



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]	5,16	P/E adj.	89,5	11,8	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	140,4	EV/EBITDA adj.	61,7	9,1	
		EV/EBIT adj.	132,2	9,5	
		P/BV	4,4	3,5	

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 S	dev.	Q4'22 BDM	dev.	2021	2022	change y/y
Sales	5,2	9,5	82,3%	9,4	1,7%	10,8	-12,1%	25,8	45,1	74,5%
Gross profit	-1,5	2,5	-	-	-	3,3	-23,5%	0,8	11,3	1373,2%
EBITDA	-1,4	2,6	-	-	-	3,4	-23,7%	2,2	12,3	458,8%
EBITDA adj.*	-1,4	5,3	-	-	-	3,4	56,9%	2,2	15,0	582,1%
EBIT	-1,7	2,5	-	2,5	0,0%	3,3	-24,4%	1,0	11,7	1041,1%
EBIT adj*	-1,7	5,2	-	5,2	0,0%	3,3	58,6%	1,0	14,4	1305,1%
Profit before tax	-1,7	2,1	-	-	-	3,3	-35,9%	2,3	12,1	437,9%
Net profit	-1,6	1,6	-	1,9	-13,1%	2,7	-38,2%	1,6	9,7	518,6%
Net profit adj*	-1,6	3,8	-	4,1	-6,0%	2,7	44,5%	1,6	11,9	658,9%
Gross margin	-28,1%	26,2%		-		30,1%		3,0%	25,1%	
EBITDA margin	-26,1%	26,9%		-		31,0%		8,5%	27,2%	
EBITDA margin adj.*	-26,1%	55,4%		-		31,0%		8,5%	33,3%	
EBIT margin	-31,9%	25,9%		26,4%		30,1%		4,0%	26,0%	
EBIT margin adj.*	-31,9%	54,3%		55,3%		30,1%		4,0%	32,0%	
Net margin	-29,9%	17,2%		20,2%		24,5%		6,1%	21,5%	
Net margin adj.*	-29,9%	40,3%		43,6%		24,5%		6,1%	26,4%	

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

BDM Comment: Forever Entertainment's final results for Q4'22 at the EBIT level were in line with earlier estimates, while the final net profit was slightly lower. Over the discussed quarter, the company generated PLN 9.5 million in revenue (+82.3% y/y) - of which PLN 8.9 million was from the sale of produc, a 92.6% y/y increase (close to our expectations), while the remaining PLN 0.7 million was from the change in the state of products, a 7.5% y/y increase (our forecasts assumed a level of around PLN 1.5 million). The biggest impact on the company's revenue growth in 4Q'22 was the launch of the game "FRONT MISSION 1st: Remake" (according to our estimates, it sold around 50,000 copies exclusively on NS during the quarter) and the sale of "THE HOUSE OF THE DEAD: Remake," which was released on all major platforms throughout 2022. The company's operating expenses in Q4'22 increased by 5.0% y/y to PLN 7.0 million. During the period, external service costs decreased y/y by 1.2% to PLN 4.7 million (we estimated the level to be around PLN 5.5 million, thus we are positively surprised), while salaries increased by 16.7% y/y to PLN 1.7 million (in line with our forecasts). The company's EBIT for Q4'22 was PLN 2.5 million (vs -1.7 million PLN in 4Q'21), while the adjusted EBIT was PLN 5.2 million (correction related to the change in the accounting method of "Reserve" position = PLN 1.43 million and "R&D costs" = PLN 1.28 million), which is significantly above our expectations. The company's EBITDA for the period under review amounted to PLN 2.6 million (compared to PLN -1.4 million in 4Q'21), with adjusted EBITDA reaching PLN 5.3 million. Financial activities in Q4'22 decreased the company's results by PLN 0.4 million. Net profit for the last quarter of 2022 amounted to PLN 1.6 million (compared to a net loss of PLN 1.6 million in 4Q'21), while adjusted net profit amounted to PLN 3.8 million (adjustment related to change in the accounting method of "Reserves" position = PLN 1.16 million and "R&D costs" = PLN 1.04 million). In Q4'22, operating cash flow amounted to PLN 1.9 million, investing cash flow amounted to PLN -1.0 million, and financing cash flow amounted to PLN -5 thousand. As of the end of 2022, the company had PLN 3.6 million in cash and other assets (+PLN 0.9 million q/q). In the report, the company informed that the work on games such as "FRONT MISSION 3: Remake", as well as the second parts of remakes: "Panzer Dragoon" and "THE HOUSE OF THE DEAD" are at an advanced stage. At the same time, company are working on titles such as "Night Slashers: Remake", "Shadowgate 2", or "Fear Effect: Reinvented". FOR is preparing to implement further titles and negotiating the acquisition of more with sales potential, which, in the company's estimation, significantly exceeds the sales potential of significant titles disclosed so far. According to the adopted information policy, the company will present subsequent titles when their marketing campaigns begin. Forever Entertainment plans to pay a dividend of PLN 0.1 per share from the profit of 2022. A dividend of PLN 2.7 million from last year's profit of PLN 9.7 million will be paid (DY = 2.0%).



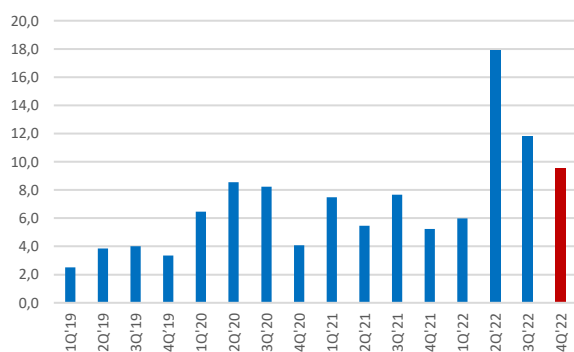
- The company's revenues for Q4'22 amounted to PLN 9.5 million and were higher by 82.3% y/y (of which PLN 8.9 million relates to revenues from sales of products - an increase by 92.6% y/y, and the rest, i.e. PLN 0.7 million relates to the change in the state of products - an increase by 7.5% y/y).
- The premiere of the game "FRONT MISSION 1st: Remake" (exclusively on NS) and the sale of "THE HOUSE OF THE DEAD: Remake" released throughout 2022 (on all major platforms) had the greatest impact on the company's revenue growth in Q4'22.
- The company's operating expenses increased by 5.0% y/y to PLN 7.0 million in Q4'22.
- During the discussed period, external service costs decreased y/y by 1.2% to PLN 4.7 million, while salaries increased by 16.7% y/y to PLN 1.7 million.
- EBIT for Q4'22 was PLN 2.5 million (vs -PLN 1.7 million in Q4'21), while the adjusted EBIT was PLN 5.2 million (correction related to the change in the accounting method of "Reserve" position = PLN 1.43 million and "R&D costs" = PLN 1.28 million).
- The company's EBITDA for the discussed period amounted to PLN 2.6 million (vs -PLN 1.4 million in 4Q'21), and the adjusted EBITDA reached PLN 5.3 million.
- Financial activities in Q4'22 lowered the company's results by PLN 0.4 million.
- Net profit for the last quarter of 2022 amounted to PLN 1.6 million (vs a net loss of PLN 1.6 million in 4Q'21), while the adjusted net profit amounted to PLN 3.8 million (adjustment related to change in the accounting method of "Reserves" position = PLN 1.16 million and "R&D costs" = PLN 1.04 million).
- In the Q4'22, the company's operating cash flow amounted to PLN 1.9 million, investment cash flow = PLN -1.0 million, and financing cash flow = PLN -5 thousand. At the end of 2022, the company had PLN 3.6 million in cash and other assets (+ PLN 0.9 million q/q).
- In the discussed period, receivables from other entities decreased by PLN 0.5 million q/q to PLN 5.6 million. Reserves for liabilities decreased q/q by PLN 1.7 million to PLN 2.9 million. Short-term liabilities increased q/q by PLN 1.6 million to PLN 5.6 million.
- At the end of Q4'22, inventories increased by PLN 0.4 million to PLN 5.9 million: an increase in advances for deliveries and services by PLN 0.4 million.
- In the report, the company informed that the work on games such as "FRONT MISSION 3: Remake", as well as the second parts of remakes: "Panzer Dragoon" and "THE HOUSE OF THE DEAD" are at an advanced stage. At the same time, company are working on titles such as "Night Slashers: Remake", "Shadowgate 2", or "Fear Effect: Reinvented".
- FOR is preparing to implement further titles and negotiating the acquisition of more with sales potential, which, in the company's estimation, significantly exceeds the sales potential of significant titles disclosed so far. According to the adopted information policy, the company will present subsequent titles when their marketing campaigns begin.
- FOR currently employs over 250 people in all companies in which it has a capital involvement.
- The year 2022 was a time of increased investment in Forever Entertainment's games with production budgets larger than those of previous years. As part of these investments, the company increased its employment by 18.2% in the last financial year. The increase in employment in the company, as well as salaries, contributed to the increase in wage costs with overheads up to PLN 6,877 thousand, i.e., by 23.0% for 2022 compared to the previous year.
- The company plans to apply for an R&D relief for the year 2022 and benefit from an additional deduction of PLN 243,000 under this relief. Additionally, the R&D costs for the years 2019-2021 have been included in the books. The company intends to deduct an additional amount of PLN 243,000 from the tax for the year 2022 by booking these costs (a total of PLN 486,000). From January 2023, FOR will settle R&D costs in the tax and accounting records for a given title in the month of its premiere.
- Forever Entertainment plans to pay a dividend of PLN 0.1 per share from the profit of 2022. A dividend of PLN 2.7 million from last year's profit of PLN 9.7 million will be paid (DY = 2.0%).

Results in previous quarters [mln PLN]

Results Q [mln PLN]	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	2018	2019	2020	2021	2022
Sales	6,5	8,5	8,2	4,1	7,5	5,5	7,7	5,2	6,0	17,9	11,8	9,5	9,8	13,7	27,3	25,8	45,1
Gross profit	4,2	2,2	1,5	-0,3	2,4	-1,8	1,6	-1,5	-0,2	6,7	2,3	2,5	3,0	2,9	7,5	0,8	11,3
EBITDA	4,5	2,7	1,9	0,1	2,8	-1,3	2,1	-1,4	0,3	6,9	2,4	2,6	3,9	5,6	9,2	2,2	12,3
EBIT	4,2	2,5	1,6	-0,2	2,6	-1,6	1,8	-1,7	0,0	6,8	2,4	2,5	3,4	3,5	8,0	1,0	11,7
Profit before tax	4,2	12,4	1,7	-0,3	2,6	-0,6	2,0	-1,7	0,2	7,3	2,7	2,1	3,3	7,1	18,1	2,3	12,1
Net profit	3,6	9,8	1,4	-0,6	2,1	-0,6	1,6	-1,6	0,2	6,0	1,8	1,6	3,3	6,4	14,3	1,6	9,7
Sales change y/y	156,5%	121,2%	105,6%	22,3%	15,9%	-36,0%	-7,0%	27,9%	-20,1%	227,8%	54,3%	82,3%	-	40,1%	99,0%	-5,4%	74,5%
Net profit change y/y	276,1%	178,7%	21,0%	-	-42,0%	-	11,6%	170,4%	-90,6%	-	46,3%	-	-	95,9%	121,7%	-89,0%	518,6%
Gross margin	64,9%	25,6%	17,7%	-7,7%	31,6%	-32,3%	21,3%	-28,1%	-2,9%	37,4%	19,2%	26,2%	30,7%	21,2%	27,5%	3,0%	25,1%
EBITDA margin	69,2%	32,1%	22,8%	1,5%	37,8%	-24,2%	26,8%	-26,1%	5,8%	38,1%	20,7%	26,9%	40,2%	40,8%	33,5%	8,5%	27,2%
EBIT margin	64,9%	28,9%	19,4%	-5,2%	34,1%	-29,7%	23,0%	-31,9%	0,7%	33,6%	20,0%	25,9%	34,2%	25,4%	29,4%	4,0%	26,0%
Net margin	56,4%	114,8%	17,2%	-14,2%	28,2%	-10,2%	20,6%	-29,9%	3,3%	17,9	15,5%	17,2%	33,5%	46,9%	52,3%	6,1%	21,5%

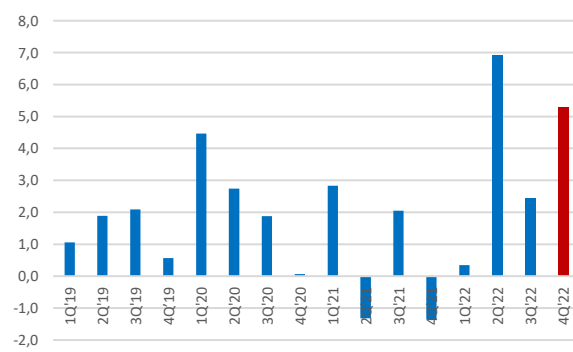
Źródło: BDM S.A., company

Sales [mln PLN]



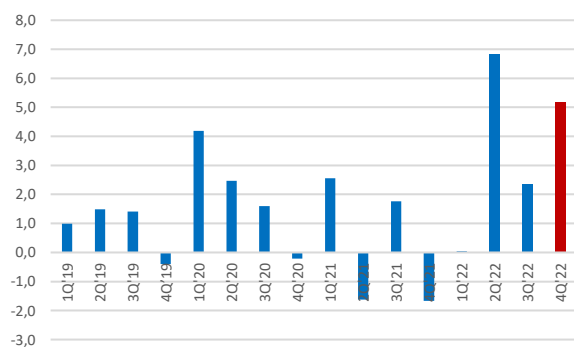
Źródło: Dom Maklerski BDM S.A., company

EBITDA adj. [mln PLN]



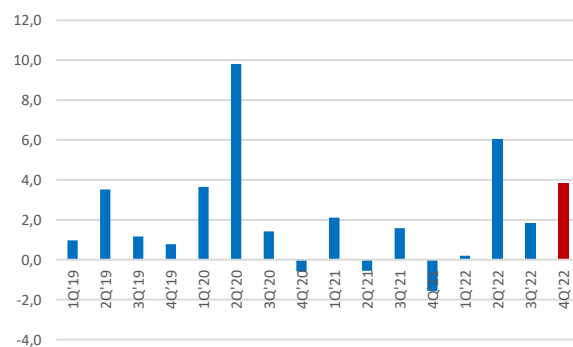
Źródło: Dom Maklerski BDM S.A., company; *- adj. of a change in accounting method for the "Reserves" and "R&D expenses" positions

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.
Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

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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	6	67%	0	0%
Accumulate	2	22%	0	0%
Hold	0	0%	0	0%
Reduce	1	11%	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.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>

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An investor should be aware that each investment decision in the capital market is subject to numerous risks that finally can result in a financial loss suffered by him. The return rate on individual investments can fluctuate depending on various factors beyond the control of the investor. Therefore, a customer who makes a single investment decision should not only check currency and correctness of individual assumptions made by the analyst in the report but also have an independent assessment and own analysis (also based on scenarios other than the ones presented in the report) taking into consideration the level of acceptable risk. When deciding on activity on the capital market the investor should take into consideration the fact that the investment portfolio structure (diversification of investment through possessing more than one financial instrument) can reduce risk exposure to an individual instrument bringing a negative rate of return in a given period. At the same time, however, it can lead to limitation of a positive rate of return the investor could achieve in the case of a single financial instrument in a given time period. The investor should be aware that the investment portfolio structure and any investment strategy for the stock market do not guarantee the achievement of a positive rate of return and do not protect him against final loss.

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The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is a market maker or liquidity provider in the financial instruments of the issuer,
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