

Thursday, October 01, 2020 | special comment

CD Projekt: Questioning the Data Behind C2077 Pre-Order Rumors

Rating: hold | target price: PLN 429.10 | current price: PLN 407.90

CDR PW; CDR.WA | Gaming, Poland

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- According to new **data from M Science** (via thegamer.com), pre-orders for Cyberpunk 2077 "appear 31% below where Red Dead Redemption 2 was on a comparable-days basis 68 days prior to launch (...)" Cyberpunk 2077 pre-orders also "trail Call of Duty: Black Ops Cold War by 67% and Call of Duty Modern Warfare by 14%, based on similar comparable-days basis as of 68 days prior to release."
- **It is important to keep in mind when looking at the M Science data that it is "based on cumulative digital pre-sales on Xbox and PlayStation, domestically," which means it is far from being an accurate or complete representation of the actual pre-sales numbers for Cyberpunk 2077. For example, the data does not include digital pre-sales on PC via GOG.com and Steam.com, among other online retailers, where bookings are likely to be high given the game's low minimum requirements. Further, CD Projekt itself is expecting pre-orders to take off right before the 19 November 2020 release date, and it intends to galvanize buyers with a pickup in marketing activity from October. CDR stock took a dip on the pre-order rumors, and this could be viewed as an opportunity to increase positions in the company.**

List of abbreviations and ratios contained in the report:

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
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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ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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SELL – we expect that an investment will bear a loss greater than 15%
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Economic profits – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

Discounted Dividends (DDM) – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

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.

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