



The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2021	2022
Price [PLN]	5,2	P/E	90,2	14,3
MC [mln PLN]	141,4	P/E adj.	90,2	11,7

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**Last recommendation BDM: BUY with target price 7,2 PLN/share (2022/10/12) [LINK](#)**

#### Q4'22 results [mln PLN]

	Q4'21	Q4'22	change y/y	Q4'22 BDM	dev.	2021	2022	change y/y
Sales	5,2	9,4	79,2%	10,8	-13,6%	25,8	45,1	74,5%
EBIT	-1,7	2,5	-	3,3	-24,4%	1,0	11,7	1041,0%
<b>EBIT adj.*</b>	<b>-1,7</b>	<b>5,2</b>	<b>-</b>	<b>3,3</b>	<b>58,6%</b>	<b>1,0</b>	<b>14,4</b>	<b>1305,1%</b>
Net profit	-1,6	1,9	-	2,7	-28,9%	1,6	9,9	534,1%
<b>Net profit adj*</b>	<b>-1,6</b>	<b>4,1</b>	<b>-</b>	<b>2,7</b>	<b>53,8%</b>	<b>1,6</b>	<b>12,1</b>	<b>673,9%</b>
EBIT margin	-31,9%	26,4%		30,1%		4,0%	26,0%	
EBIT margin adj.*	-31,9%	55,3%		30,1%		4,0%	32,0%	
Net margin	-29,9%	20,2%		24,5%		6,1%	22,0%	
Net margin adj.*	-29,9%	43,6%		24,5%		6,1%	26,9%	

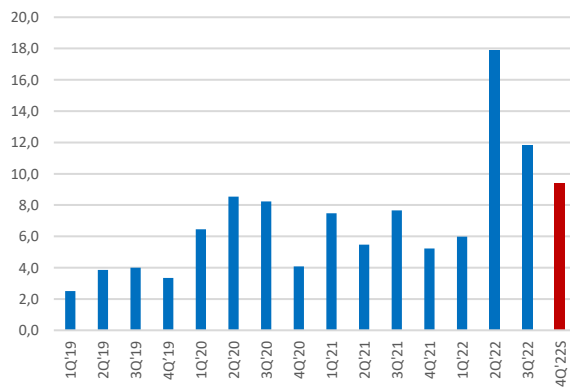
Source: BDM S.A., company; \* adj. of a change in accounting method for the "Reserves" and "R&D expenses" positions

**BDM Comment:** The estimated results for 4Q'22 of the company turned out to be higher than our expectations, therefore we **perceive them positively**. During the discussed quarter, the company generated PLN 9.4 million in revenues (+79.2% y/y), EBIT amounted to PLN 2.5 million (vs -1.7 million PLN in 4Q'21), and **adj. EBIT reached PLN 5.2 million** (adjustment related to the change in accounting method for "Reserves" = PLN 1.43 million and "R&D costs" = PLN 1.28 million). In the last quarter of 2022, the company generated PLN 1.9 million in net profit (vs PLN 1.6 million loss in 4Q'21), while **adjusted net profit amounted to PLN 4.1 million** (adjustment related to the change in accounting method for "Reserves" = PLN 1.16 million and "R&D costs" = PLN 1.04 million). **Looking at the adjusted results, we are positively surprised by the company's margin performance during this period. The difference compared to our assumptions may be due to lower-than-estimated costs of outsourced services and salaries.** The final results will be presented by the company tomorrow, i.e., March 21, 2023.

- In the 4Q'22, according to preliminary data, the company generated PLN 9.4 million in revenue (+79.2% YoY), PLN 2.5 million EBIT (vs -1.7 million PLN in 4Q'21), and PLN 5.2 million adjusted EBIT (correction related to the change in the accounting method of "Reserve" position = PLN 1.43 million and "R&D costs" = PLN 1.28 million).
- On the net profit level in the last quarter of 2022, the company generated PLN 1.9 million (vs PLN 1.6 million loss in 4Q'21), while the adjusted net profit amounted to PLN 4.1 million (adjustment related to change in the accounting method of "Reserves" position = PLN 1.16 million and "R&D costs" = PLN 1.04 million).
- During the entire year of 2022, Forever Entertainment generated PLN 45.1 million in revenues (+74.5% y/y), EBIT = PLN 11.7 million (+1041.0% y/y), adjusted EBIT = PLN 14.4 million (+1305.1% y/y), net profit = PLN 9.9 million (+534.1% y/y), and adjusted net profit = PLN 12.1 million (+673.9% y/y).
- As a result of work carried out in preparing the financial statement, the company has decided to change the method of accounting for future costs of settlements with counterparties for their share in the profits from the sale of games, previously accounted for in the books under the "Reserves" position, as well as to change the method of accounting for the "R&D Expenses" position (research and development expenses), while taking into account the proposals of the statutory auditor. According to these arrangements:
  - the change in the presentation of future settlement costs with counterparties for their participation in game sales profits, and costs for future remuneration for developer studios, involves their inclusion from the end of 2022 as the company's liabilities for supplies and services separately to other entities, and separately to other entities in which the company has capital involvement. Previously, these costs were presented as reserves for future obligations.
    - The company introduced the recognition of future costs in the balance sheet and in the income statement in 2022. In the annual report for 2021, these costs were shown as contingent liabilities.

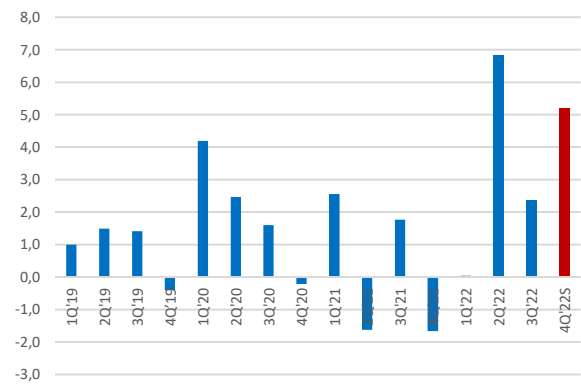
- The introduction of the above changes resulted in the need to include additional costs in the company's financial statements for the 2022 financial year, as a result of which the company presents EBIT lower by PLN 1.43 million and net profit lower by PLN 1.16 million.
  - 2) The change in the way R&D costs are accounted for resulted in an additional decrease in the company's operating profit by PLN 1.28 million and a decrease in net profit by an additional PLN 1.04 million compared to the previous method of accounting. According to the agreements with the auditor, starting from 2022, all R&D costs are being accounted for on an ongoing basis, taking into account the release dates of individual game titles, to which they were previously allocated.
    - It should be noted that while settling the costs of R&D for 2022 and previous years, the company intends to apply for the right to deduct a tax credit for R&D costs for the year 2022 in the total amount of PLN 0.49 million.
  - 3) Without the above-mentioned changes, the estimated results of the company for 2022 would have been PLN 14.4 million for operating profit and PLN 12.1 million for net profit, which would translate into a 14-fold and nearly 8-fold increase, respectively, compared to the profits presented for 2021.
- The 2022 report will be published on March 21, 2023.

Sales [mln PLN]



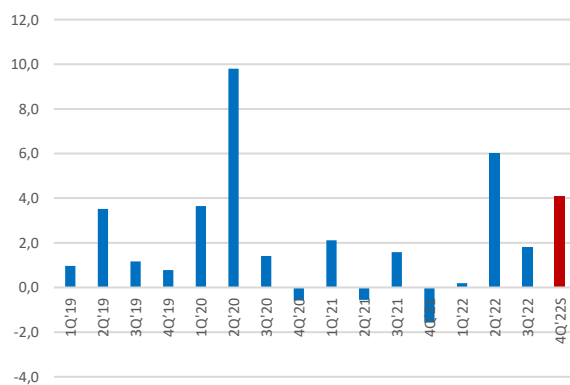
Źródło: Dom Maklerski BDM S.A., company

EBIT adj. [mln PLN]



Źródło: Dom Maklerski BDM S.A., company; \*- adj. of a change in accounting method for the "Reserves" and "R&D expenses" positions

Net profit adj. [mln PLN]



Źródło: Dom Maklerski BDM S.A., company; \*- adj. of a change in accounting method for the "Reserves" and "R&D expenses" positions

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**Explanations of terminology:**

EBIT - earnings before interest and tax  
EBITDA – earnings before interest, taxes, depreciation, and amortization  
Net debt – interest bearing debt minus cash and equivalents  
WACC - weighted average cost of capital  
CAGR - cumulative average annual growth  
EPS - earnings per share  
DPS - dividend per share  
CEPS - net profit plus depreciation per share  
EV – market capitalization plus interest bearing debt minus cash and equivalents  
EV/S – market capitalization / sales  
EV/EBITDA – EV / sales  
P/EBIT – market capitalization / EBIT  
MC/S – market capitalization / sales  
P/E – market capitalization / net profit  
P/BV – market capitalization / book value  
P/CE – market capitalization / net profit plus depreciation  
ROE – net profit / equity  
ROA - net income / assets  
Gross margin - gross profit on sales / sales  
EBITDA margin – EBITDA / sales  
EBIT margin – EBIT / sales  
Net margin – net profit / sales

**Explanation of ratings:**

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);  
Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);  
Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);  
Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);  
Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).  
Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.  
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**Ratings and price targets history:**

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	7,2	Buy	8,0	12.10.2022*	11:30 CET	5,27	46 169
Buy	8,0	buy	9,4	24.03.2022*	08:00 CEST	5,23	64 374
Buy	9,4	---	---	01.09.2021*	07:00 CEST	5,92	70 930

\* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme.

**Distribution of BDM's recommendations in Q1'23\*:**

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	5	63%	0	0%
Accumulate	2	25%	0	0%
Hold	0	20%	0	0%
Reduce	1	13%	0	0%
Sell	0	0%	0	0%

\* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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