

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

			2020	2021F	2022F	2023F	
Price [PLN]	6,40	P/E	12,2	20,1	11,0	11,4	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	174,1	EV/EBITDA	18,6	15,7	7,6	7,7	
		EV/EBIT	21,2	17,9	8,1	8,3	
		P/BV	5,7	4,5	3,5	3,2	

Last recommendation BDM: BUY with target price 9,4 PLN/share (2021/09/01) [LINK](#)

Q3'21 results [mln PLN]

	Q3'20	Q3'21	zmiana r/r	Q3'21F BDM	dev.
Sales	8,2	7,7	-7,0%	7,4	4,1%
Gross profit	1,5	1,6	12,0%	1,6	1,9%
Other op.income/expenses	0,1	0,1	-6,9%	0,1	-4,3%
EBITDA	1,9	2,1	9,2%	2,0	0,5%
EBIT	1,6	1,8	10,3%	1,7	1,4%
Financial income/expense, net	0,1	0,2	25,1%	0,0	-
Profit before tax	1,7	2,0	11,6%	1,7	12,1%
Net profit	1,4	1,6	11,6%	1,5	4,4%
Gross margin	17,7%	21,3%		21,7%	
EBITDA margin	22,8%	26,8%		27,7%	
EBIT margin	19,4%	23,0%		23,6%	
Net margin	17,2%	20,6%		20,5%	

Source: BDM S.A., company

- In Q3'21, the company generated PLN 7.7m in revenues (-7.0% - high base related to the premiere of "Panzer Dragoon: Remake"). 87.7% of this item was accounted for by revenues generated from the sale of products, during this period the game "Rise Eterna" debuted on the X1 and PS4 platforms, but this result was achieved mainly from games that were released before 2021. The rest, ie PLN 0.9m, was a change in the balance of products (88.7% more q/q and -2.2% y/y).
- The largest cost items were, as usual, external services (here the dominant cost is revenue share with IP providers and development studios), which amounted to PLN 4.0 million (-24.3% q/q and -20.4 y/y) and salaries = PLN 1.5 million (-2.7% q/q and + 11.2% y/y).
- In Q3'21, the company generated EBITDA of PLN 2.1m (+ 9.2% y/y) and PLN 1.6m of net profit (+ 11.6% y/y).
- Forever Entertainment has a strong and secure financial position that allows it to finance multiple projects at the same time. The total value of short-term investments at the end of September '21 amounted to PLN 3.3 million, i.e. PLN 1.2 million more than the year before.
- The value of advances received at the end of Q3'21 exceeded PLN 7.0m, some of which are recognized as receivables.
- The company is making titles listed in the schedule of releases (<https://tinyurl.com/6vxpmmps>), including several remake games, as well as several yet unannounced titles. It is worth noting that games with budgets much higher than in previous years are currently being produced.
- At the end of September '21, the company had off-balance sheet liabilities to incur expenses in the total amount of PLN 1.0 million. These obligations result from publishing agreements concluded by the company with external development studios.
- In Q3'21, FE continued work on a new framework enabling the implementation of games of the type previously unrealized in the company.
- At the end of September '21, the company employed a total of 59 people, including 24 people (under a contract of employment) full-time and 35 people on the basis of civil law contracts.
- In the past period, the company signed another contract for the creation and release of a remake of the game. Thanks to the cooperation with G-MODE Corporation, a remake of the game Night Slashers will be created - a classic beat up that appeared in arcades almost 30 years ago.
- From 2021 to Q1'22, among others, currently the most important project implemented in the company - "The House of the Dead: Remake".
- In 4Q'21, the company plans to release 8 more games for the Nintendo Switch console (including "Hollow 2" and "Professional Fishing") and 2 games for X1.

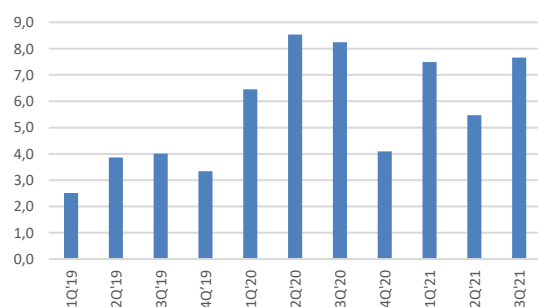
Results in previous quarters [mln PLN]

Results Q [mln PLN]	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	2018	2019	2020
Sales	2,5	3,9	4,0	3,3	6,5	8,5	8,2	4,1	7,5	5,5	7,7	9,8	13,7	27,3
Gross profit	0,9	1,3	1,2	-0,6	4,2	2,2	1,5	-0,3	2,4	-1,8	1,6	3,0	2,9	7,5
Other op.income/expenses	0,0	0,1	0,2	0,2	0,0	0,3	0,1	0,1	0,2	0,1	0,1	0,3	0,6	0,5
EBITDA	1,1	1,9	2,1	0,6	4,5	2,7	1,9	0,1	2,8	-1,3	2,1	3,9	5,6	9,2
EBIT	1,0	1,5	1,4	-0,4	4,2	2,5	1,6	-0,2	2,6	-1,6	1,8	3,4	3,5	8,0
Profit before tax	1,0	3,7	1,4	1,0	4,2	12,4	1,7	-0,3	2,6	-0,6	2,0	3,3	7,1	18,1
Net profit	1,0	3,5	1,2	0,8	3,6	9,8	1,4	-0,6	2,1	-0,6	1,6	3,3	6,4	14,3
Sales change y/y	122,3%	79,3%	3,8%	26,2%	156,5%	121,2%	105,6%	22,3%	15,9%	-36,0%	-7,0%	-	40,1%	99,0%
Net profit change y/y	145,5%	397,0%	-13,6%	-5,5%	276,1%	178,7%	21,0%	-	-42,0%	-	11,6%	-	95,9%	121,7%
Gross margin	37,6%	35,0%	29,3%	-16,9%	64,9%	25,6%	17,7%	-7,7%	31,6%	-32,3%	21,3%	30,7%	21,2%	27,5%
EBITDA margin	41,9%	48,9%	52,1%	16,9%	69,2%	32,1%	22,8%	1,5%	37,8%	-24,2%	26,8%	40,2%	40,8%	33,5%
EBIT margin	39,6%	38,5%	35,1%	-12,0%	64,9%	28,9%	19,4%	-5,2%	34,1%	-29,7%	23,0%	34,2%	25,4%	29,4%
Net margin	38,5%	91,1%	29,2%	23,5%	56,4%	114,8%	17,2%	-14,2%	28,2%	-10,2%	20,6%	33,5%	46,9%	52,3%

Źródło: BDM S.A., company

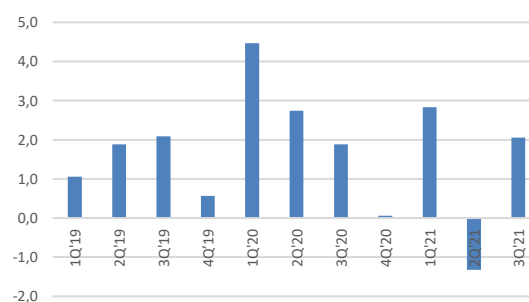
BDM Comment: Forever Entertainment's results are in line with our expectations, hence we perceive them neutral. The company's revenues in Q3'21 generated PLN 7.7 million (-7.0% - a high base related to, among others, the premiere of the game "Panzer Dragoon: Remake"). 87.7% of this item was accounted for by revenues generated from the sale of products, during this period FE released about 19 titles on various platforms, including one of the most important games - "Rise Eterna" (X1 / PS4). However, this result was achieved mainly from games that were released before 2021. The rest, ie PLN 0.9m, was a change in the balance of products (88.7% more q / q and -2.2% y/y). The largest cost items were, as usual, external services (here the dominant cost is rev. share with IP providers and development studios), which amounted to PLN 4.0 million (-24.3% q/q and -20.4 y/y) and salaries = PLN 1.5 million (-2.7% q/q and + 11.2% y/y). In Q3'21, the company generated EBITDA of PLN 2.1 million (+ 9.2% y/y) and PLN 1.6 million of net profit (+ 11.6% y/y). FE has a safe financial position that allows it to finance the implementation of many projects at the same time. The total value of short-term investments at the end of September '21 amounted to PLN 3.3 million (PLN 1.2 million more than the year before). The value of advances received at the end of Q3'21 amounted to over PLN 7.0 million, some of which are recognized as receivables. A few days before the release of the report for the last quarter, the company published the updated schedule of premieres, which shows that it was moved from Q4'21 to Q1'22, among others currently the most important project in progress, ie "The House of the Dead: Remake".

Sales [mln PLN]



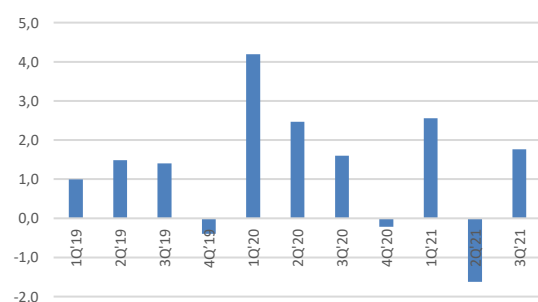
Źródło: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]



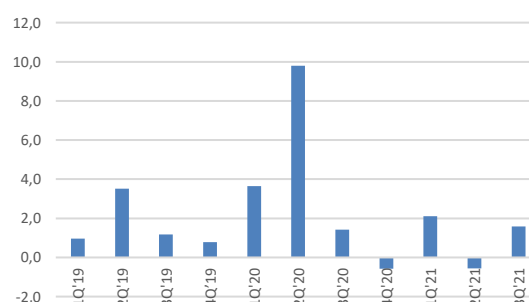
Źródło: Dom Maklerski BDM S.A., company

EBIT [mln PLN]



Źródło: Dom Maklerski BDM S.A., company

Net profit [mln PLN]



Źródło: Dom Maklerski BDM S.A., company



Dom Maklerski BDM S.A.

ANALYST COMMENT – **FOREVER ENTERTAINMENT**

Q3'21 RESULTS

2021/11/15, 10:55 CEST

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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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rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
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 Q4'21*:

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

	number	%	number	%
Buy	1	100%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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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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