



Wednesday, 9 July 2025 | update

Gaming: Zloty Strength vs. Dollar Drags on Valuation

Gaming, Poland

We have updated our gaming coverage. Taking into account the good performance in H1'25 and including PLN appreciation vs. USD in our estimates, along with an increase in the equity risk premium, most of the upside has gone. The only one left is Huuuge (buy), however the company still needs to come back to distributing cash to its shareholders. Ten Square Games (hold) has just released a new hunting game, but the genre it is targeting is challenging. 11 bit studios (sell) delivered a high-quality game, but the consensus needs some downgrades. PCF Group (suspended) is in turmoil and requires either a significant cash injection or a restructuring. CD Projekt (sell) is the highest-quality stock in the portfolio, however after over 40% YTD rally and with such a weak USD, we see a small downside in our valuation. Keep in mind that FX rates have a significant negative impact on our valuations, and any reversal of the trends would provide a noticeable support.

11 bit studios (sell): The Alters Delivered, No Upside Anymore

Since our report in Dec'24, 11B rose by 33%, much exceeding our valuation, now it points to a small downside. The Alters met with a very positive reception from the players, however, based on early KPIs we expect some downgrades of the consensus. While The Alters remains a key driver of a rebound story for 11B, helping to offset the negative sentiment following Project 8 fiasco and the release of Frostpunk 2, we see limited catalysts on the horizon. The next big thing is a Frostpunk 1 remake, but it is a 2027 release at best.

CD Projekt (sell): Zloty Strength vs. Dollar Drags on Valuation

Having in mind the CDR's rally (+60% since Dec'24 when CDR was named our gaming top pick), and including into our estimates PLN's appreciation against USD, currently we see a small downside. Fundamentally, we still consider CDR as the highest quality stock in the Polish gaming portfolio with two well-performing IPs, each quarter overdelivering with financials, and PLN 1.5bn of cash for future titles. The next catalyst for the sentiment will probably come along The Witcher 4 marketing activities, which we expect to see later this year (perhaps during The Game Awards event on December 11?).

Huuuge (buy): Is it still ATM or Value Trap?

Huuuge delivered a set of positive news: some stabilization in the casino segment, rising webstore revenue, and making it itself leaner by cutting 30% of headcount. Key burden right now is the M&A strategy, as investors fear to witness another money burn. Our investment thesis for HUG is based on its cash-generation profile as we still assume, that after securing growth perspectives (i.e. after M&As), HUG will come back to its cash distributing nature. Unfortunately, the patience is needed.

PCF Group (suspended): No Story Until Heavy Funding Secured

Due to the absolute lack of details regarding the timeline or profitability of current portfolio and thus a high uncertainty in forecasting future cash flows, we have decided to suspend official coverage of PCF Group. We will continue to follow PCF's newsflow, however we do not see any investment story for the company at this time. It appears to us that PCF needs either a major cash injection to maintain the current status quo, or, it had to undergo a major restructuring involving a significant change to the business model – or both.

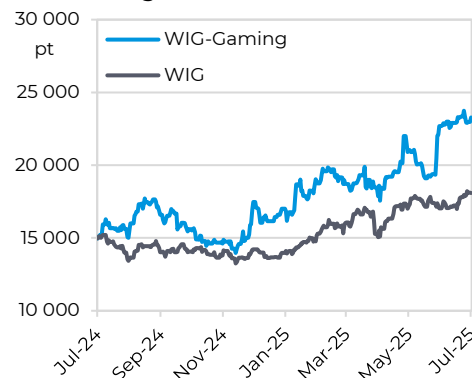
Ten Square Games (hold): New Hunting Game Released

TEN launched Trophy Hunter – a new hunting game. Its main competitor gathers ca. 70% of the genre and ca. \$5m of monthly net bookings. We do assume TEN's new title will get an important share of the market from its competitor, however the ceiling for this rather niche genre seems to be already set. Including into the valuation current trading data and new DCF inputs, today we see only a small upside potential. Key catalyst will be a Trophy Hunter performance, unfortunately known in late August at the earliest.

| | P/E | | | EV/EBITDA | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2025E | 2026E | 2027E | 2025E | 2026E | 2027E |
| PC/console gaming | 23.4 | 24.3 | 17.6 | 11.7 | 11.7 | 10.5 |
| 11 bit studios | 9.3 | 27.9 | 53.0 | 3.9 | 6.4 | 7.3 |
| CD Projekt | 72.9 | 126.4 | 10.1 | 51.4 | 93.7 | 6.6 |
| Mobile gaming | 16.9 | 13.6 | 12.1 | 3.7 | 3.5 | 2.9 |
| Huuuge | 4.1 | 5.2 | 5.9 | 1.5 | 2.2 | 2.5 |
| Ten Square Games | 6.9 | 8.5 | 9.7 | 4.4 | 5.3 | 5.8 |

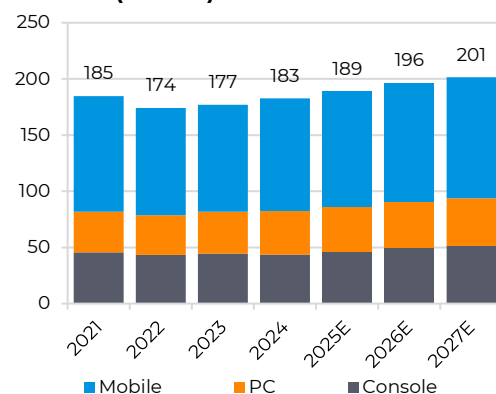
| | |
|-------------------|---------|
| WIG-Gaming | 23,265 |
| WIG | 106,002 |

WIG-Gaming vs. WIG



Source: Bloomberg, mBank

Newzoo's Forecast of Global Games Market Revenue (USD bn)



Source: Newzoo, mBank

| company | target price | | recommendation | |
|------------------|--------------|--------|----------------|------|
| | new | old | new | old |
| 11 bit studios | 193.00 | 182.00 | sell | buy |
| CD Projekt | 258.00 | 241.00 | sell | buy |
| Huuuge | 28.90 | 27.30 | buy | buy |
| PCF Group | - | 13.20 | suspended | hold |
| Ten Square Games | 87.80 | 101.00 | hold | buy |

| company | current price | target price | Upside/downside |
|------------------|---------------|--------------|-----------------|
| 11 bit studios | 199.80 | 193.00 | -3.4% |
| CD Projekt | 274.00 | 258.00 | -5.8% |
| Huuuge | 19.00 | 28.90 | +52.1% |
| PCF Group | 5.48 | - | - |
| Ten Square Games | 83.60 | 87.80 | +5.0% |

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EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases); **EBITDA margin** – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market

NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market

UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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NAV – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

Recommendations Issued In the 12 Months Prior To This Publication:

| 11 bit studios (Piotr Poniatowski) | | | | |
|------------------------------------|------------|------------|------------|------------|
| Rating | buy | buy | buy | buy |
| Rating date | 2024-12-18 | 2024-12-02 | 2024-09-27 | 2024-09-02 |
| Target price (PLN) | 182.00 | 344.00 | 401.00 | 824.00 |
| Price on rating day | 150.00 | 251.00 | 310.50 | 636.00 |

| CD Projekt (Piotr Poniatowski) | | |
|--------------------------------|------------|------------|
| Rating | buy | buy |
| Rating date | 2024-12-02 | 2024-09-02 |
| Target price (PLN) | 241.00 | 205.00 |
| Price on rating day | 167.20 | 183.10 |

| Huuuge (Piotr Poniatowski) | | |
|----------------------------|------------|------------|
| Rating | buy | buy |
| Rating date | 2024-12-02 | 2024-09-02 |
| Target price (PLN) | 27.30 | 27.30 |
| Price on rating day | 16.50 | 21.00 |

| PCF Group (Piotr Poniatowski) | | | |
|-------------------------------|------------|------------|------------|
| Rating | hold | buy | hold |
| Rating date | 2025-04-01 | 2024-12-02 | 2024-09-02 |
| Target price (PLN) | 13.20 | 13.20 | 18.30 |
| Price on rating day | 13.00 | 8.07 | 16.66 |

| Ten Square Games (Piotr Poniatowski) | | |
|--------------------------------------|------------|------------|
| Rating | buy | buy |
| Rating date | 2024-12-02 | 2024-09-02 |
| Target price (PLN) | 101.00 | 106.30 |
| Price on rating day | 78.20 | 95.10 |

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