Starbreeze

Extensive report

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Inderes corporate customer

PAYDAY 3 will set the tone for the future

We reiterate our Reduce recommendation for Starbreeze and keep our target price of SEK 0.30. While the company currently faces challenges with turning *PAYDAY 3* (“*PD3*”) around, there are positive developments, such as *Project Baxter* progressing towards its 2026 release and the publishing business continuing to provide decent revenue streams. However, heavy investment in *PD3* and future game projects could strain cash flows if current trends in *PD3* persists. Our estimates assume *PD3* will not see a major recovery, and the next two game releases will achieve moderate commercial success, with Starbreeze securing game financing for these projects. We believe this outlook is largely priced into the current share value, supporting our cautious "wait-and-see" stance.

The future of *PAYDAY 3* remains uncertain

The launch of *PD3* in 2023 did not meet the community’s expectations, and current player activity is far from the levels we are used to see in the predecessor and what the company would like. Despite ongoing efforts such as game enhancements and new content, these measures have not yet been enough to significantly improve player activity. Given that Starbreeze relies heavily on this single franchise, it presents challenges to the company's revenue potential and future game releases. However, like other Games-as-a-Service (GaaS) companies, Starbreeze operates with a long-term strategy, where success often takes time to build. There are notable examples of troubled game launches that eventually became long-term successes. While there have been small improvements in player activity and community sentiment in response to recent updates, a full turnaround remains uncertain at this stage.

Strategic diversification beyond PAYDAY with two new titles planned by 2028

Starbreeze’s long-term strategy is to reduce its dependence on a single franchise by expanding its portfolio. The first major step in this strategy is the planned release of *Project Baxter* in 2026, a game based on the Dungeons and Dragons IP. The game has a similar budget to *PD3* (USD 50+ million) and the company’s ambition is to self-publish the game. The next milestone is the release of an as-yet-unnamed game in 2028, which Starbreeze aims to develop internally and self-publish. By 2028-2029, Starbreeze aims to have three active titles on the market, all utilizing the Games-as-a-Service model. Alongside this, the company plans to expand its publishing business, which would help stabilize revenues and earnings over the long term.

Current share price does not adequately reward investors for the risks involved

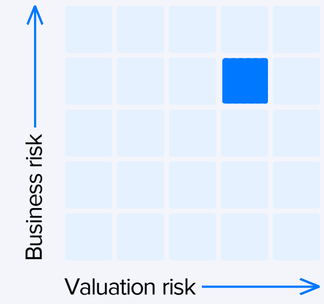
We believe the current valuation reflects a scenario where *PD3* does not see a significant recovery, and future game releases achieve moderate commercial success, without becoming blockbuster hits. A substantial recovery in *PD3* is still possible, and if it were to happen, the stock appears undervalued at its current price. While there are examples of troubled launches turning into long-term successes, we view these as rare exceptions rather than the norm. Given this, we believe a conservative approach is prudent when valuing Starbreeze. Due to the uncertainty surrounding both the recovery of *PD3* and the outcomes of future game projects, we have modeled different scenarios in our DCF valuation, with the per-share valuation ranging from SEK 0.16 to SEK 0.88. Our base-case DCF valuation comes in at SEK 0.35, however, since most of the projected cash flows are concentrated in the future, the DCF does not offer strong support in the short term. Starbreeze’s valuation remains closely tied to the near-term performance of *PD3* and given the current headwinds, we believe a cautious stance on the company is warranted until player activity and sales trends improve.

Recommendation

Reduce
(prev. Reduce)

0.30 SEK
(prev. 0.30 SEK)

Share price:
0.28 SEK



Key indicators

	2023	2024e	2025e	2026e
Revenue	634	186	135	344
growth-%	396%	-71%	-27%	154%
EBIT adj.	190	-236	-78	-99
EBIT-% adj.	30.0 %	-126.7 %	-57.7 %	-28.8 %
Net Income	208	-213	-78	-102
EPS (adj.)	0.19	-0.16	-0.05	-0.07

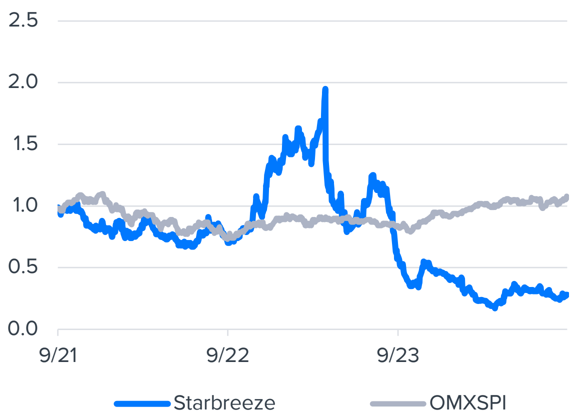
P/E (adj.)	2.5	neg.	neg.	neg.
P/B	0.8	0.6	0.7	0.8
EV/EBIT (adj.)	1.8	neg.	neg.	neg.
EV/EBITDA	0.8	2.3	18.8	1.8
EV/S	0.6	1.0	2.3	1.0

Source: Inderes

Guidance

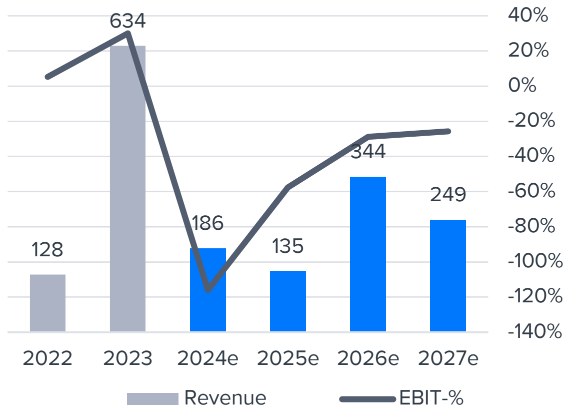
(Starbreeze provides no guidance)

Share Price



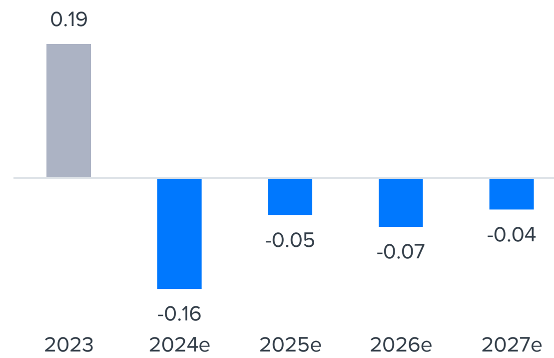
Source: Millistream Market Data AB

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
- New game releases after PAYDAY 3. A game based on the Dungeons and Dragons IP is set to be released in 2026, another in 2027/2028
- Future third-party publishing operations and adding new platforms for existing titles
- Highly scalable business model with successful launches

Risk factors

- Undiversified revenue stream with almost all revenues coming from a single franchise
- If PAYDAY 3 fails to entice players to return, Starbreeze will be left without a significant revenue stream until the next game is released in 2026.
- Limited visibility into the games after PAYDAY 3 makes it hard to assess the company's long-term potential
- Commercial failure and/or delays in future game projects

Valuation	2024e	2025e	2026e
Share price	0.28	0.28	0.28
Number of shares, millions	1,477	1,477	1,477
Market cap	416	416	416
EV	179	314	350
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	0.6	0.7	0.8
P/S	2.2	3.1	1.2
EV/Sales	1.0	2.3	1.0
EV/EBITDA	2.3	18.8	1.8
EV/EBIT (adj.)	neg.	neg.	neg.

Source: Inderes

Contents

Starbreeze in brief

Starbreeze is a Swedish game developer, publisher and distributor of PC and console games. The company own the PAYDAY franchise and launched the latest installment in 2023. The next game launch in 2026 will be based on the Dungeons and Dragons IP followed by an unnamed game in late 2027/2028.

1998
Year of establishment

2000
IPO

634 MSEK (+396% vs. 2022)
Net Sales 2023

190 MSEK (30 % of net sales)
EBIT 2023

174 MSEK (27 % of net sales)
Invested in game development in 2023

192
Personnel at the end of Q2'24

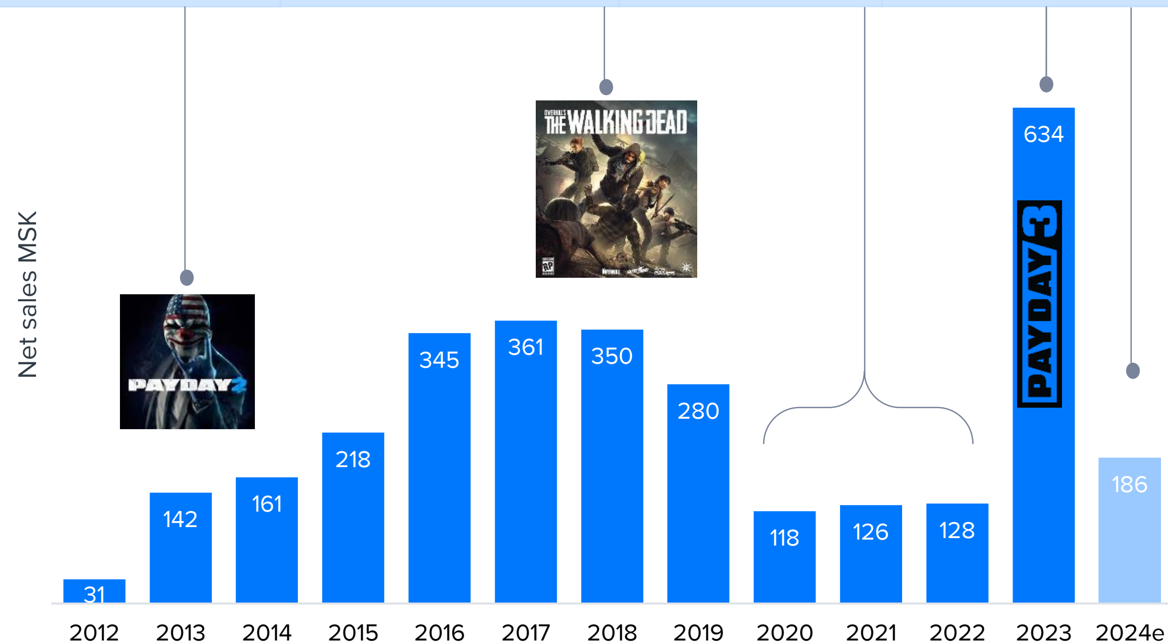
93%
of revenues in Q2'24 (LTM) from the PAYDAY franchise

- *PAYDAY 2* is launched in Aug-13 and is an instant hit selling 2.5 million copies in the first year
- Profits generated from PD2 are invested into acquisitions, publishing rights, and VR projects

- Over-investment combined with the commercial failure of Starbreeze's next game, *Overkill's The Walking Dead*, forces the company into restructuring in Dec 2018

- A new leaner and more focused Starbreeze emerges from restructuring in Dec 2019
- Close to 100% of revenues comes from *PAYDAY 2* in 2020-2022

- Starbreeze launched *PAYDAY 3* in 2023 and quickly reached recoup.
- However, the launch was far from perfect, facing e.g. technical issues.
- The player activity fell sharply after launch and has not really recovered since.



Source: Starbreeze / Inderes

Company description

A video game company with a fresh start in 2019

Starbreeze is Swedish game company founded in 1998 and is best-known for their video game franchise *PAYDAY*. As of the end of 2023, Starbreeze employed 191 people, with 84% based in Sweden and the remainder in countries such as the UK, Spain, and the U.S. The company generated SEK 634 million in revenue in 2023, with 97% of it coming from the PAYDAY franchise.

In December 2019, Starbreeze emerged from restructuring as a leaner and more focused company, having shed all non-core assets. The remaining core asset was essentially the PAYDAY franchise. PAYDAY 2 ("PD2") was a major hit and has historically been the company's "cash cow", allowing the company to stay afloat. Through successful DLCs and microtransactions, in accordance with the company's *Game as a Service* business model, the game generated consistent revenue since during 2013-2023. The expectations for the successor, *PAYDAY 3 ("PD3")*, was therefore high and even though Starbreeze managed to recoup its investments close after the launch on September 21, 2023, the community was not satisfied. The player activity fell sharply shortly after launch, primarily due to technical issues and lack of content, and Starbreeze has ever since been laser-focused on getting *PD3* back on track.

The brief history of Starbreeze

Starbreeze has been active in game development for over two decades. The company's history is one of mixed results with some successful game releases such as *PAYDAY 2* and *Brothers: A Tale of Two Sons* and some commercial failures like Overkill's *The Walking Dead* and *Syndicate*. Throughout the two decades of operations, the company has financially struggled from time to time as game projects have fallen apart or failed to reach commercial success.

Starbreeze's lifespan can be divided roughly into the following three phases: original Starbreeze (1998-2012), Overkill Starbreeze (2012-2019), and New Starbreeze (2020-). Original Starbreeze was founded to develop PC and console games and did this with reasonable success. However, after a number of projects fell through, and the commercial failure of the *Syndicate* game, the company came under financial pressure.

In 2012, in response to financial difficulties, the company merged with Overkill Software (developer of *PAYDAY: The Heist*). The transaction made the owners of Overkill Software the majority shareholders in Starbreeze. Overkill's CEO and co-founder Bo Andersson was made the new CEO of the merged company. Under the stewardship of Bo Andersson, Starbreeze released the hit game *PAYDAY 2* in 2013. The game propelled the company to record profits and a bright future. However, Starbreeze failed to replicate the success of *PAYDAY 2* with their next game, *Overkill's The Walking Dead* (OTWD). OTWD turned out to be a giant flop. That combined with over-investments in game development, publishing, and virtual reality (VR) projects forced Starbreeze into restructuring in December 2018. Starbreeze's CEO, Bo Andersson, was let go and he and his brother sold their majority stake in Starbreeze to *PAYDAY 2*'s publisher Digital Bros.

Today, four years after the restructuring, Starbreeze consists of a completely new management team and the biggest focus now resolves around *PAYDAY 3* while continuing to develop its next game based on the Dungeons and Dragons IP acquired in 2024. The current strategy is to become a multi-project game developer with a publishing division for both internally and externally developed games.

Starbreeze at a glance

The PAYDAY franchise

Project Baxter + unknown game

Third party-publishing

Business model 1/2

Introduction

Starbreeze is active in the fields of video game development, publishing and distribution. The company's current development efforts are roughly split between further development of *PD3* through add-on content and general game enhancements, and the development of the next game based on the Dungeons and Dragons IP (*Project Baxter*) with release in 2026. Concerning *PD2*, Starbreeze has decided not to continue adding new content to the game, but rather to keep the game alive through general maintenance and community support. The focus has shifted to ensuring the game remains stable and playable for its existing fan base while allocating resources toward other projects, such as aforementioned.

Before restructuring in 2018, Starbreeze ran a sizable publishing business with a healthy pipeline. However, these operations ceased during restructuring, and the rights were sold off. In October 2022, Starbreeze re-entered third-party publishing by partnering with Walking Tree Games to fund *The Tribe Must Survive*. Currently, Starbreeze's portfolio includes three titles, with a fourth slated for release in 2026.

Starbreeze launched its proprietary platform, *Nebula*, in December 2022 to replace the predecessor *Starbreeze Accounts*. Nebula functions as a CRM system, allowing Starbreeze to enhance player communication outside social media while collecting first-party data. The platform also enables cross-promotion of other games within the portfolio and supports cross-platform progress transfer. By the end of 2023, the platform had over six million registered users.

The video game value chain

The video game industry value chain consists of several distinct positions, including developers, publishers, IP rights holders, and distributors. Sometimes each of these positions are filled by a different company and sometimes a single company covers the entire value chain. What or which position(-s) a company holds often dictate the level of risk it takes, and consequently how much reward can be gained.

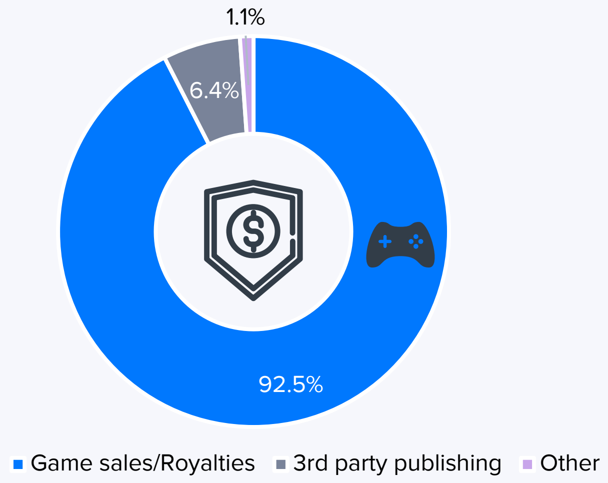
Developers are responsible for creating the game, which requires a team of programmers, animators, artists, and designers. Developers have the option of self-financing and self-publishing their games, or they may choose to partner with an external publisher. By self-financing and self-publishing, developers maintain control over the game, but they also take on more financial risk. On the other hand, partnering with a publisher provides access to additional resources and expertise, but will result in a smaller share of the profits.

Publishers fund, market, and distribute video games, often publishing both in-house and third-party titles. Today most of the large game companies operate as both developers and publishers. Independent developers may partner with third-party publishers to secure financing for their games, with publishers receiving royalties based on future sales in exchange for their investment.

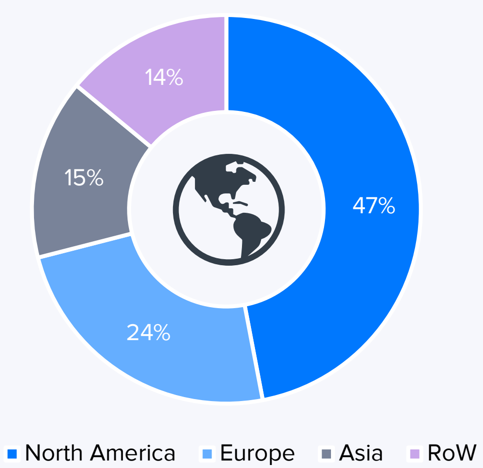
The IP rights holder owns the intellectual property that a game is based on. The IP can be an existing one or a totally new one. If the developer or publisher does not own the IP, they can obtain a license from the rights holder, usually by paying an upfront fee and a share of the royalties.

Video games can be distributed digitally or through physical retailers. Major digital distribution platforms include Steam, Xbox Marketplace, PlayStation Store, and Epic Games Store. Examples of retailers include Amazon and GameStop.

Revenue per category (Q2'24)

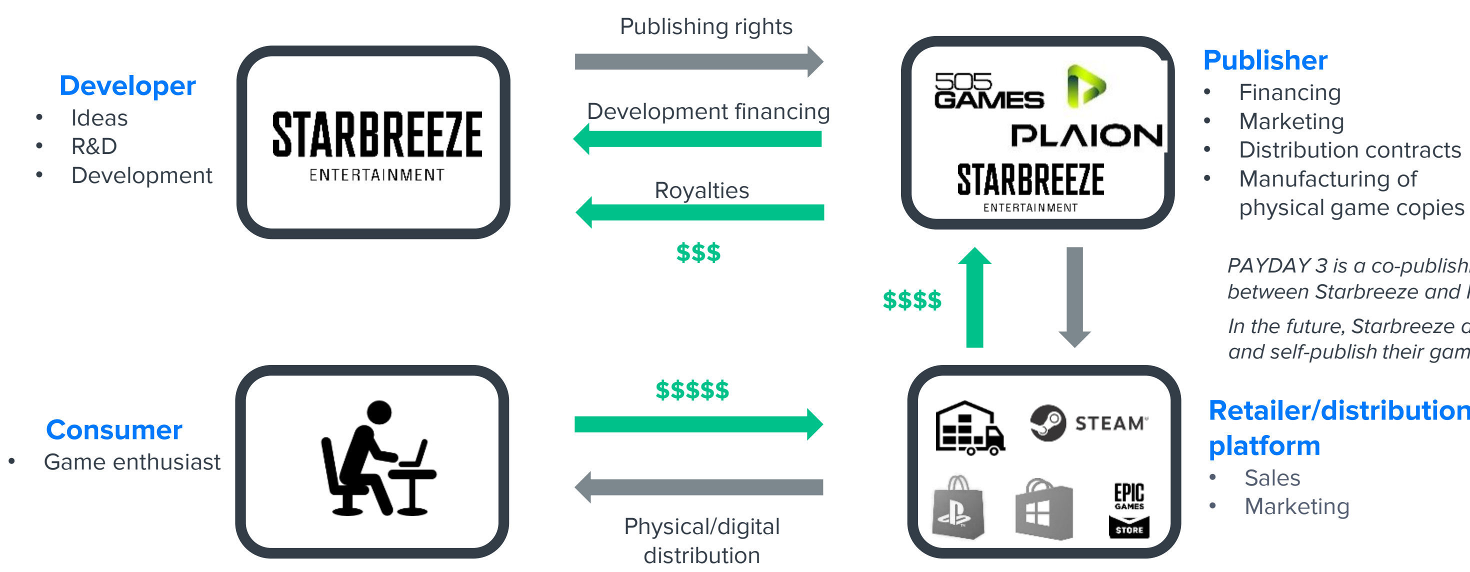


Revenue per region (Q3'23, latest reported)



Source: Inderes, Starbreeze.
*RoW = Rest of the world

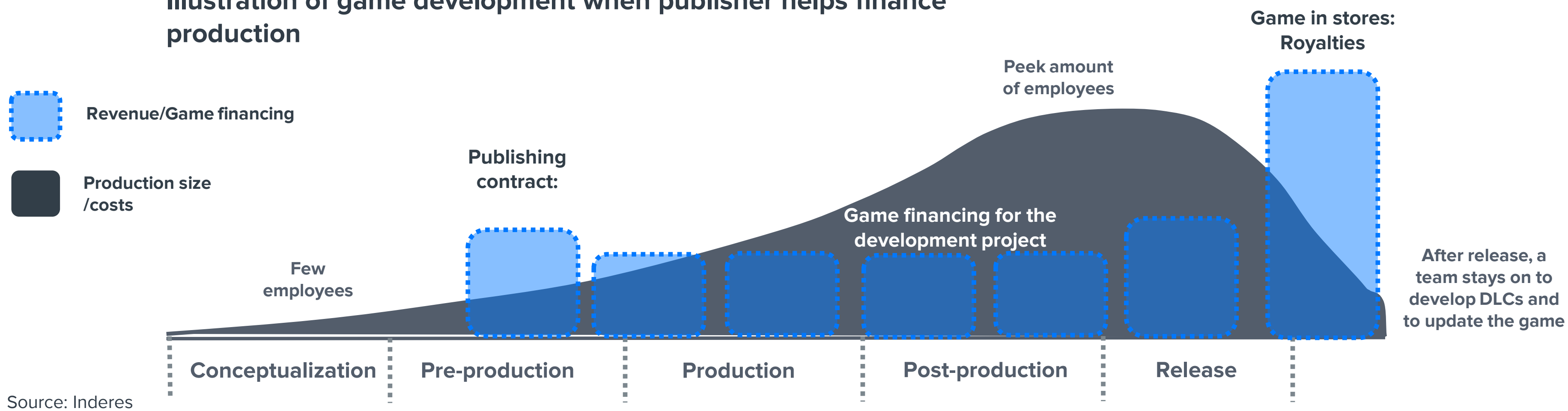
Starbreeze's value chain and development process



PAYDAY 3 is a co-publishing project between Starbreeze and Plaion

In the future, Starbreeze aims to self-finance and self-publish their game projects.

Illustration of game development when publisher helps finance production



Source: Inderes

Business model 2/2

When it comes to Starbreeze they currently cover the first three roles. If we take *PAYDAY 3* as an example: Starbreeze owns the IP rights to the PAYDAY trademark and acts as the developer of the game. Starting out Starbreeze financed the development from their own balance sheet. However, as the project advanced Starbreeze decided to bring on a co-publisher to secure the remaining development, marketing, and distribution costs of the game.

Revenues

On a trailing twelve-month basis, nearly all (93%), of Starbreeze's revenue stems from digital sales linked to the PAYDAY franchise (PD3 and PD2) including base game purchases and associated DLCs (downloadable content). These DLCs are exclusively sold through digital platforms. However, as a result of shrinking player activity and sales linked to the PAYDAY franchise since the launch of *PAYDAY 3*, in combination with the return to publishing, the revenue mix, on a quarterly basis, is slightly more diversified than recent years.

Currently, the *PAYDAY 3* base game costs EUR 39.99 and the DLCs were initially priced at EUR 17.99 but was later revised down to EUR 11.99. The digital marketplaces take a significant cut of the top, usually in the realm of 20-30%. The net amount after the marketplace fee, VAT and revenue-share is transferred to the company and is what Starbreeze reports as net revenues (see table on the right).

The revenue stream from games has traditionally been irregular with the largest amount occurring just after the release with revenues then starting to decline as the game ages. With the emergence of different monetization options such as subscriptions, microtransactions, and DLCs, the game developers have managed to increase the lifespan and monetization of games.

As for *PAYDAY 2*, you can find an illustrative graph on the right where the share of revenue from the game is split between sales of the base game and DLCs. As we can see, in 2013, when the game was released, 96% of revenues came from sales of the base game. In 2022, 78% of revenues came instead from the sale of DLCs.

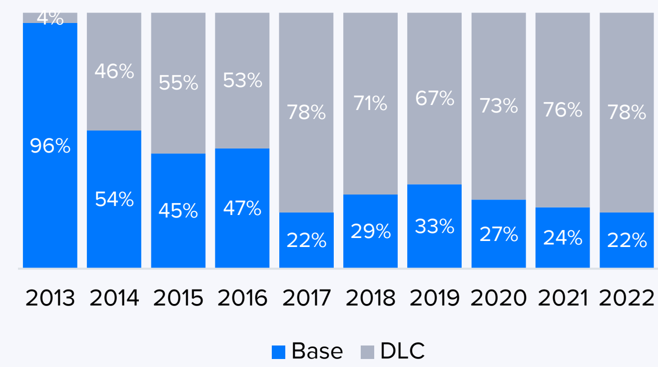
As essentially all the revenues on a trailing twelve-month basis are coming from two games within the same franchise, Starbreeze's revenues are highly undiversified. At the same time, the number of end-customers are in the thousands and millions and are globally spread out. Therefore, every single customer accounts only for a miniscule part of total revenues.

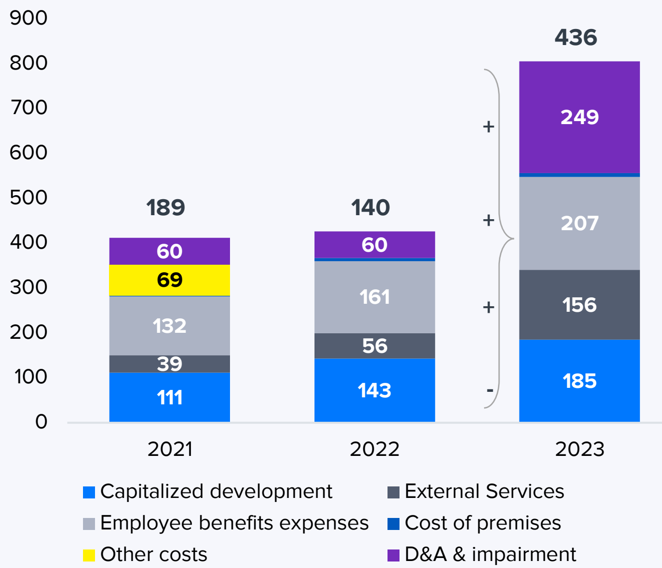
The games are sold globally with the largest share of revenue coming from North America (47%), Europe (24%), and Asia (15%).

Costs

The company's costs are almost exclusively in the form of wages and salaries for game development, sales, marketing, and administrative tasks. Starbreeze also purchases some of these services from external providers (36% of costs in 2023). A large part of the costs for game development are capitalized to the balance sheet (SEK 185 million, 2023) and thus lower the costs on the income statement with the equivalent amount.

As the costs are mostly salaries, the cost structure is heavily fixed. This is of course good in respect to the marginal profit of every game sold as it is very high. On the other hand, a fixed costs structure gives little flexibility in the event of tougher times, say a failed game launch. In that event the company would find themselves with a heavy fixed cost burden without sufficient revenues to support it.





Source: Inderes, Starbreeze

The PAYDAY franchise 1/3

The franchise

PAYDAY games are cooperative first-person shooters for PC and console. The franchise consists *PAYDAY: The Heist* (2011), *PAYDAY 2* (2013) and PAYDAY 3 (2023). The franchise, excluding *PAYDAY 3*, has so far generated gross sales of over USD 300 million with over 38 million installed copies (Q2'23). In total, over 240 DLCs and updates have been released for the games. With regards to *PAYDAY 3*, the game has generated north of USD 60 million[1] in net revenue since its launch in September 2023.

PAYDAY: The Heist

PAYDAY: The Heist was released in October 2011 by Overkill Software (not yet part of Starbreeze) and published by Sony. The game was released on PC and PlayStation 3. The game is a cooperative first-person shooter where players cooperate to complete a set of objectives such as robbing banks and stores.

The game was a modest success, reportedly selling more than 700,000 copies in its first year and all together over 2.5 million copies. The game has an average Metacritic score of 73/100. The game ran on the in-house game engine Diesel that was originally developed by the predecessor company to Overkill Software, Grin.

PAYDAY 2 ("PD2")

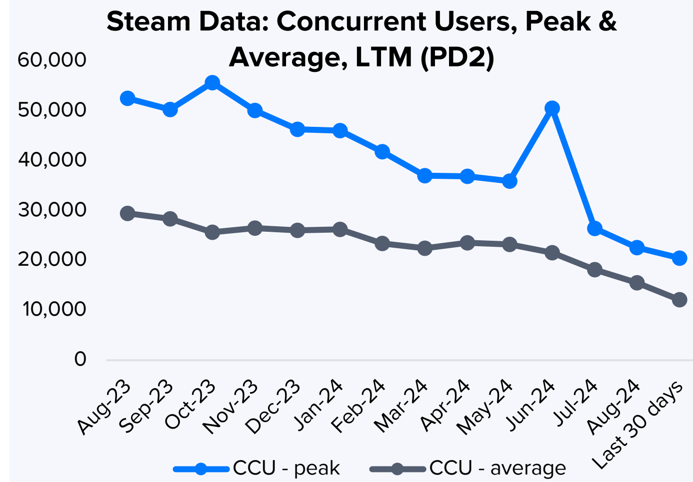
The sequel to the original game, *PAYDAY* 2, was released in August 2013 for PC, PlayStation 3, and Xbox 360 platforms. The game was also later released on PS4, Xbox One, and Nintendo Switch. The game was published by 505 Games, which is a subsidiary of Milan-based Digital Bros. Digital Bros is today also the largest shareholder (in terms of voting rights) and creditor of Starbreeze.

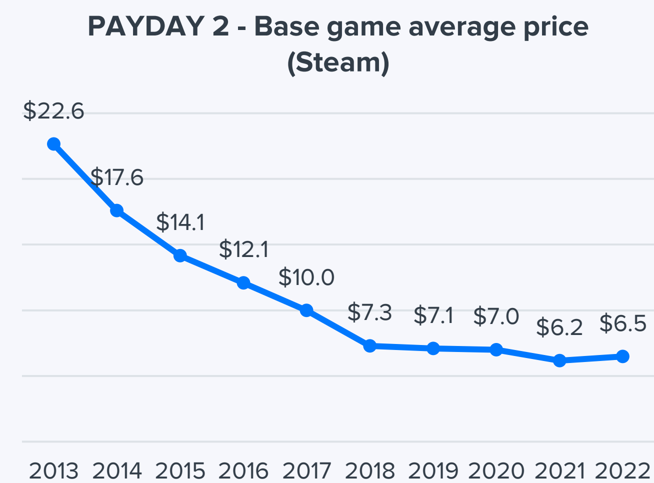
The game retained the core gameplay mechanics of the first game where the players together aim to complete "heists" such as robbing stores, banks, and offices. The players can complete these heists in different manners such as using stealth or going in "guns blazing". The heists can be replayed multiple times in multiple ways, which creates re-playability, allowing players to spend hundreds of hours playing.

PD2 was a commercial success and during the first year the game sold over 2.5 million copies. By the end of 2017, the game had sold over 16 million copies. The games critical reception was good with the Metacritic rating averaging 71/100 over all platforms. The game's PC version received a higher rating of 79/100. The game also currently holds a 'Very Positive' rating on Steam. The game has created a strong and loyal player base that has stuck with the game for nearly 10 years. In Q2'23, the game had a peak MAU (monthly active users) of approx. 1.5 million, a level that few games could boast of heading into their 10th year.

The longevity of PD2 can largely be attributed to Starbreeze's successful implementation of the Games-as-a-Service (GaaS) model, consistently introducing new content (DLC), both free and paid, since the game's release. This content has included additional heists and in-game items that have kept the community engaged. However, following the launch of *PAYDAY 3*, Starbreeze announced that they will no longer release new content for PD2, shifting their focus to game service and community support instead.

PAYDAY 2 – An Overview





Source: Steam, Starbreeze

[1] Inluding game financing revenue

The PAYDAY franchise 2/3

***PAYDAY 3* ("PD3")**

After four years of in-house development and almost 10 years after the release of PD2, Starbreeze launched PD3 on September 21, 2023. Unlike the predecessor, PD3 launched simultaneously on console and PC, meaning that more players than before could be addressed. Starbreeze also changed the game engine to Unreal Engine (owned by Epic Games), which was a welcomed change as the old Diesel engine was sort of outdated, but also enabled Starbreeze to release and simultaneously update the game on both PC and console.

Starbreeze's decision to make the game "online-only" while leaving out some appreciated features at launch such as offline mode, in-game communication (VOIP), quickplay and solo-mode angered the community. But in general, the sentiment around the game was very positive leading up to the launch and almost 2 million members on Steam had added the game to their wishlists.

Although Starbreeze managed to recoup its own investments for the game (in terms of revenue), the launch of PD3 was a big disappointment among the loyal fanbase. It was clear that the online only decision was a step in the wrong direction as the infrastructure did not hold up. Players were struggling with matchmaking, server issues and other bugs that made the game, for some, even unplayable. Many players were also complaining about the lack of content and that the prices did not match the value received.

The game currently holds a "mostly negative" rating on Steam and an average Metacritic's rating of 65 across all platforms.

At the release, the player activity on Steam, the only available source of player activity, peaked at 77,900 (CCU). On all platforms, this figure was 220,000, according to the company. Ever since launch, the CCU levels has rapidly decreased and has ranged from 400 to 4,600 on Steam.

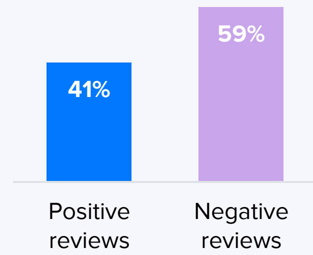
To address the declining player activity and players' dissatisfaction with the game, Starbreeze launched the so-called *Operation Medic Bag* ("OMB") for *PAYDAY 3* in Q1'24. OMB is a focused effort to respond to community expectations and improving *PAYDAY 3* , where the team behind consists of veteran developers.

Since the establishment of the OMB-initiative, Starbreeze has released several patches with general improvement, stretching from general bug fixes to new progression systems and new price policies regarding DLC's. Despite these efforts, coupled with the releases of new DLC's, the respond in player activity has been muted to date.

PD3, like many other games-as-a-service (GaaS) titles, follows a monetization model that combines a one-time purchase, subscription access, and additional in-game sales. Players can buy the base game outright or access it via subscription platforms like Xbox Game Pass. At launch, PD3 was priced at USD 39.99, with premium editions (Silver and Gold) ranging between USD 69.99- 89.99, respectively. Since launch, the game has been on sale at multiple occasions, offering discounts of 20-50%, and over time the average price of the game usually declines to attract new players to the game. Similar to PD2, additional revenue is generated through paid DLCs, offering new heists and content like weapons and outfits, as well as in-game purchases for cosmetic items or loot boxes that grant random in-game rewards.

PAYDAY 3 – An Overview

Steam rating



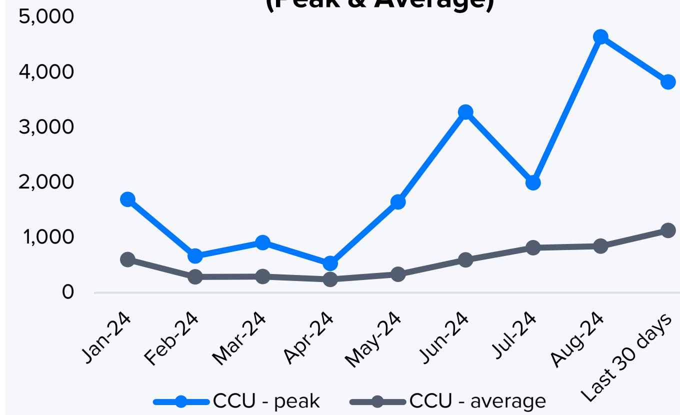
Metacritics

66/100
Metascore

32/100
User score

PD3 All-time CCU peak | **220k** (All platforms) | **78k** (Steam)

PD3 Steam Data: Concurrent users YTD (Peak & Average)



Source: SteamDB, Starbreeze

The PAYDAY franchise 3/3

Revenue Share

PAYDAY 3 was co-published in collaboration with PLAION, a subsidiary of the Embracer Group, with a budget exceeding 50 MEUR, which includes 18 months of live service support. While Starbreeze retains full ownership of the PAYDAY intellectual property, revenues generated from PD3 are evenly split between Starbreeze and PLAION on a 50/50 basis. However, before this revenue share, PLAION deducts its marketing expenses for PD3 and covers Starbreeze's live service development costs. As a result, Starbreeze effectively receives a larger net share of the revenues compared to PLAION.

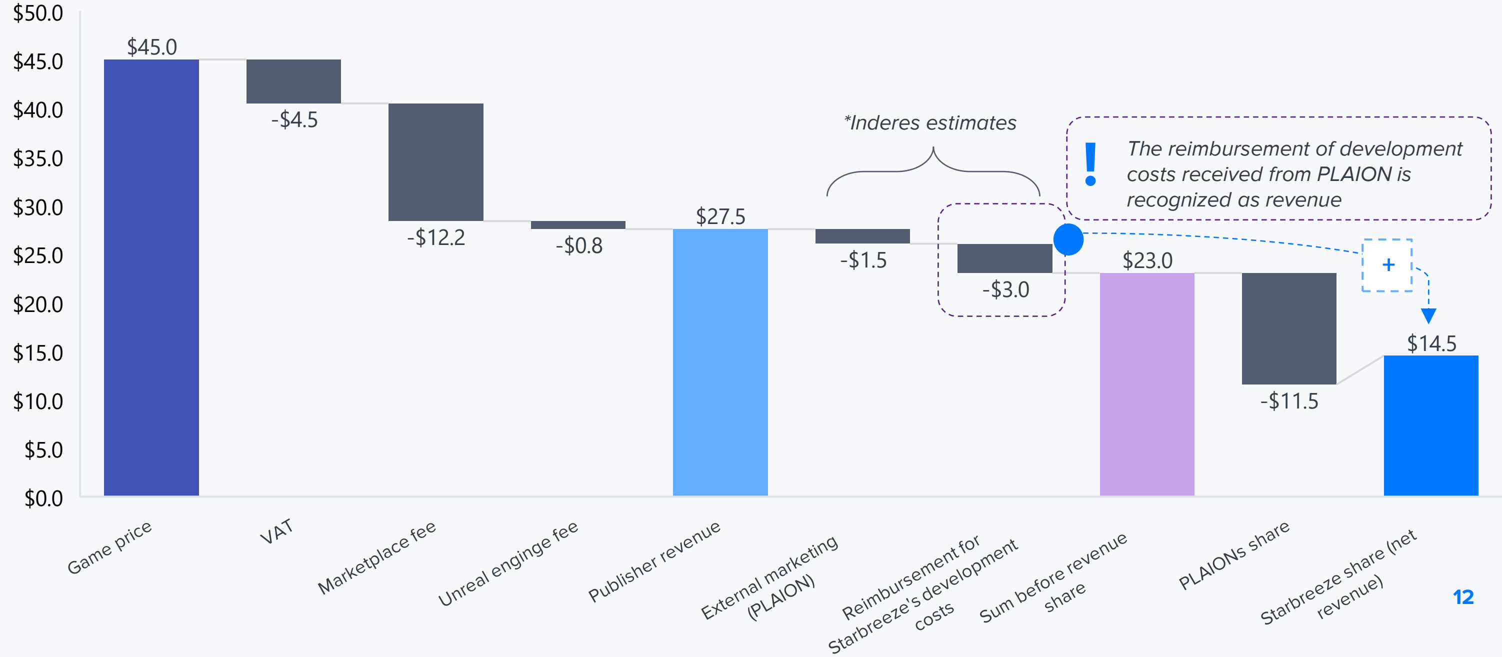
In addition to Plaion's revenue share from *PAYDAY 3*, two other entities are also entitled to a portion of the revenues. Firstly, there is the licensing fee for Unreal Engine, which is usually a low single digit percentage point of gross sales. We estimate that for *PAYDAY 3* the licensing fee is 2%.

Secondly, we have 505 Games (Digital Bros) who retained a revenue share in *PAYDAY 3* when selling the PAYDAY IP rights back to Starbreeze in 2016. According to the press release (May 30, 2016) 505 Games retains 33% revenue share of Starbreeze's net revenues from future sales of *PAYDAY 3* capped at USD 40 million, and after Starbreeze has fully recouped its development and marketing costs.

As of now, Starbreeze has, to our understanding, not paid out any revenue to Digital Bros yet, as the agreement is triggered once Starbreeze has recouped its investment in cash, not just in revenue. As Starbreeze will continue to invest in the game, the company do not anticipate making any payments to 505 Games in the near future.

To provide an illustration of Starbreeze's cut from game sales (post recoup) we estimate that after deducting marketplace fees, VAT, Unreal Engine's licensing fee, Plaion's share, and 505 Games share that Starbreeze will retain between 21 % to 32% of the gross sale price per unit sold.

Illustrative graph of the revenue sharing model (PD3)*



Source: Inderes & Starbreeze
*Inderes estimates

Project pipeline

Project Baxter – Dungeons and Dragons

In December 2023, Starbreeze announced that the next game release, which have had the internal codename "*Project Baxter*", will be based on the Dungeons & Dragons IP. Starbreeze acquired the IP from Wizards of the Coast, a subsidiary of Hasbro Inc. The purchase price of the IP was not explicitly disclosed, however, given the change in the balance sheet following the licensed IP, we assume that the balance sheet item "Licenses" of 11 MSEK is fully attributed to Dungeons and Dragons as a right to use IP rights. Given industry practices, we believe this could be some sort of yearly license fee that later will be offsetted by future revenue-share

What has been communicated is that Starbreeze will act as both developer and publisher but will continually evaluate opportunities to add external partners for the project to achieve a good balance between risk and margin. According to the company, this could be in the form of marketing, distribution (both physically and digitally) or other support that increases the quality or potential of the project. What this also does it's that it enable Starbreeze to advance payments to the company as well as a higher revenue potential given a broader distribution.

As with the budget for the project, Starbreeze has communicated that the game is expected to have a development and marketing budget to exceed USD 45-50 million, in other words a similar size to *PAYDAY 3*. Until launch, the development cost is estimated to amount to approx. 60% of the total budget, where the rest of the budget will be allocated to marketing and development of DLCs and other content.

The game will feature the signature game cornerstone of Starbreeze's productions by being a co-operative multiplayer game with strong focus on community and a lifetime commitment through a Game as a Service model. The game is set to launch on all major platforms in 2026 and will be developed with Unreal Engine 5.

As of Q2'24, Starbreeze had cash and cash equivalents of 335 MSEK, and Starbreeze have said that they have sufficient capital to fund the *Project Baxter*, however, that assumes that current revenue stream related to *PAYDAY 3* increases.

About the Dungeons and Dragon IP

Dungeons & Dragons (D&D) is a fantasy tabletop role-playing game (RPG) first published in 1974 by Gary Gygax and Dave Arneson. It is widely regarded as the origin of modern RPGs and has become one of the most influential and enduring IPs in gaming. The IP has been used as a base in games, video games, books, novel and game movie. It is a cooperative and storytelling game that revolves around players creating characters that embark on adventures in a fantasy world. As you play, your character will make friends and enemies, fight monsters, discover loot, and complete quests.

But while the goal of many games is to score the most points or win, the ultimate goal of D&D is to tell a story. There are dice and Basic Rules involved, and often maps and miniatures or tokens, but the tools that come into play most often are the imaginations of the players.

2027/2028 project

In addition to Project Baxter, Starbreeze is planning to release an in-house developed game, while also publishing it, in late 2027 or during 2028. The game is currently in the proof-of-concept/pitch stage.

About Project Baxter

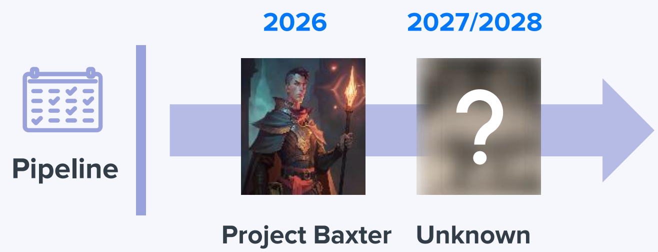
(Based on the Dungeons and Dragons IP)

Status
Full production. Release in 2026

Budget
45-50 MUSD

Business model
Games as a Service

Developer & Publisher
Starbreeze Entertainment



Source: Inderes & Starbreeze

Publishing business

After discontinuing its publishing operations during restructuring in 2018-2019, Starbreeze re-entered third-party publishing in October 2022, marking its return by partnering with indie studio Walking Tree Games to publish The Tribe Must Survive. Today, Starbreeze's publishing portfolio consists of three titles, including Roboquest, which saw a successful launch in Q4'23, The Tribe Must Survive, and Turtle vs Turle. In November 2023, Starbreeze announced that it will publish the game *GodsTV*, developed by Melbot Studios, in 2026. However, to our understanding, the project was discontinued in early 2024. The company's ambition is to release at most two third-party games annually, hence, we believe Starbreeze will replace *GodsTV* by entering other projects going forward.

Starbreeze's renewed focus on third-party publishing is a strategic decision aimed at diversifying revenue streams and broadening its product portfolio. The company's experience as both a game developer and publisher provides a solid foundation for establishing strong partnerships with external studios. By selectively publishing games that align with Starbreeze's core strengths, in other words community-driven gameplay and shared experiences, Starbreeze aims to expand its reach while supporting smaller studios.

By leveraging its expertise in game development and publishing, Starbreeze is positioning itself not as a competitor to traditional publishers but as a unique partner capable of bringing high-potential indie games to market while continuing to grow its brand and community focus.

The Starbreeze Nebula platform will not only be beneficial for Starbreeze in communicating with the player base, but also for the publishing business. With over six million members on the platform, Starbreeze offers a distinct market channel, which ultimately increases its attractiveness as a third-party publisher by being able to promote new games within the portfolio directly to the registered members. The cross-play function in Nebula, i.e. transferring progress from one platform to another, will also be available for those who buys third-party games from Starbreeze.

During Q2'24, revenues from third-party publishing amounted to 9 MSEK, corresponding to some 20% of total revenues. Since the first launches in Q3'24, Starbreeze publishing business have generated approx. 40 MSEK in revenue, about 6% of total revenue during the same period (which includes the launch of *PAYDAY 3*).

Current portfolio of third-party publishing games

The Tribe Must Survive

Release: 2024

Steam rating: 68/100

Metacritic: 68/100

Turtle vs Turtle

Release: 2023

(Was released within Fortnite)

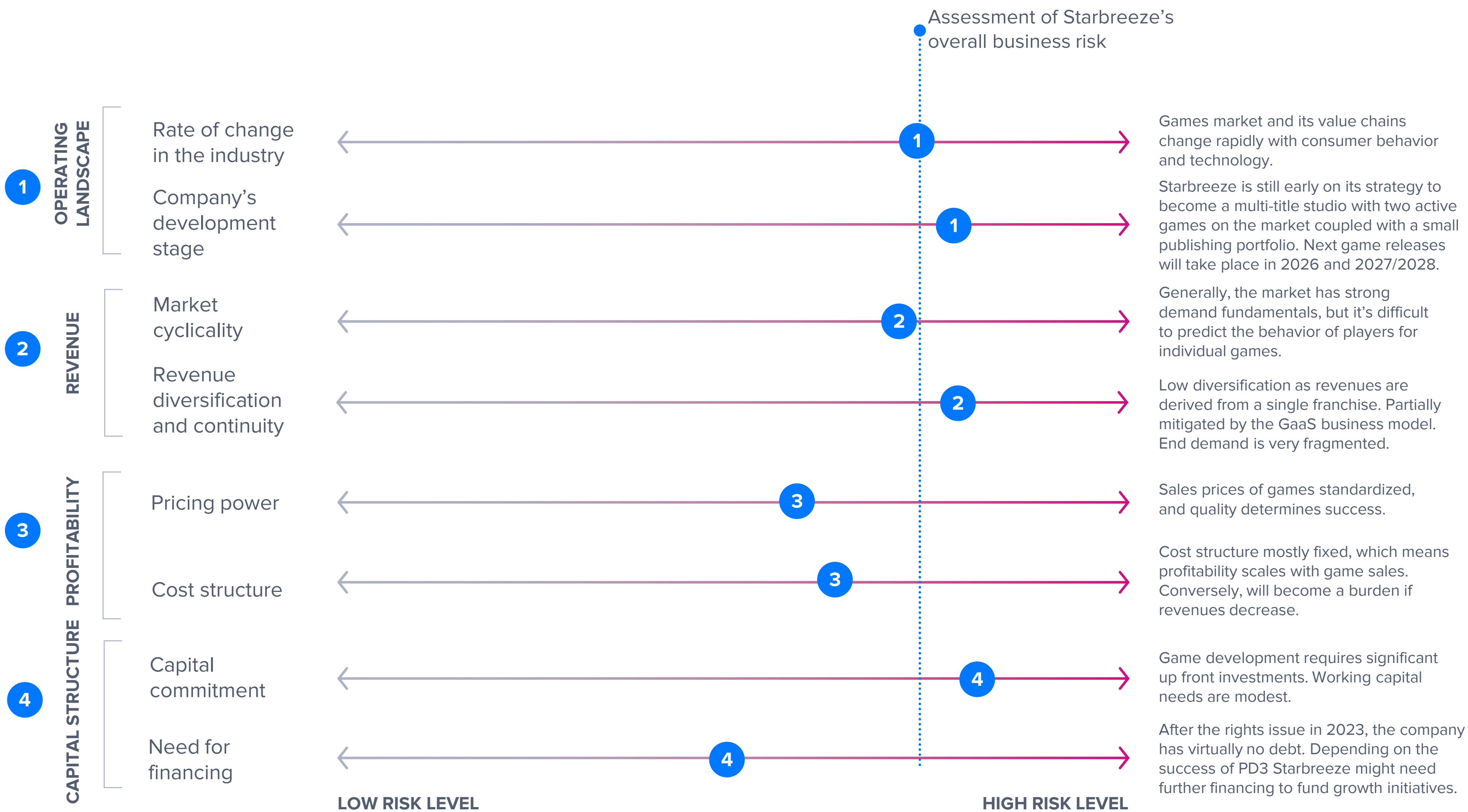
Roboquest

Release: 2023

Steam rating: 93/100

Metacritic: 85/100

Risk profile of Starbreeze's business model



Source: Inderes

Investment profile 1/2

Turnaround company with a strong franchise, but long-term potential unclear

Starbreeze emerged from restructuring with little more than the IP rights to the PAYDAY franchise and a single revenue-producing game. After a ten-year gap, Starbreeze is released the sequel *PAYDAY 3*, in September 2023.

The oversubscribed rights issue in 2023 provided Starbreeze with over 400 MSEK (net), allowing the company to clean up its balance sheet and fully commit to *PAYDAY 3* while also securing funding for *Project Baxter* and a return to third-party publishing.

The intent with *PAYDAY 3* was to offer a seamless transition for *PAYDAY 2* players. However, initial reception was marred by a lack of content, technical issues, and high pricing, leaving the community unconvinced of such move. It's important to note that *PAYDAY 2* has benefited from over 10 years of development, including 200+ DLCs, resulting in a level of content and depth that *PAYDAY 3* couldn't realistically match at launch.

Despite ongoing efforts since the launch, including content updates under the *Operation Medic Bag* initiative, these measures have not significantly revived player engagement.

Should *PAYDAY 3* fail to recover, Starbreeze may face a revenue gap until the anticipated release of *Project Baxter* in 2026. While the current balance sheet is strong, with over 300 MSEK in cash and no debt, a prolonged struggle to boost *PAYDAY 3's* player base could erode cash reserves, potentially forcing the company to reconsider its self-publishing ambitions and seek a co-publisher for *Project Baxter*.

Nonetheless, the gaming industry offers examples like *Cyberpunk 2077* and *No Man's Sky*, where troubled launches turned into long-term successes, suggesting it's too early to completely dismiss *PAYDAY 3*'s prospects. However, when evaluating Starbreeze as an investment, one must also consider what lies beyond *PAYDAY 3*.

Aiming to become a multi-title studio

Starbreeze's strategy is to transition into a diversified, multi-project studio within 3-4 years. The next title is slated for a 2026 release and will be based on the Dungeons & Dragons IP, a renowned brand with over 50 years of history. With a significant fanbase, the Dungeons & Dragons IP naturally lowers commercial risk. As of mid-2024, the game is in full production.

However, the rocky launch of *PAYDAY* 3 and its ongoing challenges in sustaining player engagement, alongside declining concurrent player numbers in *PAYDAY* 2, could negatively impact sentiment among the PAYDAY community, potentially hindering interest in future Starbreeze titles. Until Starbreeze advances its marketing efforts, such as releasing a trailer for the Dungeons & Dragons game, it remains difficult to fully gauge the game's potential.

The uncertainty is even greater regarding the 2027/2028 project, where the only available detail is that Starbreeze aims to internally develop and self-publish a new game.

For Starbreeze to execute its mid-term strategy and become a multi-project studio, it will require substantial funding for these growth initiatives. Whether this funding is sourced internally or externally will largely depend on the success of *PAYDAY 3* and upcoming releases.

Three potential scenarios

When evaluating the investment profile of Starbreeze, we have identified three potential scenarios for the future:

1. Starbreeze successfully turns around *PAYDAY* 3, and the upcoming games are commercially successful.
2. *PAYDAY* 3 does not experience a significant turnaround, but the subsequent games achieve commercial success.
3. *PAYDAY* 3 fails to recover, and the next game become a commercial failure

In the **first scenario**, despite the initial troubled launch and nearly a year of challenges, everything eventually falls into place as planned. *PAYDAY* 3 ultimately turns successful, as do the subsequent games. A successful turnaround for *PAYDAY 3* would also strengthen Starbreeze's position, enabling them to further capitalize on the IP. By 2028/2029, Starbreeze would have three revenue-generating titles that produce enough free cash flow to fund future game development and third-party publishing projects. This outcome would create a significantly more diversified and stable revenue stream, thereby reducing the overall risk profile of the company.

The **second scenario** envisions *PAYDAY 3* continuing to underperform while the next games achieve greater success. If *PAYDAY 3* remains a disappointment, Starbreeze may need to bring in a co-publisher for the 2026 release or explore alternative funding strategies. Onboarding a co-publisher would reduce the project's financial risk but also limit its profit potential.

Investment profile 2/2

Alternatively, raising equity could lead to significant dilution for existing shareholders. However, a successful launch of the Dungeons & Dragons game in 2026 would position the company well for the 2027/2028 release. With two back-to-back successes, Starbreeze could emerge with three revenue-generating titles and a relatively strong balance sheet, depending on the chosen financing strategies leading up to the successes.

The **third scenario** is more pessimistic: *PAYDAY 3* fails to recover, and the next game also underperforms commercially. In this situation, Starbreeze would, as the case with the second scenario, likely need to explore alternative financing options to complete *Project Baxter*. Should *Project Baxter* also flop, the company could face a cash crunch, likely leading to significant layoffs and urgent capital raises just to stay afloat. Starbreeze would likely resort to desperate measures to keep the PAYDAY franchise alive, either by reallocating resources to *PAYDAY 3* or even reviving *PAYDAY 2* to sustain revenue streams. The company's future would be highly uncertain, making the 2027/2028 release improbable, with a severe impact on its valuation.

In conclusion, it's clear that Starbreeze's future hinges primarily on the success of its upcoming games. As an investment, Starbreeze presents a binary proposition and is best suited for those with a high tolerance for risk. If *PAYDAY* 3 eventually replicates the success of its predecessor and the Dungeons & Dragons game achieves commercial success, the potential rewards for investors could be substantial. However, the adage that "game developers are only as good as their latest release" holds true, and there are significant uncertainties surrounding the company's trajectory moving forward

Positive value drivers and opportunities

Despite the troubled launch of *PAYDAY* 3 and ongoing challenges in boosting player engagement, several key value drivers and opportunities remain for Starbreeze. The PAYDAY IP continues to be the company's most valuable asset, even with recent setbacks. *PAYDAY* 2, which enjoyed an active and loyal player base for a decade, demonstrates the enduring strength of the franchise. The fact that *PAYDAY* 2 still boasts one of the largest Steam communities with over 8.6 million members showcase this.

Another important value driver for Starbreeze is its proven experience with the Games-as-a-Service (GaaS) model. This approach has been highly effective in generating recurring revenue and sustaining long-term player interest, as evidenced by *PAYDAY* 2's continued success nearly 10 years after launch. While *PAYDAY* 3 is currently struggling to replicate this success, the potential for a turnaround remains, particularly with strategic updates, community engagement, and content expansions.

Opportunities for Starbreeze also extend beyond just the potential of a *PAYDAY* 3 turnaround. The company still has avenues to further monetize the PAYDAY franchise, either internally, through licensing or collaborations with third-parties. This could be in the form of additional games, merchandise, and transmedia projects such as TV shows or movies. Despite the bumpy start, the PAYDAY IP remains strong, and Starbreeze's partnership with Stockholm Syndrome from 2023 to explore adapting the franchise for film or television is a step in this direction. Although the brand has taken a hit, its resilience over the years suggests there is still substantial untapped potential.

Risks and threats

The primary risk remains that *PAYDAY* 3 continues to underperform which would have significant consequences for Starbreeze, given how heavily the company has invested in the title. Although *PAYDAY* 3 was intended to transition the existing *PAYDAY* 2 player base smoothly, the game's rocky launch has cast doubt on whether those players will remain loyal. If *PAYDAY* 3 cannot regain traction, and if the disappointed player base does not return to *PAYDAY* 2, Starbreeze could be left with a substantial fixed cost structure and insufficient income to support it. While the Games-as-a-Service model offers some mitigation by allowing the company to release ongoing updates and improvements, the current struggles highlight the challenges in executing such a turnaround.

Another key risk lies in the performance of future titles. While PAYDAY remains the core IP, the success of the upcoming Dungeons & Dragons game and other projects is critical to Starbreeze's strategy of becoming a multi-title studio. Should these projects underperform, it would place significant strain on the company's financial stability and limit its ability to self-fund future growth initiatives.

To conclude, while there are still opportunities for recovery, the uncertainties surrounding *PAYDAY* 3's future and the performance of upcoming titles present significant risks. The company's outlook largely depends on its ability to effectively manage these challenges and deliver successful games in an increasingly competitive market.

Investment profile

1. **PAYDAY 3's development will set the tone for the future**
2. **Strong video game franchise in PAYDAY**
3. **PAYDAY 3's performance is currently heavily linked to the share price's development**
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 leverage to promote new games
- Future new game releases
- Increased revenue diversification through publishing operations

Risks

- Undiversified revenue stream with almost all revenues coming from a single franchise
- If *PAYDAY 3* fails to entice players to return, Starbreeze is left without a significant revenue source until the next game is released in 2026
- Limited visibility into the games after *PAYDAY 3* makes it hard to assess the company's long-term potential
- Commercial failure and/or delays in future game projects

Source: Inderes

Strategy

Game developer with a long-term approach

Starbreeze's strategy is built upon four interconnected pillars that guide the company's vision for long-term growth and innovation. These pillars emphasize game and IP development that takes the brand beyond the game, leveraging community engagement, offering enduring value through Games as a Service (GaaS), and cultivating an inspiring workplace.

The company focuses on creating immersive, action-driven games designed for long-term appeal. This approach aims to generate multiple revenue streams, including from related products and experiences.

Starbreeze's commitment to GaaS ensures that games are continuously updated and enhanced post-launch, driving long-term player engagement and steady revenue streams. The success with *PAYDAY 2* is an example of this, which generated strong and steady revenues for over a decade by adding over 240 free and paid DLC:s. The company intends to replicate this model across all major titles, maintaining relevance through frequent content updates.

Another important aspect of Starbreeze's strategy is maintaining a close relationship with its community, ensuring that future content updates and game enhancements align with player expectations, driving higher engagement over an extended period. The company's membership platform, Nebula, along with social media channels, serves as key tools for gathering player feedback, fostering community interaction, and delivering added value to its player base.

Since 2019, Starbreeze has relied heavily on a single franchise. To mitigate this risk, the company is working on diversification. This involves developing multiple games simultaneously and acting as a publisher for externally developed titles.

Starbreeze's dual game development strategy, including both proprietary IPs (such as PAYDAY) and licensed brands like *Dungeons & Dragons*, enable a more balanced risk profile by combining the upside potential of self-owned IPs with the established audience base and brand recognition of licensed IPs.

While not being a core focus, Starbreeze's publishing arm plays a strategic role in its overall plan going forward. By selectively publishing third-party games that aligns with its strategy, Starbreeze gains valuable market experience, customer insights, and additional revenue streams. This approach helps the company move up the value chain as it gradually positions itself to self-publish more of its own titles in the future.

The company's goal is to have three distinct titles on the market by 2028, all operating under the GaaS model.

Near-term focus is on PAYDAY 3

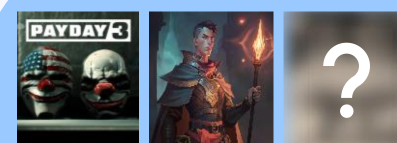
However, for now, the primary focus remains on expanding the player base for *PAYDAY 3* and increasing sales, while the publishing business supports the broader strategy of scaling Starbreeze into a self-sufficient, multi-title studio.

Long-term vision: Multi-project studio by 2028

In summary, Starbreeze's long-term plan is to have multiple revenue-generating games by 2028, based on both internal and licensed IPs. The next game after PAYDAY 3 is expected in 2026, based on the Dungeons & Dragons IP, with an internally developed game planned for release by 2027/2028.

The Four Pillars of Success

Developing games, IP and beyond	**Games as a Service**
A co-creating community	**The place to be**



Goal to have
3 Games
Generating revenue by 2028

Source: Starbreeze

Strategy

2019 - 2023

Emerging from the restructuring with focus on the PAYDAY franchise

- Focus on the PAYDAY franchise
- Continued monetization of PAYDAY 2 through monthly releases of add on content
- Develop and implement Starbreeze Nebula an enhanced, multi-platform community portal
- Expand game production capabilities
- Expanding IP portfolio

2023 - 2024

Turn PAYDAY 3 around

- Release new content and game updates in PD3 to build a foundation for a high customer lifetime value (LTV) and increase sales
- New IPs in production (developed, acquired and/or licensed)
- Forge strategic partnerships for *Project Baxter* that enhance quality, expand reach, and maximize revenue potential

2025-

Maturing into a diversified multi-project game company

- Self-publishing, own the full game value chain
- Forge strategic partnerships for *Project Baxter* that enhance quality, expand reach, and maximize revenue potential
- Launch the 2026 *Dungeons and Dragons* game and build a long-lasting, immersive gaming experience.
- Continuous monetization of *PAYDAY* franchise
- Operating several games on the market
- Expanding the third-party publishing operations
- Leveraging transmedia partnership(s)

Must Win Battles in the strategy

Implemented

- Shedding non-core operations
- Securing the financing for PD3
- Re-structuring the convertible loan to Digital bros
- Successfully maintaining the PD2 game
- Securing a stronger financial position with the rights issue

Near future, 1-2 years

- Succeed in reinitiating player's interest in PD3 and boost player activity
- Able to sustain the PD3 player base with the optimal monetization strategy
- Successful release of *Project Baxter* (Dungeons and Dragons)
- Diverting the development team to new project(s)

The next 5 years

- Several active games on the market
- Publishing several externally developed games
- Build strong communities by user-generated content and high engagement

Source: Inderes, Starbreeze

Market overview – Games market 1/4

The gaming market is big and global

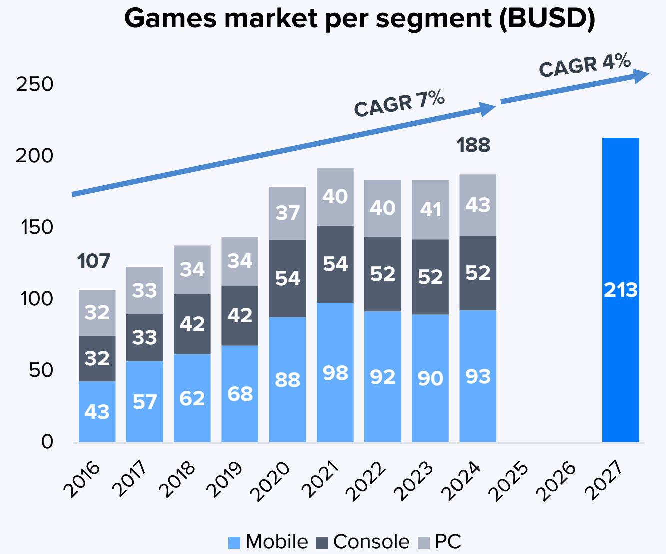
The popularity of gaming has surged dramatically since the 2000s, driven by rising global living standards. Today, about 3.4 billion people engage in gaming, making it one of the world's most popular forms of entertainment. According to Newzoo, the global games market reached approximately USD 184 billion in 2023 (+1% y/y) and is projected to grow by a modest 2% in 2024. After the significant boom in 2020-2021, fueled by the COVID-19 pandemic - with growth rates of 24% in 2020 and 7% in 2021 - the market has since stabilized at more sustainable levels. Looking ahead, Newzoo forecasts that market growth will pick up pace after the relatively modest gains in 2023-2024, with a projected CAGR of 4% through 2027. This growth is expected to be driven primarily by an increasing player base and higher spending on games.

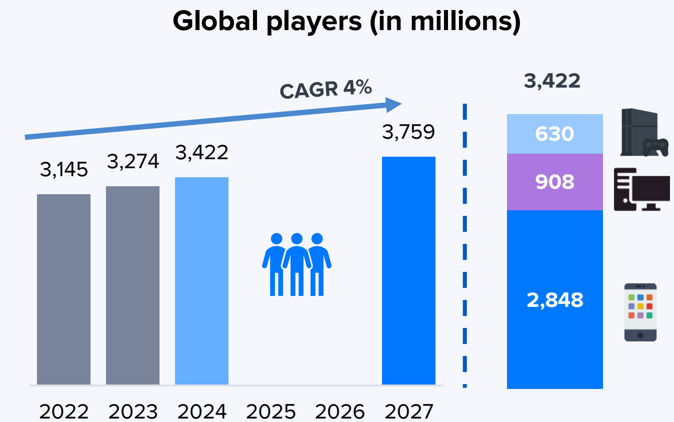
Geographically, the Asia-Pacific region is the largest market, accounting for over half (46%) of total market value (with China contributing roughly half of that). North America and Europe represent the second and third largest markets, respectively, at 27% and 18%. Middle East and Africa accounts for 16% of the total player base, but only contributes to about 4% of the market value. Big screen PC and console gaming that are the key platforms for Starbreeze is still mainly focused on developed markets. However, the popularity of console gaming is quickly rising in emerging markets as incomes increase.

Starbreeze develops games for PC and console

By platform, PC and console gaming together account for approximately 50% of the global gaming market (USD 95 billion), with mobile gaming comprising the other half. Within the console segment, the market is projected to reach approximately USD 52 billion in 2024. Console gaming has experienced robust growth in recent years (CAGR 2016-2023: 7%), a trend expected to continue at a similar pace between 2023-2027 (+5%). Key growth drivers include the release of the latest generation PlayStation and Xbox consoles and general console refreshes, as well as new versions of the Nintendo Switch. Other drives include sizable library of content available on next-generation consoles. Additionally, the large installed base and extensive game libraries of older consoles continue to support overall sales. To date, over 117 million PS4 units and more than 50 million PS5 units have been sold, while Xbox One sales are estimated at over 58 million units, with over 27 million units sold of the newer Xbox Series X|S. Although physical distribution still plays a role in the console market, digital distribution has gained significant ground, a trend further accelerated by the COVID-19 pandemic. According to Sony's Q1 2024 report, digital sales accounted for 80% of PlayStation game purchases, underscoring the rapid shift towards digital consumption.

The size of the PC gaming market in 2023 is estimated at USD 41 billion. Over the past few years, the market has experienced steady growth (CAGR 16-23: 4% and, looking ahead, the market is projected to maintain a similar trajectory, with an expected CAGR of 3% from 2023 to 2027. The distribution of PC games is virtually fully digital. The PC games marketplace Steam had around 132 million active monthly users in 2021[1] (2020: 120 million). Epic Games Store have become a real challenger to Steam in recent years and had 75 million active monthly users in December 2023 (2022: 68 million).





Source: Newzoo, Inderes

[1] Steam discontinued disclosing monthly active users in annual reports from 2022

Market overview – Games market 2/4

Over the past 10 years, mobile gaming has grown exponentially as smartphones have become common and the most popular gaming platform. The market size (mobile and tablet) amounted to USD 90 billion in 2023, representing a 2% decline y/y, according to Newzoo. Historically, the mobile gaming market has shown double-digit growth (CAGR 16-23: 11%). However, Newzoo expects the mobile gaming market to grow by a modest 2-3% in the coming years. The market research and analytics company notes that mobile gaming still needs time to adapt to changes in the mobile market, including continuous adaptation to privacy-related monetization and user-acquisition challenges, as well as a shift towards a more open ecosystem overall.

Mobile gaming's growth has not diminished the popularity of PC and console gaming. Instead, it has expanded the gaming landscape by introducing a new “casual gaming” genre, attracting entirely new target audiences. In Q1’23, a mobile version of PAYDAY was developed and launched (*Crime War)* by a third-party studio under license from Starbreeze, but it was discontinued later that same year. While future mobile versions of Starbreeze's upcoming titles remain a possibility, the mobile gaming market is not currently a strategic focus for the company.

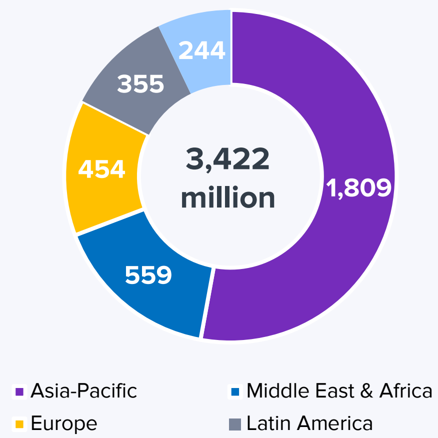
We estimate that the big screen focused console and PC-gaming markets, which Starbreeze relies on, are currently very stable and have healthy growth drivers. At the same time, industry trends (subscription-based models, cloud gaming, digital distribution, and long-term game services) support Starbreeze’s outlook when the demand for high-quality gaming content increases in future.

Business models are developing in the industry

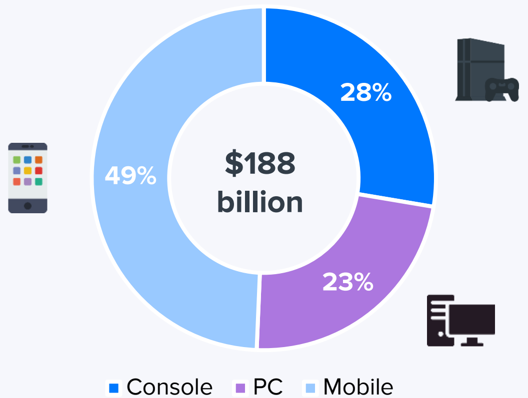
In AAA games, the traditional business model has involved selling the game as both physical and digital copies through one-time purchases, typically priced between EUR 40-70. The commercial success of a game has traditionally been judged by the number of copies sold within the release year. However, with the rise of digital distribution, the lifespan of games has expanded significantly. Developers increasingly rely on additional revenue through post-launch DLCs, which not only extend the game’s lifecycle but also help sustain its price, attracting new buyers even after the initial release window. As a result, games are increasingly evolving into long-term services, commonly referred to as Games as a Service (GaaS). An example of this model's success is Starbreeze’s hit title, *PAYDAY 2*, which effectively leveraged the GaaS approach from launch 2013 to 2023.

The free-to-play (F2P) business model, which is prevalent in mobile games, has gained significant traction in PC and console gaming, driven by the success of recent hit titles like *Fortnite* and *League of Legends*. In the F2P model, players can access the game for free, while revenue is generated through in-game purchases and advertisements. However, the challenge for F2P on consoles lies in achieving sufficient scale, as typically only a small percentage of players make purchases. The limited number of consoles compared to the vast number of active smartphones (Newzoo: 4+ billion units) restricts the potential player base. As a result, F2P games developed for consoles often require a PC version to reach a broader audience. Additionally, console and PC games are generally much more expensive to develop than mobile games, which amplifies the risks associated with F2P projects in these platforms.

Global players, geographics (2024)



Games revenue per segment, 2024



Source: Newzoo, Inderes

Market overview – Games market 3/4

In recent years, subscription-based business models have emerged in gaming, following the footsteps of platforms like Spotify for music and Netflix for movies. Services such as Sony's PlayStation Plus and Microsoft's Xbox Game Pass offers access to vast game libraries for a monthly fee. The evolution of subscription models naturally extends to cloud gaming, where console and PC games are streamed directly from the cloud - a concept that has sparked a competitive race to become the "Netflix of games." Google made an opening in this field when launching the Stadia service in November 2019 (shutdown in 2022). Microsoft is building a game streaming service around Xbox Game Pass, Sony around the PlayStation Plus service and NVIDIA with its GeForce Now. Amazon, leveraging its powerful cloud infrastructure, have also entered the market with its Luna service.

Cloud gaming relies heavily on fast and reliable internet connections, and we expect its popularity to increase gradually over the next five years as technologies like 5G and fiber-optic networks become more widespread. If cloud gaming gains significant traction, it is likely to do so towards the later stages of the current console generation's lifecycle (PS5 and Xbox Series X|S), probably closer to the end of the 2020s. Should game streaming become mainstream, it would dramatically expand the potential player base for AAA games by removing the need to purchase expensive hardware.

However, the success of cloud gaming hinges on overcoming key challenges related to network infrastructure, data consumption, and ensuring a seamless player experience.

On PC, competition between distribution platforms intensifies

Steam has long dominated the digital distribution of PC games but is now facing significant competition from Epic Games' Epic Games Store (EGS). Unlike Steam's tiered distribution fee structure - 30% for most sales, reducing to 25% after EUR 10 million and 20% after EUR 50 million - Epic charges a flat 12% fee. Epic argues that Steam's fees are outdated and no longer reflect the modern digital distribution landscape. Backed by the substantial revenue generated by Fortnite, Epic is well-positioned to challenge Steam's dominance.

To expand its platform, Epic has aggressively pursued time-limited exclusive distribution deals with game developers, a strategy that has been central to growing its user base and competing directly with Steam.

Developers' role in the value chain is growing

Game publishers have traditionally had a strong position in the value chain, as they have acted as gatekeepers between game developers and distributors. Console manufacturers have also always been strong in their own closed platforms. The situation has, however, changed and is constantly changing as digital distribution, subscription-based business models, cloud gaming and the F2P model shape the market.

The biggest value shift in the market in recent years has taken place from the physical distributors of games towards publishers and game developers as digital distribution has grown considerably. For example, as recently as five years ago, physical distributors (e.g. GameStop) had a lot of power over publishers but that is no longer the case.

The role of game studios in the value chain is not disappearing, which is good for Starbreeze. The business models of game developers may change, but their place in the value chain is only likely to grow in the future. The need for high-quality game content becomes emphasized as the competition between players and digital platforms tightens. This might enable attractive offers for publishing and exclusive agreements for Starbreeze in the future. In addition, there is only handful of Starbreeze-like independent AA/AAA studios globally, which also makes the company an interesting acquisition target for several players.

One of the long-term threats to independent game studios can be seen in the significant strengthening of subscription-based services. If the majority of quality game content were available for a reasonable monthly fee, the incentives for players to buy AAA games costing EUR 60 -70 would probably decrease. In this case, independent game developers could be partly forced to choose sides and join these service providers (e.g. Sony and Microsoft) through an acquisition. This would probably also mean that subscription service providers would be prepared to make long-term sacrifices in the revenues of their games business. This is because, from a business model perspective, it would not be economically viable to develop all existing AAA games and put them directly into a subscription service. At worst, the rise of subscription-based services could mean a decline in the quality of games compared to today, if production budgets were to be compromised in order to optimize the profitability of subscription services.

Market overview – Games market 4/4

Generative AI likely to boost game development in the future

The launch of ChatGPT at the end of 2022 intensified the excitement and debate surrounding AI's potential in the gaming industry. While it is still too early to determine the full extent of AI's impact, we believe that AI tools are poised to revolutionize game development by enhancing efficiency, reducing costs, and offering innovative solutions to support creative design. This can provide much-needed relief to developers facing rising production budgets.

AI's ability to streamline development processes means the same budget can yield larger, more visually impressive games. Simultaneously, smaller indie studios can leverage these tools to create high-quality games with fewer resources, leveling the playing field and allowing them to compete more effectively with bigger developers.

Looking ahead, AI-driven advancements are likely to significantly expand player-driven content creation (User-Generated Content, or UGC). Players will have more powerful tools to craft their own unique worlds and experiences, pushing the boundaries of creativity in gaming.

However, in the short term, challenges remain. One significant concern is the risk for AI-generated content to unintentionally infringe on existing copyrights, which could lead to legal complications for developers. Addressing these risks will be crucial as AI becomes more integrated into the creative process

Generative AI in the gaming industry

Source: Newzoo, Inderes

Competition

Nature of the competition in the gaming industry

Regardless of the market, game genre or platform, game companies ultimately compete for the time and money of consumers. Entertainment is the most important competitive edge of the sector.

Competition in the gaming industry is global and geographical factors play a minor role in the era of digital distribution. Competition is instead defined by the release platform, game genre, and production size. In Starbreeze's game category competition is, for example, very different than in mobile games. The entry barrier is clearly higher in AA/AAA games, there is only a handful of competitors globally, and production budgets are significantly larger.

Measured by revenue, Starbreeze is a relatively small player in the industry, but within its category it competes with some of the biggest companies in gaming. However, AA/AAA games are divided into their own sub-categories and game developers often focus on developing games in a particular genre based on their strengths (e.g. action, adventure, strategy, role play, driving games). Starbreeze specializes in cooperative first-person shooter games.

The competition for consumers' attention is fierce across the world and consumers pay attention to game reviews and discussions concerning the games on, e.g., social media. Especially for AAA games in the higher price range, players follow reviews and comments closely to assess the entertainment value and quality of the game before making a purchase decision. One of the biggest risks of Starbreeze's market is the quality of the competition, not so much the quantity. Starbreeze must be able to produce very high-quality content that stands out from the bigger competitors in order to succeed in the competition.

Starbreeze's competition

In the end Starbreeze competes for the end users' money and time. Here the competitors are other first person shooter games, completely alternative game categories, and, in the bigger picture, also other forms of entertainment apart from gaming.

There are just a few independent AA/AAA game studios like Starbreeze in the world as most have ended up being acquired. For example, Sony, Microsoft, and Embracer have been active on the acquisition front. Early 2022 saw the biggest acquisition in gaming history when Microsoft announced it would buy Activision Blizzard for USD 68.7 billion. After prolonged scrutiny and legal battles with competition authorities in multiple regions, including the US, UK, and the European Union, the acquisition was completed in October 2023.

Out of the independent game studios, an ever-smaller group is formed by studios developing high production value first person shooter games like Starbreeze. New competitors are not easily born in this category due to the high entry barrier. For example, it is very difficult for a studio specialized in racing games to switch to FPS games, as developing them requires notably different technology and know-how.

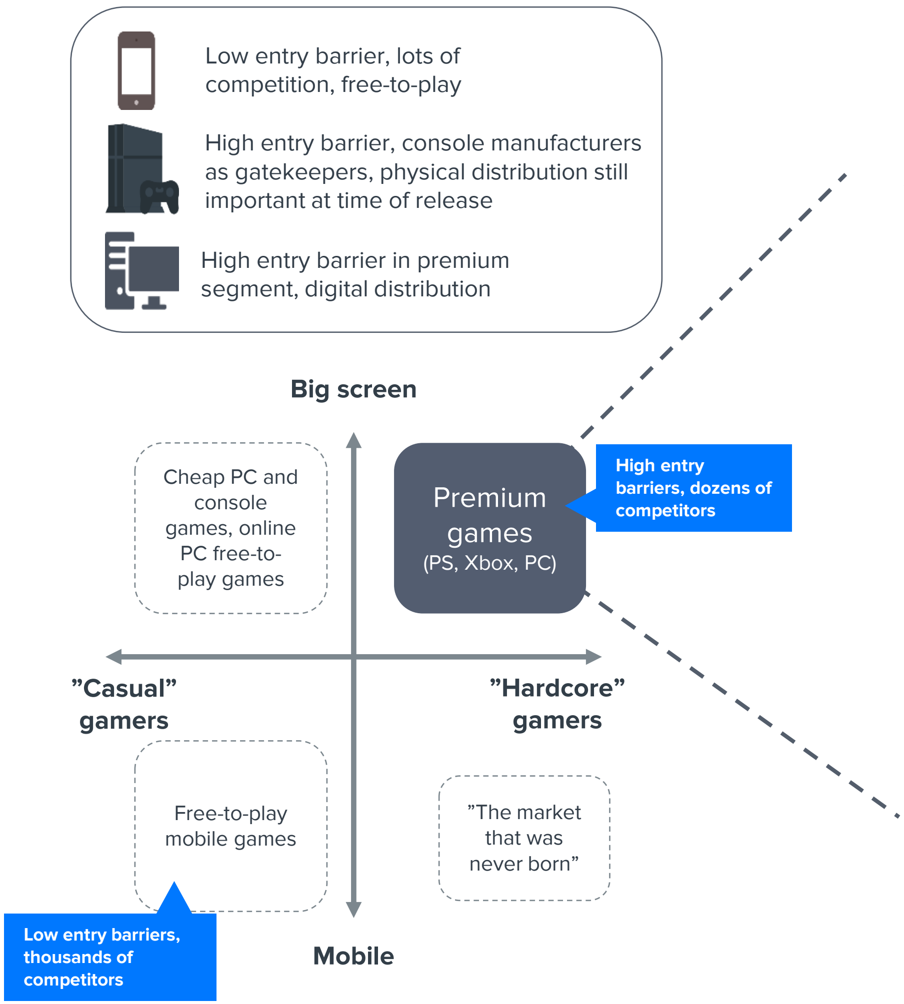
Starbreeze's competitive advantages

Starbreeze biggest win has been the successful implementation of the GaaS model on their popular video game *PAYDAY 2*. This allowed Starbreeze to enjoy a steady revenue stream for almost 10 years. What was supposed to be a smooth transition from *PAYDAY 2* to the latest installment, *PAYDAY 3*, has yet to show its long-term potential as the game has not been living up to the community's expectations. It remains to be seen whether Starbreeze are able to enjoy additional 10 years of strong revenue stream from the PAYDAY games or if other new developed games take that role. In our view, Starbreeze's key competitive advantages are:

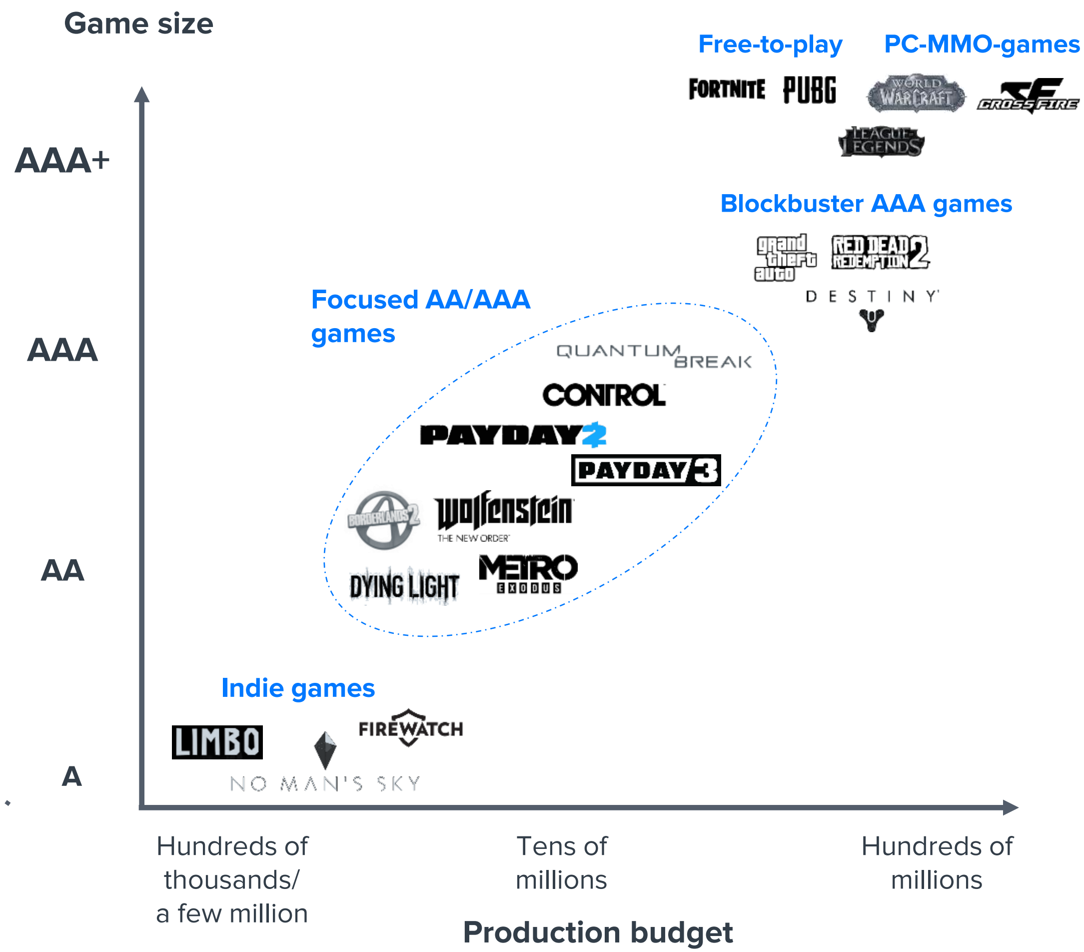
- The franchise has historically generated over USD 300 million, demonstrating significant brand equity, even as *PAYDAY 3* faces hurdles in sustaining the momentum of its predecessor.
- Large and active player community with more than 38 million installed copies
- Starbreeze has shown the ability to develop a well-received and durable game with *PAYDAY 2*, successfully implementing the Games as a Service (GaaS) model - although replicating this success with *PAYDAY 3* has been challenging so far
- While *PAYDAY 3* has not yet fully regained the engagement levels of its predecessor, Starbreeze's experience in designing fun and engaging cooperative multiplayer experiences remains a core strength that could be refined and leveraged in future updates and content expansion

Starbreeze's positioning on the market

Game market segments



Starbreeze's sub-segments



Source: Inderes

Financial position 1/2

Historical development

Starbreeze completed its restructuring in December 2019, giving us four years of financial statements from the leaner, restructured company. In the years leading up to the launch of *PAYDAY 3* in 2023 (i.e., 2019-2022), Starbreeze's revenue remained stable, with a slight increase from SEK 118 million in 2020 to SEK 128 million in 2022. This growth was primarily driven by an expanding *PAYDAY 2* player base and new content releases (DLCs).

During this period, Starbreeze's operating profit (EBIT) was modest, with an average EBIT margin of 7% over the three years. This lower margin was expected, as the company was scaled to develop the next major title, *PAYDAY 3*, while still generating revenue primarily from a 10-year-old game. Since most development costs were capitalized, their impact on profitability was reflected through amortization. Consequently, EBITDA margins were notably higher, ranging between 42% and 60%. However, net profit remained heavily negative due to substantial financial expenses, with figures of SEK -130 million in 2020, SEK -103 million in 2021, and SEK -60 million in 2022.

As a game developer, Starbreeze's cost base is largely fixed, consisting mainly of wages for game development, sales, marketing, external services, and administrative expenses. This structure means that revenue increases lead to disproportionately higher profits—and vice versa. In 2023, with the launch of *PAYDAY 3*, Starbreeze experienced this dynamic firsthand, with revenue surging nearly 400% to SEK 634 million with the EBIT margin reaching 30%. The rights issue completed in 2023 left Starbreeze virtually debt-free, resulting in a net profit of SEK 208 million.

Financial position

As of Q2'24 Starbreeze had total assets of SEK 1,065 million. The assets consist mostly of SEK 497 million of non-current intangible assets related to capitalized game development costs, IP/Technology, and Goodwill. An asset base consisting mainly of intangible asset is what we would expect of a games company like Starbreeze.

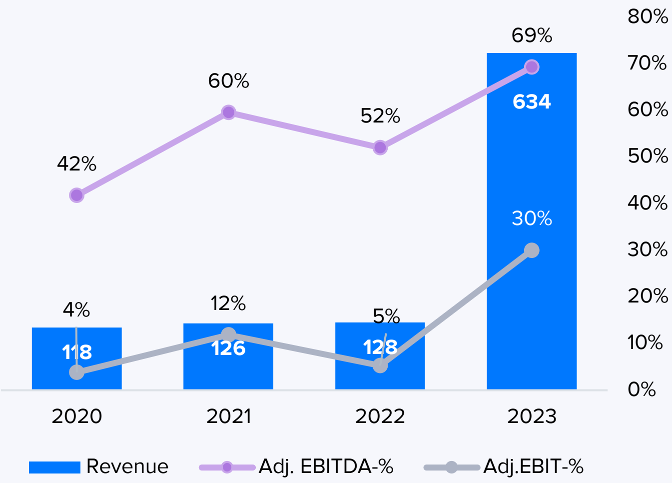
Other non-current assets are Financial assets of SEK 10 million and Property, plant, and equipment (PPE) of SEK 117 million. Most of the PPE are Right-of-Use assets related to lease agreements for office space.

The company's current assets total SEK 441 million, with the largest component being SEK 335 million in cash and cash equivalents. The remaining current assets consist of receivables, prepaid income, and accrued expenses.

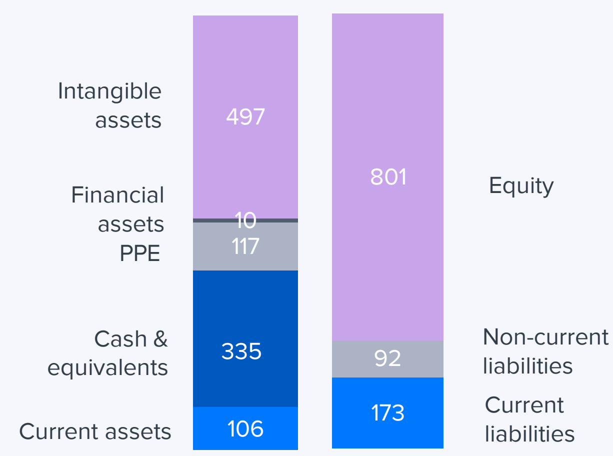
The other side of the balance sheet is split into SEK 801 million of equity and SEK 265 million in total liabilities. Non-current liabilities are predominantly made up of SEK 90 million in lease liabilities related to the RoU assets (office premises).

Current liabilities are primarily composed of trade payables and accrued and deferred income, amounting to SEK 152 million, along with SEK 21 million in remaining lease liabilities linked to the RoU assets.

Revenues and EBIT & EBITDA-%*



Total assets SEK 1,065 million (Q2'24)



Source: Inderes, Starbreeze
*2021 EBIT & EBITDA figures adjusted for one-off effects related to PAYDAY mobile game

Financial position 2/2

With its strong net cash position, Starbreeze's current balance sheet is robust. According to the company, this financial strength not only supports investments in the upcoming *Project Baxter* but also facilitates further expansion in its third-party publishing business and continued development efforts around *PAYDAY 3*. However, the company acknowledges that the sustainability of this strategy hinges on increased revenue streams from *PAYDAY 3* going forward.

Solvency

Starbreeze's solvency metrics have improved significantly following the rights issue and the conversion of its convertible loan into shares in 2023. As of Q2 2024, the net debt to EBITDA ratio was negative at -0.7x, reflecting the company's net cash position, with an equity ratio of 75%. Post-financing, the equity ratio initially stood at 85% but has since gradually declined due to lower revenue streams and a persistently high fixed cost base. This decline highlights Starbreeze's ongoing challenges with *PAYDAY 3* while simultaneously making substantial investments in *Project Baxter*. The equity ratio is expected to continue shrinking in the upcoming quarters if there is no significant improvement in *PAYDAY 3*'s player engagement and revenue.

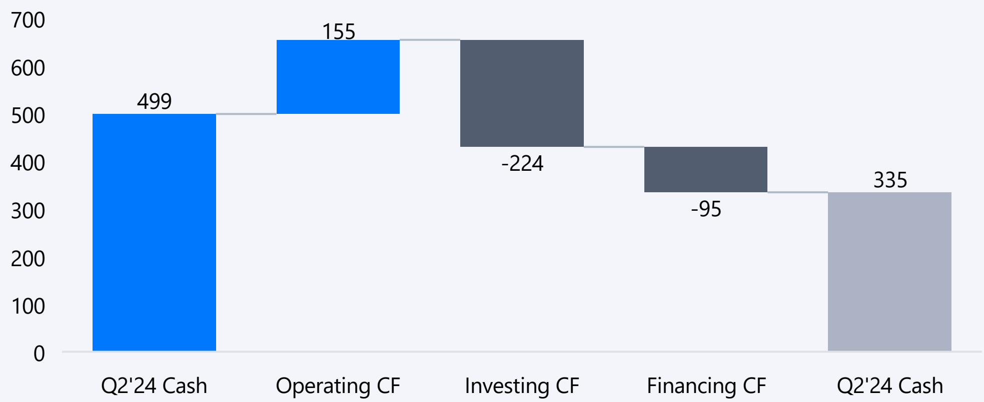
Capital commitments and cash flow

Starbreeze has made substantial investments in capital expenditure, primarily in development costs for *PAYDAY 3*, *Project Baxter*, and previously in DLC's for *PAYDAY 2*. In 2023, the combined investment for the first two projects totaled SEK 174 million. During 2021-2022, these investments (including DLC development) amounted to SEK 144 million in 2022 and SEK 111 million in 2021. Significant capital allocation towards new game development is a core aspect of the gaming industry, where short player attention spans necessitate a steady stream of new content. However, at these investment levels, Starbreeze's free cash flow has been negative in recent years, including 2023 when *PAYDAY 3* was launched. It is worth noting that due to negative free cash flows, Starbreeze had to bring in a co-publisher (PLAION) to complete the development of *PAYDAY 3*, which also delayed cash collection. During 2022-2023, PLAION provided SEK 164 million in game financing to Starbreeze.

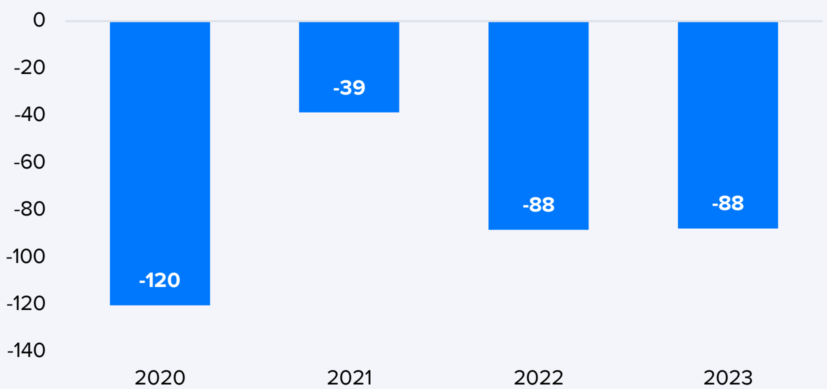
Due to the capitalization of product development costs, there will be discrepancies between Starbreeze's reported earnings and cash flow in the coming years. Earnings will appear more stable because of capitalization and the related amortization, while cash flow will be more closely tied to the timing of game releases.

Working capital is expected to be relatively low in relation to revenue going forward. Generally, when it comes to game developers, they rarely need to tie up a lot of cash in the form of receivables and accrued income.

Cash flow development MSEK (Q2'24, LTM)



Free cash flow 2020-2023



Source: Inderes

Estimates 1/5

Basis for the estimates

Accurately forecasting Starbreeze's earnings development in the coming years is challenging due to the nature of the company's business model. The commencement of amortization for capitalized development costs upon the release of new games further adds variability to the financial outlook.

Revenue projections are highly sensitive to the timing of game releases and their success. Additionally, with limited information on the exact terms of existing and future partnerships, we must make assumptions to estimate Starbreeze's share of gross revenue.

To project revenues from *PAYDAY 3*, we estimate the number of copies sold, the price per copy, royalties per copy, and revenue generated from the subsequent releases of DLCs. We use a top-down approach to calculate Starbreeze's royalty share per sold copy. *PAYDAY 3* was priced in the range of USD 39.99-89.99, depending on the edition (base, silver, or gold). For simplicity, we assume an average price of USD 45 at launch. After applying a VAT rate of 10% and a marketplace fee of 27%, we arrive at a net price per copy of USD 28.4.

We then deduct an engine fee of 2% and co-publisher PLAION's 50% revenue share. On the back of above-mentioned assumptions, we estimate Starbreeze's share of gross sales to be approx. USD 14.5 per copy, or 32% per unit sold[1]. In this update, we have excluded any potential share to 505 games (Digital bros), in the form of a royalty of 33%, up to USD 40 million, of the net income of PD3 after deduction of investments made. If Starbreeze manage to substantial turn *PAYDAY 3* around, and thereby make the agreement active, we will update our assumptions and estimates accordingly. This would have a two-folded impact; on one hand it would put upward pressure on our estimates, on the other hand it would result in a compressed share of gross sales for some years. The adjacent graph illustrates our assumptions for royalties per game based on these projections.

The next significant revenue streams are anticipated in 2026 and late 2027/2028 as Starbreeze advances through its current game development pipeline. For the sake of simplicity in our projections, we assume that these two new titles will begin generating revenue starting in Q1'26 and Q1'28, respectively.

On the following page, we outline Starbreeze's key revenue drivers for the next few years. Overall, our estimates suggest good performance from upcoming titles, but no blockbuster hits. While some games may exceed expectations in an optimistic scenario, the range of potential outcomes at the project level is broad.

In this update we have made some changes to our underlying assumptions regarding game financing of future projects, amortizations, WACC, as well as long-term revenue growth and profitability. All in all, the net impact on the DCF-model was only slightly negative, and the big picture with the estimates is somewhat intact.

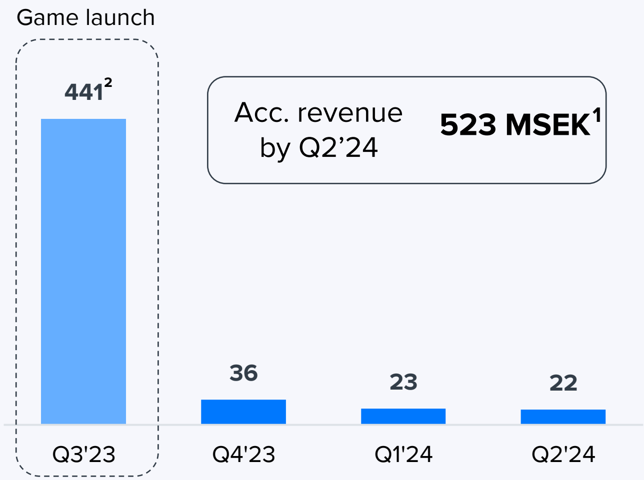
Revenue estimates for 2024

In 2023, Starbreeze reported total revenue from *PD3* of 477 MSEK, with 260 MSEK attributed to previously received game financing from PLAION and 217 MSEK from revenue sharing. While the specific financial contribution from the Game Pass deal remains uncertain, we estimate it to fall within the range of 100-150 MSEK. Based on these figures, alongside our assumptions about royalty per copy, we estimate that approx. 1.5 million copies were sold in 2023, though this is contingent on the actual impact of the Game Pass agreement.

PAYDAY 3 revenue share schedule (estimates)

Examples in USD	Revenue share est.
Sale price per unit	$45
VAT (10%)	-$4.5
Marketplace Fee (27%)	-$12.2
Gross sales (unit)	**$28.4**
Unreal Engine (2%)	-$0.8
Sum A ("Publisher revenue")	**$27.5**
External marketing (PLAION)	-$1.5
Reimbursement for Starbreeze's development costs	-$3.0
Sum B (before revenue share)	**$23.0**
PLAION (50%*Sum A)	-$11.5
Sum B (Starbreeze net sales per unit sold)[1]	**$14.5**
Starbreeze-% per unit sold	*32%*

PAYDAY 3 revenue since launch



Source: Inderes, Starbreeze

[1] 50% revenue share + reimbursement of dev.costs.

[2] Including game financing revenue

Timeline of internal game projects

Release year

$ =low revenue	$ =low development costs
$$ =medium revenue	$$ =medium development costs
$$$ =considerable revenue	$$$ =considerable development costs

	2023	2024*	2025*	2026*	2027*	2028*
PAYDAY 2	$ $$	$	$	$		
PAYDAY 3	$$$ $$$	$$ $$/$	$ $	$ $	$	$
BAXTER	$	$$	$$$	$$$ $$$	$ $$	$ $
2027/2028 project			$	$$	$$$	The game is set to be released late 2027/2028 $$$ $$$

Source: Inderes, *Inderes' estimates

Estimates 2/5

For the first half of 2024, Starbreeze has reported *PAYDAY 3*-related revenue of 45 MSEK. We estimate that around 0.3 million copies were sold during this period (sale of base game), with the remaining revenue coming the sale of DLCs.

Our full-year 2024 revenue forecast for *PAYDAY 3* stand at 107 MSEK, which imply a moderate improvement during H2'24, driven by recent *Operation Medic Bag* updates and new content releases (DLC's). We have factored in expected price reductions, a common post-launch strategy to attract new players, with an estimated average price reduction of 10% for the base game throughout 2024. Over the long term, we anticipate further annual price decreases, with the base game price stabilizing around USD 14 from 2029 onward.

Regarding *PAYDAY 2,* we estimate revenues to amount to 34 MSEK in 2024, reflecting a 75% drop y/y (FY23: 139 MSEK), as Starbreeze's main focus is on the sequel and no longer provides additional content to the game.

The successful launch of the third-party game *Roboquest* in Q4'23 marked Starbreeze's return to publishing. While revenues from this segment remained at a high level in Q1'24 at 17 MSEK, the tailwinds diminished in Q2. We anticipate a further decline in this segment throughout the remainder of 2024, though this is anticipated to be partially offset by new content releases. Our FY2024 estimates stands at 39 MSEK, up from 15 MSEK in 2023.

In total, we estimate revenues of 186 MSEK in 2024, corresponding to a 71% decline year-over-year.

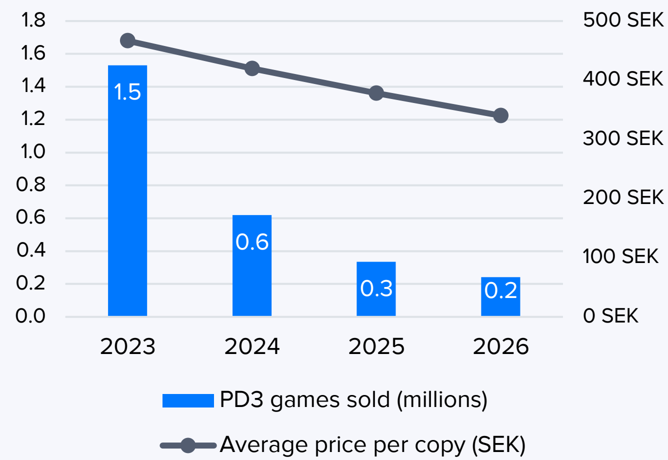
Earnings estimates 2024

When it comes to costs, we must keep in mind that these mainly consist of two things: wages, and depreciation & amortization. We anticipate the workforce to remain relatively stable throughout 2024 as Starbreeze continues its investments in *PAYDAY 3* and progresses with *Project Baxter.* Thus, we estimate only a modest rise in wage-related expenses.

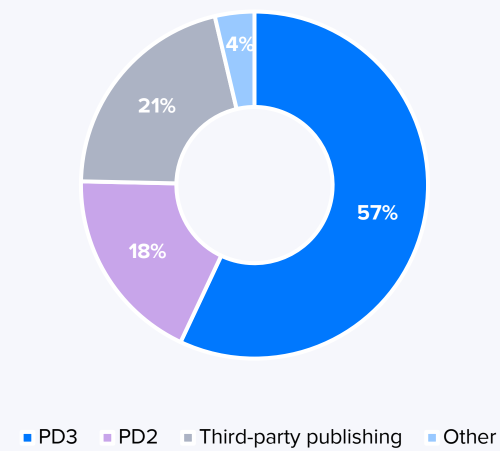
Regarding D&A, Starbreeze experienced a significant increase of over 300% in 2023, largely due to the launch of *PAYDAY 3*. Upon a game's release, the capitalized costs associated with its development are amortized, a common practice among game companies, where they tend to front-load amortization early in the game's lifecycle. Specifically, Starbreeze amortizes two-thirds of the total depreciation linked to proprietary game development in the first year, with 33% in the first month, followed by 33% over months 2-12. An additional 15% is amortized in year 2, with the remaining 6% spread across years 3-5. This aggressive amortization schedule, coupled with the launch of *PAYDAY 3*, explains the substantial increase in 2023 and underpins our estimate of a 18% rise in D&A to 294 MSEK in 2024, as Starbreeze continues to amortize the base game, while amortizing on new created content (e.g. DLCs) throughout the year.

With these revenue and cost projections, Starbreeze's adjusted[1] EBIT for 2024 is projected to be -236 MSEK. When adding back the D&A expenses, the adjusted EBITDA stands at 59 MSEK, representing a 32% margin. Including net financials (3 MSEK) in the EBIT calculation, the adjusted net profit for Starbreeze is estimated to be -232 MSEK, leading to an EPS of SEK -0.16. Due to substantial historical losses, we do not anticipate Starbreeze will be liable for income taxes for several years.

PAYDAY 3: Number of copies sold and average price (estimates)



Revenue mix, 2024e



Source: Inderes

[1] Adjusted for items affecting comparability (IAC) of 19.9 MSEK.

Estimates 3/5

Regarding cash flow, we need to adjust for non-cash expenses such as depreciation and amortization (D&A). After these adjustments, we estimate the operating cash flow to be SEK 141 million in 2024. A significant portion of this operating cash flow is due to positive working capital changes which, in turn, is attributed to the collection of outstanding trade receivables from PLAION linked to *PAYDAY 3* sales.

CapEx are projected to reach SEK 230[1] million for the full year, reflecting a 15% increase compared to 2023. Typically, post-launch, a portion of the development team continues to work on DLCs while the majority transitions to new projects. However, due to the troubled launch and the implementation of the *Operation Medic Bag* initiative, Starbreeze has experienced temporarily elevated investment needs during 2024, which have been incorporated into our forecasts. As the next major release, based on the Dungeons & Dragons IP (*Project Baxter*), is slated for 2026 with a budget similar to *PAYDAY 3*, we anticipate that investment levels will remain consistent moving forward, albeit slightly lower than in 2024 as the *Operation Medic Bag* initiative is gradually phased out. After deducting our estimated CapEx, we forecast a free cash flow of SEK -114 million in 2024.

Revenue estimates 2025-2026

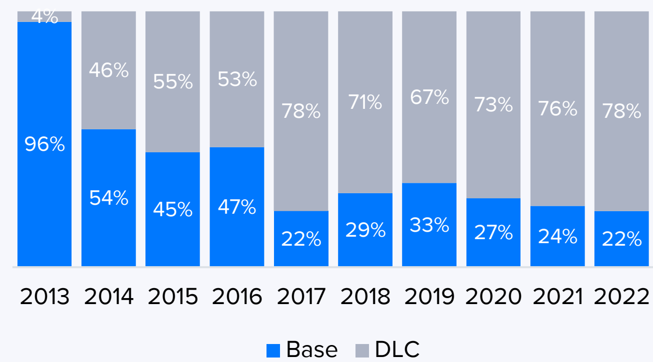
Beyond 2024, we expect the contribution of *PAYDAY 3* game sales to gradually decrease as a share of total PD3 revenue, with the GaaS revenue, particularly DLCs, taking on a more prominent role, as observed with *PAYDAY 2* (see graph to the right). However, at present, we do not anticipate a substantial recovery for *PAYDAY 3*, and we estimate a steady decline revenues from the game over the coming years, indicative of relatively muted player engagement witnessed during the game's first year on the market.

We project that the base game and DLC sales of *PAYDAY 3* will generate 73 MSEK in 2025 and 50 MSEK in 2026. Furthermore, with the absence of new content for *PAYDAY 2*, we estimate a continued decline in revenue, as witness during 2023, and our 2025-2026 estimates stands at 24 MSEK and 14 MSEK, respectively.

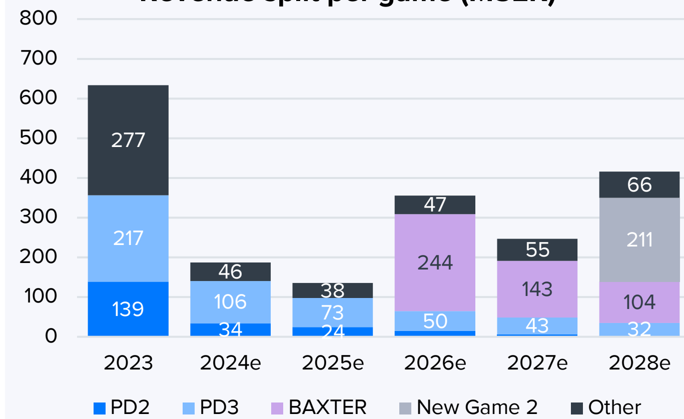
Regarding the third-party publishing business, we anticipate a decline in revenue due to the absence of publishing activities in the 2025 pipeline. However, the release of new content within the existing portfolio, along with expanding games to additional platforms or creating new formats (like VR) - particularly for *Roboquest* - is expected to mitigate the decline. Our 2025 forecast stands at 35 MSEK, and for 2026 we project a 25% revenue increase to 43 MSEK, driven by anticipated new third-party game launches.

We assume that *Project Baxter* will begin generating revenue in Q1'26. Additionally, based on our estimates, our model assume that Starbreeze's current net cash position will shift into a net debt position. To address this, we anticipate that a third-party will provide financing support for the game. Similar to the conditions applied for PAYDAY 3, we project that a future co-publisher for *Project Baxter* will receive a 30% revenue share in exchange for this financing. Further, we estimate a royalty rate to the licensor (Wizards of the Coast) of 20%. This result in a total 50% take-rate by external parties, reflecting the challenges *PD3* has faced in attracting a significantly larger player base since the game's launch. Based on our estimates of 1.5 million sold copies, we project net revenue of 232 MSEK (after the 50% take-rate) in 2026 for *Project Baxter*. In total, we estimate revenues of 135 MSEK and 344 MSEK in 2025 and 2026, respectively.

PAYDAY 2 - Base game vs DLC split



Revenue split per game (MSEK)*



* "Other" includes the non-cash game financing income in 2023 and refers to the third-party publishing business and other revenue from 2024 and onwards.

[1] Investments in own games and technology, and in tangible assets (excl. RoU)

Source: Inderes

Estimates 4/4

Earnings estimates 2025-2026

Regarding operating costs, we expect Starbreeze's staffing levels to remain relatively stable as the company prepares to launch two new games over the next three years. However, we anticipate a gradual shift in internal allocation of developers, increasingly favoring *Project Baxter* as its 2026 launch approaches.

Based on the depreciation schedule dynamics previously highlighted, we estimate D&A to decline by some 70% to 95 MSEK in 2025 as large amortizations of *PD3* now behind but then bounce back to 290 MSEK in 2026 as Starbreeze start to deprecate the game development linked to *Project Baxter*.

With our estimated cost structure and declining revenue contribution, EBIT for 2025 is estimated to -78 MSEK. Adding back D&A, EBITDA comes out at 17 MSEK, representing a 13% EBITDA margin. For 2026, we expect an EBIT of -99 MSEK and an EBITDA of 191 MSEK (56% margin). Net income is estimated at -78 MSEK for 2025 and -102 MSEK in 2026.

Long-term estimates

Beyond 2026 we expect Starbreeze revenues to be quite volatile initially, with a boost in revenue growth during years of game releases and a subsequent decline the years after the game release. As such, we expect revenues in 2027 to decline by some 30% and then increase by near 70% as the 2028 game launches. By 2029, Starbreeze will have three active games on the market, providing some sort of stability in revenue and a better foundation to sustain future revenue stream by leveraging the GaaS model by providing new content in its existing games. Consequently, Starbreeze's revenues and profits would no longer be as volatile as previously but would rather grow at a more stable pace.

Between 2030-2032, we estimate new game/DLC releases to drive an average revenue growth of 15% until dropping to 2.5% in 2033, which is our terminal growth rate. Our revenue estimate for 2033 stands at SEK 541 million and in terms of profitability, we expect the EBIT margin to stabilize at 18% in the long-term, aligning with industry benchmarks for small- to mid-sized developers and publishers. This target should be achievable for Starbreeze by leveraging the GaaS model, relying on digital distribution, and benefiting from diversified revenue streams across multiple IPs.

Game financing, working capital and cash flows

As previously mentioned, we estimate that Starbreeze will need to bring on a co-publisher for *Project Baxter*, with a 30% revenue share. Given our expectations that *Project Baxter* will achieve moderate success, rather than blockbuster status, we project that the cash flow generated will not be sufficient for Starbreeze to self-publish its planned 2028 game. Therefore, we estimate that a co-publisher will also be required for the 2028 game, likely with a 50% revenue share.

To reflect this scenario, we've incorporated game financing into our estimates. These funds will likely be recorded as both non-current and current liabilities as the game's release date approaches. For modeling purposes, we've increased the balance sheet item "other long-term liabilities" in line with our game financing projections. These liabilities are expected to be settled over time as the future games are released.

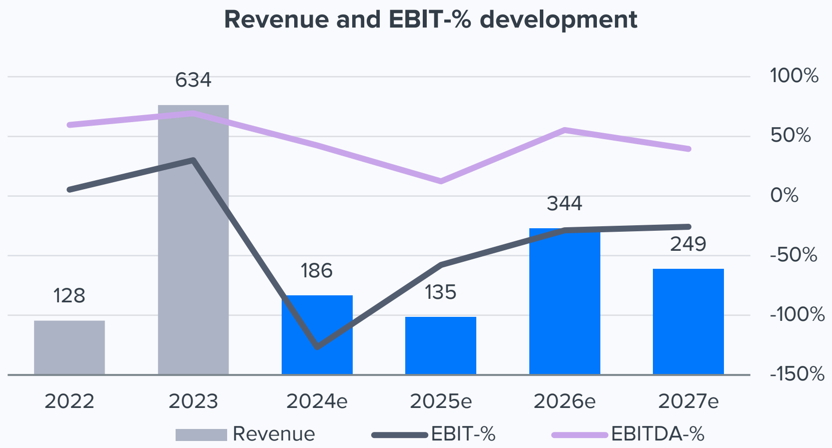
Historically, as seen with *PAYDAY 3*, Starbreeze has netted the co-publisher's share of revenue against the game financing they received. However, in our model, we focus on the actual cash flow impact of the game financing. Since we are estimating net revenue for Starbreeze, we do not include the financing as revenue when the games are released. Instead, we make manual cash adjustments in our DCF model during the years when game financing liabilities are settled at the time of the games' releases.

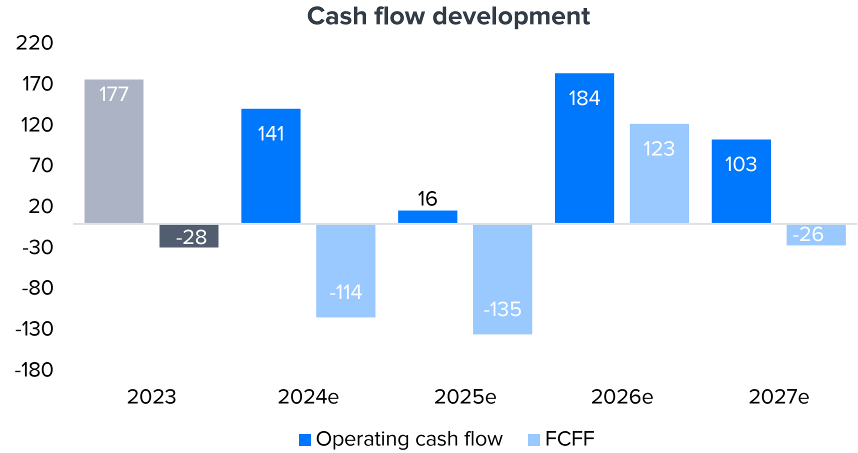
In short, our assumption is that Starbreeze will secure game financing for both *Project Baxter* and the 2028 game, which will have a positive cash flow impact. At the same time, our net revenue estimates already account for the co-publisher's share of future revenue, affecting both the income statement and earnings estimates.

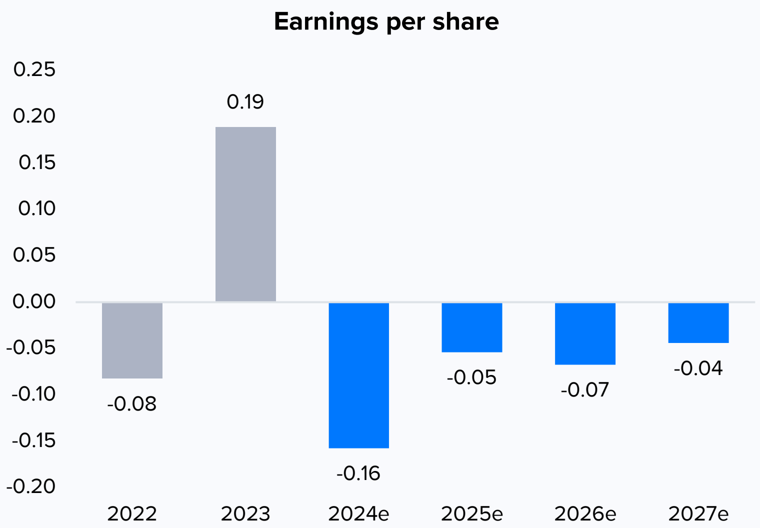
We expect each future game to be released in the first quarter of its respective year. Upon release, Starbreeze may experience a temporary working capital tie-up as the co-publisher typically receives cash first. However, this working capital should free up throughout the year as Starbreeze collects outstanding receivables. As a result, we expect minimal changes in working capital on an annual basis, allowing Starbreeze to generate operating cash flow throughout the year of each game release.

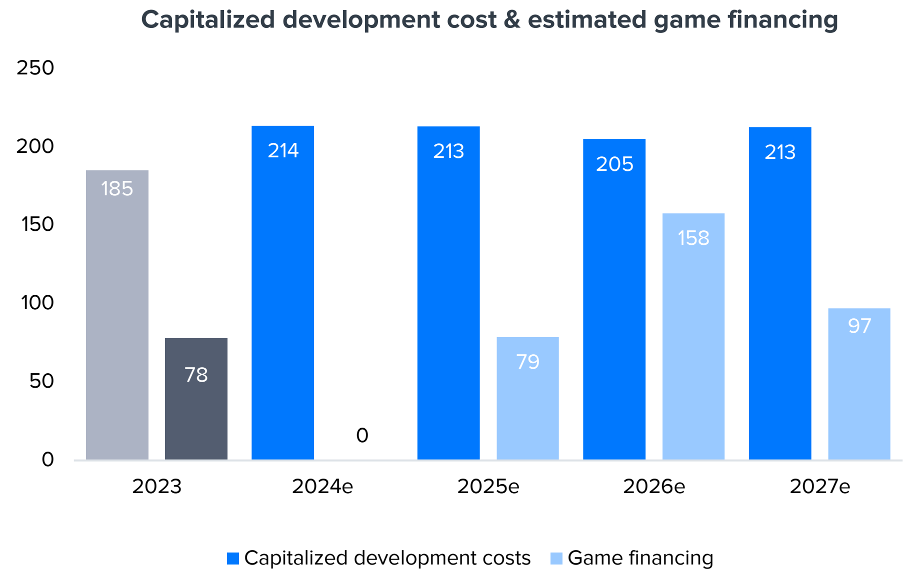
As Starbreeze continues to grow its multi-title portfolio, we expect the company to reach a position of more stable cash flow generation by 2030. Over the company to reach a position long term, we estimate that Starbreeze's investments in new game projects will rise steadily, reaching SEK 197 million by 2033. At this level of investment, we project that Starbreeze could generate approx. SEK 70 million in free cash flow. We also expect that any surplus free cash flow will be reinvested into the business to further expand its development and publishing capabilities.

Estimates: An overview









Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**128**	**27**	**43**	**494**	**69**	**634**	**57**	**40**	**43**	**46**	**186**	**135**	**344**	**249**
EBITDA	**66**	**4**	**14**	**442**	**-21**	**439**	**48**	**8**	**11**	**12**	**79**	**17**	**191**	**98**
Depreciation	-60	-16	-17	-142	-74	-249	-72	-79	-74	-70	-294	-95	-290	-162
EBIT (excl. NRI)	**7**	**-12**	**-3**	**300**	**-95**	**190**	**-43**	**-71**	**-63**	**-58**	**-236**	**-78**	**-99**	**-64**
EBIT	**7**	**-12**	**-3**	**300**	**-95**	**190**	**-23**	**-71**	**-63**	**-58**	**-216**	**-78**	**-99**	**-64**
Share of profits in assoc. compan.	0	0	0	0	0	0	1	0	0	0	1	0	0	0
Net financial items	-61	-13	27	0	3	17	1	0	1	0	2	0	-4	-3
PTP	**-54**	**-25**	**24**	**300**	**-92**	**208**	**-21**	**-71**	**-63**	**-59**	**-213**	**-78**	**-102**	**-66**
Taxes	-5	0	1	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	**-60**	**-25**	**25**	**300**	**-92**	**208**	**-21**	**-71**	**-63**	**-59**	**-213**	**-78**	**-102**	**-66**
EPS (rep.)	**-0.08**	**-0.03**	**0.03**	**0.21**	**-0.06**	**0.19**	**-0.01**	**-0.05**	**-0.04**	**-0.04**	**-0.14**	**-0.05**	**-0.07**	**-0.04**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	1.5 %	13.3 %	36.1 %	1178.6 %	105.8 %	396.5 %	112.3 %	-7.0 %	-91.3 %	-33.1 %	-70.6 %	-27.2 %	153.9 %	-27.7 %
Adjusted EBIT growth-%	-54.9 %	17.1 %	-188.0 %	3240.7 %	-2297.8 %	2721.0 %	272.7 %	2300.2 %	-121.1 %	-38.5 %	-223.8 %	-66.9 %	26.8 %	-35.5 %
EBITDA-%	52.0 %	15.2 %	32.6 %	89.3 %	-29.8 %	69.3 %	85.7 %	20.1 %	24.6 %	25.1 %	42.3 %	12.3 %	55.4 %	39.4 %
Adjusted EBIT-%	5.3 %	-43.5 %	-6.8 %	60.7 %	-137.3 %	30.0 %	-76.3 %	-176.2 %	-147.5 %	-126.1 %	-126.7 %	-57.7 %	-28.8 %	-25.7 %
Net earnings-%	-46.9 %	-93.5 %	57.2 %	60.6 %	-132.5 %	32.8 %	-37.1 %	-175.9 %	-146.0 %	-126.4 %	-114.4 %	-57.7 %	-29.8 %	-26.7 %

Source: Inderes

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MSEK / SEK	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	185	186	1%	133	135	2%	358	344	-4%
EBITDA	77.5	78.7	2%	14.3	16.7	17%	203	191	-6%
EBIT (exc. NRIs)	-236.9	-235.6	1%	-80.3	-78.1	3%	-81.6	-99.0	-21%
EBIT	-217.0	-215.7	1%	-80.3	-78.1	3%	-81.6	-99.0	-21%
EPS (excl. NRIs)	-0.16	-0.16	1%	-0.05	-0.05	-1%	-0.06	-0.07	-25%
DPS	0.00	0.00	0%	0.00	0.00	0%	0.00	0.00	0%

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**586**	**537**	**585**	**707**	**626**
Goodwill	48	47	47	47	47
Intangible assets	506	472	423	563	496
Tangible assets	23	11	106	89	75
Associated companies	1	1	1	1	1
Other investments	0	0	0	0	0
Other non-current assets	7	7	7	7	7
Deferred tax assets	0	0	0	0	0
Current assets	**160**	**574**	**328**	**176**	**151**
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Receivables	52	226	91	74	83
Cash and equivalents	108	348	236	101	69
Balance sheet total	**746**	**1,111**	**912**	**883**	**778**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**57**	**895**	**682**	**604**	**501**
Share capital	14	30	30	30	30
Retained earnings	-1,950	-1,742	-1,955	-2,033	-2,136
Hybrid bonds	0	0	0	0	0
Revaluation reserve	13	14	14	14	14
Other equity	1,979	2,593	2,593	2,593	2,593
Minorities	0	0	0	0	0
Non-current liabilities	**386**	**2**	**88**	**154**	**149**
Deferred tax liabilities	1	1	1	1	1
Provisions	0	0	0	0	0
Interest bearing debt	380	0	0	0	4
Convertibles	0	0	0	0	0
Other long term liabilities	5	1	87	153	144
Current liabilities	**303**	**215**	**142**	**125**	**127**
Interest bearing debt	0	0	0	0	0
Payables	108	208	130	115	117
Other current liabilities	195	7	12	10	10
Balance sheet total	**746**	**1,111**	**912**	**883**	**778**

Valuation and recommendation 1/4

Investment view and recommendation

Before Starbreeze launched *PAYDAY 3* in Early Access on September 19, 2023, and fully on September 21, 2023, the share price was trading around SEK 0.9-1.0, reflecting a market cap of SEK 1.2-1.4 billion. Fast forward a year, the market cap has plunged approx. 70% to SEK 400 million, largely due to the company's struggles to reignite player interest following a launch that failed to meet the PAYDAY community's expectations.

It's important to recognize that Starbreeze, like other Games-as-a-Service companies, operates on a long-term strategy, with business models that are more of a marathon than a sprint. However, at the current share price, it's clear the market believes that *PAYDAY 3* will not recover significantly, and that future game releases are unlikely to achieve major commercial successes.

If Starbreeze manages to turn *PAYDAY 3* around, we believe the current valuation looks cheap, especially considering the company's cash position of over SEK 300 million and its virtually debt-free balance sheet. A successful turnaround would position Starbreeze favorably to execute its long-term strategy of becoming a multi-title studio, with higher upside potential in each subsequent project. On the other hand, if current trends persist, we foresee a snowball-effect impacting future projects, forcing Starbreeze to seek financing to maintain its strategy. The most viable options at this stage would be to either bring on a partner to support planned investments or raise additional capital by issuing new shares. While bringing on a partner would dilute the potential upside of future game releases, issuing new shares would dilute existing shareholders and reduce overall investment returns. We view the partnership option as the more likely scenario and have factored this into our estimates.

Since emerging from restructuring in late 2019, Starbreeze has remained a binary case from an equity standpoint, with the PAYDAY franchise serving as the primary revenue driver. This makes Starbreeze a high-risk investment, evidenced by the stock's volatility in recent years. The company's strategy is to diversify its revenue streams by releasing two additional games over the next three years, which, all else being equal, would reduce its dependency on *PAYDAY 3*. Starbreeze's decision to restart its publishing business has enabled the company to unlock new revenue streams, however, we don't expect a material impact from this segment as it is not a main strategy but more of a stepping stone towards positioning Starbreeze as a self-publishing studio in the future.

While we believe the troubled launch of *PAYDAY 3* offered valuable, albeit costly, lessons for the upcoming release of *Project Baxter* in 2026, it has dampened our confidence in the commercial success of that title, as reflected in our baseline estimates. Based on our assessment and valuation, we maintain our Reduce recommendation with a target price of SEK 0.30. Starbreeze's valuation remains closely tied to the near-term performance of *PD3* and given the current headwinds, with the uncertainties it brings regarding the future, we believe a cautious stance on the company is warranted until player activity and sales trends improve. Hence, we believe the current share price does not adequately reward investors for the risks involved.

In short, our estimates assume that *PAYDAY 3* will not see a significant recovery and that the next two game releases will achieve moderate commercial success. We believe this outlook is largely priced into the current share value. As such, a substantial recovery in *PAYDAY 3* or outperformance of future releases could present a significant upside in the stock.

Valuation	2024e	2025e	2026e
Share price	0.25	0.25	0.25
Number of shares, millions	1,477	1,477	1,477
Market cap	366	366	366
EV	129	266	299
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	0.5	0.6	0.7
P/S	2.0	2.7	1.1
EV/Sales	0.7	2.0	0.9
EV/EBITDA	1.6	17.5	1.5
EV/EBIT (adj.)	neg.	neg.	neg.

Source: Inderes

Valuation and recommendation 2/4

Valuation multiples

Valuing a company like Starbreeze presents several challenges. Over the next few years, Starbreeze will likely experience fluctuating revenues, earnings, and cash flows. This volatility makes near-term earnings multiples less reliable, as these are typically better suited for companies with stable revenue and earnings estimates.

Based on our estimates, Starbreeze trades at an EV/EBITDA multiple of 19x and an EV/S multiple of 2.3x in 2025. Corresponding multiples in 2026 are 1.7x, and 1x, respectively. However, you can't get too locked into the multiples for a single year, as the timing of game releases, among other things, can significantly affect short-term earnings growth and, in turn, valuation multiples.

Determining an appropriate earnings multiple for Starbreeze based on peer comparisons is complex due to significant variability in the timing of game releases and the different investment phases across companies, which can lead to considerable fluctuations in valuation multiples.

The peer group median EV/EBITDA and EV/EBIT multiples for 2025 are 12x and 17x, respectively. In addition, peer group's median EV/S multiple is 3x, reflecting their stronger (and more stable) profitability and growth outlook. However, if we look "under the surface", the variation among peers is wide.

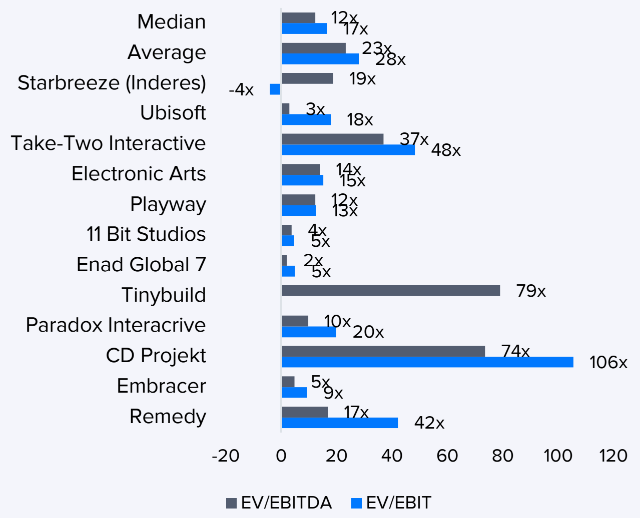
For instance, some peers are trading as low as 2-3x EBITDA, while others, such as Take-Two Interactive, command much higher multiples. This variation makes it difficult to derive a precise multiple that would directly apply to Starbreeze, and justifies a degree of caution when making comparisons.

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, though it would still be less mature compared to the peer group as a whole.

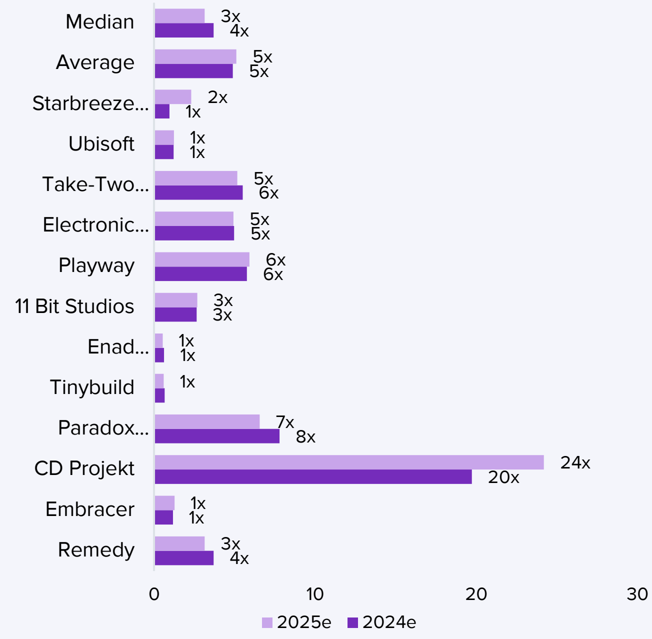
To address potential earnings volatility during this period, we could smooth the earnings estimates by using the average EBIT estimate of approx. 50 MSEK over 2029-2033. In our view, an appropriate EV/EBIT multiple for Starbreeze at that stage would likely range from 9x to 12x, reflecting its lower portfolio diversification relative to peers. The actual multiple would depend on the company's growth outlook and market sentiment at the time. Applying this range to the projected EBIT results in an estimated equity value per share between SEK 0.26 and SEK 0.35.

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

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



Starbreeze and peers' EV/S



Peer group valuation

Peer group valuation	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Remedy	211	140.6	42.2	35.1	16.9	3.7	3.2	169.4	65.2		0.6	3.2
Embracer	4,459	7.0	9.3	4.6	4.8	1.2	1.3	9.2	8.4			0.5
CD Projekt	3,859	62.3	105.5	43.5	73.6	19.7	24.2	61.5	114.7	0.5	0.3	6.7
Paradox Interacrive	1,557	28.9	19.9	12.4	9.8	7.8	6.6	33.9	25.9	1.9	2.2	6.7
Tinybuild	25				79.1	0.7	0.6				602.1	
Enad Global 7	101	6.2	5.0	3.1	2.1	0.6	0.5	7.5	7.0	1.6	1.6	0.4
11 Bit Studios	173	4.5	4.8	3.8	3.8	2.6	2.7	6.0	5.5			2.1
Playway	393	11.2	12.6	11.1	12.3	5.8	5.9	10.3	8.7	5.2	5.9	3.0
Electronic Arts	33,593	16.2	15.3	14.5	14.0	5.0	4.9	20.4	19.0	0.6	0.5	5.2
Take-Two Interactive	26,011	51.7	48.3	42.5	37.0	5.5	5.2	66.3	60.8			3.1
Ubisoft	2,676	7.5	18.0	3.0	3.0	1.2	1.2	6.8	21.6			0.8
Starbreeze (Inderes)	**16**	**-0.8**	**-4.0**	**2.3**	**18.8**	**1.0**	**2.3**	**-1.8**	**-5.3**	**0.0**	**0.0**	**0.6**
Average		**33.6**	**28.1**	**17.4**	**23.3**	**4.9**	**5.1**	**39.1**	**33.7**	**1.9**	**87.6**	**3.2**
Median		**13.7**	**16.6**	**11.7**	**12.3**	**3.7**	**3.2**	**15.4**	**20.3**	**1.6**	**1.6**	**3.0**
Diff-% to median		***-106%***	***-124%***	***-81%***	***53%***	***-74%***	***-26%***	***-112%***	***-126%***	***-100%***	***-100%***	***-80%***

Source: Refinitiv / Inderes

Valuation and recommendation 3/4

Of the valuation methods, the discounted cashflow (DCF) model is perhaps the one least impacted by fluctuating financials as it aggregates the results, and not only focuses on a specific period in time. In addition, the DCF model focuses on free cash flow, which we believe is important when it comes to valuing Starbreeze as these adjusts for non-cash items such as D&A and game financing liability. Therefore, we will rely primarily on the DCF model in valuing Starbreeze.

Discounted cash flow model

Our DCF model indicates an equity value of SEK 522 million or SEK 0.35 per share. For the terminal period we have used an EBIT margin of 18% and a revenue growth rate of 2.5%.

The model uses a cost of capital (WACC) of 13.5%. Given the inherent unpredictability in game releases and the relatively low visibility of growth around and beyond Project Baxter, we believe that the required return rate is well justified. Future cash flows are sensitive to changes in WACC and the indicated value by our DCF model fluctuates in line with this (see chart on the right).

As our Starbreeze estimates are heavily dependent on projections of *PAYDAY 3* sales and the sales of 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.

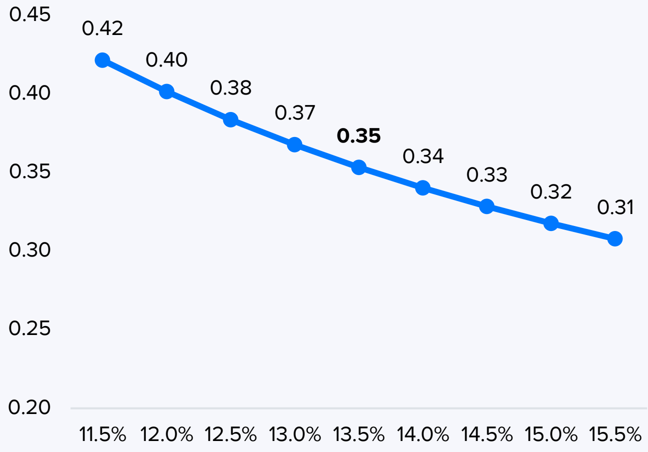
The **baseline case**, as outlined in earlier sections, assumes that *PAYDAY 3* does not experience a significant recovery. However, upcoming game releases in 2026 and 2028 are expected to achieve moderate success, generating decent revenue streams without becoming blockbuster hits. From 2029 onward, 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.

In the **downside case**, we assume that the current struggles with *PAYDAY 3* persist, preventing any meaningful recovery, and that future game releases fail to achieve commercial success. While these releases will still generate a short-term revenue boost in the year of their launch, overall revenues and EBIT would be significantly lower over the next decade. In this scenario, the equity value per share could fall to SEK 0.16.

This illustrates the downside risk inherent in investing in binary cases like Starbreeze. Given the company's 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. As in the baseline scenario, we anticipate that Starbreeze may not have sufficient cash to fund its upcoming titles, making it increasingly likely that they will need to onboard an external publisher under less favorable terms due to their weakened position.

In a 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.

DCF value sensitivity



Source: Inderes

Valuation and recommendation 4/4

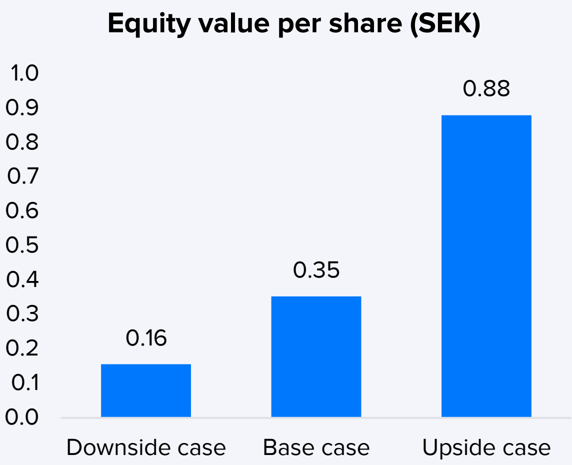
The upside case envisions Starbreeze successfully revitalizing *PAYDAY 3* through new content and ongoing updates, leading to stronger commercial performance. Additionally, future game launches are assumed to achieve significant success. By turning *PAYDAY 3* around, Starbreeze would be in a stronger 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 a long-term EBIT margin of 25%, compared to 18% in the baseline scenario. Based on these assumptions, we estimate a potential share price of SEK 0.88. 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	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	Term
Revenues	186	135	344	249	422	350	414	480	528	541	2.5 %
EBIT	-216	-78	-99	-64	-74	41	-11	31	83	97	
EBIT-%	-116%	-58%	-29%	-26%	-18%	12%	-3%	7%	16%	18%	18%

Downside Case	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	Term
Revenues	158	115	224	186	295	238	269	312	343	352	2.0 %
EBIT	-237	-104	-101	-75	-74	-62	-13	16	41	49	
EBIT-%	-150%	-90%	-45%	-40%	-25%	-26%	-5%	5%	12%	14%	14%

Upside Case	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	Term
Revenues	214	196	481	348	548	463	550	628	691	709	2.5 %
EBIT	-150	-41	58	42	77	74	110	145	173	177	
EBIT-%	-70%	-21%	12%	12%	14%	16%	20%	23%	25%	25%	25%



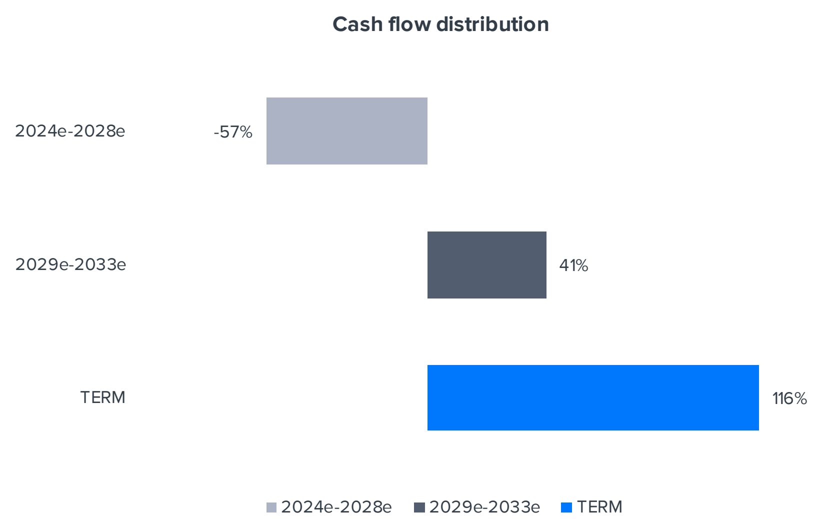
Source: Inderes

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	396.5 %	-70.6 %	-27.2 %	153.9 %	-27.7 %	69.6 %	-16.9 %	18.0 %	16.0 %	10.0 %	2.5 %	2.5 %
EBIT-%	30.0 %	-116.0 %	-57.7 %	-28.8 %	-25.7 %	-17.6 %	11.7 %	-2.7 %	6.5 %	15.7 %	18.0 %	18.0 %
EBIT (operating profit)	**190**	**-216**	**-78**	**-99**	**-64**	**-74**	**41**	**-11**	**31**	**83**	**97**	
+ Depreciation	249	294	95	290	162	311	200	198	187	191	194	
- Paid taxes	0	0	0	0	0	0	0	0	-6	-16	-19	
- Tax, financial expenses	0	0	0	0	0	0	0	0	-1	-1	-1	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-262	62	0	-6	5	-2	-3	2	1	1	1	
Operating cash flow	**177**	**141**	**16**	**184**	**103**	**235**	**237**	**189**	**213**	**258**	**272**	
+ Change in other long-term liabilities	-5	86	66	-9	86	-187	-6	-5	-4	-3	-3	
- Gross CAPEX	-201	-342	-217	-209	-216	-211	-181	-190	-195	-198	-202	
Free operating cash flow	**-28**	**-114**	**-135**	**-33**	**-26**	**-164**	**50**	**-6**	**14**	**57**	**68**	
+/- Other	0	0	0	156	0	259	0	0	0	0	0	
FCFF	-28	-114	-135	123	-26	95	50	-6	14	57	68	0
Discounted FCFF		**-111**	**-115**	**92**	**-17**	**55**	**26**	**-3**	**6**	**20**	**21**	**196**
Sum of FCFF present value		169	280	396	303	321	265	240	242	237	217	196
Enterprise value DCF		**169**										
- Interest bearing debt		0										
+ Cash and cash equivalents		348										
-Minorities		0										
-Dividend/capital return		0										
Equity value DCF		**518**										
Equity value DCF per share		**0.35**										

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 %**

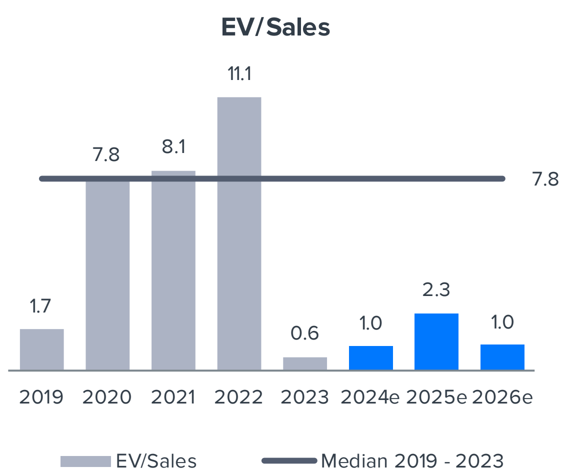
Source: Inderes

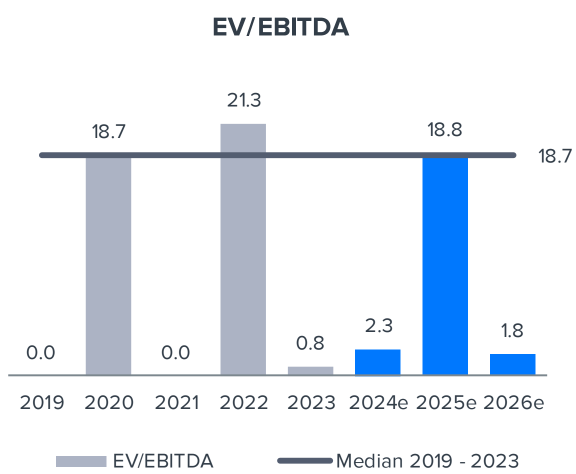


Valuation table

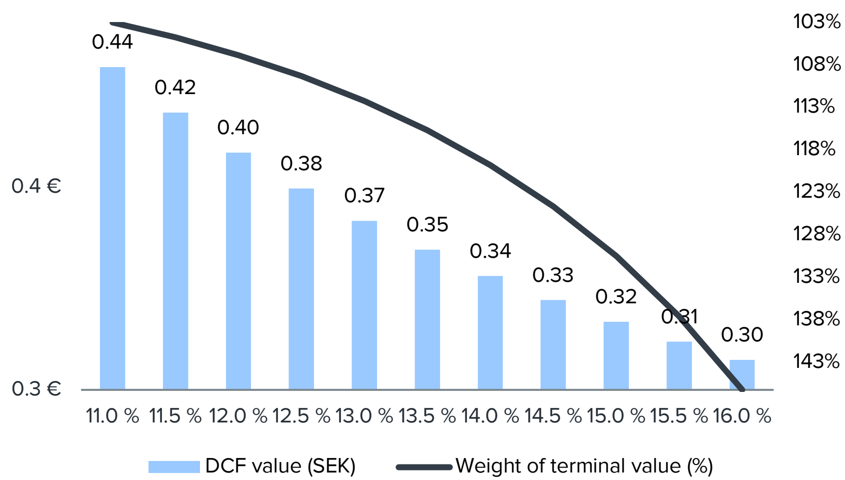
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	1.30	1.09	1.00	1.58	0.47	**0.28**	**0.28**	**0.28**	**0.28**
Number of shares, millions	329	725	725	725	1,477	**1,477**	**1,477**	**1,477**	**1,477**
Market cap	428	784	727	1,142	699	**416**	**416**	**416**	**416**
EV	466	919	1,021	1,413	350	**179**	**314**	**350**	**379**
P/E (adj.)	neg.	neg.	neg.	neg.	2.5	**neg.**	**neg.**	**neg.**	**neg.**
P/E	neg.	neg.	neg.	neg.	2.5	**neg.**	**neg.**	**neg.**	**neg.**
P/B	69.5	3.4	5.9	20.1	0.8	**0.6**	**0.7**	**0.8**	**1.0**
P/S	1.5	6.6	5.8	8.9	1.1	**2.2**	**3.1**	**1.2**	**1.7**
EV/Sales	1.7	7.8	8.1	11.1	0.6	**1.0**	**2.3**	**1.0**	**1.5**
EV/EBITDA	neg.	18.7	>100	21.3	0.8	**2.3**	**18.8**	**1.8**	**3.9**
EV/EBIT (adj.)	neg.	84.5	68.3	>100	1.8	**neg.**	**neg.**	**neg.**	**neg.**

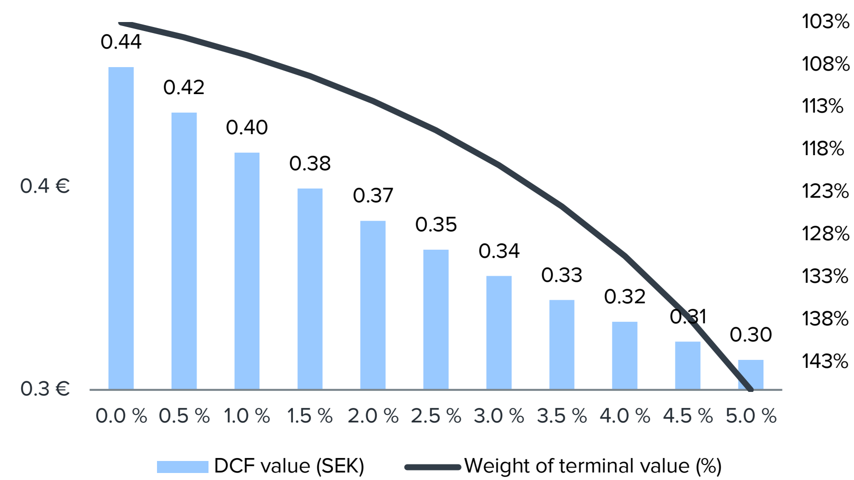
Source: Inderes

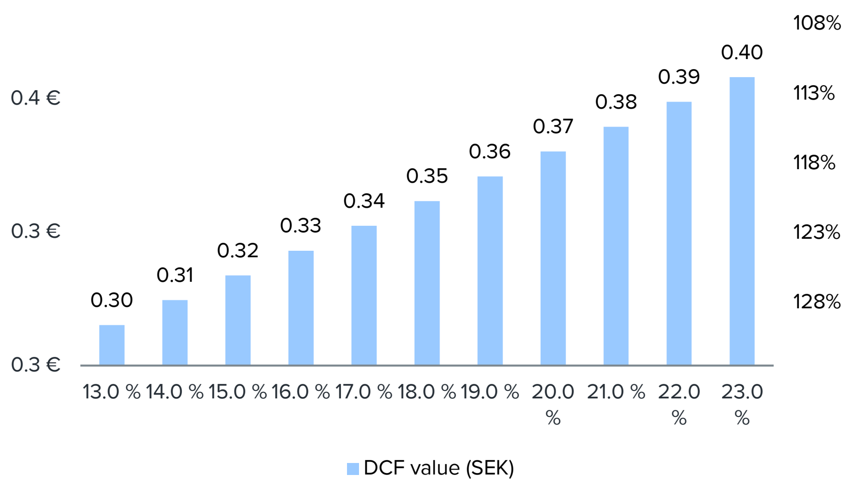


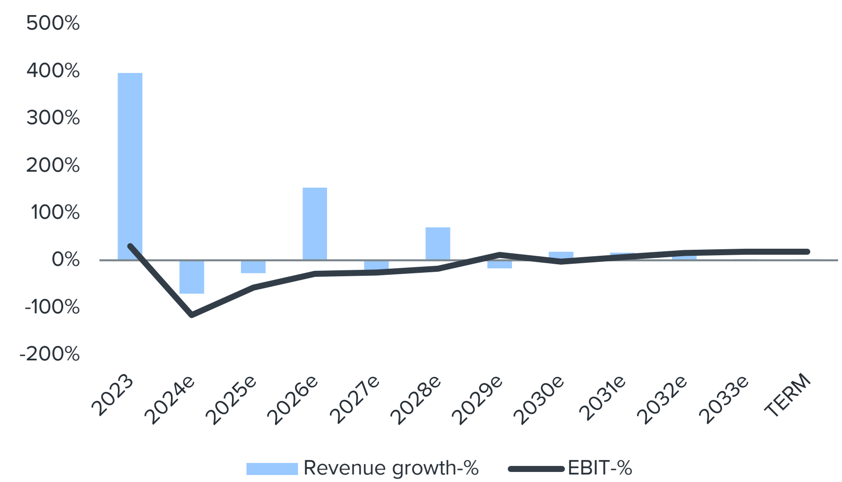


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	126	128	634	**186**	**135**
EBITDA	6	66	439	**79**	**17**
EBIT	-54	7	190	**-216**	**-78**
PTP	-105	-54	208	**-213**	**-78**
Net Income	-103	-60	208	**-213**	**-78**
Extraordinary items	-69	0	0	**20**	**0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	674	746	1,111	**912**	**883**
Equity capital	123	57	895	**682**	**604**
Goodwill	42	48	47	**47**	**47**
Net debt	293	271	-348	**-236**	**-101**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	6	66	439	**79**	**17**
Change in working capital	13	-8	-262	**62**	**0**
Operating cash flow	87	65	177	**141**	**16**
CAPEX	-112	-151	-201	**-342**	**-217**
Free cash flow	-42	-102	-28	**-114**	**-135**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	8.1	11.1	0.6	**1.0**	**2.3**
EV/EBITDA	>100	21.3	0.8	**2.3**	**18.8**
EV/EBIT (adj.)	68.3	>100	1.8	**neg.**	**neg.**
P/E (adj.)	neg.	neg.	2.5	**neg.**	**neg.**
P/B	5.9	20.1	0.8	**0.6**	**0.7**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	-0.14	-0.08	0.19	**-0.14**	**-0.05**
EPS (adj.)	-0.05	-0.08	0.19	**-0.16**	**-0.05**
OCF / share	0.12	0.09	0.16	**0.10**	**0.01**
FCF / share	-0.06	-0.14	-0.03	**-0.08**	**-0.09**
Book value / share	0.17	0.08	0.82	**0.46**	**0.41**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	7%	2%	396%	**-71%**	**-27%**
EBITDA growth-%	-87%	958%	562%	**-82%**	**-79%**
EBIT (adj.) growth-%	37%	-55%	2721%	**-224%**	**-67%**
EPS (adj.) growth-%	-83%	72%	-329%	**-183%**	**-66%**
EBITDA-%	5.0 %	52.0 %	69.3 %	**42.3 %**	**12.3 %**
EBIT (adj.)-%	11.9 %	5.3 %	30.0 %	**-126.7 %**	**-57.7 %**
EBIT-%	-42.7 %	5.3 %	30.0 %	**-116.0 %**	**-57.7 %**
ROE-%	-58.9 %	-66.6 %	43.6 %	**-27.0 %**	**-12.2 %**
ROI-%	-10.1 %	1.4 %	28.6 %	**-27.2 %**	**-11.9 %**
Equity ratio	18.2 %	7.6 %	80.5 %	**74.7 %**	**68.4 %**
Gearing	238.7 %	478.0 %	-38.9 %	**-34.7 %**	**-16.8 %**

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Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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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

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