



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	2021	2022F	2023F	
Price [PLN]	5,16	P/E	9,8	89,5	-	-	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	140,4	EV/EBITDA	14,9	61,2	-	-	
		EV/EBIT	17,0	131,2	-	-	
		P/BV	4,6	4,2	-	-	

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

Q4'21 results [mln PLN]

	Q4'20	Q4'21	change y/y	Q4'21 BDM	dev.	2020	2021	change y/y
Sales	4,1	5,2	27,9%	5,5	5,2%	27,3	25,8	-5,4%
Gross profit	-0,3	-1,5	-	0,0	-	7,5	0,8	-89,8%
EBITDA	0,1	-1,4	-	0,4	-	9,2	2,2	-76,0%
EBIT	-0,2	-1,7	-	0,1	-	8,0	1,0	-87,2%
Profit before tax	-0,3	-1,7	-	0,1	-	18,1	2,3	-87,5%
Net profit	-0,6	-1,6	-	0,1	-	14,3	1,6	-89,0%
Gross margin	-7,7%	-28,1%		-0,6%		27,5%	3,0%	
EBITDA margin	1,5%	-26,1%		7,0%		33,5%	8,5%	
EBIT margin	-5,2%	-31,9%		1,8%		29,4%	4,0%	
Net margin	-14,2%	-29,9%		1,6%		52,3%	6,1%	

Source: BDM S.A., company

- In 4Q'21, the company generated revenues of PLN 5.2 million (+ 27.9% y/y). The revenues generated from the sale of products accounted for 87.9% of this item, this result was achieved mainly from games that were released before 2021 ("Cooking Simulator", "Thief Simulator", "Panzer Dragoon" or "Green Hell"). The rest, ie PLN 0.6m, was a change in the balance of products (-32.9% q/q).
- 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 4.7 million (+ 17.8% q/q and + 51.9% y/y), by PLN 1.2m higher than our assumptions) and salaries = PLN 1.4m (-2.7% q/q and + 68.7% y/y).
- In 4Q'21, the company generated PLN -1.4m EBITDA (vs PLN 0.1m in 2020) and PLN 1.6m net loss (vs PLN 0.6m loss in 2020).
- Throughout 2021, the company generated PLN 25.8 million in revenues (-5.4% y/y), PLN 2.2 million in EBITDA (-76.0% y/y) and PLN 1.6 million in net profit (-89.0% y/y).
- The year 2021 was a time of increased investment by Forever Entertainment in games with production budgets greater than realized last year. As part of these investments, the company increased employment by 40% in the previous financial year. The increase in employment in the company and salaries contributed to an increase in salary costs to PLN 5.2 million, i.e. by + 54% for 2021 compared to 2020.
- The company, presenting the received advances for the production and sale of games in the balance sheet, with a total value of PLN 7.0 million as at the end of Q4'21, presents "deferred" revenues that will be booked in the profit and loss account on the day of the premiere of individual games.
- The company, despite the increase in expenditure on new titles with larger budgets, which will be released after 2021, investing in new entities and in the operation of the Forever Limited store, increased the value of cash held by PLN 0.8 million y/y to the amount of PLN 4.8m at the end of 2021 (vs. PLN 3.2m in Q3'21).
- The average employment in the company in 2021 was 22 people converted into full-time jobs, and in 2020 - 17 people converted into full-time jobs.
- The company is in the process of implementing the largest game projects in history and has a comfortable financial situation before the premieres of important titles in 2022 and in the following years.
- After a record-breaking 2020 in terms of financial results, in 2021 Forever Entertainment put emphasis on increasing the quality of games released mainly for the Nintendo Switch console. Additionally, FE increased sales on other game distribution platforms and also on new markets through increased marketing activities.
- In 2022, the company plans to continue the development of publishing activities and acquire more and more interesting games for distribution in the coming years thanks to cooperation with the owners of iconic IPs and with developers from Poland and around the world. The expected successes of the premieres of the titles, which are planned for 2022 and the following years, should translate into further improvement of the company's results. Close cooperation with global gaming industry giants strengthens the company's position as an indie publisher and producer. At the same time, FE focuses on the development of development teams in the company and group companies in which it holds shares, which is associated with the increasing number of games in its production portfolio with ever increasing quality requirements and a longer gameplay time.
- The company's management board expects that a significant increase in expenditure in 2021 on the preparation of new important titles, which will be premiered in 2022 and beyond, will translate into an increase in sales revenues in the following years, as well as a dynamic increase in operating profits and cash inflows to companies.



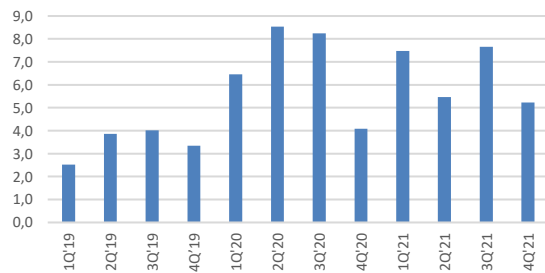
BDM Comment: Forever Entertainment's results are below our expectations, but due to the fact that it was a "transitional" period without important premieres and we are still waiting for the most important debuts (**already on April 7, 2022 - "The House of the Dead: Remake"**), we perceive them **slightly negative**. In Q4'21, the company's revenues generated PLN 5.2m (+27.9% y/y), which is in line with our expectations. The revenues generated from the sale of products accounted for 87.9% of this item, this result was achieved mainly from games that were released before 2021 ("Cooking Simulator", "Thief Simulator", "Panzer Dragoon" or "Green Hell"). The rest, ie PLN 0.6m, was a change in the balance of products (-32.9% q/q). 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 4.7 million (+17.8% q/q and +51.9% y/y, by PLN 1.2m higher than our assumptions) and salaries = PLN 1.4m (-2.7% q/q and +68.7% y/y). In Q4'21, the company generated PLN -1.4m EBITDA (vs PLN 0.1m in 2020) and PLN 1.6m net loss (vs PLN 0.6m loss in Q4'20). FE has a safe financial position that allows it to finance the implementation of many projects at the same time. The value of advances received for the production and sale of games at the end of Q4'21 amounted to over PLN 7.0 million. The company, despite the increase in expenditure on new titles with larger budgets, which will be released after 2021, investing in new entities and in the operation of the Forever Limited store, increased the value of its cash by PLN 0.8 million y/y to the amount of 4.8 PLN million at the end of 2021 (vs. PLN 3.2 million in Q3'21). **We hope that 2022 will be the time of many important premieres for the company, which will significantly translate into its results in the coming periods. We would like to remind you once again that the debut of the long-awaited THoT title will take place on April 7, 2022.**

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	4Q'21	2018	2019	2020	2021
Sales	2,5	3,9	4,0	3,3	6,5	8,5	8,2	4,1	7,5	5,5	7,7	5,2	9,8	13,7	27,3	25,8
Gross profit	0,9	1,3	1,2	-0,6	4,2	2,2	1,5	-0,3	2,4	-1,8	1,6	-1,5	3,0	2,9	7,5	0,8
EBITDA	1,1	1,9	2,1	0,6	4,5	2,7	1,9	0,1	2,8	-1,3	2,1	-1,4	3,9	5,6	9,2	2,2
EBIT	1,0	1,5	1,4	-0,4	4,2	2,5	1,6	-0,2	2,6	-1,6	1,8	-1,7	3,4	3,5	8,0	1,0
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	-1,7	3,3	7,1	18,1	2,3
Net profit	1,0	3,5	1,2	0,8	3,6	9,8	1,4	-0,6	2,1	-0,6	1,6	-1,6	3,3	6,4	14,3	1,6
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%	27,9%	-	40,1%	99,0%	-5,4%
Net profit change y/y	145,5%	397,0%	-13,6%	-5,5%	276,1%	178,7%	21,0%	-	-42,0%	-	11,6%	170,4%	-	95,9%	121,7%	-89,0%
Gross margin	37,6%	35,0%	29,3%	-16,9%	64,9%	25,6%	17,7%	-7,7%	31,6%	-32,3%	21,3%	-28,1%	30,7%	21,2%	27,5%	3,0%
EBITDA margin	41,9%	48,9%	52,1%	16,9%	69,2%	32,1%	22,8%	1,5%	37,8%	-24,2%	26,8%	-26,1%	40,2%	40,8%	33,5%	8,5%
EBIT margin	39,6%	38,5%	35,1%	-12,0%	64,9%	28,9%	19,4%	-5,2%	34,1%	-29,7%	23,0%	-31,9%	34,2%	25,4%	29,4%	4,0%
Net margin	38,5%	91,1%	29,2%	23,5%	56,4%	114,8%	17,2%	-14,2%	28,2%	-10,2%	20,6%	-29,9%	33,5%	46,9%	52,3%	6,1%

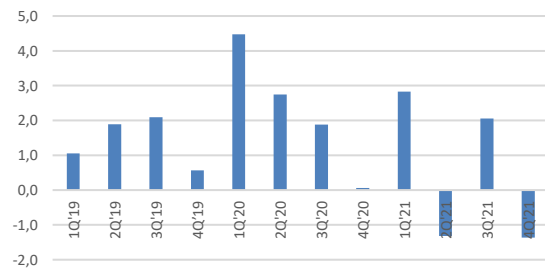
Źródło: BDM S.A., company

Sales [mln PLN]



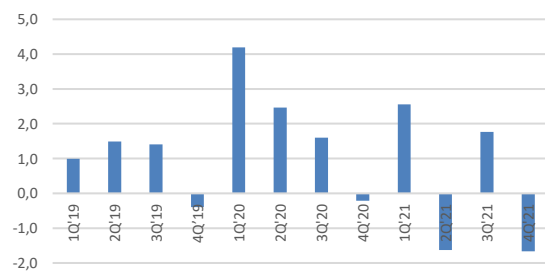
Źródło: Dom Maklerski BDM S.A., company

EBITDA [mln PLN]



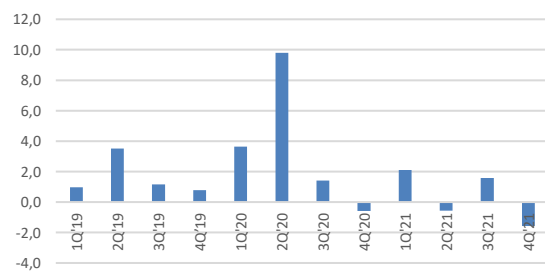
Źródło: Dom Maklerski BDM S.A., company

EBIT [mln PLN]



Źródło: Dom Maklerski BDM S.A., company

Net profit [mln PLN]



Źródło: Dom Maklerski BDM S.A., company

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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	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 Q1'22*:

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

	number	%	number	%
Buy	2	100%	3	100%
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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