	-3%	7%	44%		
EBITDA margin	56,1%	50,0%	56,7%	49,1%	41,5%	40,2%	43,8%	37,0%	34,8%		
EBIT margin	40,1%	36,2%	45,3%	35,5%	28,3%	25,4%	28,0%	20,5%	25,1%		
Net margin	30,1%	30,4%	36,5%	37,5%	20,7%	11,2%	19,2%	78,3%	22,6%		

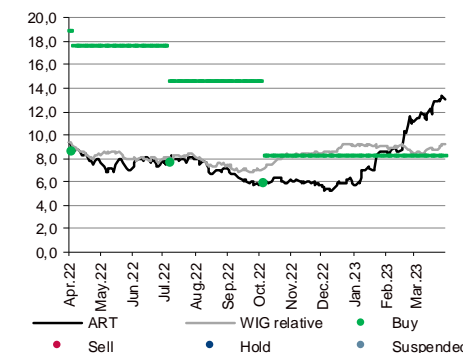
Financial results 17.05.2023

Company data	Recommendation history	Date	Price
Ticker	ART	Buy	24.10.2022 8,3
Sector	Games	Buy	25.07.2022 14,7
Price (PLN)	12,8	Buy	22.04.2022 17,6
52w min/max (PLN)	5,02 / 12,4	Buy	09.12.2021 19,0
Shares (m)	11,9	Buy	21.10.2021 18,3
MC (PLNm)	152	Buy	10.09.2021 21,0
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	2020	2021	2022	2023E	2024E	2025E
Sales	26	39	39	74	86	101
EBITDA	17	21	16	26	31	36
EBIT	10	15	10	20	24	28
Net profit	8	13	12	18	21	25
EPS (PLN)	0,69	1,1	1,0	1,5	1,7	2,0
DPS (PLN)	0,0	0,0	0,0	0,0	0,0	0,0
P/E (x)	18,5	11,7	13,0	8,7	7,6	6,4
EV/EBITDA (x)	8,3	6,6	9,9	5,5	4,2	3,0
P/BV (x)	5,2	3,7	2,8	2,1	1,7	1,3
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

Recommendations of the Brokerage House

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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