

Movie Games S.A.

Price target: PLN 85

Initiating Coverage

Rating: BUY

Movie Games S.A., which was founded in 2016, is a Polish games developer and publisher, which is controlled by PlayWay S.A., one of the largest and most profitable interactive entertainment companies on the Warsaw Stock Exchange, and his CEO & founder Mr Mateusz Wczesniak. Despite its short track record, the Group already has several successful and profitable titles, especially "Drug Dealer Simulator" (87/100 avg. rating on steampowered.com; >400k copies sold) and "Gas Station Simulator" (avg. rating 85/100; >500k copies sold). Movie Games' strategy foresees the release of c. 10 lower-budget (thus less risky) games per year and acquisition of other game developers, which already have interesting IP in different game genres. In the next 12 months, the Group plans to release 11 prologues and new games e.g. a console version of its hit title "Drug Dealer Simulator", "Drug Dealer Simulator 2" and "Alaskan Truck Simulator" (No of followers on Steam Wishlist: >170,000). We have valued Movie Games by using a weighted average of a DCF model (80%) and peer group (20%). Our 12-months PT for the stock is PLN 85, which implies an upside of 41.7% at present. On our 2021E estimates, the company is currently trading at a P/E of 10.8x, which is 45.4%/42% below the median of its Polish/international peers.

In 2018-2020, Movie Games has increased its sales and EBIT at a CAGR of 67.1% and 150.1% respectively. This resulted especially from the successful premiere of "Drug Dealer Simulator", which has so far sold >400k copies. In 9M/21, the Movie Games Group released "Gas Station Simulator" with sales of >500k so far. MOV buys or establishes new companies with interesting IP, which it plans to list in the NewConnect segment of the WSE. Examples of these subsidiaries include Road Studio, which is supposed to release games related to driving; Brave Lamb Studio, which is an Indie game developer and Goat Gamez, which has the famous Polish soccer player Robert Lewandowski as co-shareholder and plans to develop sport games.

In 2021E, we believe that Movie Games will generate revenues of PLN 13.2m and net income of PLN 14.3m, which next year should increase to PLN 48.3m and PLN 23.8m respectively due to several widely expected premieres. The Global Video Game industry is now the largest within the Entertainment sector with an expected CAGR of 8.3%.

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net sales	4.48	10.89	13.15	48.29	52.29	56.63
EBITDA	0.94	4.10	3.74	17.46	16.29	14.82
EBIT	0.92	4.08	3.68	17.38	16.21	14.72
Net income	0.84	8.99	14.32	23.80	19.21	15.98
EPS	0.33	3.49	5.57	9.25	7.46	6.21
DPS	0.00	0.32	0.62	0.92	0.75	0.62
Dividend yield	0.00%	0.53%	1.03%	1.54%	1.24%	1.03%
RoE	24.05%	81.42%	67.12%	61.43%	32.92%	21.65%
Net gearing	-9.38%	-58.60%	-19.32%	-0.23%	-23.71%	-37.69%
EV/Sales	32.80x	13.50x	11.18x	3.04x	2.81x	2.60x
EV/EBITDA	156.23x	35.85x	39.30x	8.42x	9.02x	9.92x
P/E	184.52x	17.18x	10.78x	6.49x	8.04x	9.66x

Company profile

Movie Games S.A. is a Warsaw-based video games developer and publisher.

Date of publication	2 December 2021 / 6:30 am
Website	www.moviegames.pl
Sector	Video Games
Country	Poland
ISIN	PLMVGMS00011
Reuters	MOV.WA
Bloomberg	MOV.PW

Share information

Last price	60.00
Number of shares (m)	2.57
Market cap. (PLNm)	154.39
Market cap. (EURm)	33.21
52-weeks range	PLN 124.50 / PLN 55.10
Average volume	6,321

Performance

4-weeks	-2.26%
13-weeks	-6.05%
26-weeks	-18.11%
52-weeks	-44.91%
YTD	-36.08%

Shareholder structure

PlayWay S.A.	33.43%
Mateusz Wczesniak (CEO)	19.79%
Jakub Trzebinski	7.66%
Free float	39.12%

Financial calendar

Annual Report 2021 (exp.)	March 18, 2022
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Investment Case

- Movie Games S.A. (MOV) is Polish games developer and publisher with a strong and highly profitable strategic shareholder PlayWay. The company focuses on games of different genres, but especially simulation, strategy and horror games for PC and consoles with a development budget of max. PLN 500k/EUR 110k. The Group's development team currently consist of >60 people. One of MOV's Supervisory Board members is Mr David Jaffe, a former Sony manager, who previously oversaw the development of the popular game series "God of War" that to date has sold >51m copies worldwide.
- Movie Games' strategy consists of acquiring or establishing development studios with strong IP, seed-funding and listing them in the NewConnect segment of the Warsaw Stock Exchange. This allows the company to diversify revenues and benefit not only from sales of new games, but also sales of shares in its subsidiaries and their dividends. The group currently consists of 13 companies, of which 5 are either already listed or will soon be. MOV's most important franchises are "Drug Dealer Simulator" (87/100 average rating on steampowered.com; >400k copies sold since April 2020) and "Gas Station Simulator (85/100; >500k copies sold since Sep 2021). By the end of 2022E, the company plans to release 11 prologues and new games incl. a console version of "Drug Dealer Simulator", "Drug Dealer Simulator 2" and the widely expected "Alaskan Truck Simulator". Next year, the company also wants to change to the Main Market of WSE.
- According to various market research firms, the global video games sector is expected to grow from USD 156.8bn-USD 177.8bn in 2020 at a CAGR of 5.3%-9.6%. The largest market segment are Mobile games and the largest geographical markets China and the US. In Poland, the value of the gaming sector is estimated at c. PLN 2.5bn/EUR 541m.
- After increasing its sales and EBIT at a CAGR of 67.1% and 150.1% respectively in 2018-2020, Movie Games' 9M/21 were impacted by still strong sales of "Drug Dealer Simulator" and an excellent premiere of "Gas Station Simulator" of 10.6%-subsidiary DRAGO Entertainment (as publisher, MOV receives 10% of the game's sales). While revenues reached PLN 9.3m (+15.3% y-o-y), EBIT equalled PLN 1.4m (9M/20: PLN 4.1m) and net income PLN 13.4m (PLN 3.6m). Assuming 180k copies sold of "Drug Dealer Simulator" and 610k of "Gas Station Simulator", we have arrived at a sales forecast for full-year 2021E of PLN 13.2m (+20.8%). Regarding EBIT and net income, we estimate PLN 3.7m (-9.8%) and PLN 14.3m (+59.4%) respectively. Due to the planned releases we expect that in 2022E sales will grow to PLN 48.3m (+267.1%), EBIT to PLN 17.4m (+372%) and net income to PLN 23.8m (+66.2%).
- We initiate coverage of Movie Games with a 12-months PT (80% DCF, 20% peer group) of PLN 85, which implies an upside of 41.7% and a BUY rating. We like that Movie Games is backed by a strong strategic shareholder and focuses on lower-budget games that are less risky than AAA games. As risk, we consider the fact that MOV establishes many subsidiaries and thus becomes less transparent. On our EPS 2021E estimates, the company is trading at an attractive P/E 2021E of 10.8x and P/E 2022E of 6.5x respectively. The respective PEG ratios equal 0.18 and 0.10.

SWOT Analysis

Strengths

- One of the largest gaming companies on the Warsaw Stock Exchange with a strong strategic shareholder PlayWay and several profitable games
- Low budgets of max. PLN 500k per game and focus on profitability significantly reduce business risk
- Revenue and EBIT CAGR of 67.1% and 150.1% respectively in 2018-2020
- Movie Games is net cash
- CEO is the second-largest shareholder and development teams of subsidiaries are highly incentivised with a share of sales of their own games
- Dividend payouts since last year

Opportunities

- The global Video Games market is worth USD 156.8bn-USD 177.8bn and is expected to grow at a CAGR of 5.3%-9.6%. With a share of 52%, Mobile is the largest market segment, while China and the US are the largest geographical markets. Poland, a PLN 2.5bn/EUR 541m gaming market, has the most listed gaming companies worldwide
- Release of 11 prologues and new games by the end 2022E, including a console version of "Drug Dealer Simulator", "Drug Dealer Simulator 2" as well as the widely expected "Alaskan Truck Simulation" and "Winter Survival Simulator"
- Acquisition of gaming companies with promising IP

Weaknesses

- Listing in the illiquid and intransparent NewConnect segment of the Warsaw Stock Exchange
- Establishment or acquisition of other gaming companies can make the Movie Games Group intransparent and difficult to value, especially if these subsidiaries are not fully consolidated

Threats

- Loss of key employees and inability to attract qualified staff, which are a key success factor in the gaming industry
- Inability to develop attractive games
- Problems with certification of console manufacturers

Valuation

We have valued Movie Games by using a weighted average of our DCF model (80%) and peer group (20%). Our approach derives a 12-months price target for the stock of PLN 85, which is 41.7% above current level. We rate the stock a BUY.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 2.26% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Average 4-year unlevered beta of companies from the Entertainment sector of 1.25x
- (3) *Equity risk premium (Poland)*: 5.54% (Source: www.damodaran.com)
- (4) *Target equity ratio*: 100%
- (5) *WACC = Equity costs*: 9.2%
- (6) *Sales growth in the terminal period*: 2%
- (7) Free cash flows and residual values are discounted to December 1, 2021

DCF model

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	13.15	48.29	52.29	56.63	61.34	66.43	71.94	77.91	84.38
(y-o-y change)	20.8%	267.1%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Operating profit	3.68	17.38	16.21	14.72	15.49	16.27	17.09	17.92	18.97
(operating margin)	28.0%	36.0%	31.0%	26.0%	25.3%	24.5%	23.8%	23.0%	22.5%
NOPLAT	2.98	14.08	13.13	11.93	12.54	13.18	13.84	14.51	15.37
+ Depreciation & amortisation	0.06	0.08	0.08	0.09	0.10	0.10	0.11	0.11	0.12
= Net operating cash flow	3.04	14.16	13.21	12.02	12.64	13.28	13.95	14.63	15.48
- Total investments (Capex and WC)	-4.48	-24.43	-0.96	0.72	2.27	3.09	3.76	4.69	6.39
Capital expenditures	-0.28	0.04	-0.08	-0.09	-0.10	-0.10	-0.11	-0.11	-0.12
Working capital	-4.20	-24.47	-0.88	0.81	2.36	3.19	3.87	4.80	6.51
= Free cash flow (FCF)	-1.44	-10.27	12.25	12.74	14.91	16.37	17.71	19.32	21.88
PV of FCF's	-1.43	-9.34	10.21	9.72	10.41	10.48	10.38	10.37	10.76
PV of FCFs in explicit period	61.55								
PV of FCFs in terminal period	113.09								
Enterprise value (EV)	174.64								
+ Net cash / - net debt (30 September 2021)	11.69								
+ Investments / - minorities	-4.31								
Shareholder value	182.01								
Number of shares (m)	2.54								
		Terminal EBIT margin							
WACC	9.2%	5.2%	19.5%	20.5%	21.5%	22.5%	23.5%	24.5%	25.5%
Cost of equity	9.2%	6.2%	165.46	171.71	177.96	184.21	190.46	196.71	202.96
Pre-tax cost of debt	4.0%	7.2%	125.49	129.90	134.31	138.71	143.12	147.52	151.93
Normal tax rate	19.0%	8.2%	100.86	104.15	107.45	110.75	114.04	117.34	120.64
After-tax cost of debt	3.2%	9.2%	84.12	86.69	89.25	91.81	94.38	96.94	99.50
Share of equity	100.0%	10.2%	72.00	74.05	76.09	78.14	80.19	82.24	84.29
Share of debt	0.0%	11.2%	55.58	56.96	58.34	59.73	61.11	62.50	63.88
Fair value per share in PLN	71.57	12.2%	49.75	50.91	52.07	53.23	54.39	55.56	56.72
Fair value per share in PLN (in 12 months)	78.14								

Source: East Value Research GmbH

Peer Group Analysis

We have used two peer groups: One with listed Polish gaming companies that produce games for PCs and consoles and one with the largest international companies from the sector.

Local peers:

- (1) *CD Projekt S.A.*: CD Projekt, which is based in Warsaw, is the developer of the well-known AAA role-playing game franchises "The Witcher" (the whole series has so far sold >50m copies worldwide; "The Witcher 3" has an average rating of 97/100 on steampowered.com) and "Cyberpunk 2077" (76/100). The company is also the owner of one of the most popular online distribution platforms for especially older games, GOG.com. In 2020, CD Projekt S.A. generated revenues of PLN 2.1bn and a ROCE of 39.9%.
- (2) *PlayWay S.A.*: PlayWay, which is based in Warsaw, is a developer and publisher of lower budget simulation games for PCs and consoles. It is organised as a federation of different game development studios, of which many are themselves listed (incl. Movie Games"). The PlayWay Group's most popular franchises include "Car Mechanic Simulator" (the latest version has an average rating of 95/100 on steampowered.com) and "House Flipper" (92/100). In 2020, PlayWay generated revenues of PLN 164.3m and a ROCE of 21.2%.
- (3) *Creepy Jar S.A.*: Creepy Jar, which is based in Warsaw, is a game developer and publisher of shooter games with roots in one of the largest Polish gaming companies Techland S.A. Currently, the company's only game is "Greenhell" (avg. rating of 87/100 on steampowered.com). In 2020, Creepy Jar generated revenues of PLN 37.7m and a ROCE of 57.4%.
- (4) *CI Games S.A.*: CI Games is based in Warsaw. Its most important shooter franchises are "Sniper: Ghost Warrior" (the latest version of the game called "Sniper: Ghost Warrior Contracts 2" has an average rating of 83/100 on steampowered.com) and "Lords of the Fallen" (59/100). In 2020, CI Games generated revenues of PLN 46m and a ROCE of 6.3%.
- (5) *11bit Studios*: 11bit Studios, which is based in Warsaw, is one of the largest Polish developers and publishers. Its most important franchises include the Indie games "Frostpunk" (avg. rating of 91/100 on steampowered.com), "This War of Mine" (94/100) and "Children of Morta" (91/100). In 2020, 11bit Studios generated revenues of PLN 87.1m and a ROCE of 19%.

International peers:

- (6) *Electronic Arts Inc.*: Electronic Arts, which is headquartered in Redwood City/US, is the second-largest developer and publisher of games for various platforms worldwide. Its most successful franchises include e.g. the free-to-play shooter game "Apex Legends" (it has an average rating on steampowered.com of 86/100), the role-playing game "Star Wars" (the latest version has an average rating of 90/100), the shooter game "Battlefield" (25/100), the action game "Need for Speed" (84/100) and the sport games FIFA (80/100) and Madden NFL (48/100). EA also operates a proprietary online distribution platform called Origin, which also contains games of external developers. In 2020, EA generated revenues of USD 5.6bn and a ROCE of 8.1%.
- (7) *Activision Blizzard Inc.*: Activision Blizzard, which is based in Santa Monica/US, is the largest developer and publisher of games for various platforms worldwide. Its most successful franchises include "Call of Duty" (latest version has an average rating on steampowered.com of 62/100), "World of Warcraft" (average metacritic.com score for the latest version is 79/100), "Candy Crush" (78/100), "Overwatch" (91/100) and "Diablo" (88/100). In 2020, Activision Blizzard generated revenues of USD 8.1bn and a ROCE of 11.2%.
- (8) *Take-Two Interactive Software Inc.*: Take-Two Interactive, which is based in New York/US, is one of the largest gaming companies worldwide with a portfolio of games covering different genres and available for various platforms. The company's most important franchises include among others the RPG "Red Dead Redemption" (latest version has an average rating of 86/100 on steampowered.com), the action game "Grand Theft Auto" (84/100), the sports game "NBA 2K" (48/100) and the strategy game "Sid Meier's Civilization" (83/100). In 2020, Take-Two Interactive generated revenues of USD 3.4bn and a ROCE of 14%.
- (9) *Ubisoft Entertainment SA*: Ubisoft, which is based in Saint-Mande/France, is the largest European game developer known for the following franchises: the role-playing game "Assassin's Creed" (latest version has an average rating of 89/100 on steampowered.com), the first-person shooter "Tom Clancy's Rainbow Six Siege" (87/100), the action game "Watch Dogs" (82/100) and the music game "Just Dance" (79/100). In 2020, Ubisoft Entertainment generated revenues of EUR 2.2bn and a ROCE of 7.7%.

Company	EV/Sales		EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2021E	2022E	2021E	2022E	2021E	2022E	Latest	Last FY	Latest
CD Projekt S.A. (PLN)	19.27x	14.41x	37.89x	24.27x	90.57x	33.18x	10.10x	54.60%	-50.03%
PlayWay S.A. (PLN)	10.00x	8.28x	14.19x	11.95x	19.73x	16.89x	7.35x	72.27%	-47.79%
Creepy Jar S.A. (PLN)	10.52x	14.09x	12.56x	18.02x	15.69x	21.46x	8.69x	68.33%	-81.07%
CI Games S.A. (PLN)	2.46x	4.18x	4.19x	6.62x	9.88x	18.67x	2.50x	19.28%	-32.23%
11bit Studios (PLN)	18.79x	13.91x	38.76x	43.71x	52.29x	123.04x	6.40x	58.86%	-54.46%
Median	10.52x	13.91x	14.19x	18.02x	19.73x	21.46x	7.35x	58.86%	-50.03%
Movie Games S.A. (PLN)	11.18x	3.04x	39.30x	8.42x	10.78x	6.49x	5.94x	37.67%	-28.39%
Premium/Discount	6.3%	-78.1%	177.0%	-53.3%	-45.4%	-69.8%			
Fair value per share Movie Games (PLN)	129.58								

Company	EV/Sales		EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2021E	2022E	2021E	2022E	2021E	2022E	Latest	Last FY	Latest
Electronic Arts Inc. (USD)	4.60x	4.32x	12.65x	11.79x	17.62x	16.41x	4.47x	21.90%	2.84%
Activision Blizzard Inc. (USD)	4.49x	4.29x	10.48x	9.99x	15.42x	15.30x	2.69x	37.40%	-37.72%
Take-Two Interactive Inc. (USD)	4.59x	4.01x	22.39x	16.23x	35.52x	25.64x	5.23x	22.50%	-59.32%
Ubisoft Entertainment SA (EUR)	2.72x	2.39x	5.91x	5.12x	19.52x	16.41x	3.15x	20.50%	32.94%
Median	4.54x	4.15x	11.57x	10.89x	18.57x	16.41x	3.81x	22.20%	-17.44%
Movie Games S.A. (PLN)	11.18x	3.04x	39.30x	8.42x	10.78x	6.49x	5.94x	37.67%	-28.39%
Premium/Discount	146.2%	-26.6%	239.8%	-22.6%	-42.0%	-60.5%			
Fair value per share Movie Games (PLN)	76.40								

Average peer group based FV 102.99

Source: CapitalIQ, bankier.pl, East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	71.57	80%
Peer-group-based fair value	102.99	20%
Weighted average (present value)	77.85	
In 12-months (PV * (1+WACC))	85.00	

Source: East Value Research GmbH

9M/21 results

Revenues and Profitability

In 9M/21, Movie Games reported 15.3% higher revenues of PLN 9.3m. In our view, the main contributors were "Drug Dealer Simulator", Movie Games' own game, and "Gas Station Simulator", a game that was released in September by its subsidiary DRAGO Entertainment and for which MOV receives 10% of all sales as it is the game's publisher.

in PLNm	9M/21	9M/20	change (%)
Net sales	9.29	8.06	15.3%
EBITDA	1.45	4.14	-64.9%
<i>EBITDA margin</i>	<i>15.6%</i>	<i>51.3%</i>	
EBIT	1.42	4.12	-65.5%
<i>EBIT margin</i>	<i>15.3%</i>	<i>51.2%</i>	
Net income	13.43	3.57	276.2%
<i>Net margin</i>	<i>144.6%</i>	<i>44.3%</i>	

Source: Company information, East Value Research GmbH

On the one hand, the share of operating costs increased significantly in 9M/21 compared to last year. However, on the other the bottom-line was positively impacted by the re-valuation of shareholdings such as DRAGO Entertainment, Road Studio and Pixel Crow Games, of which most are or will soon be listed in the NewConnect segment of the Warsaw Stock Exchange. While EBIT declined by 65.5% y-o-y to PLN 1.4m, net income advanced by 276.2% to PLN 13.4m, which stemmed from a PLN 14m revaluation of financial assets.

Balance sheet and Cash flow

At the end of September 2021, Movie Games had consolidated equity excl. minorities worth PLN 26m, which corresponds to an equity ratio of 66%. Interest-bearing debt was very small (PLN 399k). Another larger balance sheet positions were financial assets in external companies (PLN 12.4m), which basically reflects the value of stock market-listed subsidiaries, and cash (PLN 12.1m). While fixed assets equalled PLN 123k, intangible assets (software, licenses) were worth PLN 121k and goodwill PLN 255k.

Between January and September 2021, Movie Games generated an operating cash flow of PLN -3.7m compared to PLN 993k in 9M/20. It was negatively impacted by the correction related to the high revaluation gain. Cash flow from investing equalled PLN 1.6m (9M/20: PLN 1.1m) due to the sale of shares in subsidiaries that debuted on the stock exchange. Cash flow from financing amounted to PLN 5.3m compared to PLN 4.7m last year. Between January and September 2021, Movie Games' cash position increased by PLN 3.2m.

Financial forecasts

Revenues and Profitability

Movie Games' strategy foresees the issue of c. 10 new games every year. So far this year, the group has released "Last from Beyond" and "Gas Station Simulator". Especially, the latter was highly successful, with sales of >500k copies since September.

Our revenue model for the Movie Games Group is based on the following assumptions:

- 1) Detailed estimates for games have only been made for 2021E and 2022E.
- 2) Average price per unit of USD 19.99/game in the release year and USD 16.79 in the next year.
- 3) Average PLN-USD FX rate of 3.90, which declines to 3.50 in the long run.
- 4) Average share of revenues from the online distribution platforms steampowered.com and of the main console producers that MOV receives: 70%.
- 5) Average share of revenues from games of MOV's subsidiaries, for which MOV always acts as publisher: 10%.
- 6) For the period beyond 2022E, where visibility related to game releases is small, we have assumed that sales will grow in-line with the average CAGR for the global gaming sector: 8.3%.

Our sales model for 2021E and 2022E is based on the following games:

2021E: 1. "Drug Dealer Simulator" and 2. "Gas Station Simulator"

2022E: 1. Additional content and console version of "Drug Dealer Simulator" 2. Release of "Drug Dealer Simulator 2" by Movie Games, 3. "Car Wash Simulator" by Movie Games, 4. "Alaskan Truck Simulator" by subsidiary Road Studio, 5. "Fire Commander" by subsidiary Pixel Crow Studio, 6. "Mythbusters" by Movie Games and 6. "Winter Survival Simulator" by Road Studio. In addition, we have accounted for 120k copies sold of new games, which have not yet been disclosed. We believe that the highest commercial potential have "Alaskan Truck Simulator" and "Mythbusters", which currently have >170,000 and 75,000 followers on Steam Wishlist.

in PLNm	2021E	2022E
Drug Dealer Simulator 1	9.82	2.23
<i>Share in total sales</i>	<i>74.7%</i>	<i>4.6%</i>
Price per unit (USD)	19.99	16.79
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	77.96	63.80
Number of copies sold	180,000	50,000
Share of revenues for MOV	70.0%	70.0%
Drug Dealer Simulator 2	0.00	19.94
<i>Share in total sales</i>	<i>0.0%</i>	<i>41.3%</i>
Price per unit (USD)	0.00	19.99
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	0	76
Number of copies sold	0	375,000
Share of revenues for MOV	70.0%	70.0%
Car Wash Simulator (PC)	0.00	6.65
<i>Share in total sales</i>	<i>0.0%</i>	<i>13.8%</i>
Price per unit (USD)	0.00	19.99
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	0.00	75.96
Number of copies sold	0	125,000
Share of revenues for MOV	70.0%	70.0%
Gas Station Simulator (PC)	3.33	1.79
<i>Share in total sales</i>	<i>25.3%</i>	<i>3.7%</i>
Price per unit (USD)	19.99	16.79
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	77.96	63.80
Number of copies sold	610,000	400,000
Share of revenues for DRAGO	70.0%	70.0%
Share of revenues for MOV	10.0%	10.0%
Alaskan Truck Simulator (PC)	0.00	1.73
<i>Share in total sales</i>	<i>0.0%</i>	<i>3.6%</i>
Price per unit (USD)	0.00	19.99
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	0.00	75.96
Number of copies sold	0	325,000
Share of revenues for Road Studio	70.0%	70.0%
Share of revenues for MOV	10.0%	10.0%
Fire Commander (PC)	0.00	0.53
<i>Share in total sales</i>	<i>0.0%</i>	<i>1.1%</i>
Price per unit (USD)	0.00	19.99
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	0.00	75.96
Number of copies sold	0	100,000
Share of revenues for Pixel Crow	70.0%	70.0%
Share of revenues for MOV	10.0%	10.0%
Mythbusters (PC)	0.00	7.98
<i>Share in total sales</i>	<i>0.0%</i>	<i>16.5%</i>
Price per unit (USD)	0.00	19.99
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	0.00	75.96
Number of copies sold	0	150,000
Share of revenues for MOV	70.0%	70.0%
Winter Survival Simulator (PC)	0.00	1.06
<i>Share in total sales</i>	<i>0.0%</i>	<i>2.2%</i>
Price per unit (USD)	0.00	19.99
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	0.00	75.96
Number of copies sold	0	200,000
Share of revenues for Road Studio	70.0%	70.0%
Share of revenues for MOV	10.0%	10.0%
Not yet disclosed games produced by MOV	0.00	6.38
<i>Share in total sales</i>	<i>0.0%</i>	<i>13.2%</i>
Price per unit (USD)	0.00	19.99
PLN-USD FX rate	3.90	3.80
Price per unit (PLN)	0.00	75.96
Number of copies sold	0	120,000
Share of revenues for MOV	70.0%	70.0%
Total net sales	13.15	48.29
(change y-o-y)	20.8%	267.1%

Source: East Value Research GmbH

in PLNm	2021E	2022E	2023E	2024E
Net sales	13.15	48.29	52.29	56.63
EBITDA	3.74	17.46	16.29	14.82
<i>EBITDA margin</i>	28.4%	36.2%	31.2%	26.2%
EBIT	3.68	17.38	16.21	14.72
<i>EBIT margin</i>	28.0%	36.0%	31.0%	26.0%
Net income	14.32	23.80	19.21	15.98
<i>Net margin</i>	108.9%	49.3%	36.7%	28.2%

Source: East Value Research GmbH

in PLNm	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	Q3/21	Q4/21E	2021E
Net sales	0.82	6.14	0.67	3.26	10.89	2.50	2.99	3.80	3.86	13.15
<i>y-o-y change</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	142.9%	205.4%	-51.4%	468.0%	18.6%	20.8%
EBITDA	0.14	4.93	-1.21	0.24	4.10	0.15	0.45	0.86	2.29	3.74
<i>EBITDA margin</i>	17.1%	80.3%	-181.3%	7.4%	37.7%	5.8%	15.0%	22.6%	59.3%	28.4%
EBIT	0.14	4.93	-1.22	0.23	4.08	0.14	0.42	0.86	2.26	3.68
<i>EBIT margin</i>	16.6%	80.3%	-181.9%	7.1%	37.5%	5.5%	14.2%	22.6%	58.5%	28.0%
Net income	0.13	3.90	-0.81	5.77	8.99	6.59	0.36	6.49	0.89	14.32
<i>Net margin</i>	16.0%	63.5%	-121.2%	177.2%	82.6%	263.2%	11.9%	170.7%	23.0%	108.9%

Source: Company information, East Value Research GmbH

CAPEX and Working capital

Movie Games is a company with little CAPEX and working capital requirements. Consequently, we forecast a gross CAPEX/sales ratio of 2.1% in 2021E and 0.1% in the long run. Regarding working capital, we believe that its share in total sales will decline from 72.2% in 2020 to c. 20% in the long run and the cash conversion cycle from >500 days last year to 60 days.

Business description

The Warsaw-based Movie Games S.A. (MOV) is one of the leading gaming companies on the Warsaw Stock Exchange. The company, which puts a strong focus on cost control, specializes in simulator, survival and horror games for PC and consoles in the low-budget segment with production costs of max. PLN 500,000 per game. The group's biggest successes so far are "Drug Dealer Simulator" (released in April 2020) and "Gas Station Simulator" (released in September 2021). Movie Games has been listed in the alternative NewConnect segment of the Warsaw Stock Exchange since 2019. Currently, it has 3 full-time employees and in addition works together with 67 freelancers on a regular basis.

Company history

2016: Income Capital Sp. z o.o. buys all shares in the company's predecessor Newhall Investment S.A.

Aleksy Uchanski becomes CEO and Mateusz Wczesniak Head of the Supervisory Board.

2017: Announcement of the publication of the first game "303 Squadron: Battle of Britain".

Announcement of the horror game „Lust for Darkness”, which was supposed to be developed by the internal development team - Movie Games Lunarium.

Capital increase and change of name to Movie Games S.A. PlayWay becomes the company's strategic shareholder.

Announcement of the game „No Drugs” and "Project Remedium".

2018: Capital increase, which was taken over by existing shareholders.

Movie Games gains Maciej Miasik as Member of Supervisory Board. Maciej is one of the most experienced game developers in Poland.

Capital increase, which was taken over by a new shareholder: Fundusz Stabilnego Rozwoju Sp. z o.o.

First crowdfunding campaign on Kickstarter for "Lust of Darkness". It was completed successfully after 42 hours.

Release of "Remedium", Movie Games' first game.

Premiere of "Orbital Racer" on Steam.

Kickstarter campaign for „303 Squadron: Battle of Britain“.

Mateusz Wczesniak and Maciej Miasik become Members of the Board, Aleksy Uchanski Head of the Supervisory Board.

Distribution agreement with the global publisher Plug-in-Digital.

Licensing contract with Discovery Licensing Inc.

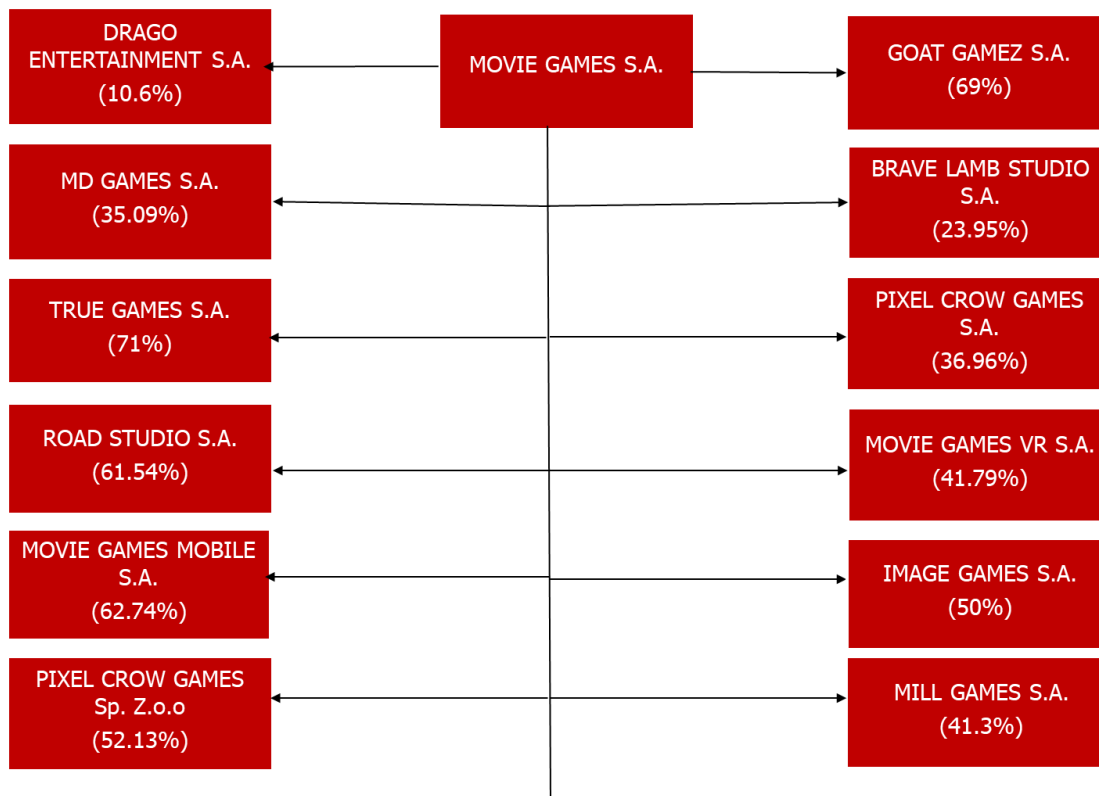
Release of “Soulblight”, „Squadron 303: Battle of Britain” (early access), “VSR: Void Space Racing” for Nintendo Switch and “Treasure Hunter Simulator”.

Signing of the investment agreement with Drago sp. z o.o, in which Movie Games takes over a 22% stake. Foundation of a subsidiary, which is dedicated to porting of games - My Next Consoles sp. z. o.o.

IPO worth PLN 2m (PLN 18.60 per share) and listing in the NewConnect segment.

- 2019: Release of “Lust for Darkness”, “The Beast Inside” for PC and “Plane Mechanic Simulator”.
- 2020: Release of “The Beast Inside” for consoles and “Drug Dealer Simulator”. “Drug Dealer Simulator” covers all its costs within 30 min after release.
- 2021: Release of “Lust from Beyond” and “Gas Station Simulator”. “Gas Station Simulator” covers all its costs (c. PLN 450k) within 90 min and in the first month after release sells c. 300k copies.

Structure of the Movie Games Group



Source: Company information, East Value Research GmbH

The Movie Games Group currently consists of MOV and 12 different companies, which do not compete with each other. Apart from DRAGO Entertainment S.A. and MD Games S.A., all are located in the same office building in Warsaw as MOV, which allows effective co-operation and monitoring. There are subsidiaries, which are in charge of porting the Group's games but also external games to different platforms such as MD Games S.A. (porting to consoles), Movie Games Mobile S.A. (porting to mobile versions) and Movie Games VR S.A. (porting to virtual reality versions). Others are development studios, each of which develops games from different genres: DRAGO Entertainment S.A. (simulation & survival games; already listed in the NewConnect segment), Road Studio S.A. (automobile & survival simulation games; will be listed in Q1/22E), Goat Gamez S.A. (sport games), Brave Lamb Studio S.A. (Premium Indie games; will be listed in H1/22E), Pixel Crow sp. z.o.o. (original concepts with highly engaging gameplay), Pixel Crow Games S.A. (already listed; the company will be merged with Pixel Crow sp. z.o.o.), Image Games S.A. (JV with Polish VR studio Platige Image; is supposed to develop three AA higher-budget projects), Mill Games S.A. (investments in Romanian game developers & gaming projects) and True Games S.A. (developer of Gangster Simulator; the company will be merged with True Games Syndicate S.A.).

MOV's management states that the different subsidiaries, which are or will be listed in the NewConnect segment of the Warsaw Stock Exchange, allow to raise fresh capital for projects more easily and to motivate key staff with shares. However, we believe that too many subsidiaries are not good for transparency and make the valuation of the whole Movie Games Group difficult.

Valuation of MOV's listed shareholdings on NewConnect

	Market cap (PLN m)	Share of MOV	Value of MOV's stake (PLN m)
DRAGO Entertainment S.A.	80.40	10.60%	8.52
Pixel Crow Games S.A.	3.30	36.96%	1.22
Movie Games VR S.A.	12.80	38.93%	4.98
Road Studio S.A.*	57.00	61.54%	35.08
Brave Lamb Studio S.A.*	62.00	23.95%	14.85
Sum			64.65

* Value reflects the pre-IPO valuation. Both will likely be listed in H1/22E

Source: Company websites, stooq.pl, East Value Research GmbH

MOV's strategy

Movie Games' current games are simulations, but also horror and strategy games from the low-budget segment of the market, however the company targets the more expensive AA games in the future. The games, which are developed using the Unreal Engine and Unity gaming engine, are mainly published for PC, but also for consoles and in the future also for mobile devices and as VR versions. MOV develops the games itself or buys development teams/studios, which have interesting IP. Typically, games are seed funded with own cash or, in some cases, through the No 1 crowdfunding platform worldwide Kickstarter. Social media (Facebook, Youtube, Twitch) are used extensively as marketing channels and for gaining user feedback already at the early stage of a game's development. Later, games are brought into separate subsidiaries, which are eventually listed in the alternative NewConnect segment of the Warsaw Stock Exchange. This allows them to raise additional capital through the stock exchange and incentivize key staff with shares (in general, salaries of developers are strongly dependent on their games' sales). For all of its subsidiaries, Movie Games acts as publisher, meaning that it takes over the coordination of the development process of games and all related marketing and public relations (PR) activities.

Social media statistics of MOV and its subsidiaries

Followers/Subscribers	Movie Games	DRAGO Entertainment	Pixel Crow Games	Brave Lamb Studio	True Games	Image Games
Facebook		1,259		225	295	1
Youtube	4,120	1,140		76	44	
Twitch	17					

Source: Google search, East Value Research GmbH

Games

To date, Movie Games has already released 8 games, most of which only for PC, but three also for consoles ("The Beast Inside", "Lust for Darkness" and "Plane Mechanic Simulator"). Its most successful titles are "Drug Dealer Simulator", which since release in April 2020 has sold >400k copies worldwide, and "Gas Station Simulator", which was developed by MOV's subsidiary DRAGO Entertainment and in our view has already sold >500k copies since September 2021. Movie Games sells its games through the most popular online distribution platform worldwide steampowered.com, Plug-in-Digital that operates >80 local online platforms and the gaming internet shops of the console manufacturers Sony (PlayStation Store), Microsoft (XBox Marketplace) and Nintendo (Nintendo eShop). Traditional retail sales are only used by MOV occasionally. The online distribution platforms usually maintain c. 30% of a game's sales as commission.

Drug Dealer Simulator

The game, which was developed by Byterunners Game Studio (100%-owned by Movie Games S.A.) and published by Movie Games, allows players to become a drug dealer and built up their criminal business.



Source: Google search, East Value Research GmbH

Gas Station Simulator

Gas Station Simulator (Developer: DRAGO Entertainment, Publisher: Movie Games) allows players to become the owner of a gas station. Their tasks include expanding the building, taking care of the finances and clients.



Source: Google search, East Value Research GmbH

In-line with its strategy, Movie Games plans to publish 11 new prologues and games by the end of 2022E. As the below list shows, the most promising are "Alaskan Truck Simulator" and "Mythbusters". We also expect the release of "Drug Dealer Simulator" for consoles, additional free and paid content for the PC version and the sequel "Drug Dealer Simulator 2".

Game	Developer & Publisher	Platforms	Genre	Release date	Avg. Rating (Steam/metacritic)	Steam Wishlist No of Followers
Airport Contraband	DRAGO Entertainment (developer), Movie Games (publisher)	PC	Simulator	tba	n.a	n.a
Gas Station Simulator	DRAGO Entertainment (developer), Movie Games (publisher)	PC	Simulator	15 September 2021	85/100 (Steam), 70/100 (metacritic score for the PC version)	n.a
Save the Forest	Movie Games (developer & publisher)	PC	Simulator	tba	n.a	n.a
American Motorcycle Simulator	Road Studio (developer), Movie Games (publisher)	PC	Simulator	tba	n.a	>55,000
ER Pandemic Simulator	Movie Games (developer & publisher)	PC	Simulator	tba	n.a	n.a
Car Wash Simulator	Movie Games (developer & publisher)	PC	Simulator	tba	n.a	n.a
Orbital Racer	Pawel Dywelski (developer), Movie Games (publisher)	PC	Simulator	14 December 2017	68/100 (Steam)	n.a
Total Alarm	Pixel Crow (developer), Movie Games (publisher)	PC	Simulator, Action	tba	n.a	n.a
Soulblight	Movie Games (developer & publisher)	PC	Psychologic Horror, RPG	15 March 2018	56/100 (Steam), 46/100 (metacritic score for Switch version)	n.a
Treasure Hunter Simulator	DRAGO Entertainment (developer), Movie Games (publisher)	PC	Simulator	6 December 2018	66/100 (Steam)	n.a
The Beast Inside	Illusion Ray Studio (developer), Movie Games (publisher)	PC, Switch, PS4, Xbox One	Horror	17 October 2019 (PC), 2020 (consoles)	84/100 (Steam), 74/100 (metacritic score for PC version)	n.a
Lust for Darkness	Movie Games (developer & publisher)	PC, Switch, PS4, Xbox One	Horror	16 June 2019 (PC), 19 July 2019 (Switch), 2020 (XBox Ones, PS4)	50/100 (metacritic score for PC version)	n.a
Plane Mechanic Simulator	Cobble Games, Disaster Studio (developer), Movie Games (publisher)	PC, Switch, PS4, Xbox One	Simulator	13 February 2019 (Early Access), Q4 2019 (Full game; Switch, PS4, Xbox Ones)	67/100 (Steam)	n.a
Lust from Beyond	Movie Games (developer & publisher)	PC	Horror	11 March 2021	61/100 (metacritic score for PC version)	n.a
Alaskan Truck Simulator	Road Studio (developer), Movie Games (publisher)	PC	Survival, Simulation	tba	n.a	>170,000
Drug Dealer Simulator	Bytenrunners Game Studio (developer), Movie Games (publisher)	PC	Simulation	16 April 2020	87/100 (Steam), 59/100 (metacritic score for PC version)	n.a
Mythbusters: The Game	Byte Barrel (developer), Movie Games (publisher)	PC	Simulation	tba	n.a	75,000
Winter Survival Simulator	DRAGO Entertainment (developer), Movie Games (publisher)	PC	Simulation	tba	n.a	n.a
Fire Commander	Atomic Wolf, Pixel Crow (developer), Movie Games (publisher)	PC, PS4, Xbox One	Real Time Tactics	tba	n.a	n.a
War Hospital	Brave Lamb Studio (developer), Movie Games (publisher)	PC, PS5, Xbox Series S/X	Grand Strategy	Q4 2022	n.a	n.a

Source: Company information, gaminganalytics.info, East Value Research GmbH

Management

Mateusz Wczesniak (CEO and founder): Mr Mateusz Wczesniak is CEO and co-founder of Movie Games. With a stake of 19.8%, he is also the company's second-largest shareholder. He also acts as Supervisory Board Member of the Polish broker INC S.A. Mr Wczesniak graduated in Sociology and Management from the SGGW in Warsaw and the Warsaw Business School. Since 2015, he has also been shareholder and Vice President of the Stable Development Fund, which apart from a smaller stake in Movie Games is active as real estate investor in Poland.

Maciej Miasik (Vice President of the Management Board): Mr Maciej Miasik is a veteran of the Polish gaming industry, producer, designer, programmer and sound designer, who has been involved in the development of the first "The Witcher", but also many other games e.g. "Reah: Challenge the Unknown", "Schism: The Real Challenge", "Schism II: Chameleon", "Sentinel: Tomb Guard". In addition to working on games, Maciej is actively involved in industry education as Program Director of the GameDev School course and lecturer at the Warsaw Film School and Polish-Japanese Academy of Information Technology. He also works in the Indie Games Poland Foundation.

David Jaffe (Member of the Supervisory Board): Mr David Jaffe is Member of Movie Games' Supervisory Board, an independent video games developer and streamer. He is a BAFTA-winning former creative director of Sony Santa Monica and known for designing breakthrough games for the PlayStation and PlayStation 2 platforms e.g. "God of War", a series that has sold more than >51m copies so far.

Market environment

Today, video games are not a niche anymore but the largest entertainment segment. According to IDC, in 2020 the respective business was larger than of global movie and North American sports industries combined. According to yahoo!finance, the video games industry is the sixth most profitable one worldwide.

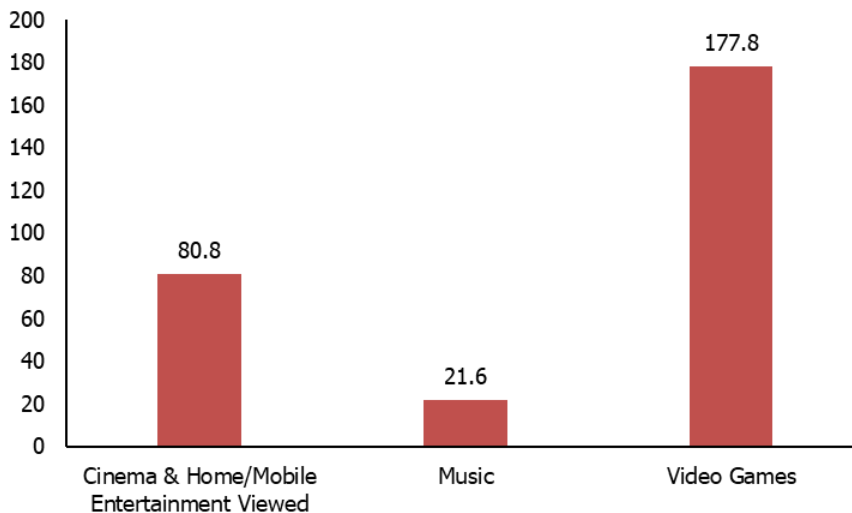
Market Estimates of Video Game Industry

Company	Current size (2020)	CAGR*	Estimated market value
Newzoo	USD 177.8bn	5.31%	USD 218.7bn by 2024E
Mordor Intelligence	USD 173.7bn	9.64%	USD 314.6bn by 2026E
Global Industry Analysts	USD 156.8bn	9.30%	USD 293.2bn by 2027E
Grand View Research	USD 167.5bn	8.20%	USD 291.16bn by 2027E
IMARC Group	USD 167.9bn	9.24%	USD 287.1bn by 2027E

Source: Newzoo, Mordor Intelligence, Global Industry Analysts Inc., Grand View Research, IMARC Group, East Value Research GmbH

Over the past years, the video game industry has seen double-digit yearly growth rates. The table above presents the most recent estimates for it. For example, according to Newzoo in 2020 the global video games industry grew by 23.1% y-o-y to USD 177.8bn. In the long run, the different market research firms forecast an average industry CAGR of 8.34% to USD >300bn by the end of 2030E.

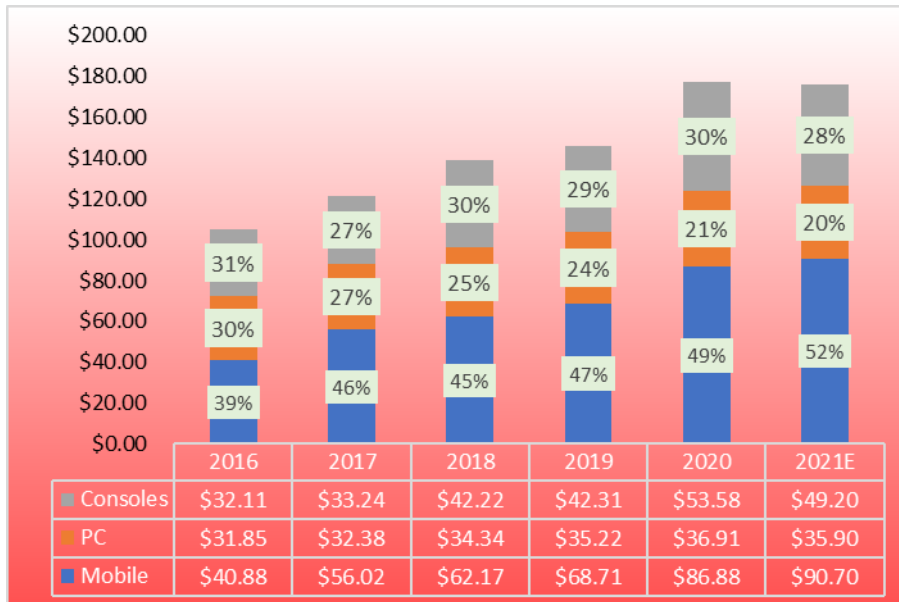
Comparison of revenues of three main entertainment industries in 2020 (USDbn)



Source: Newzoo, Motion Picture, IFPI, East Value Research GmbH

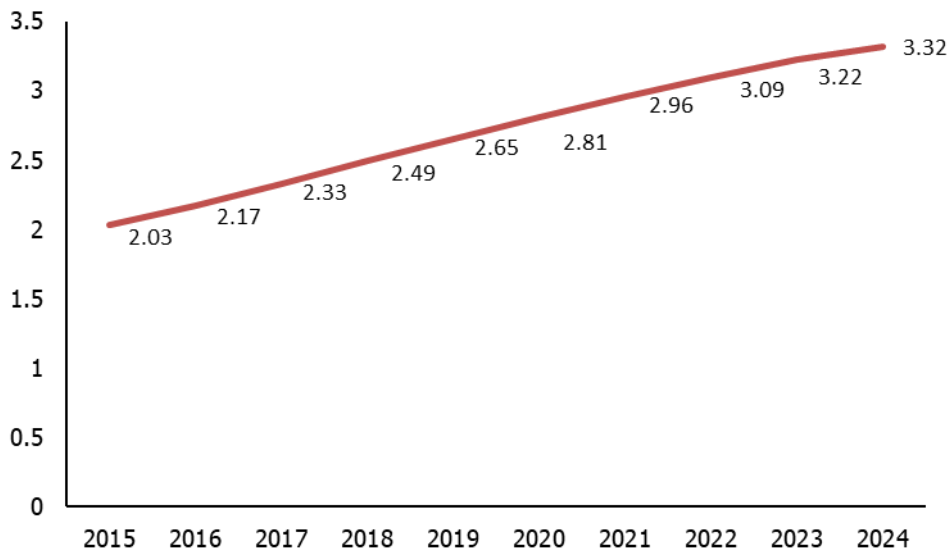
Video games are the most often selected form of entertainment by the youngest generation for leisure time. Among men in the age group 18-34, video games on consoles are the most popular platform, while mobile games are chosen most frequently by women. In the age group of +65, both genders prefer to play on PC and over 85% mention casual games such as Tetris, Solitaire as their favourite games. (Source: ESA)

Global Games Market | Revenue in the last 5 years (USD bn)



Source: Newzoo, East Value Research GmbH

Global Players 2015-2024E (in billions)



Source: Newzoo, East Value Research GmbH

Currently, the players population is estimated at almost 3bn people and is expected to increase to 3.3bn by 2024E (equals 1bn more people in less than 10 years). The main reason are cheap mobile phones that are easily available even in the poorest countries. In terms of regions, Asia-Pacific (1.65bn players) leads the pack followed by Middle East & Africa (434m), the fastest-growing region, and Europe (404m). Interesting is that despite being the the second largest market for video games after China, the player base in the US is relatively small (212m people).

Originally, the video games market was dominated by PC games. However, PC sales reached their peak in 2011 and have since then been on a downward trend, while laptop sales have been in stagnation for 5 years. The situation is looking even worse for PCs as a gaming platform as it is quite expensive to build a good gaming PC.

When it comes to the console market, which until 2020 had also been growing rapidly, China is especially interesting. Video game consoles were banned there until 2015 and currently consoles make up only 3% of the respective market, which is much less than the global average. Niko Partners estimates that there are >13m console players in China and that this number will almost double in just 5 years.

Nowadays, the most important segment are mobile games, which make up >50% of the total video games market. As presented below, in less than 10 years the mobile games segment went from a global market share of 18% to 52% and doubled in only 7 years. It is also expected to develop at the fastest pace (at double-digit rates) over the coming years as there are 3.8bn smartphones worldwide and in all regions except India the smartphone penetration is currently >50%.

Percentage of Global Games Market 2012-2021E (USD,bn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Mobile	18%	23%	29%	34%	39%	46%	45%	47%	49%	52%
PC	37%	38%	36%	34%	30%	27%	25%	24%	21%	20%
Consoles	45%	39%	35%	32%	31%	27%	30%	29%	30%	28%

Source: Newzoo, East Value Research GmbH

Top 10 Countries by Smartphone Users (2020)

Country	Total population	Smartphone penetration	Smartphone users
China	1.44bn	63.4%	911.9m
India	1.38bn	31.8%	439.4m
USA	331m	81.6%	270m
Indonesia	273.5m	58.6%	160.2m
Brazil	212.6m	51.4%	109.3m
Russia	146m	68.5%	99.9m
Japan	126m	59.9%	75.8m
Mexico	129m	54.4%	70.1m
Germany	83.8m	77.9%	65.2m
Vietnam	97.3m	63.1%	61.4m

Source: Newzoo, East Value Research GmbH

Value of PC, Console and Mobile Games Market 2016-2021E (USD,bn)

PC	2016	2017	2018	2019	2020	2021E
	\$31.85	\$32.38	\$34.34	\$35.22	\$36.91	\$35.90

Consoles	2016	2017	2018	2019	2020	2021E
	\$32.11	\$33.24	\$42.22	\$42.31	\$53.58	\$49.20

Mobile	2016	2017	2018	2019	2020	2021E
	\$40.88	\$56.02	\$62.17	\$68.71	\$86.88	\$90.70

Source: Newzoo, East Value Research GmbH

Over half of the video games industry's revenue is generated by three countries: USA, China and Japan. In 2020, they accounted for USD >100bn. In the tables below are presented TOP 10 countries by revenues and TOP 10 companies from the segment video games or video games related hardware.

Top 10 Countries by Game Revenues

Country	Revenues (USD, bn)* 2020 estimates
China	USD 44.26bn
USA	USD 42.11bn
Japan	USD 20.62bn
South Korea	USD 7.33bn
Germany	USD 6.08bn
United Kingdom	USD 5.53bn
France	USD 4.35bn
Canada	USD 3.84bn
Italy	USD 3.48bn
Spain	USD 2.46bn

Source: Newzoo, East Value Research GmbH

* The revenues are based on consumer spending in each country and exclude hardware sales, tax, business-to-business services, and online gambling and betting revenues.

Top 10 Public Video Games Companies

Company	Country	Revenues in 2020 (USD bn)*	Product examples
Sony	Japan	USD 25bn	Playstation
Tencent	China	USD 13.9bn	League of Legends
Nintendo	Japan	USD 12.1bn	Nintendo Wii & Switch, Super Mario
Microsoft	USA	USD 11.6bn	Xbox series, Halo
Activision Blizzard	USA	USD 8.1bn	Call of Duty, World of Warcraft
Electronic Arts	USA	USD 5.5bn	FIFA, Battlefield
Epic Games	USA	USD 4.8bn	Fortnite
Take-Two Interactive	USA	USD 3.1bn	Red Dead Redemption, Grand Theft Auto
Sega Sammy	Japan	USD 2.3bn	Yakuza, Humankind
Bandai Namco	Japan	USD 2.2bn	Ace Combat, Drago Ball

* only game-related revenues

Source: alltopevrything.com, East Value Research GmbH

* Only gaming related revenue is taken into account

The Polish video games industry

Poland has come a very long way to become one of the top countries for developing games. Companies from Poland have developed and published over 2.4k games on steampowered.com, which places them on the 4th position in the world. (Source: www.gaminganalytics.info) There are about 480 development studios in Poland and about 10,000 people work in the game production industry. The video games developers earned a revenue of PLN 1.75bn (CAGR 2016-2019 = 7.87%) in 2019 and the value of the Polish video game market (revenues from consumers) is expected to hit PLN 3bn by 2024E. More than 95% of these revenues come from foreign customers. (Source: Polish Gaming Observatory)

Profit and loss statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Revenues	4.48	10.89	13.15	48.29	52.29	56.63
Cost of goods sold	-2.23	-4.01	-7.76	-26.80	-31.59	-36.98
Gross profit	2.26	6.88	5.39	21.49	20.71	19.65
Other operating income	0.00	0.01	0.00	0.00	0.00	0.00
Personnel costs	-1.05	-1.88	-3.16	-3.47	-3.82	-4.20
Other operating expenses	-0.27	-0.91	1.50	-0.56	-0.60	-0.64
EBITDA	0.94	4.10	3.74	17.46	16.29	14.82
Depreciation	-0.02	-0.02	-0.06	-0.08	-0.08	-0.09
Operating income	0.92	4.08	3.68	17.38	16.21	14.72
Net financial result	-0.04	6.47	14.00	12.00	7.50	5.00
Gain/Loss from at-equity investments	0.00	0.52	0.00	0.00	0.00	0.00
EBT	0.89	11.07	17.68	29.38	23.71	19.72
Income taxes	-0.05	-2.21	-3.36	-5.58	-4.51	-3.75
Minorities	0.00	0.13	0.00	0.00	0.00	0.00
Net income / loss	0.84	8.99	14.32	23.80	19.21	15.98
EPS	0.33	3.49	5.57	9.25	7.46	6.21
DPS	0.80	0.32	0.56	0.92	0.75	0.62
Share in total sales						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-49.69 %	-36.80 %	-59.00 %	-55.50 %	-60.40 %	-65.30 %
Gross profit	50.31 %	63.20 %	41.00 %	44.50 %	39.60 %	34.70 %
Other operating income	0.02 %	0.11 %	0.02 %	0.00 %	0.00 %	0.00 %
Personnel costs	-23.33 %	-17.26 %	-24.00 %	-7.19 %	-7.30 %	-7.42 %
Other operating expenses	-6.00 %	-8.37 %	11.43 %	-1.16 %	-1.14 %	-1.12 %
EBITDA	20.99 %	37.67 %	28.44 %	36.16 %	31.16 %	26.16 %
Depreciation	-0.37 %	-0.18 %	-0.44 %	-0.16 %	-0.16 %	-0.16 %
Operating income	20.62 %	37.50 %	28.00 %	36.00 %	31.00 %	26.00 %
Net financial result	-0.79 %	59.48 %	106.45 %	24.85 %	14.34 %	8.83 %
Gain/Loss from at-equity investments	0.00 %	4.74 %	0.00 %	0.00 %	0.00 %	0.00 %
EBT	19.83 %	101.70 %	134.45 %	60.85 %	45.34 %	34.83 %
Income taxes	-1.16 %	-20.32 %	-25.55 %	-11.56 %	-8.61 %	-6.62 %
Minorities	0.00 %	1.18 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	18.67 %	82.56 %	108.90 %	49.29 %	36.73 %	28.21 %

Balance Sheet

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Cash and equivalents	0.65	8.86	6.22	6.11	20.83	34.46
Short-term financial assets	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	5.04	5.81	8.10	25.04	26.05	26.45
Trade accounts and notes receivables	0.36	0.37	3.00	10.15	10.07	9.89
Other current assets	0.53	2.19	1.80	1.98	2.18	2.40
Current assets, total	6.59	17.23	19.12	43.29	59.12	73.20
Property, plant and equipment	0.02	0.03	0.13	0.13	0.13	0.13
Other intangible assets	0.00	0.00	0.12	0.00	0.00	0.00
Goodwill	0.00	0.03	0.03	0.03	0.03	0.03
Other long-term assets	0.53	1.01	13.30	13.57	13.84	14.11
Deferred tax assets	0.00	0.00	0.00	0.00	0.00	0.00
Non-current assets, total	0.55	1.07	13.58	13.72	13.99	14.27
Total assets	7.14	18.30	32.70	57.01	73.12	87.47
Trade payables	0.11	0.33	0.44	0.24	0.48	1.74
Other short-term liabilities	0.07	0.18	0.40	0.40	0.40	0.40
Short-term financial debt	0.00	0.00	0.40	0.00	0.00	0.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.12	0.44	0.48	0.52
Current liabilities, total	0.18	0.51	1.36	1.08	1.36	2.66
Long-term financial debt	0.00	0.00	0.50	6.00	5.00	4.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.00	0.98	3.28	0.00	0.00	0.00
Long-term liabilities, total	0.00	0.98	3.78	6.00	5.00	4.00
Total liabilities	0.18	1.49	5.14	7.08	6.36	6.66
Shareholders equity, total	6.96	15.12	27.56	49.93	66.75	80.81
Minority interests	0.00	1.69	0.00	0.00	0.00	0.00
Total equity and debt	7.14	18.30	32.70	57.01	73.12	87.47

Cash Flow Statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net income / loss	0.84	8.99	14.32	23.80	19.21	15.98
Depreciation	0.02	0.02	0.06	0.08	0.08	0.09
Change of working capital	-0.35	-2.11	-4.20	-24.47	-0.88	0.81
Others	-0.05	-6.52	-2.42	2.96	-0.04	-0.04
Net operating cash flow	0.46	0.38	7.76	2.36	18.38	16.84
Cash flow from investing	-0.02	1.70	-0.28	0.04	-0.08	-0.09
Free cash flow	0.44	2.08	7.48	2.41	18.29	16.75
Cash flow from financing	0.00	6.13	-10.12	-2.52	-3.58	-3.12
Change of cash	0.44	8.21	-2.63	-0.11	14.72	13.63
Cash at the beginning of the period	0.00	0.65	8.86	6.22	6.11	20.83
Cash at the end of the period	0.65	8.86	6.22	6.11	20.83	34.46

Financial ratios

	2019	2020	2021E	2022E	2023E	2024E
Profitability and balance sheet quality						
Gross margin	50.31%	63.20%	41.00%	44.50%	39.60%	34.70%
EBITDA margin	20.99%	37.67%	28.44%	36.16%	31.16%	26.16%
EBIT margin	20.62%	37.50%	28.00%	36.00%	31.00%	26.00%
Net margin	18.67%	82.56%	108.90%	49.29%	36.73%	28.21%
Return on equity (ROE)	24.05%	81.42%	67.12%	61.43%	32.92%	21.65%
Return on assets (ROA)	12.21%	13.73%	0.99%	20.70%	16.01%	12.55%
Return on capital employed (ROCE)	12.50%	18.37%	9.52%	25.18%	18.30%	14.06%
Economic Value Added (in PLNm)	0.23	1.63	0.10	8.94	6.54	4.14
Net debt (in PLNm)	-0.65	-8.86	-5.32	-0.11	-15.83	-30.46
Net gearing	-9.38%	-58.60%	-19.32%	-0.23%	-23.71%	-37.69%
Equity ratio	97.43%	82.62%	84.28%	87.58%	91.30%	92.39%
Current ratio	35.85	33.59	14.07	40.11	43.45	27.56
Quick ratio	5.51	17.98	6.79	15.07	22.71	16.70
Net interest cover	-25.99	0.63	0.26	1.45	2.16	2.94
Net debt/EBITDA	-0.69	-2.16	-1.42	-0.01	-0.97	-2.06
Tangible BVPS	2.70	5.87	10.70	19.39	25.93	31.40
Capex/Sales	0.82%	0.54%	2.09%	-0.09%	0.16%	0.16%
Working capital/Sales	128.25%	72.19%	91.70%	75.66%	71.53%	64.62%
Cash Conversion Cycle (in days)	836	511	444	396	349	301
Trading multiples						
EV/Sales	32.80	13.50	11.18	3.04	2.81	2.60
EV/EBITDA	156.23	35.85	39.30	8.42	9.02	9.92
EV/EBIT	159.02	36.02	39.92	8.46	9.07	9.98
P/Tangible BVPS	22.19	10.23	5.61	3.09	2.31	1.91
P/E	184.52	17.18	10.78	6.49	8.04	9.66
P/FCF	351.99	74.24	20.63	64.10	8.44	9.22

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