STARBREEZE

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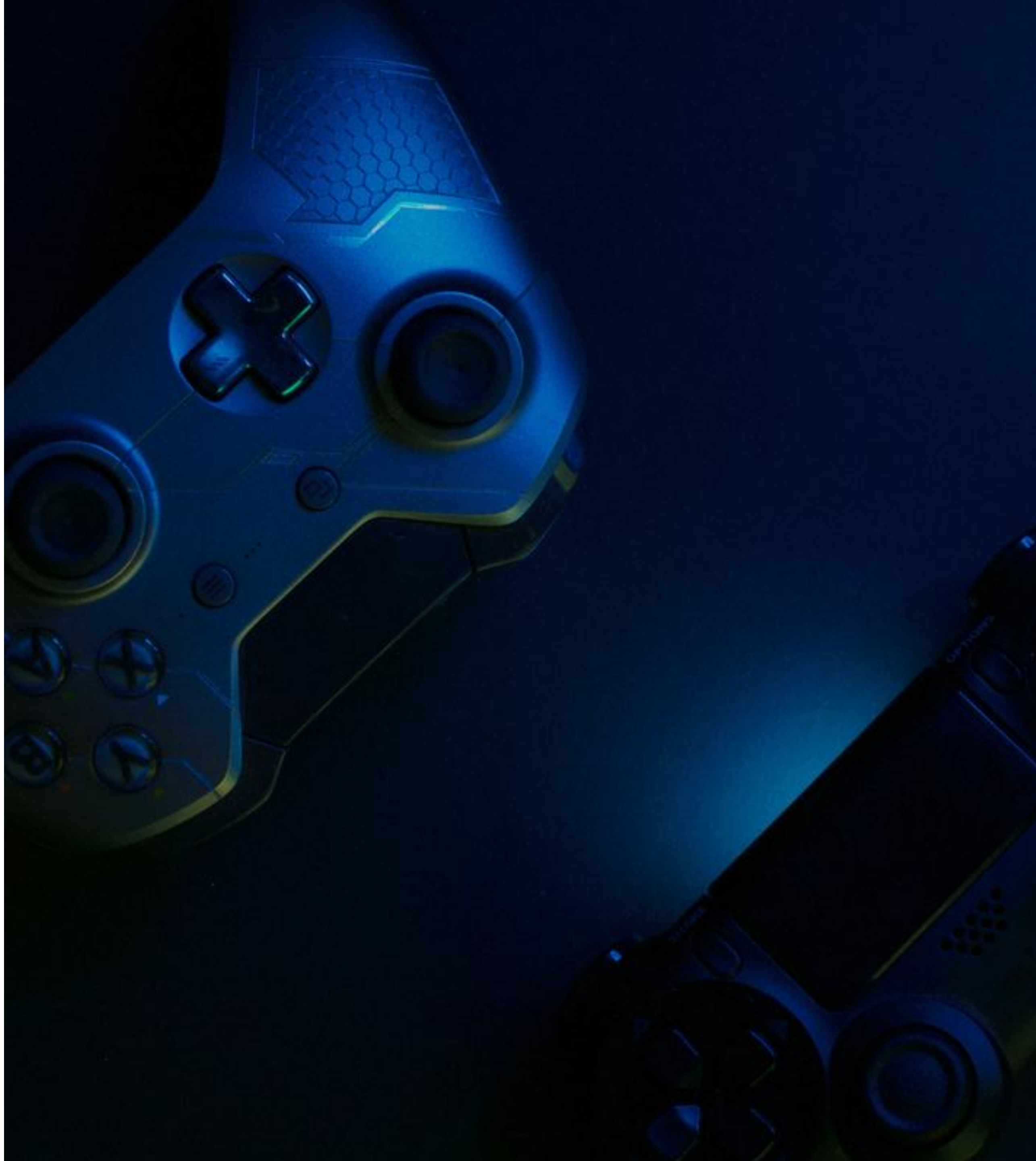
INDERES CORPORATE CUSTOMER

COMPANY REPORT



Low expectations presents opportunities

The top and bottom line aligned quite well with our estimates, even though the revenue mix was a bit surprising. No concrete details were provided on the second-year roadmap for PAYDAY 3 ("PD3"), as these are still forthcoming, while discussions with potential Project Baxter partners are ongoing. The current share price reflects very low market expectations, and with reduced short-term financial risks, we believe this presents a potential contrarian opportunity for risk-tolerant investors. We reiterate our Accumulate recommendation and raise our target price to SEK 0.24 (was SEK 0.22).

Q4 aligned with our estimates, but the revenue mix surprised

Starbreeze's Q4 revenues amounted to 46 MSEK, slightly exceeding our estimates (43 MSEK). PD3 revenues fell unexpectedly 8 MSEK quarter-on-quarter to 14.7 MSEK (Q3'23: 23 MSEK), falling short of our 26 MSEK estimate, as player activity remained low, coupled with the lack of paid content releases, during the quarter. Meanwhile, PD2 revenue remained stable at about 10 MSEK (Q3'24: 11.5 MSEK), while third-party publishing ("3PP") revenue came in well above our forecasts (Q4'24: 15 MSEK, est. 7 MSEK). In addition, Starbreeze received 5 MSEK from its work-for-hire agreement with KRAFTON, which was earlier than we had expected, and was the sole reason for the slightly higher-than-expected revenue in Q4.

EBIT improved quarter-on-quarter to -52 MSEK (adj. Q3'24: -63 MSEK), aligning well with our estimates, supported by higher revenue, a lower SG&A cost base, and reduced game development amortization. The cash position declined by some 57 MSEK to 192 MSEK due to continued high investments, unfavorable working capital changes, and negative earnings. To enhance cost efficiency, Starbreeze announced measures to lower its fixed cost base, including redundancies primarily within marketing and publishing, potential foreign entity closures, and a head office relocation. These actions, combined with the KRAFTON partnership, are expected to reduce cash burn during what we anticipate will be a transitional 2025 leading up to the Baxter release in 2026.

Our broader estimates remain relatively unchanged

Our overall outlook for PD3 remains unchanged, as we continue to see a significant resurgence in player base and revenue as unlikely. However, the sharper and earlier-than-expected decline in PD3 revenue, combined with the lack of concrete details on its second-year roadmap, has led us to lower our PD3 estimates for 2025. Despite this, our total revenue estimates remain largely intact, as higher 3PP projections offset the PD3 revisions. Additionally, we have made minor downward adjustments to our cost estimates, particularly within SG&A expenses. The overall impact on free cash flow remains limited.

We remain cautiously optimistic about the stock

Since our last update (Dec 2024), the share price has risen ~ 13%. Despite this, valuation remains low in absolute terms (2025e EV: 116 MSEK), reflecting subdued market expectations for the PAYDAY franchise and the upcoming Baxter release. While we largely share this cautious outlook, we believe that recent cost-efficiency measures and the KRAFTON partnership have reduced the short-term financial risks. That said, the investment risk remains high, but we believe the low absolute valuation presents an opportunity for a contrarian stance. Any positive news regarding PD3 or Project Baxter (particularly during its marketing phase) could provide upside potential for the stock. However, our patience is limited. Should PD3 activity decline further, early signs of weak interest in Project Baxter emerge, or Starbreeze's financial situation deteriorates, we will not hesitate to adjust our view. Our DCF model, which reflects a moderately optimistic scenario, values the share at SEK 0.41 (was SEK 0.39). However, we still believe the DCF provides limited near-term support as the share price remains closely tied to PD3's performance and the upcoming Baxter release.

Recommendation
Accumulate
(prev. Accumulate)

Target price:
0.24 SEK
(prev. 0.22 SEK)

Share price:
0.20 SEK

Business risk
●●●●○

Valuation risk
●●●○○

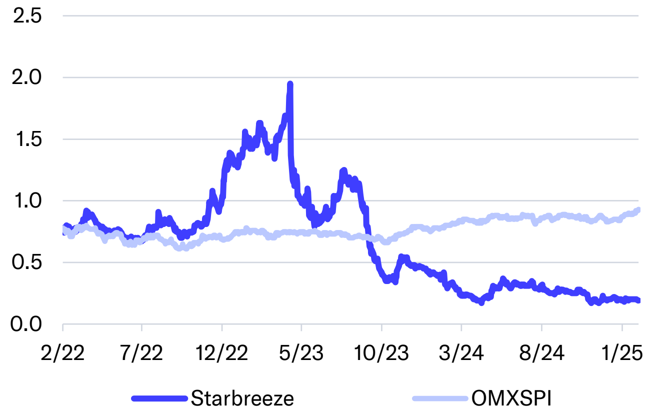
	2024	2025e	2026e	2027e
Revenue	186	203	348	251
growth-%	-71%	9%	72%	-28%
EBIT adj.	-229	4	-100	-64
EBIT-% adj.	-123.2 %	1.9 %	-28.7 %	-25.5 %
Net Income	-199	5	-102	-66
EPS (adj.)	-0.15	0.00	-0.07	-0.04

P/E (adj.)	neg.	64.3	neg.	neg.
P/B	0.4	0.4	0.5	0.5
EV/EBIT (adj.)	neg.	29.7	neg.	neg.
EV/EBITDA	1.1	1.1	0.9	1.9
EV/S	0.6	0.6	0.5	0.7

Source: Inderes

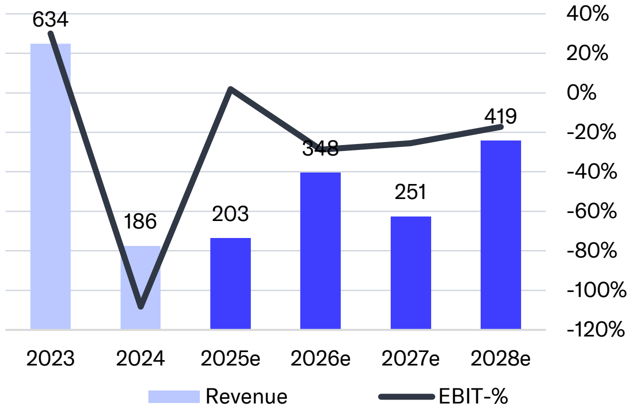
Guidance (Starbreeze provides no guidance)

Share Price



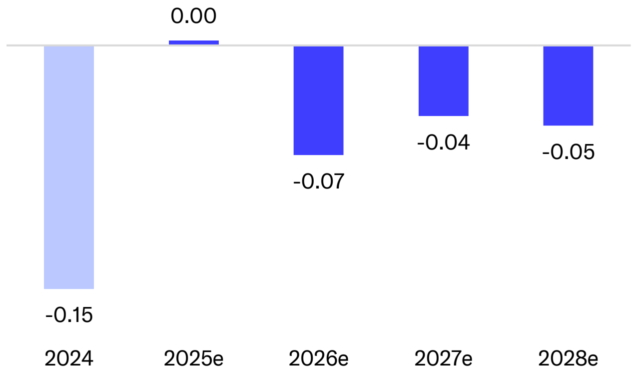
Source: Millistream Market Data AB

Revenues and operating profit-%



Source: Inderes

Earnings per share



Source: Inderes

Value drivers

- The company's main asset is its ownership of the PAYDAY game franchise
- If Starbreeze can entice players to return to PAYDAY 3, the company's financial outlook, as well as its potential to expand and/or license the IP, would improve significantly
- A successful 2026 launch of Project Baxter would improve Starbreeze's financial position and overall outlook notably
- Third-party publishing operations and adding new platforms for existing titles
- Highly scalable business model with successful launches

Risk factors

- If PAYDAY-related revenue continues to decline, alongside weakening player sentiment and activity, the IP's value and Starbreeze's overall financial position would deteriorate noticeably
- Limited visibility into Project Baxter and the 2028 game release makes it hard to assess the company's long-term potential
- Commercial failure and/or delays in future game projects
- Changes in expectations for future games can cause significant volatility in the stock
- High development costs and fixed-cost base exert pressure on cash flows

Valuation	2025e	2026e	2027e
Share price	0.20	0.20	0.20
Number of shares, millions	1,477	1,477	1,477
Market cap	291	291	291
EV	116	160	178
P/E (adj.)	64.3	neg.	neg.
P/E	64.3	neg.	neg.
P/B	0.4	0.5	0.5
P/S	1.4	0.8	1.2
EV/Sales	0.6	0.5	0.7
EV/EBITDA	1.1	0.9	1.9
EV/EBIT (adj.)	29.7	neg.	neg.

Source: Inderes

PD3 revenue fell short of our expectations, but third-party publishing surprised

The revenue mix was a bit surprising

Starbreeze's Q4 revenues amounted to 46.4 MSEK (Q3'24: 43 MSEK), slightly exceeding both the previous quarter and our estimates. However, compared to the same period last year (Q4'23: 69 MSEK), revenue declined by 33%, reflecting the timing of PD3's launch in H2'23. In Q4, revenue from PD3 decreased by some 8 MSEK quarter-on-quarter to 14.7 MSEK (Q3'24: 23 MSEK), while PD2 revenue decreased by about 1 MSEK (q/q) to 10.3 MSEK (Q3'23: 11.5 MSEK) and third-party revenue increased by 9 MSEK to 15.4 MSEK (Q3'24: 6 MSEK). Additionally, Starbreeze received 5 MSEK from its work-for-hire agreement with KRAFTON. While the overall revenue figure was largely in line with expectations, the revenue mix contained some surprises.

The quarter-on-quarter decline in PD3 revenue was sharper and earlier than anticipated, as low player activity and a lack of new paid content releases contributed to the revenue decline. On a more positive note, third-party publishing revenue clearly exceeded our expectations, with Roboquest delivering a strong quarter. Furthermore, we had not factored in any impact from the KRAFTON partnership in Q4, which ultimately accounted for the higher-than-estimated revenue for the quarter.

The operating losses narrowed in Q4

Starbreeze reported a Q4 operating loss (EBIT) of -52 MSEK (adj. Q3'23: -63 MSEK), aligning with our expectations. The quarter-on-quarter improvement was driven by higher revenue, lower SG&A costs, and reduced amortization (Q4'24: 65 MSEK, Q3'24: 70 MSEK). However, the amortization level was higher than our estimates (Inderes est. 57 MSEK), as we had anticipated a faster reduction in amortization regarding game development. However, we still expect amortization levels to come down significantly in Q1'25 and onwards (until the 2026 release).

A declining cash position was expected

Cash flow from operating activities after WC changes was -0.3 MSEK and investments for the quarter totaled 66 MSEK, leading to a free cash flow of -66 MSEK (Q3'24: -81 MSEK). Starbreeze received 17 MSEK in game development financing during the quarter, and its cash balance stood at 192 MSEK at the end of Q4 (Q3'24: 249 MSEK), with virtually no debt. While the cash decline this quarter was anticipated and the current cash position remains at a high level, a continued low level of PD3 activity may erode cash further in the coming quarters.

However, the KRAFTON partnership will offset this somewhat through steady revenue streams for the company during 2025, enabling Starbreeze to reduce the cash burn for the current year. A partner deal regarding Baxter would also alleviate cash flow pressures, likely at the expense of revenue potential.

Estimates	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus		Difference (%)	Actual
MSEK / SEK	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	2024
Revenue	69.2	46.4	43.1				7%	186
EBITDA	-20.6	19.7	13.6				45%	97.6
EBIT (adj.)	-95.0	-52.0	-49.6				-5%	-229.1
EBIT	-95.0	-52.0	-49.6				-5%	-201.2
EPS (reported)	-0.06	-0.03	-0.04				17%	
Revenue growth-%	105.8 %	-33.0 %	-37.7 %				4.7 pp	-70.7 %
EBIT-% (adj.)	-137.3 %	-112.1 %	-115.1 %				3 pp	-123.2 %

Source: Inderes

No major changes in our estimates in absolute numbers

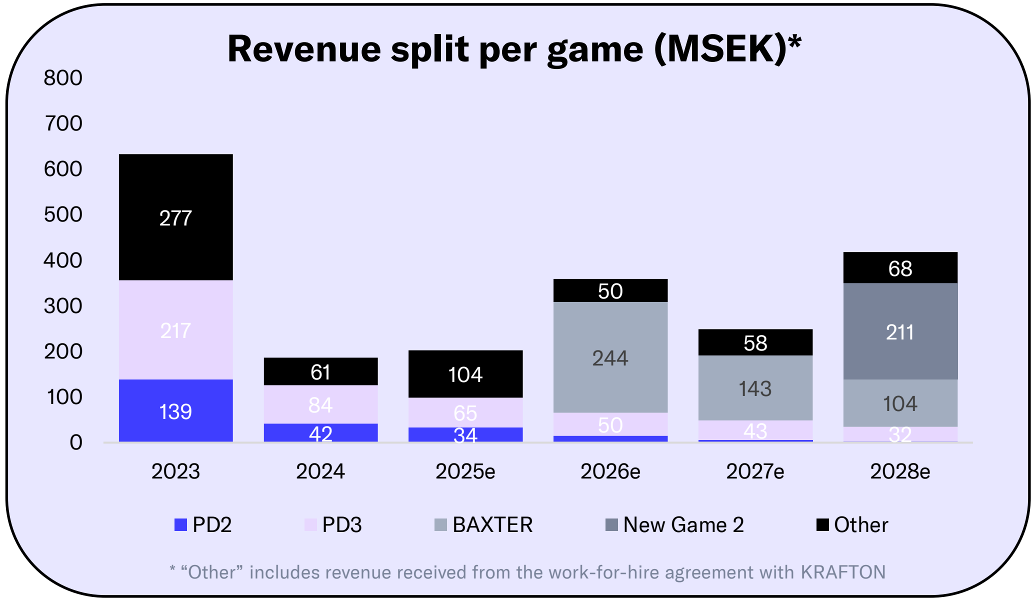
Estimate changes

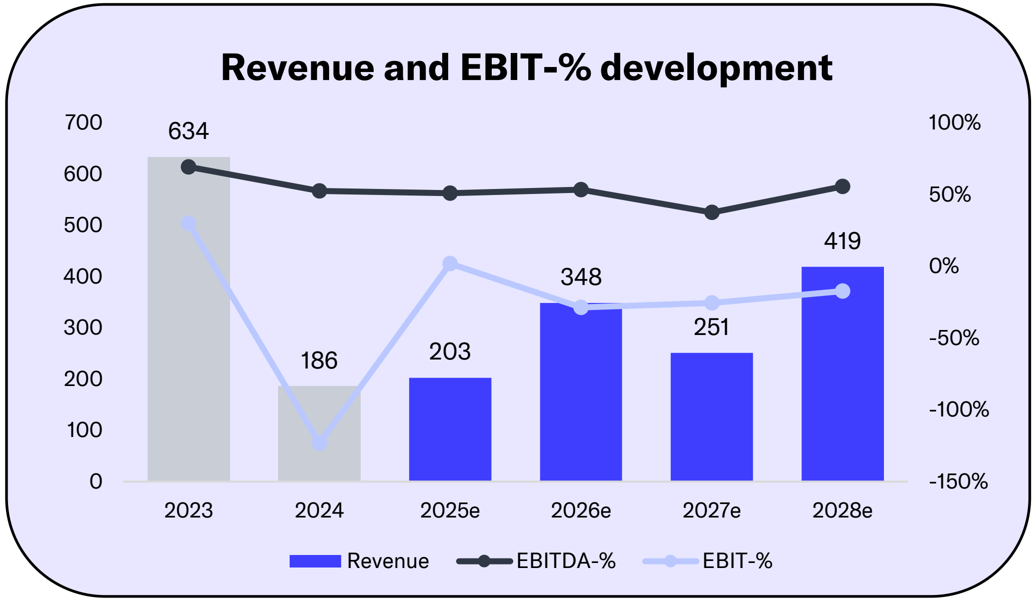
- Following the Q4'24 revenue mix, we have adjusted our projections by lowering PD3 revenue estimates for 2025 by approximately 11%. However, we have raised our PD2 revenue forecasts slightly, as its stability throughout 2024 (despite no new content and game support) suggests high resilience. As a result, our overall revenue estimates for the PAYDAY franchise remain largely unchanged.
- Additionally, we have raised our third-party publishing revenue forecast by 7-17% in 2025-2026, primarily due to the strong Q4 performance from Roboquest.
- Conversely, we have slightly reduced our work-for-hire revenue estimates from KRAFTON in 2025, given the earlier-than-expected revenue recognition in Q4 and relative to our assessment of the contract value. We have gone through our estimates regarding the KRAFTON deal here).
- Despite these adjustments in the revenue mix, the overall impact on our Group-level revenue estimates remains minimal for the coming years.
- On the cost side, we have lowered our estimated SG&A expenses following Starbreeze's strategic review, which aims to reduce fixed costs through targeted redundancies (primarily within the marketing and publishing organization), potential foreign entity closures in favor of local hires, and a head office relocation to better align with the current size of the organization.
- Above-mentioned adjustments had only a minor impact on our DCF valuation.

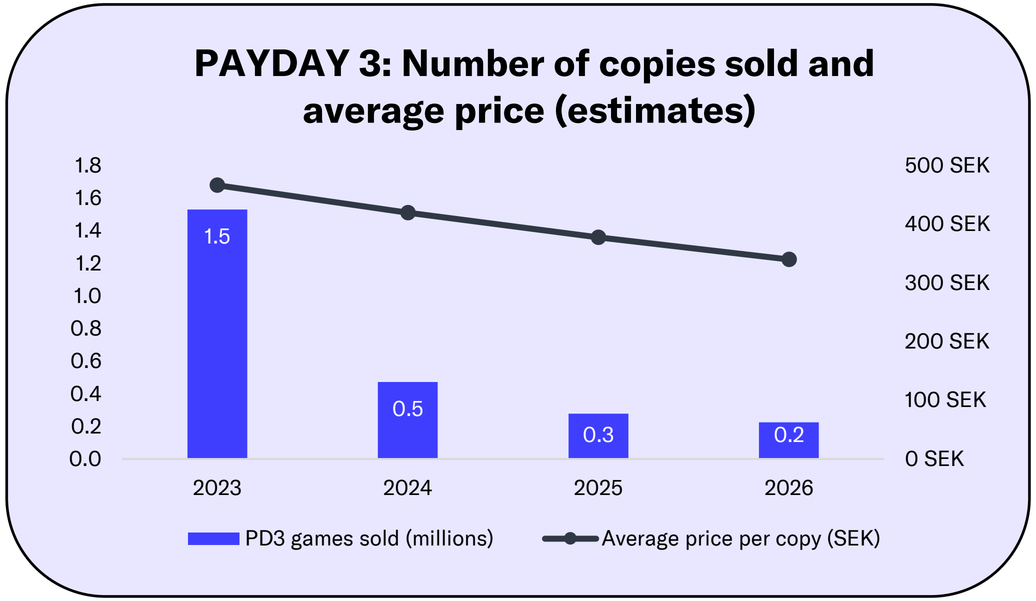
Estimate revisions MSEK / SEK	Actual Inderes	2024e Actualized	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
Revenue	183	186	2%	204	203	-1%	343	348	1%
EBITDA	91.5	97.6	7%	91.8	103	13%	189	186	-2%
EBIT (exc. NRIs)	-226.7	-229.1	-1%	-7.3	3.9	153%	-101.3	-99.9	1%
EBIT	-198.8	-201.2	-1%	-7.3	3.9	153%	-101.3	-99.9	1%
EPS (excl. NRIs)	-0.16	-0.15	2%	0.00	0.00	167%	-0.07	-0.07	1%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

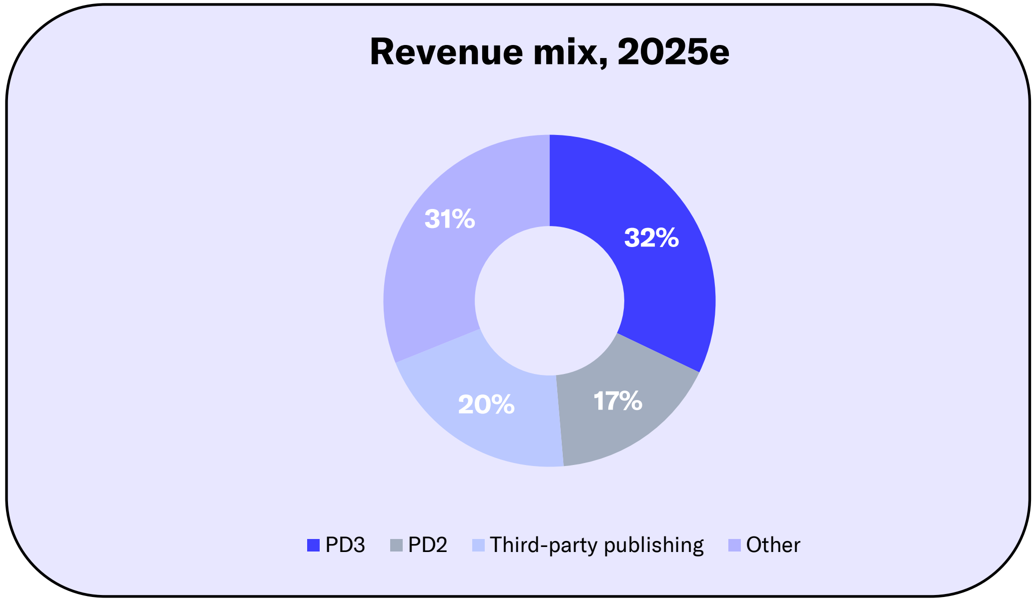
Source: Inderes

Underlying assumptions for revenue estimates



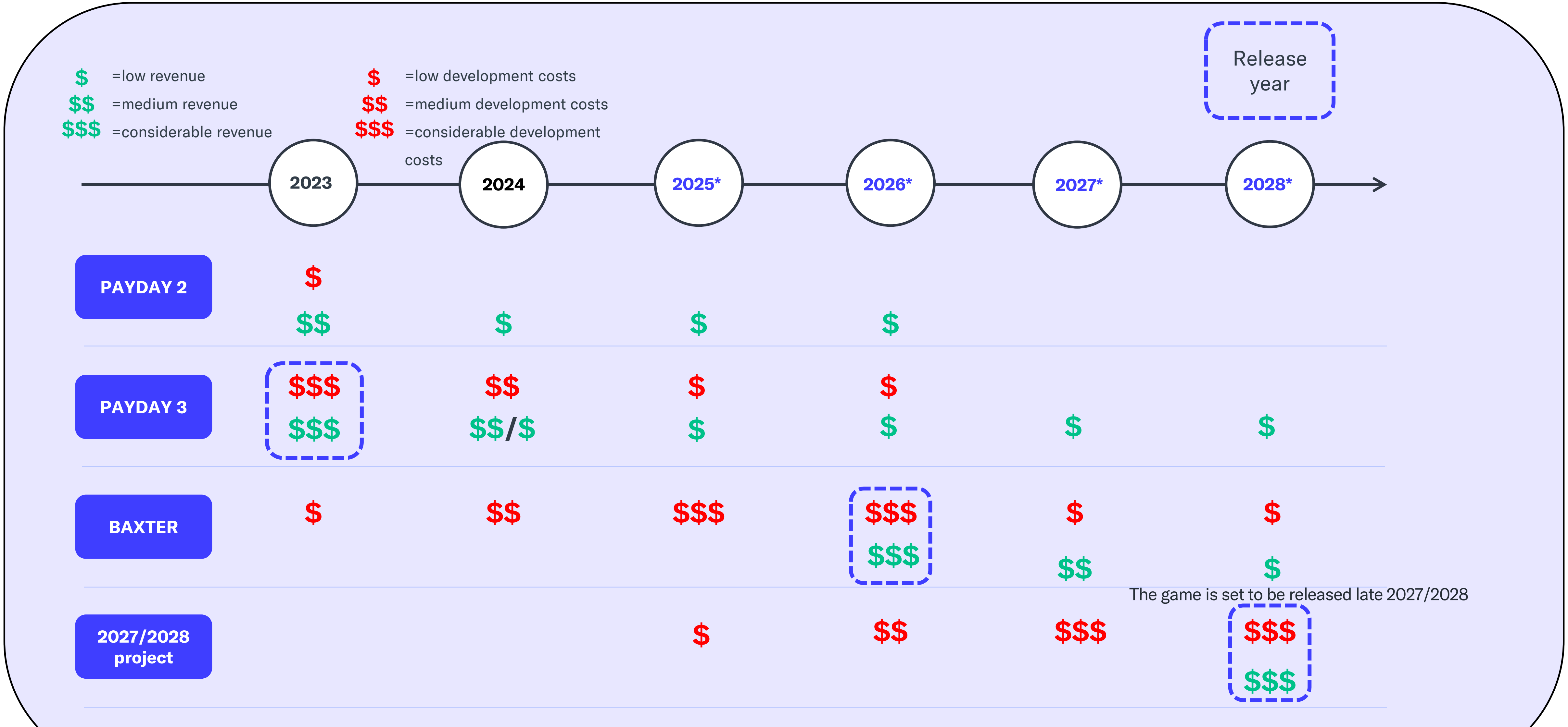






Source: Starbreeze, Inderes estimates

Timeline for internal game projects



Source: Inderes, *Inderes' estimates

Valuation 1/3

Low enterprise value mitigates the downside risk

Starbreeze's current valuation remains low both in absolute terms and relative to its potential, particularly if the company successfully reignites player interest in PD3 and achieves a strong launch for Project Baxter. As it stands, we believe the current share price reflects the market's skepticism about the likelihood of these events materializing.

Considering Starbreeze's current net cash position (Q4'24: 192 MSEK) and a market cap of around 290 MSEK, the enterprise value is notably low. Even with an estimated EV of 116 MSEK in 2025, reflecting an estimated weakened cash position, it remains at a modest level, which should help mitigate downside risk at current share price levels. While we remain unconvinced of a PD3 turnaround, the work-for-hire partnership with KRAFTON provides Starbreeze with additional revenue streams in 2025, helping the company to reduce cash outflows during what we expect to be a transition period ahead of the 2026 release. We also think the partnership showcases that the PAYDAY IP remain attractive in the gaming industry despite its troubled launch and the current state of the game. We discussed our thoughts on the KRAFTON partnership in more detail in our previous company update.

While we continue to believe that Starbreeze's current cost structure and heavy investments in game development for 2025 will strain its cash position, the positive cash flow effect from the partnership puts Starbreeze in a better financial position going forward, all things being equal. At current valuation, expectations for both the PAYDAY franchise and the upcoming 2026 release are low for all the right reasons. We see this as an opportunity to be contrarian, which is why we reiterate our Accumulate recommendation and raise our target price to SEK 0.24 (was SEK 0.22).

However, our patience is limited and should PD3 activity decline significantly from these already low levels, or should we see signs of low interest and engagement for Project Baxter as marketing activities increase, or should the financial situation deteriorate, we will not hesitate to change our view.

Multiple-based valuation suffers from fluctuating financials

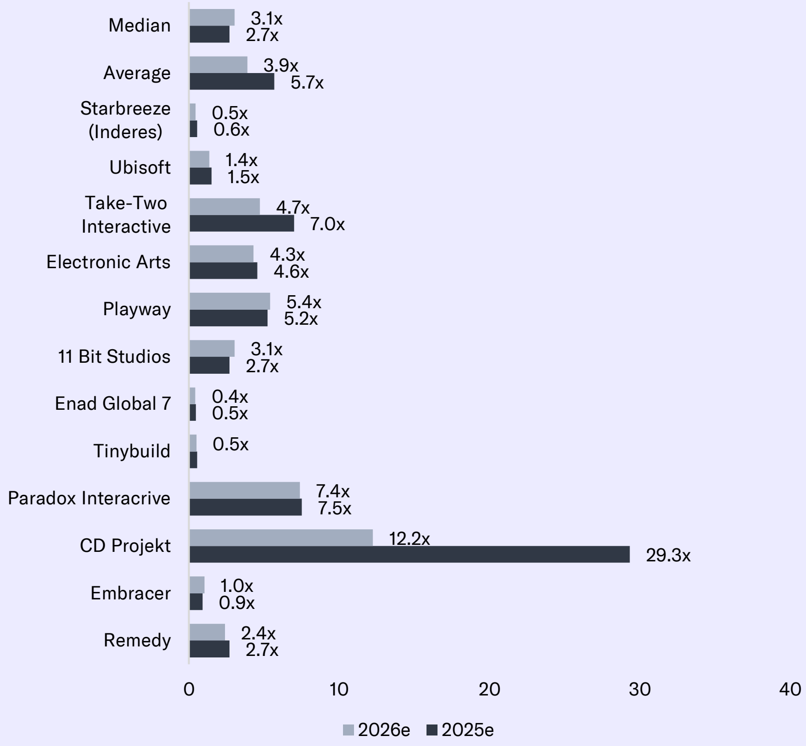
Starbreeze's fluctuating revenues and earnings naturally result in fluctuating multiples. Depreciation and amortization will also fluctuate based on the timing of game releases. In addition, it is not easy to determine an appropriate multiple for Starbreeze. For instance, EBITDA multiples do not fully account for game development costs and paint an overly rosy picture. Meanwhile, EV/EBIT and P/E suffer from uneven D&A costs related to game releases. This essentially leaves us with sales-based multiples (P/S and EV/S) in the short term, of which EV/S is more appropriate as it accounts for net debt. However, even EV/S is problematic given how revenue fluctuations linked to game release cycles can distort comparisons.

With our revenue estimates, the EV/S multiples for 2025 and 2026 are 0.6x and 0.5x, respectively. These multiples are lower than the peer group median of 2.7-3.1x for 2025-2026. However, a discount is reasonable as Starbreeze is significantly smaller than the peer group average and possesses a less diversified games portfolio as of today, which in turn presents a higher degree of volatility in earnings and uncertainty regarding cash flows.

Valuation	2025e	2026e	2027e
Share price	0.20	0.20	0.20
Number of shares, millions	1,477	1,477	1,477
Market cap	291	291	291
EV	116	160	178
P/E (adj.)	64.3	neg.	neg.
P/E	64.3	neg.	neg.
P/B	0.4	0.5	0.5
P/S	1.4	0.8	1.2
EV/Sales	0.6	0.5	0.7
EV/EBITDA	1.1	0.9	1.9
EV/EBIT (adj.)	29.7	neg.	neg.

Source: Inderes

Starbreeze and peers' EV/S



Valuation 2/3

In addition, there are significant company-specific differences in the multiples, and we currently do not see the peer group multiples having a meaningful impact on Starbreeze's valuation.

Normalized multiples

For a more meaningful relative valuation of Starbreeze, it makes sense to assess its position further into the future, when the company is expected to be more established. By 2029, we estimate that Starbreeze could have a more mature profile, with three active, revenue-generating games in the market. However, it would still be less mature compared to the broader peer group.

To address potential earnings volatility during this period, we could smooth the earnings estimates by using the average EBIT estimate of around 50 MSEK over 2029-2034. In our view, an appropriate EV/EBIT multiple for Starbreeze at this stage would likely be between 9x and 12x, reflecting the lower portfolio diversification compared to peers. The actual multiple would depend on the company's growth outlook and market sentiment at that time. Applying this range to the projected EBIT results in an estimated equity value per share between SEK 0.35 and SEK 0.45 at the end of 2029.

That said, this valuation approach carries inherent limitations. It heavily relies on a specific future scenario with limited visibility, while also being influenced by the variability in peer group multiples. As such, there is a considerable degree of uncertainty in these estimates.

DCF valuation

Our DCF model indicates at share price of SEK 0.41 (was SEK 0.39). However, the DCF model represents a long-term scenario in which the next two games are moderately successful (which cannot be taken for granted). At the current stage of the company's development, the model's assumptions are subject to considerable uncertainty and the cash flows are concentrated far in the future. Consequently, we do not view the DCF valuation offering strong near-term support, as Starbreeze's valuation remains closely tied to PD3's near term performance and the upcoming Baxter release.

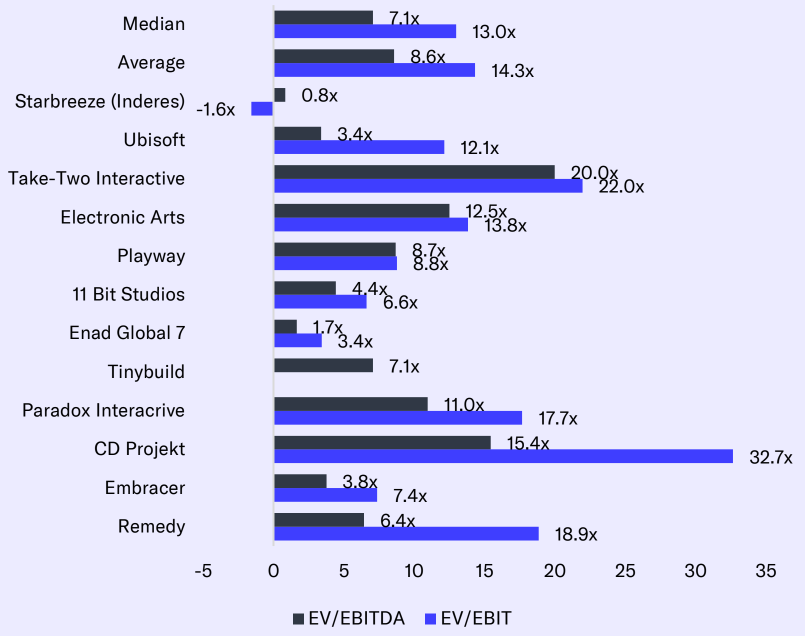
Scenario analysis

As our Starbreeze estimates are heavily dependent on projections of PD3 and future game projects, there is quite a bit of uncertainty in these estimates. Therefore, to support our valuation, we have conducted a DCF valuation for the following three scenarios: baseline case, downside case, and upside case.

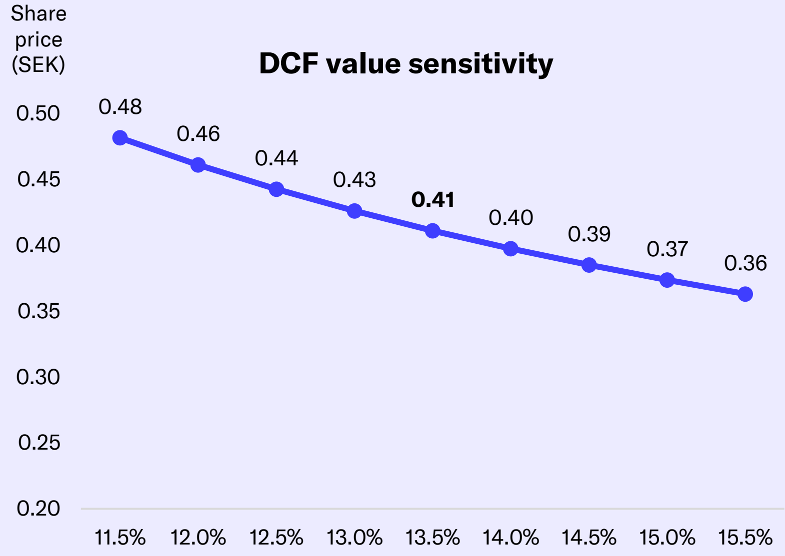
The **baseline case** assumes that PD3 does not experience a significant recovery. However, upcoming game releases in 2026 and 2028 are expected to achieve moderate success, generating decent revenue streams without becoming blockbuster hits. From 2029 onward, we project that Starbreeze will have evolved into a more established game developer, with three key revenue-generating titles. As a result, revenue and earnings growth will be steadier, with less volatility. For the terminal period we have used an EBIT margin of 18% and a revenue growth rate of 2.5%.

In the **downside case**, we assume that the current struggles with PD3 persist, preventing any meaningful recovery, and that future game releases fail to achieve commercial success. While these releases would still generate a short-term revenue boost in the year of their launches, overall revenues and EBIT would be significantly lower over the next decade.

Starbreeze and peers' 2025e EV/EBIT and EV/EBITDA



DCF value sensitivity



Valuation 3/3

For the terminal period we have used an EBIT margin of 14% and a revenue growth rate of 2%. In this scenario, the equity value per share falls to SEK 0.12.

This illustrates the inherent downside risk of investing in binary cases like Starbreeze. Given the company's current low diversification and the volatile nature of the gaming industry, Starbreeze's future hinges on the success of its game launches to finance new projects. In this scenario, we anticipate that Starbreeze may not have sufficient cash to fund its upcoming titles, making it increasingly likely that the company will need to onboard an external publisher under less favorable terms due to its weakened position.

In this downside case, one could also consider the scenario where Starbreeze decides to sell the PAYDAY franchise. Such a sale could potentially fetch a value higher than our DCF model suggests, depending on the current state of the franchise at the time, the potential buyer, and other factors.

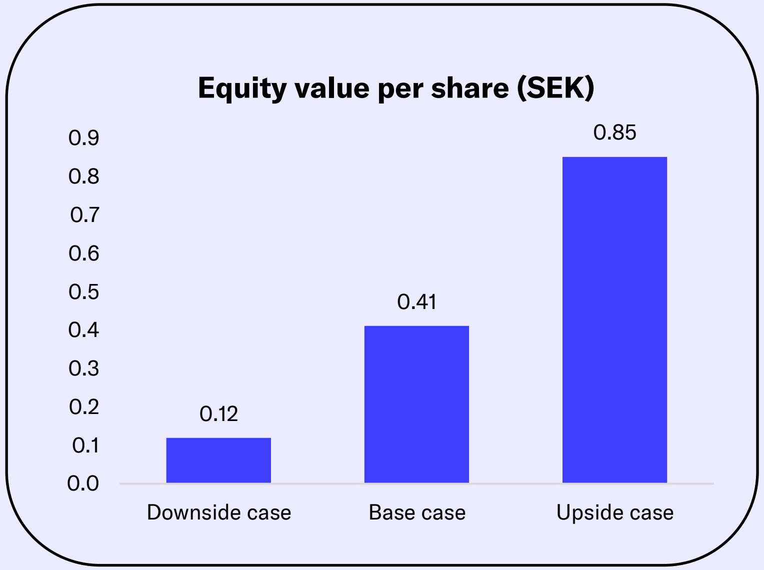
In the **upside case**, Starbreeze succeeds in revitalizing PD3 through new content and ongoing updates, leading to stronger commercial performance. Additionally, future game launches are assumed to achieve significant success. By turning PD3 around, Starbreeze would be in a stronger position to secure a larger share of future revenues, as reflected in the higher net revenue and earnings estimates in this scenario.

In this more optimistic outlook, we project an EBIT margin of 25% for the terminal period, compared to 18% in the baseline scenario. Based on these assumptions, we estimate a potential share price of SEK 0.85. However, the current market valuation suggests that investors assign a relatively low probability to this scenario materializing. Nonetheless, we believe it is important to consider this possibility, as Starbreeze remains a highly binary case, where fortunes could shift dramatically and unexpectedly, given the nature of the gaming industry.

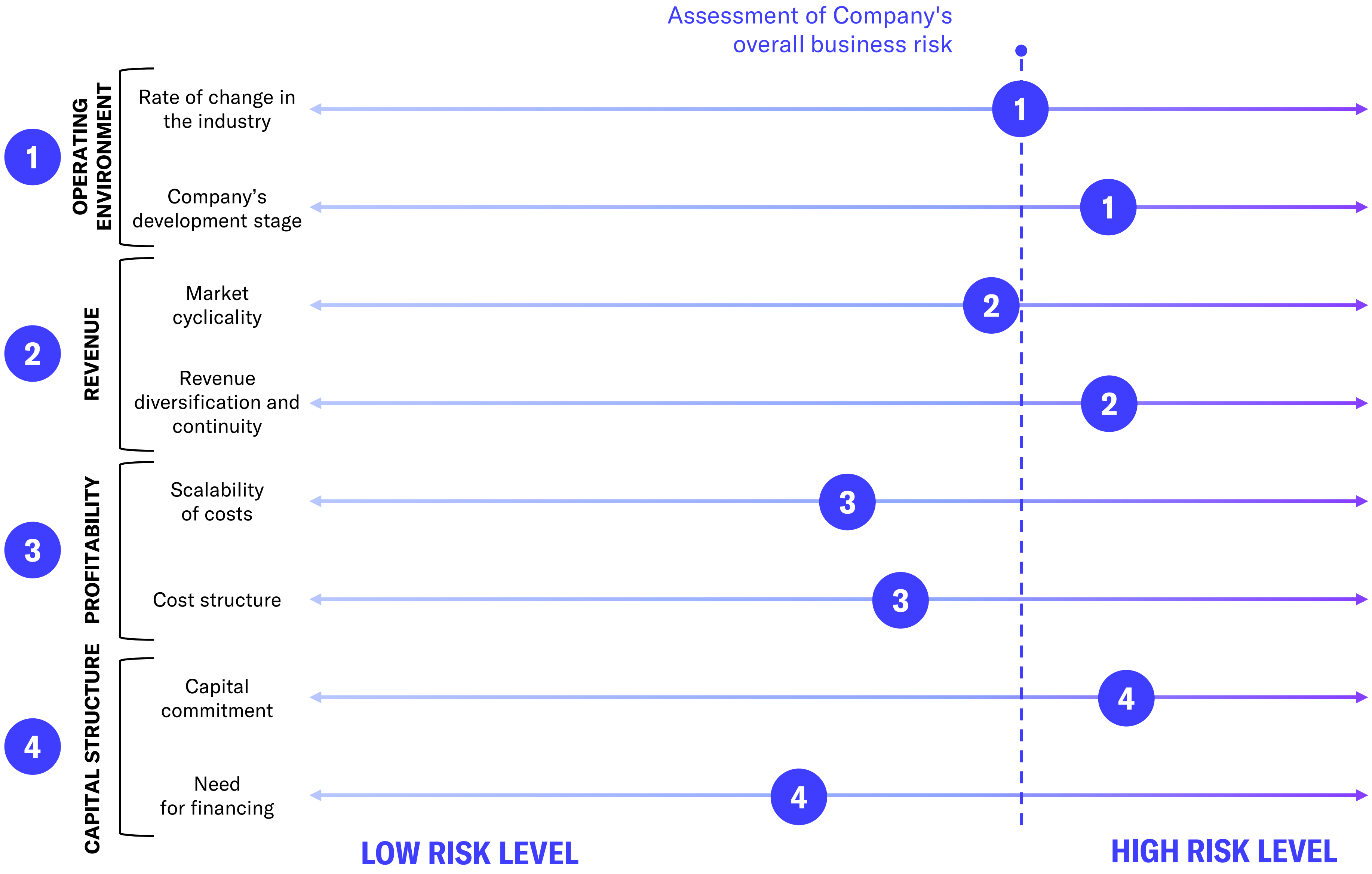
Base Case	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	Term
Revenues	203	348	251	419	349	410	470	512	525	538	2.5 %
EBIT	4	-100	-64	-72	41	-9	24	71	78	96	
EBIT-%	2%	-29%	-26%	-17%	12%	-2%	5%	14%	15%	18%	18%

Downside Case	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	Term
Revenues	172	296	163	314	244	279	306	333	341	350	2.0 %
EBIT	-78	-163	-73	-94	-61	-73	-15	17	41	49	
EBIT-%	-45%	-55%	-45%	-30%	-25%	-26%	-5%	5%	12%	14%	14%

Upside Case	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	Term
Revenues	243	505	352	586	454	554	625	681	698	715	2.5 %
EBIT	19	-51	-28	23	73	67	125	164	175	179	
EBIT-%	8%	-10%	-8%	4%	16%	12%	20%	24%	25%	25%	25%



Risk profile of the business



Games market and its value chains change rapidly with consumer behavior and technology.

Starbreeze is still early on its strategy to become a multi-title studio with two active games on the market coupled with a small publishing portfolio.

Generally, the market has strong demand fundamentals, but it's difficult to predict the behavior of players for individual games.

Low diversification as revenues are derived from a single franchise. Partially mitigated by the GaaS business model. End demand is very fragmented.

Sales prices of games are standardized, and quality determines success.

Cost structure mostly fixed, which means profitability scales with game sales. Conversely, will become a burden if revenues decrease.

Game development requires significant up front investments. Working capital needs are modest.

After the rights issue in 2023, the company has virtually no debt. Depending on the success of PD3 Starbreeze might need further financing to fund growth initiatives. However, recent partnership with Krafton reduce cash burn during a likely transitional 2025.

Investment profile

1. PAYDAY 3's performance and the upcoming Baxter release are heavily linked to the share price development
2. Strong video game franchise in PAYDAY
3. The balance sheet is solid, though prolonged weak performance from PD3 could put a strain on cash flows
4. GaaS business model provides longevity, scalability, and reduces risk
5. Large and growing market

Potential

- If Starbreeze can entice players to return to PAYDAY 3 the company's outlook would improve significantly
- Widening the monetization of the PAYDAY IP though more games and other income streams
- Large PAYDAY community that can be leveraged to promote new games
- Future new game releases
- Increased revenue diversification through publishing operations

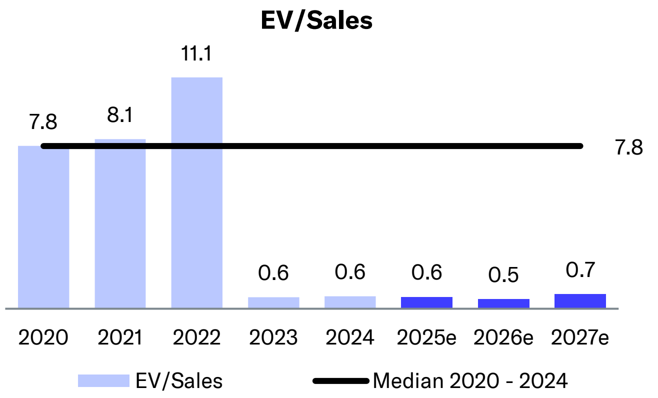
Risks

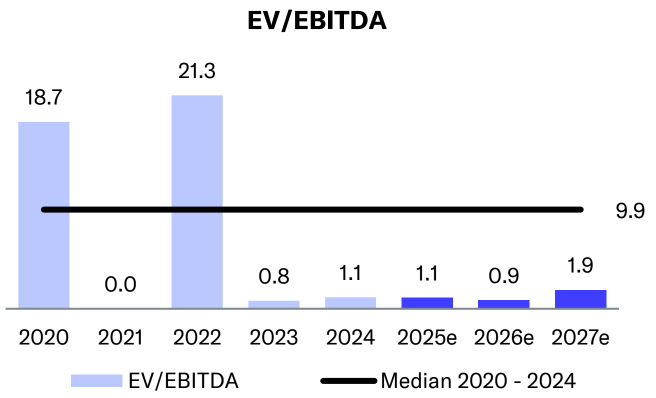
- If PAYDAY-related revenue continues to decline, alongside weakening player sentiment and activity, the IP's value and Starbreeze's overall financial position would deteriorate noticeably
- Limited visibility into Project Baxter and the 2028 game release makes it hard to assess the company's long-term potential
- Commercial failure and/or delays in future game projects
- High development costs and fixed-cost base exert pressure on cash flows

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	1.09	1.00	1.58	0.47	0.21	**0.20**	**0.20**	**0.20**	**0.20**
Number of shares, millions	725	725	725	1,477	1,477	**1,477**	**1,477**	**1,477**	**1,477**
Market cap	784	727	1,142	699	304	**291**	**291**	**291**	**291**
EV	919	1,021	1,413	350	111	**116**	**160**	**178**	**334**
P/E (adj.)	neg.	neg.	neg.	2.5	neg.	**64.3**	**neg.**	**neg.**	**neg.**
P/E	neg.	neg.	neg.	2.5	neg.	**64.3**	**neg.**	**neg.**	**neg.**
P/B	3.4	5.9	20.1	0.8	0.4	**0.4**	**0.5**	**0.5**	**0.6**
P/S	6.6	5.8	8.9	1.1	1.6	**1.4**	**0.8**	**1.2**	**0.7**
EV/Sales	7.8	8.1	11.1	0.6	0.6	**0.6**	**0.5**	**0.7**	**0.8**
EV/EBITDA	18.7	>100	21.3	0.8	1.1	**1.1**	**0.9**	**1.9**	**1.4**
EV/EBIT (adj.)	84.5	68.3	>100	1.8	neg.	**29.7**	**neg.**	**neg.**	**neg.**

Source: Inderes





Peer group valuation

Peer group valuation	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**
Remedy	180	46.2	18.9	13.3	6.4	2.7	2.4	73.8	26.2			2.7
Embracer	2,851	6.5	7.4	3.6	3.8	0.9	1.0	7.6	6.9			0.5
CD Projekt	5,272	105.3	32.7	70.2	15.4	29.3	12.2	104.2	162.9	0.4	0.4	8.4
Paradox Interacrive	1,877	22.9	17.7	11.3	11.0	7.5	7.4	32.4	23.1	2.0	2.3	7.3
Tinybuild	20				7.1	0.6	0.5					
Enad Global 7	81	3.9	3.4	1.9	1.7	0.5	0.4	7.6	8.9			0.3
11 Bit Studios	126	4.9	6.6	3.7	4.4	2.7	3.1	4.3	5.3			1.6
Playway	445	9.3	8.8	9.2	8.7	5.2	5.4	12.6	12.0	6.7	7.2	4.7
Electronic Arts	30,967	15.7	13.8	13.2	12.5	4.6	4.3	19.7	17.4	0.6	0.6	4.7
Take-Two Interactive	37,481	62.6	22.0	50.5	20.0	7.0	4.7	82.3	27.9			6.6
Ubisoft	2,865		12.1	3.9	3.4	1.5	1.4		13.4			0.8
Starbreeze (Inderes)	**10**	**29.7**	**-1.6**	**1.1**	**0.9**	**0.6**	**0.5**	**64.3**	**-2.8**	**0.0**	**0.0**	**0.4**
Average		**30.8**	**14.3**	**18.1**	**8.6**	**5.7**	**3.9**	**38.3**	**30.4**	**2.4**	**2.6**	**3.7**
Median		**15.7**	**13.0**	**10.3**	**7.1**	**2.7**	**3.1**	**19.7**	**15.4**	**1.3**	**1.5**	**3.7**
Diff-% to median		***89%***	***-112%***	***-89%***	***-88%***	***-79%***	***-85%***	***226%***	***-118%***	***-100%***	***-100%***	***-89%***

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	**634**	**57**	**40**	**43**	**46**	**186**	**56**	**51**	**51**	**45**	**203**	**348**	**251**	**419**
EBITDA	**439**	**48**	**8**	**21**	**20**	**98**	**30**	**28**	**27**	**19**	**103**	**186**	**94**	**233**
Depreciation	-249	-72	-79	-76	-72	-299	-31	-24	-23	-22	-100	-286	-158	-305
EBIT (excl. NRI)	**190**	**-43**	**-71**	**-63**	**-52**	**-229**	**-1**	**4**	**4**	**-3**	**4**	**-100**	**-64**	**-72**
EBIT	**190**	**-23**	**-71**	**-55**	**-52**	**-201**	**-1**	**4**	**4**	**-3**	**4**	**-100**	**-64**	**-72**
Share of profits in assoc. compan.	0	1	0	0	0	1	0	0	0	0	0	0	0	0
Net financial items	17	1	0	-4	3	1	0	0	0	0	1	-2	-2	-3
PTP	**208**	**-21**	**-71**	**-59**	**-49**	**-199**	**-1**	**4**	**4**	**-3**	**5**	**-102**	**-66**	**-75**
Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net earnings	**208**	**-21**	**-71**	**-58**	**-49**	**-199**	**-1**	**4**	**4**	**-3**	**5**	**-102**	**-66**	**-75**
EPS (rep.)	**0.19**	**-0.01**	**-0.05**	**-0.04**	**-0.03**	**-0.13**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**-0.07**	**-0.04**	**-0.05**

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	396.5 %	112.3 %	-7.0 %	-91.4 %	-33.0 %	-70.7 %	-1.0 %	26.9 %	18.3 %	-2.4 %	9.1 %	71.8 %	-27.9 %	66.8 %
Adjusted EBIT growth-%	2721.0 %	272.7 %	2300.2 %	-121.0 %	-45.3 %	-220.4 %	-98.2 %	-106 %	-106.0 %	-94.1 %	-101.7 %	-2665.3 %	-35.9 %	12.2 %
EBITDA-%	69.3 %	85.7 %	20.1 %	50.2 %	42.4 %	52.5 %	53.3 %	54.2 %	53.8 %	41.5 %	51.0 %	53.5 %	37.6 %	55.7 %
Adjusted EBIT-%	30.0 %	-76.3 %	-176.2 %	-147.7 %	-112.1 %	-123.2 %	-1.4 %	7.7 %	7.5 %	-6.8 %	1.9 %	-28.7 %	-25.5 %	-17.2 %
Net earnings-%	32.8 %	-37.1 %	-175.9 %	-136.8 %	-106.1 %	-107.2 %	-1.0 %	8.0 %	7.9 %	-6.5 %	2.2 %	-29.4 %	-26.2 %	-17.9 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**537**	**521**	**687**	**604**	**654**
Goodwill	47	0	0	0	0
Intangible assets	472	491	619	542	598
Tangible assets	11	26	63	58	51
Associated companies	1	0	0	0	0
Other investments	0	0	0	0	0
Other non-current assets	7	4	4	4	4
Deferred tax assets	0	0	0	0	0
Current assets	**574**	**309**	**315**	**238**	**204**
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Receivables	226	117	140	108	90
Cash and equivalents	348	192	175	130	113
Balance sheet total	**1,111**	**830**	**1,002**	**842**	**857**

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**895**	**705**	**710**	**608**	**542**
Share capital	30	30	30	30	30
Retained earnings	-1,742	-1,942	-1,937	-2,040	-2,105
Hybrid bonds	0	0	0	0	0
Revaluation reserve	14	24	24	24	24
Other equity	2,593	2,593	2,593	2,593	2,593
Minorities	0	0	0	0	0
Non-current liabilities	**2**	**3**	**116**	**113**	**205**
Deferred tax liabilities	1	2	2	2	2
Provisions	0	0	0	0	0
Interest bearing debt	0	0	0	0	0
Convertibles	0	0	0	0	0
Other long term liabilities	1	1	114	111	203
Current liabilities	**215**	**122**	**176**	**121**	**110**
Interest bearing debt	0	0	0	0	0
Payables	208	104	166	111	100
Other current liabilities	7	18	10	10	10
Balance sheet total	**1,111**	**830**	**1,002**	**842**	**857**

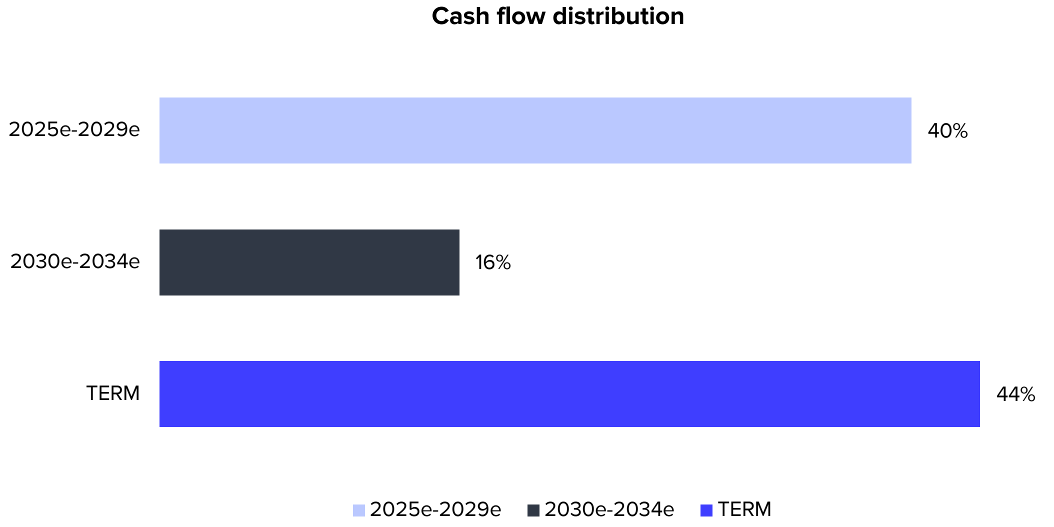
DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-70.7 %	9.1 %	71.8 %	-27.9 %	66.8 %	-16.7 %	17.6 %	14.5 %	9.0 %	2.5 %	2.5 %	2.5 %
EBIT-%	-108.2 %	1.9 %	-28.7 %	-25.5 %	-17.2 %	11.7 %	-2.3 %	5.2 %	13.8 %	14.9 %	17.9 %	17.9 %
EBIT (operating profit)	**-201**	**4**	**-100**	**-64**	**-72**	**41**	**-9**	**24**	**71**	**78**	**96**	
+ Depreciation	299	100	286	158	305	211	201	186	188	191	194	
- Paid taxes	0	0	0	0	0	0	0	-4	-14	-16	-19	
- Tax, financial expenses	0	0	0	0	0	0	0	-1	-1	-1	-1	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	16	31	-23	7	-2	-1	1	1	1	0	0	
Operating cash flow	**115**	**135**	**163**	**101**	**232**	**250**	**193**	**206**	**245**	**253**	**270**	
+ Change in other long-term liabilities	0	113	-3	92	-178	-5	0	0	0	0	0	
- Gross CAPEX	-284	-265	-203	-209	-207	-173	-184	-190	-195	-199	-202	
Free operating cash flow	**-169**	**-17**	**-42**	**-16**	**-153**	**72**	**9**	**16**	**50**	**54**	**68**	
+/- Other	0	0	156	0	259	0	0	0	0	0	0	
FCFF	-169	-17	113	-16	106	72	9	16	50	54	68	0
Discounted FCFF		**-16**	**89**	**-11**	**65**	**39**	**4**	**7**	**18**	**18**	**20**	**182**
Sum of FCFF present value		415	431	342	352	287	249	244	238	219	202	182

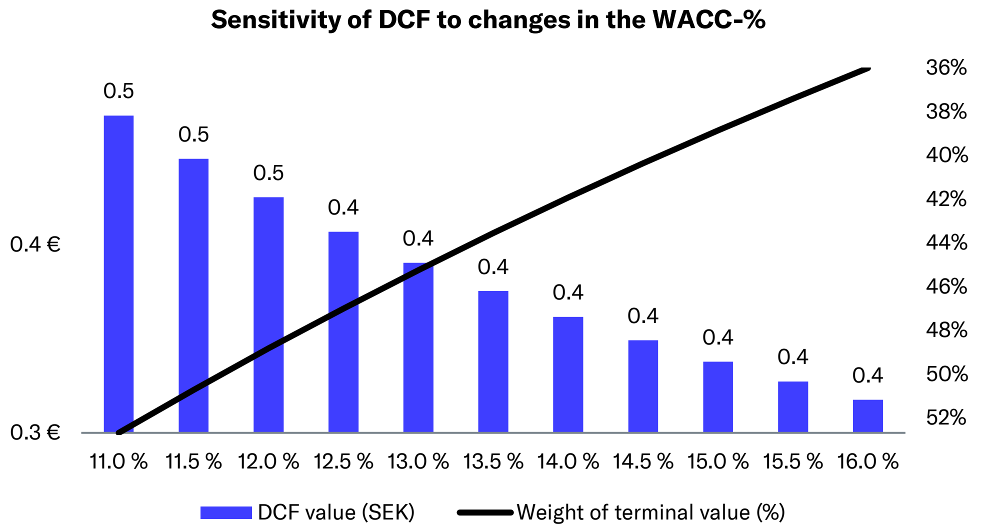
Enterprise value DCF	**415**
- Interest bearing debt	0
+ Cash and cash equivalents	192
-Minorities	0
-Dividend/capital return	0
Equity value DCF	**607**
Equity value DCF per share	**0.41**

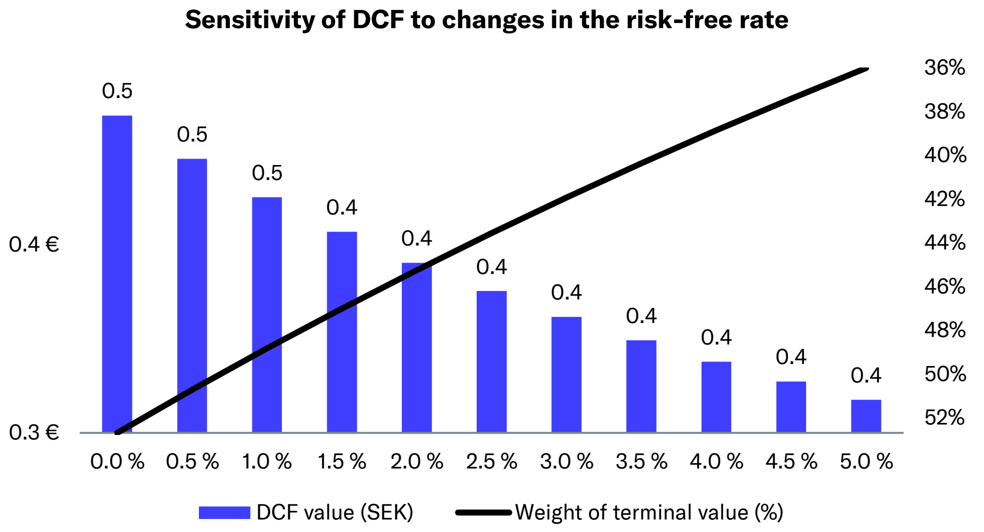
WACC	
Tax-% (WACC)	20.6 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	8.0 %
Equity Beta	2.00
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**13.5 %**
Weighted average cost of capital (WACC)	**13.5 %**

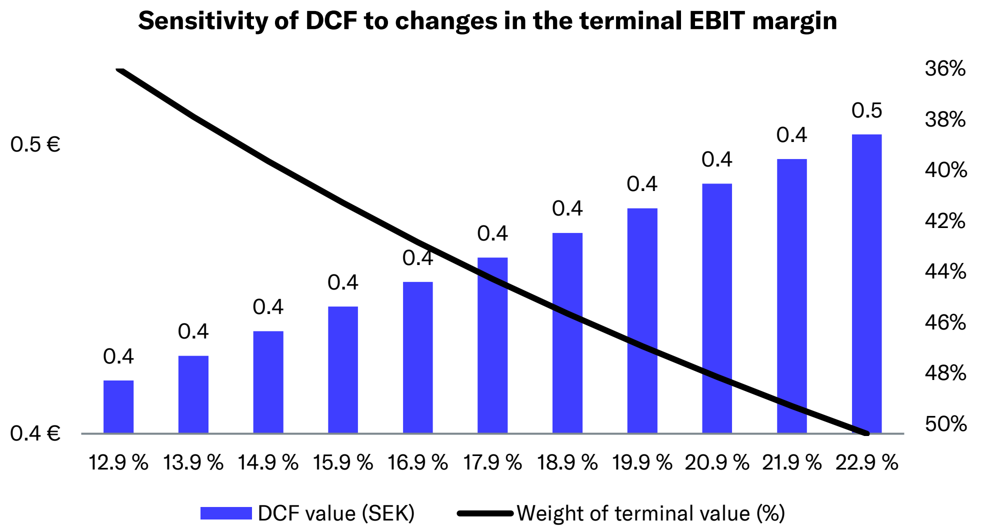
Source: Inderes

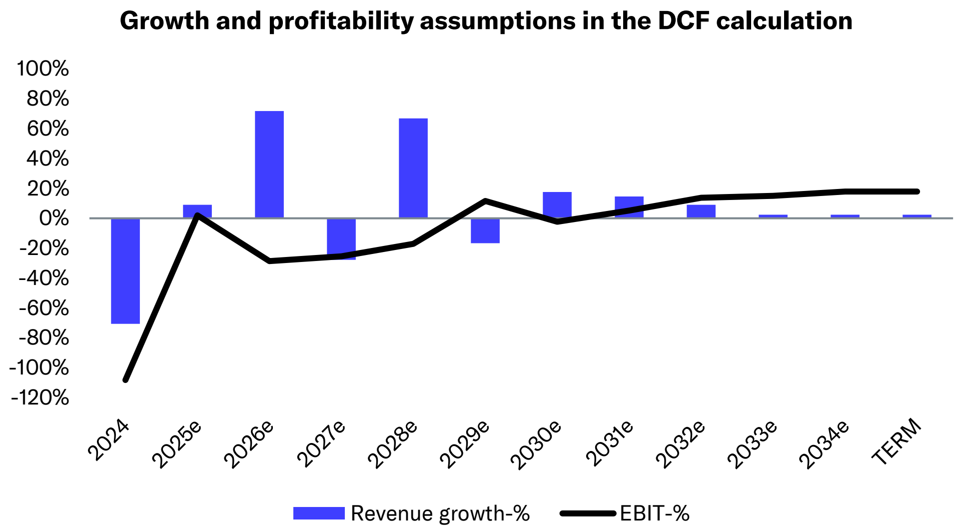


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	128	634	186	203	348
EBITDA	66	439	98	103	186
EBIT	7	190	-201	4	-100
PTP	-54	208	-199	5	-102
Net Income	-60	208	-199	5	-102
Extraordinary items	0	0	28	0	0

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	746	1,111	830	1,002	842
Equity capital	57	895	705	710	608
Goodwill	48	47	0	0	0
Net debt	271	-348	-192	-175	-130

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	66	439	98	103	186
Change in working capital	-8	-262	16	31	-23
Operating cash flow	65	177	115	135	163
CAPEX	-151	-201	-284	-265	-203
Free cash flow	-102	-28	-169	-17	113

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	11.1	0.6	0.6	0.6	0.5
EV/EBITDA	21.3	0.8	1.1	1.1	0.9
EV/EBIT (adj.)	>100	1.8	neg.	29.7	neg.
P/E (adj.)	neg.	2.5	neg.	64.3	neg.
P/B	20.1	0.8	0.4	0.4	0.5
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	-0.08	0.19	-0.13	0.00	-0.07
EPS (adj.)	-0.08	0.19	-0.15	0.00	-0.07
OCF / share	0.09	0.16	0.08	0.09	0.11
FCF / share	-0.14	-0.03	-0.11	-0.01	0.08
Book value / share	0.08	0.82	0.48	0.48	0.41
Dividend / share	0.00	0.00	0.00	0.00	0.00

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	2%	396%	-71%	9%	72%
EBITDA growth-%	958%	562%	-78%	6%	80%
EBIT (adj.) growth-%	-55%	2721%	-220%	-102%	-2665%
EPS (adj.) growth-%	72%	-329%	-181%	-102%	-2363%
EBITDA-%	52.0 %	69.3 %	52.5 %	51.0 %	53.5 %
EBIT (adj.)-%	5.3 %	30.0 %	-123.2 %	1.9 %	-28.7 %
EBIT-%	5.3 %	30.0 %	-108.2 %	1.9 %	-28.7 %
ROE-%	-66.6 %	43.6 %	-24.9 %	0.6 %	-15.5 %
ROI-%	1.4 %	28.6 %	-25.0 %	0.8 %	-15.2 %
Equity ratio	7.6 %	80.5 %	85.0 %	70.9 %	72.1 %
Gearing	478.0 %	-38.9 %	-27.2 %	-24.7 %	-21.5 %

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
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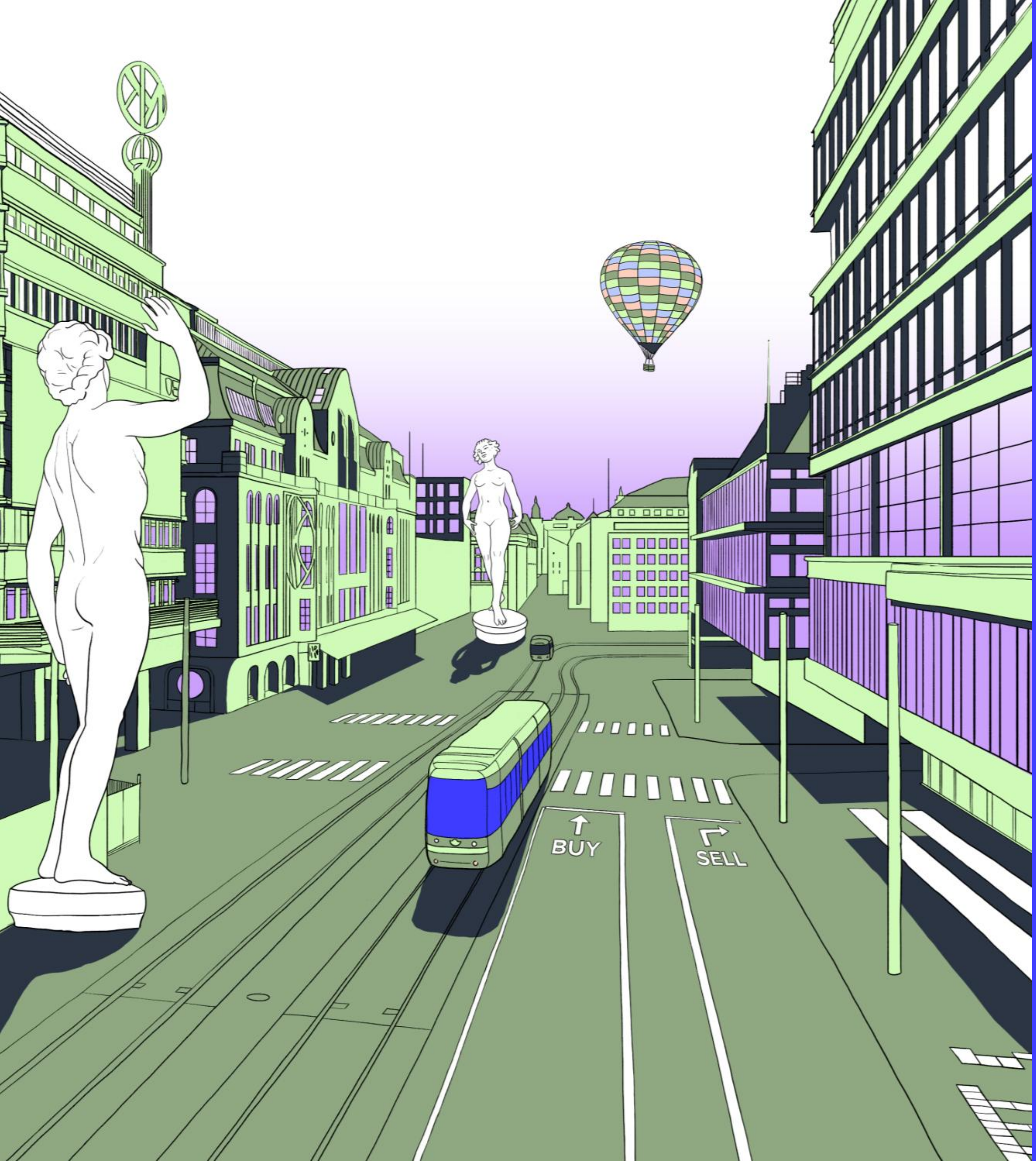
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2023-05-30	Accumulate	1.15 SEK	1.03 SEK
2023-08-18	Reduce	1.15 SEK	1.19 SEK
2023-09-12	Accumulate	1.15 SEK	0.95 SEK
2023-10-02	Buy	0.85 SEK	0.60 SEK
2023-11-17	Accumulate	0.55 SEK	0.44 SEK
2024-02-16	Reduce	0.35 SEK	0.35 SEK
Change of Analyst			
2024-05-15	Reduce	0.30 SEK	0.27 SEK
2024-08-21	Reduce	0.30 SEK	0.28 SEK
2024-09-30	Reduce	0.30 SEK	0.28 SEK
2024-11-15	Reduce	0.22 SEK	0.20 SEK
2024-12-06	Accumulate	0.22 SEK	0.17 SEK
2025-02-19	Accumulate	0.24 SEK	0.20 SEK



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