

Research

CEE | Equity Research

Bloober Team

The new dawn for polish gamedev

Bloober Team is in the final straight of promoting its biggest self-publishing game to date, Cronos: The New Dawn, whose release is fast approaching. We believe that the recent underperformance of the course has shifted the center of gravity between risk/reward more towards reward when playing under the potential moderate success of Cronos, which is our base case scenario. Looking at the buildup of interest around the game and the potential split of volumes between PC and other platforms, we assume that 1 million gamers will buy the game in the 12 months following its release. We hypothesize that PC will be a less important platform with a 25-30% share - consoles (supported by sales of physical versions), primarily PlayStation, will dominate. In our opinion, you have to keep this proportion in the back of your mind when evaluating release statistics, which can be observed mainly for Steam. The realization of our scenario outlined in this report gives room for the price to rise, despite more cautious assumptions vs our last recommendation. We reiterate our Buy recommendation, with a new TP of PLN 36 per share.

Cronos launch - our expectations. Immediately after the launch, the main statistics to watch will be those for Steam. We expect this platform to be responsible for about 25-30% of total sales. We want to articulate that you should have this division between platforms in the back of your mind when analyzing this data. The actual sales performance may be 3-4x higher than PC alone. Taking into account factors such as follower base, pre-order performance, but also the dilutive impact of i) the near release of a top 1 game from Steam's wishlists and ii) advanced access we expect a peak of players on Steam in the first weekend after release at +/- 7-8k. A significant deviation of the actual value one way or the other from this number would be a signal for us to revise our volume assumptions. As for reviewer and player ratings, we expect very good results, though not ideal - we assume the game will be well received (80-85%), but previews after hands-on suggest that some reviewers may downgrade, for example, for combat elements (which we happen to like).

The marketing campaign has accelerated in the final straight. During the recent gamescom, the company launched the final part of Cronos' promotional campaign. Bloober was, in our opinion, the most visible of the Polish studios - its own stands in the open and business zones, trailer shows, a large banner around the fair site. For the size of the studio, the game attracted a lot of attention during gamescom. Bloober's stands were very popular (waiting several hours for hands-on). We had a chance to play the demo - our impressions of interacting with the game are positive. We believe that the game may appeal to fans of the action horror genre. Reviews will be released on September 3.

Change in forecasts. Compared to the last report, we have changed our approach to capturing the flows from Project H. We suppose that it will be another project developed by one of Bloober's two internal teams. Until now, we assumed that it would be run under the WFH formula, but there is a lot of indication that Bloober will want to release it independently. This affects the different timing of the project's revenues and costs - currently the project's costs are capitalized in our forecasts, while revenues come in after the release (which we assume in '28). This results in lower operating results from the end of '25 onward, although the net impact on valuation alone is positive (more exposure to potential success, but with higher risk). Another significant change is the lowering of Cronos' volume assumption to 1 million units for the year from 1.25 million previously, due to interest building around the game slightly below our previously expected level and the release of the near-hit Hollow Knight: Silksong.

Valuation. Our valuation is based 100% on a DCF model - we assume an RFR of 5.5% and a market premium of 6.5%. We assume an FCF growth rate of 3% for the residual period, and we estimate the FCF value for the residual period as an average over a 5-year period (2025-29E). Our assumptions imply a 12-month target price of PLN 36.

PLNm	2022	2023	2024	2025E	2026E	2027E
Revenues	56	94	89	182	167	155
EBITDA	15	26	41	98	96	79
EBIT	-3	5	23	60	46	57
Net profit	2	3	21	51	38	50
EPS (PLN)	0.1	0.1	1.1	2.6	2.0	2.6
P/E (x)	277.8	202.2	25.9	10.8	14.4	10.9
EV/EBITDA (x)	34.4	20.4	13.3	5.4	5.5	6.4
FCFF Yield (%)	0.9%	-5.4%	-3.3%	3.1%	6.6%	9.2%
DY (%)	0.0%	0.0%	0.0%	0.0%	5.8%	4.2%

Source: Company, Trigon

Report prepared under the Wasaw Stock Exchange Analytical Support Program

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Buy

(Previous: Buy, 39.2)

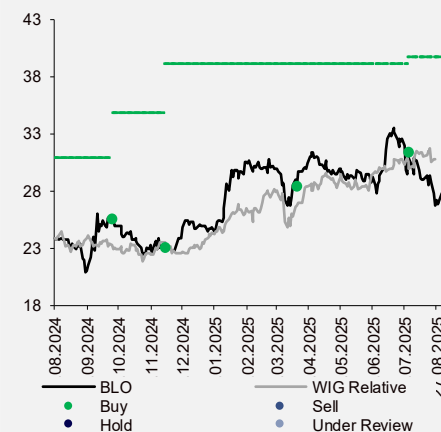
Target price: 36 PLN

Upside: +30%

FACT SHEET

Ticker	BLO
Sector	Gaming
Price (PLN)	28
52W range (PLN)	20.2 / 33.95
Shares outstanding (m)	19.3
Market Cap (PLNm)	536
Free-float	66%
3M Avg. Vol. (PLNm)	0.5
Price performance	1M 3M 1Y
	-12.9% -8.2% 13.3%

RELATIVE SHARE PRICE VS WIG INDEX



RECOMMENDATIONS	DATE	TP
Buy	31.07.2025	39.7
Buy	16.04.2025	39.1
Buy	10.12.2024	39.2
Buy	21.10.2024	34.9
Buy	18.10.2024	34.9
Buy	19.07.2024	31.0
Hold	19.04.2024	24.0

SHAREHOLDERS	Share %
Tencent Holdings Limited	20.1%
Piotr Babieno	14.2%
Esaliens TFI	9.6%

INVESTOR CALENDAR

2Q'25 Earnings	23.09.2025
3Q'25 Earnings	27.11.2025

ANALYST

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Valuation	Current		Previous		Change
DCF	36.0	100%	39.7	100%	-9%
Multiples	51.0	0%	57.4	0%	-11%

Estimates chng	2025E			2026E			2027E		
PLNm	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.
Revenues	182	218	-17%	167	269	-38%	155	235	-34%
EBITDA	98	91	8%	96	150	-36%	79	116	-32%
margin	53.8%	41.7%	12.2pp	57.3%	55.9%	1.4pp	50.7%	49.1%	1.6pp
EBIT	60	46	29%	46	99	-54%	57	92	-38%
margin	32.9%	21.3%	11.6pp	27.5%	37.0%	-9.5pp	36.7%	38.9%	-2.2pp
Net profit	51	39	32%	38	85	-56%	50	81	-38%
margin	27.9%	17.7%	10.2pp	22.7%	31.7%	-9.1pp	32.1%	34.2%	-2.0pp

Trigon vs. cons	2025E			2026E			2027E		
PLNm	Trigon	Cons.	Diff.	Trigon	Cons.	Diff.	Trigon	Cons.	Diff.
Revenues	182	-	-	167	-	-	155	-	-
EBITDA	98	-	-	96	-	-	79	-	-
margin	53.8%	-	-	57.3%	-	-	50.7%	-	-
EBIT	60	-	-	46	-	-	57	-	-
margin	32.9%	-	-	27.5%	-	-	36.7%	-	-
Net profit	51	-	-	38	-	-	50	-	-
margin	27.9%	-	-	22.7%	-	-	32.1%	-	-

KPIs (PLNm)	2022	2023	2024	2025E	2026E	2027E	CAGR
Shares outstanding	19.3	19.3	19.3	19.3	19.3	19.3	0%
DPS (PLN)	0.0	0.0	0.0	0.0	1.6	1.2	-
EPS (PLN)	0.1	0.1	1.1	2.6	2.0	2.6	91%
BVPS (PLN)	4.5	5.0	6.4	9.1	9.5	10.9	19%
ND / EBITDA (x)	-1.6	-0.4	0.0	-0.2	-0.2	-0.6	
ND / Equity (x)	-0.3	-0.1	0.0	-0.1	-0.1	-0.2	
FCFF	5	-29	-18	16	35	46	59%
NWC	-4	7	-8	-1	5	6	
Net Debt	-25	-11	-1	-19	-23	-46	
Minorities & other EV adj.	0	0	0	0	0	0	
adj. Net Debt	-25	-11	-1	-19	-23	-46	

Ratios	2022	2023	2024	2025E	2026E	2027E	Avg.
adj. EBITDA yoy	-	49%	46%	111%	-4%	-18%	
EBIT yoy	-	-	380%	160%	-23%	24%	
adj. EPS yoy	-	37%	+	141%	-25%	32%	
Gross margin	n.a.	-9.9%	15.7%	25.4%	24.1%	36.8%	18.4%
adj. EBITDA margin	38.6%	34.3%	52.9%	54.7%	57.3%	50.7%	48.1%
EBIT margin	-5.7%	5.1%	25.8%	32.9%	27.5%	36.7%	20.4%
adj. Net profit margin	3.8%	9.2%	30.1%	28.8%	22.7%	32.1%	21.1%
ROE (%)	2%	3%	17%	29%	21%	24%	16%
ROA (%)	2%	2%	11%	19%	14%	21%	11%

Revenue per project	2024	2025E	2026E	2027E	2028E
Revenue	89.2	181.9	167.0	155.4	237.3
Selfpub. Backcat.	12.4	7.5	6.4	4.8	3.6
Selfpub. Cronos	0.0	89.2	63.5	47.8	27.3
Selfpub. Next self-pub.	0.0	0.0	0.0	0.0	113.9
Selfpub. Broken Mirror	0.0	7.9	33.5	26.9	14.2
WFH SH2	39.8	0.0	0.0	0.0	0.0
WFH SH1 + next WFH	19.1	50.7	44.6	45.2	45.9
RevShare SH2	9.2	8.3	6.8	3.9	2.5
RevShare Other	0.0	0.0	0.0	18.4	25.4
Other	8.7	18.4	12.1	8.3	4.5

Source: Company, Trigon, *Trigon assumptions

Multiples at PLN 28.3	2022	2023	2024	2025E	2026E	2027E
P/E (x)	277.8	202.2	25.9	10.8	14.4	10.9
adj. P/E (x)	256.4	63.5	20.4	10.4	14.4	10.9
EV/EBITDA (x)	34.4	20.4	13.3	5.4	5.5	6.4
adj. EV/EBITDA (x)	24.1	16.6	11.5	5.3	5.5	6.4
P/BV (x)	6.3	5.7	4.5	3.1	3.0	2.6
FCFF Yield (%)	0.9%	-5.4%	-3.3%	3.1%	6.6%	9.2%
DY (%)	0.0%	0.0%	0.0%	0.0%	5.8%	4.2%

Multiples at Target Price	2022	2023	2024	2025E	2026E	2027E
P/E (x)	353.4	257.2	33.0	13.7	18.4	13.9
adj. P/E (x)	326.2	80.8	25.9	13.3	18.4	13.9
EV/EBITDA (x)	44.2	26.1	16.9	6.9	7.0	8.2
adj. EV/EBITDA (x)	30.9	21.2	14.7	6.8	7.0	8.2
P/BV (x)	8.0	7.3	5.7	3.9	3.8	3.3
FCFF Yield (%)	0.7%	-4.2%	-2.6%	2.4%	5.2%	7.1%
DY (%)	0.0%	0.0%	0.0%	0.0%	4.5%	3.3%

P&L Statement (PLNm)	2022	2023	2024	2025E	2026E	2027E
Revenues	56	94	89	182	167	155
COGS	63	103	75	136	127	98
Gross Profit	-7	-9	14	46	40	57
Selling costs	0	0	0	0	0	0
G&A costs	0	0	0	0	0	0
Other operating items, net	4	14	9	14	6	0
EBITDA	15	26	41	98	96	79
adj. EBITDA	22	32	47	99	96	79
D&A	18	21	18	38	50	22
EBIT	-3	5	23	60	46	57
Net financial costs	2	-1	0	-3	-4	-1
EBT	4	4	23	57	42	56
Minority interest	0	0	0	0	0	0
Net profit	2	3	21	51	38	50
adj. net profit	2	9	27	52	38	50

Balance Sheet (PLNm)	2022	2023	2024	2025E	2026E	2027E
Non-current Assets	77	94	138	161	153	149
Current Assets	49	43	56	104	112	93
Inventories	0	0	0	0	0	0
Receivables	7	17	24	17	22	20
Cash and cash equivalents	29	12	9	73	76	60
Assets	126	137	194	265	265	242
Equity	87	96	123	177	183	210
Non-current Liabilities	16	19	17	55	55	7
Long-term borrowings	3	7	7	55	55	7
Current Liabilities	23	23	55	35	28	26
Short-term borrowings	2	4	8	8	8	8
Payables	11	10	32	17	16	14
Equity and Liabilities	126	137	194	267	267	243

CF Statement (PLNm)	2022	2023	2024	2025E	2026E	2027E
Operating CF	33	11	24	78	77	71
Change in NWC	18	-13	-8	-7	-6	-1
D&A	18	21	18	38	50	22
Investing CF	-39	-27	-29	-61	-42	-17
CAPEX	-28	-40	-42	-61	-42	-25
Financing CF	10	-1	1	48	-31	-71
Lease payments	0	0	0	0	0	0
Dividend/Buy-back	0	0	0	0	-31	-23
Net change in cash	4	-17	-3	64	3	-16

Investment summary

The #Premiere of Cronos: The New Dawn - our expectations. This week will see the release of the studio's most important in-house game to date. The release date has been set for September 5, but players who have decided to purchase the more expensive deluxe version will be able to play Cronos two days earlier (so-called advanced access).

Up until gamecom, **the release window** seemed to be very good (avoiding 'crowding' in Q4), but it was announced during the show that **Hollow Knight: Silksong** (currently the No. 1 title on Steam's wishlist) will debut on September 4 and will probably 'steal' a lot of attention from gamers and the media. This factor, along with the pre-release buildup of interest around the game (follower growth, preorder sales) slightly below our expectations, has resulted in our sales volume assumption of 1 million units in the first year after release (in an earlier iteration of the model, we assumed 1.25 million). We invariably believe that the game will be the studio's biggest (aside from the production of the well-received Silent Hill 2 Remake) milestone in recent years, bringing Bloober into the upper league, though not yet the premier league.

Consoles will dominate. We hypothesize that PC's share of overall sales will be a minority (25-30%), with sales dominated by console releases, mainly PlayStation. Media reports (e.g. LINK) indicate that games in this genre (action horror, such as Dead Space, Resident Evil, Silent Hill 2 Remake) mainly go to console gamers. In the case of Silent Hill 2 Remake, which is the natural benchmark for Cronos, PC 'weighed in' at just over 20%. We believe that this is the player base that this title will specifically target. What's more, the game will also be available at launch on the new Switch and distributed in boxed form by three partners worldwide - historically, physical copies are mostly about console sales. **We want to articulate that you should have this distribution of sales between platforms in the back of your mind when analyzing the relatively readily available data published by the various platforms, and concerning only sales on Steam. The actual sales performance may be 3-4x higher than Steam alone.**

BLO: Action-horror games from recent years, statistics on Steam.

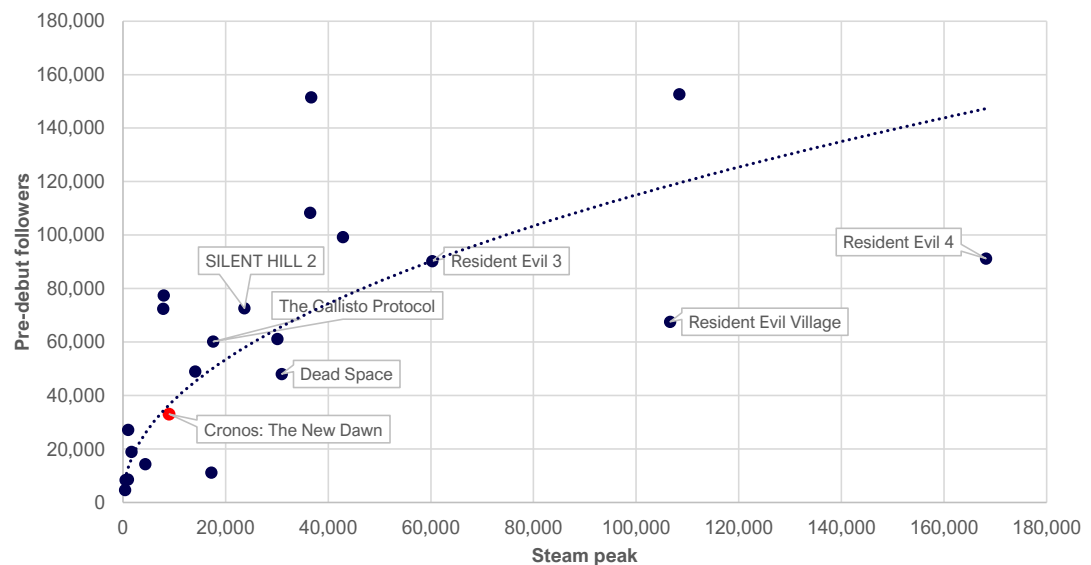
Game	Pre-debut followers	Steam peak (k)	Volume 1M (k)	Volume M1 / peak
Dying Light 2 Stay Human: Reloaded Edition	286	275.0	2,703	9.8
Warhammer 40,000: Darktide	153	108.4	1,159	10.7
The Outlast Trials	152	36.7	1,329	36.2
The Last of Us: Part I	108	36.5	410	11.2
Half-Life: Alyx	99	42.9	812	19.0
Resident Evil 4	91	168.2	1,401	8.3
Resident Evil 3	90	60.3	1,090	18.1
Scorn	77	7.9	183	23.0
SILENT HILL 2	73	23.7	461	19.5
System Shock	72	7.9	79	10.1
Resident Evil Village	68	106.6	1,398	13.1
Killing Floor 3	61	30.1	368	12.2
The Callisto Protocol	60	17.6	308	17.5
Ghostwire: Tokyo	49	14.1	319	22.7
Dead Space	48	30.9	478	15.5
The Sinking City Remastered	27	1.0	7	6.5
Alone in the Dark	19	1.6	16	10.1
Killer Klowns from Outer Space: The Game	14	4.3	46	10.7
Five Nights at Freddy's: Security Breach	11	17.2	320	18.6
Average				15.4
Median				14.3

Source: gamalytic.com, Trigon

Expected release parameters. As for reviewer and player ratings, we expect very good results, although not ideal - we assume that the game will be well received (80-85%), but preview reviews after hands-on suggest that some reviewers may downgrade, for example, for combat elements (which we happen to like). The most statistics 'at launch' are offered by Steam itself and the platforms that analyze it. Starting from our global assumptions (1 million in a year on all platforms), we assume that volume sales on PC (mostly Steam) will be 250-300k in the first 12 months after launch. Taking into account the model sales curve we have adopted, we count on 125-150 thousand copies on Steam in the first month (this is also close to the figure forecast by gamalytic - about 150 thousand). Applying this to the relationship between first month sales and the peak of genre-like games (see table above, ratios of about 15x) and based on it, meeting our assumptions would 'require' a peak in the first weekend after release of about 8-10 thousand. We note that the peak will already be observable from the launch of advanced access on September 3, but it will probably be much lower than this 'weekend' peak.

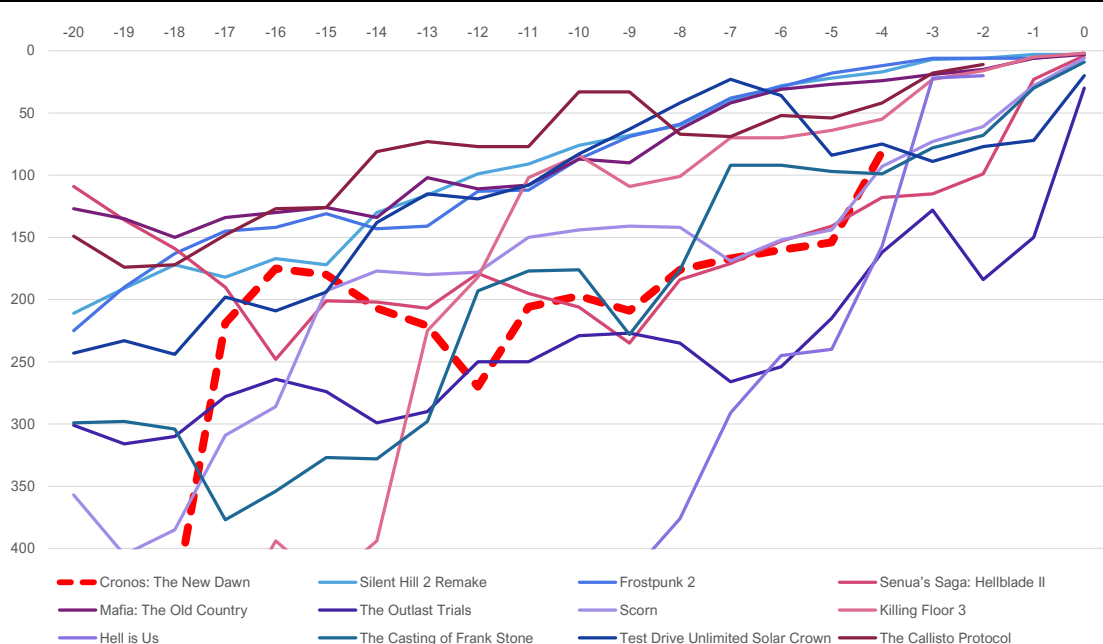
Looking for other relations, e.g. between the level of pre-release followers and the peak, in the case of the last significant Polish launches, i.e. Frostpunk 2 and The Alters, such a ratio was 4.3x and 3.8x, respectively. Applying this ratio to the followers expected for the release (more than 30k) suggests a peak of 7-8.5k. Cronos is currently on the 65th place of the top wishlist of Steam.

BLO: Pre-debut followers vs Steam peak



Source: steamDB, Trigon

The impact of the release of the Hollow Knight sequel on peak players remains difficult to determine, but it may disrupt the aforementioned relationships to some extent. Taking all of the above factors into account, i.e. statistical relationships and the 'dilutive' impact of the close release of the No. 1 game on the Steam wishlist and early access, **we expect the peak of players on Steam in the first weekend after the release to be +/- 7-8 thousand.** A significant deviation of the actual value to one side or the other from this figure would be a signal for us to revise our volume assumptions.

BLO: Position of preorders on Steam (days to release)

Source: gaminganalytics.info

In the chart above, we also show the development of Cronos' preorder spot on Steam's topsellers, comparing it to titles with a similar curve. The median peak from all games in the chart above is 20.5k (7k for games with the most similar curve) and the median volume sales one month after release (gamalytic.com data) is 340k (130k for games with the most similar curve). This supports our volume assumptions on Steam.

On the PS Store US preorder of Cronos yesterday ranked about 50-60 among the best-selling PS5 games (4th among preorders).

Marketing campaign in the final straight. During the recent gamescom, the company launched the final part of the promotional campaign for Cronos, although it is not the only project shown at the fair. According to us, Bloober was the most visible of the Polish studios - its own stands in the open and business zones, presence in partner zones (Xbox, Alienware), trailers on ONL, FGS and Xbox Broadcast, a large banner around the fair venue. For the size of the studio, we rate the interest in the game by gamers and media during gamescom as high. Bloober's booths were very popular, the queue for hands-on at the open zone exceeded 100 people (about 2h waiting).

BLO: Cronos on gamescom 2025

Source: Trigon

Cronos' demo was available at both the open gaming area and the closed business area. **During the fair we had the opportunity to play both demos - our impressions from direct interaction with the game are positive. We believe that the title may appeal to fans of the action horror genre** (such as Dead Space or Resident Evil).

In addition, another title from Broken Mirror Games' publishing brand, I Hate This Place, was shown at a separate booth; another smaller VR game from the publishing brand, Star Trek: Infection, was also revealed). Behind closed doors for the studio's partners, an enigmatic project was shown for the time being, which may be the studio's next self-publishing game.

Reviews of the game. We assume that reviewers have had the opportunity to ogle the full version for some time now. The biggest question mark still remains how the narrative layer of the game, which has only been exposed to a small extent on trailers or hands-on occasions, will be evaluated. The embargo on publishing reviews ends on September 3 and coincides with the start of advanced access.

The Game Bussines portal, in its gamescom summary ([LINK](#)), published a list of the top 20 in terms of press coverage of unreleased games that participated in the fair - Cronos: The New Dawn was included in this list. The game was also included in a similar list, which aggregates wishlist growth on Steam in response to materials shown at the fair.

BLO: Top 20 unreleased games in terms of press coverage shown at gamescom 2025

Game	Article Count (Fancensus)	Article Count (Press Engine)	YouTube Count (Fancensus)	YouTube views (Fancensus, mn)	Event
Hollow Knight: Silksong	1423	1682	1400	33.10	ONL
Call of Duty: Black Ops 7	1175	1043	1114	77.30	ONL
Resident Evil 9	791	804	2098	25.10	ONL
Vampire: The Masquerade - Bloodlines 2	509	461	255	2.60	ONL
LEGO Batman: Legacy of the Dark Knight	504	685	210	6.90	ONL
Black Myth: Zhong Kui	498	433	546	13.90	ONL
Silent Hill F	404	407	540	2.00	ONL
Warhammer 40,000: Dawn of War 4	404	387	95	2.70	ONL
Indiana Jones and the Great Circle	373	171	638	0.29	ONL
Borderlands 4	372	631	510	2.10	IGN
Ghost of Yotei	371	229	142	0.92	ONL
World of Warcraft: Midnight	359	107	459	0.46	ONL
Onimusha: Way of the Sword	334	332	122	1.40	ONL
Kirby Air Riders	318	296	359	2.70	Direct
Lords of the Fallen II	315	184	121	6.70	ONL
Cronos: The New Dawn	315	286	226	1.70	ONL
Ninja Gaiden 4	267	287	112	0.74	ONL
Sonic Racing: CrossWorlds	262	339	494	2.40	ONL
Pragmata	259	255	96	1.13	N/A
The Outer Worlds 2	211	190	79	0.85	ONL

Source: The Game Bussines

BLO: Top 20 unreleased games in terms of wishlist growth on Steam shown at gamescom 2025

Pos	Game	Wishlist Increase	Event	Pos	Game	Wishlist Increase	Event
1	LEGO Batman: Legacy of the Dark Knight	400,100	ONL	11	La Divina Commedia	76,100	ONL
2	Hollow Knight: Silksong	308,900	ONL/Other	12	He Man and the Masters of the Universe	74,300	ONL
3	Warhammer 40,000: Dawn of War 4	230,000	ONL	13	Routine	72,700	ONL
4	Valor Mortis	199,200	ONL	14	Vampire: The Masquerade - Bloodlines 2	71,700	ONL
5	Resident Evil 9	138,600	ONL	15	John Carpenter's Toxic Commando	68,900	ONL
6	Road Kings	133,900	ONL	16	Silent Hill F	63,000	ONL
7	Hell Let Loose: Vietnam	98,400	FGS	17	The Blood of the Dawnwalker	60,500	FGS
8	Zero Parades	94,000	ONL	18	Cronos: The New Dawn	59,100	ONL
9	Denshattack!	82,500	ONL	19	Star Trek: Voyager - Across the Unknown	58,300	Direct
10	Long Gone	81,300	ONL	20	Daemon X Machina: Titanic Scion	55,600	ONL

Source: The Game Bussines, GameDiscoverCo

#Pipeline. The company's current pipeline follows the 2023-27 strategy outlined several years ago. After several years of development work, we are entering a period of focusing on game releases. The central and most important title, which will also project expectations for the next (we have assumed the volume potential of this game to be 20% lower at this stage) major game of the studio's own, is **Cronos: The New Dawn**. Assumptions about this project have the greatest impact on our valuation. We suppose that the studio's next in-house game to be developed by the team responsible for

Cronos will be a project shown by the company 'behind closed doors' during gamescom (probably **Project H**). We assume that in the coming years Bloober will want to allocate its internal development resources more or less equally between work-for-hire and self-publishing. The former is expected to provide the company with a stable base and predictable cash-flow with an option for rev-share, while the latter is expected to give pure exposure to the potential success of its own project, albeit at a higher risk.

As for the **WFH deals**, the company continues its very successful partnership with Konami and is currently working on a remake of the first Silent Hill. We expect that the scale of milestone revenues could be similar to that for SH2, but the exposure to potential rev-share will be much higher. We assume that in the case of SH2, the studio's share of the project's profits is about 3.5% (the company did not disclose this share), but with the next production, this level could be significantly higher (we assume several %) - this is due, in our opinion, to Bloober's much better negotiating position after the success of the remake of the second installment of the series.

We view the Broken Mirror Games publishing brand business as complementary to WFH and self-publishing with little impact on the valuation level.

BLO: Pipeline of self-publishing and work-for-hire games

Project	Debut date	1Y units	SRP (USD)	Publish model
Silent Hill 2	Oct-24	3,000,000	69.99	WFH
Cronos	Sep-25	1,000,000	59.99	SP
Silent Hill 1	Jun-27	2,500,000	74.99	WFH
Next self-pub.	Mar-28	800,000	69.99	SP
Next WFH	Jun-30	2,500,000	79.99	WFH
Project M	Feb-26	125,000	34.99	SP - BMG
I hate this place	Nov-25	125,000	34.99	SP - BMG
Project J	Sep-26	125,000	34.99	SP - BMG
Star Trek VR	Dec-25	75,000	24.99	SP - BMG
Projekt F	Apr-26	125,000	34.99	SP - BMG

Source: Trigon, WFH - work-for-hire, SP - self-publishing, BMG - Broken Mirror Games

Valuation sensitivity to Cronos' volume assumptions. From a valuation perspective, assumptions for the studio's upcoming game remain key to the valuation. For the sake of clarity, we present the sensitivity of our valuation to changes in volume assumptions 12 months after the release and the USDPLN level (we assumed 3.75 in the long term). According to our estimates, the company's stock price currently values about 20% worse in volume than we also assumed.

BLO: Sensitivity of valuation to Cronos' volume assumptions

		Sensitivity to USDPLN changes				
Sensitivity to Cronos' units sold changes		-10%	-5%	0%	5%	10%
	-40%	15.8	17.6	19.5	21.6	23.5
	-20%	23.1	25.4	27.7	30.1	32.6
	0%	30.5	33.1	36.0	38.7	41.5
	20%	37.8	40.9	44.1	47.2	50.4
	40%	45.0	48.5	52.1	55.5	59.1

Source: Trigon

Forecasts summary

BLO: Forecasts summary 2025-29E

PLNm	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenues	94	89	182	167	155	237	155
<i>YoY</i>		-5%	104%	-8%	-7%	53%	-35%
Self-publishing (internal teams)	11	7	94	67	51	144	75
<i>YoY</i>		-35%	1250%	-28%	-24%	182%	-48%
Backcatalog	11	7	5	4	3	3	2
Cronos: The New Dawn	0	0	89	64	48	27	18
Next self-publishing	0	0	0	0	0	114	55
Work-for-hire	70	68	59	51	68	74	66
<i>YoY</i>		-2%	-13%	-13%	32%	9%	-10%
Cronos: The New Dawn	23	19	0	0	0	0	0
Silent Hill 2 Remake	46	49	8	7	4	3	1
Silent Hill 1 Remake	0	0	51	45	41	25	18
Next WFH	0	0	0	0	23	46	47
Broken Mirror Games and other	14	14	29	48	37	20	13
<i>YoY</i>		4%	105%	66%	-24%	-46%	-34%
OPEX	103	75	135	126	98	155	113
D&A	21	18	38	50	22	52	27
Materials	2	2	2	2	2	2	2
External services	52	76	56	39	38	59	46
Salaries	38	44	39	34	34	39	35
Others	4	4	2	2	2	2	3
Correction (capex spendings)	-14	-68	-2	0	0	0	0
Other operating items, net	16	9	14	6	0	0	0
EBITDA	26	41	98	96	79	134	68
adj. EBITDA	32	47	99	96	79	134	68
<i>adj. EBITDA margin</i>	<i>34%</i>	<i>53%</i>	<i>55%</i>	<i>57%</i>	<i>51%</i>	<i>56%</i>	<i>44%</i>
EBIT	5	23	60	46	57	82	41
adj. EBIT	11	29	61	46	57	82	41
Financial activity, net	-1	0	-3	-4	-1	0	0
EBT	4	23	57	42	56	82	40
Income tax	1	2	6	4	6	9	4
Net profit	3	21	51	38	50	73	36
adj. Net profit	9	27	52	38	50	73	36
<i>adj. Net profit margin</i>	<i>9%</i>	<i>30%</i>	<i>29%</i>	<i>23%</i>	<i>32%</i>	<i>31%</i>	<i>23%</i>
OCF	11	24	78	77	71	122	64
CAPEX	41	42	61	42	25	6	2
FCF yield	-5%	-3%	3%	6%	9%	22%	12%

Source: Company, Trigon; split of revenue per projects and segments is our assumption

Revenues. Our revenue projections are based on three sources. 1) Revenue from games produced by Bloober's in-house team and published independently by the company, i.e. the game Cronos: The New Dawn and another project that will be developed by the same team and published based on internal resources. This represents a change to our previous approach, when we assumed that the team from Cronos would pursue another WFH contract. 2) Revenue from WFH relates to revenue received for milestones realized and our expected rev-share flows from projects executed by Bloober's second internal team. The largest source of revenue in the near term, according to us, will be contract revenue from Konami's new contract to produce Silent Hill 1 Remake, in the year of release (we assume '27) supported by rev-share. We assume that the company will launch another WFH contract after the release of SH1. 3) Revenues will be supplemented by the Broken Mirror Games publishing brand business - revenues from this business should be concentrated in '26-'27. In this line, we also include revenue from Project N being developed for Netflix. For this sub-segment, we have only included the projects that the company has variously disclosed (it is very possible that more projects under the BMG brand will be in the pipeline after '27).

OPEX. *Important comment.* Bloober in its report in costs by type reports all costs incurred in a given period (including those costs that are capitalized in a given period and do not 'land' in P&L (the 'correction' line). In our forecast above, we show those costs that will "pass through" the P&L. Throughout 2025, the level of P&L should increase significantly due to a higher level of depreciation and amortization (depreciation of Cronos expenditures since September using the declining balance method) and marketing expenses incurred in connection with the launch (third-party services costs). In the following periods, we assume a relatively stable level of headcount in the group with relatively low wage inflation (employer market). We expect a higher level of OPEX in '28. - the year of the release of another proprietary game.

Financial costs and tax rate. In the next 2-3 years, the company's P&L should be burdened by debt financing costs - we assume repayment of recent borrowings in '27. We have assumed an effective tax rate over the forecast period of 11% - this is due to the use of IP Box relief, among other things.

Forecast changes. Compared to the last iteration of our model, we have changed our approach to capturing the flows from Project H. We assume that this will be another project developed by one of Bloober's internal teams (i.e., the one responsible for producing Cronos). Until now, we assumed that it would be run under the WFH formula, but now there is much indication that Bloober will want to finance and release it independently. This affects the different distribution of the project's revenues and costs over time - previously we assumed an even distribution of the project's revenues and costs in the following years from the start of production, now the project's costs are capitalized in our forecasts, and revenues appear after the release (which we assume in '28). The net impact on valuation is positive (more exposure to potential success, but with higher risk). Another significant change is the lowering of Cronos' volume assumption to 1 million units for the year from 1.25 million previously, a result of interest building around the game slightly below our expected level and a release close to the blockbuster Hollow Knight.

BLO: Major projects assumptions

PLNm	2024	2025E	2026E	2027E	2028E	2029E
Self-publishing						
Cronos: The New Dawn						
Revenues		89	64	48	27	18
Units (mn)		0.63	0.61	0.63	0.49	0.43
Royalty per unit (PLN)		142	104	76	56	41
Budget at launch	63					
Development	53					
Marketing	11					
Units sold in 1Y (mn)	1.0					
SRP (USD)	60					
Next self-publishing						
Revenues					114	55
Units (mn)					0.74	0.54
Royalty per unit (PLN)					154	103
Budget at launch	78					
Development	68					
Marketing	10					
Units sold in 1Y (mn)	0.8					
SRP (USD)	70					
Work-for-hire						
Silent Hill 2 Remake						
Revenues	49	8	7	4	3	1
Work-for-hire	40	0	0	0	0	0
Royalties	9	8	7	4	3	1
Roy. fee (after recoup)	3.5%					
Units sold in 1Y (mn)	3.0					
Silent Hill 1 Remake						
Revenues		51	45	41	25	18
Work-for-hire		51	45	23	0	0
Royalties		0	0	18	25	18
Roy. fee (after recoup)	13.0%					
Units sold in 1Y (mn)	2.5					
Next WFH						
Revenues				23	46	47
Work-for-hire				23	46	47
Royalties				0	0	0
Roy. fee (after recoup)	13.0%					
Units sold in 1Y (mn)	2.5					

Source: Trigon

Self-publishing assumptions. The share of Cronos: The New Dawn in the valuation of the entire company is the most significant, primarily due to the full exposure to potential success/flop, the proximity of the release and the impact on the perception of the potential of the studio's subsequent self-publishing games. Our central scenario adopted for the purposes of this valuation is sales of 1 million units within 12 months of the game's release across all platforms (PC share 25-30%, consoles 70-75%). We consider this to be an ambitious but achievable level if the game gathers good reviews (more on the rationale for our volume assumption in the 'Investment Summary' section). The sales curve we have adopted implies around 450-500k units in the first month. We estimate the level of the development budget at PLN 53 million (a function of payments to Take-Two for acquiring the rights to the game and expenses incurred on production since 1Q24, i.e. the termination of the publisher's contract), which is about half of the group's capitalized game spending. We assume marketing expenses of PLN 11 million. The above assumptions, combined with the game's SRP price (\$60 base version, \$70 deluxe version) imply a break-even-point of about 440,000 units, which, if our assumptions are met, would mean a return on production costs after about 4

weeks.

We assumed that the assessment of the sales potential of the studio's next in-house game would indirectly depend on the potential of Cronos itself (following the principle "you're only as good as your last game"). At this stage (to reveal the game and assess interest) we assumed 20% lower volumes, but also a \$10 higher SRP of the game. We assumed a release in March '28.

Work-for-hire assumptions. During our forecast period, we assumed that one of Bloober's in-house teams would pursue two consecutive WFH contracts. The first of these is, of course, the Silent Hill 1 remake contract, which has already begun. We have assumed that the scope of work and value of revenue generated on these projects will be similar to SH2 (adjusted for inflation). We expect the release of Silent Hill 1 Remake in the middle of '27. Compared to the previous agreement with Konami, we have assumed that Bloober has been offered a significantly higher rev-share. We estimate that for SH2 it is a small few percent, and for SH1 it could be several percent. This is, of course, the result of an improved negotiating position after the undoubted success of SH2.

Valuation

DCF. Our valuation of Bloober shares is based 100% on a DCF valuation. Our assumptions imply a 12-month target price of PLN 36 per share, which relative to the last closing price implies a 30% upside.

DCF assumptions:

- Risk free rate of 5.5%.
- Market premium of 6.5% (Trigon's methodology for sWIG80).
- Beta of 1.2x.
- Residual growth rate of 3.0%.

BLO: DCF valuation

DCF (PLNm)	2025E	2026E	2027E	2028E	2029E	>2029E
Revenues	182	167	155	237	155	
y/y	104%	-8%	-7%	53%	-35%	
EBIT	47	40	57	82	41	
<i>EBIT margin</i>	<i>26.1%</i>	<i>24.0%</i>	<i>36.7%</i>	<i>34.5%</i>	<i>26.3%</i>	
<i>Tax rate</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	
NOPLAT	42	36	51	73	36	
D&A	38	50	22	52	27	
CAPEX	61	42	25	6	2	
Change in NWC	1	-5	0	-3	1	
Lease payments & Other	9	9	0	0	0	
FCF	27	48	47	116	61	60
Relevered beta	1.2					
Risk-free rate	5.5%					
Market premium	6.5%					
WACC	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
DFCF	26	40	35	77	35	
PV FCF 2025->2029E	213					
Residual growth rate	3.0%					
Terminal Value	597					
Discounted TV	348					
EV	561					
Net Debt	-3					
Dividend paid-out in 2025	-					
Minorities & Other	2					
Equity Value	563					
Shares outstanding (m)	19.3					
Equity Value per share (PLN)	31.8					
12M Target Price (PLN)	36.0					

		WACC				
		-1.0%	-0.5%	0.0%	0.5%	1.0%
D	2.0%	36.7	35.1	33.8	32.5	31.4
	2.5%	38.0	36.3	34.8	33.4	32.2
	3.0%	39.4	37.6	36.0	34.5	33.1
	3.5%	40.9	39.0	37.2	35.6	34.1
	4.0%	42.7	40.5	38.6	36.8	35.2

Source: Trigon

Forecasts of operating results are described in the 'Forecast Summary' section. Depreciation and amortization levels depend mainly on the timing of launches, primarily Cronos (launch '25) and Project H (launch '28). In the case of capex, our forecast includes only expenditures have projects that will generate revenues for the company during the forecast period (until '29) - this explains the marked decrease in expenditures from '28 (we assume the release of Project H in March). During this period, costs generated by development teams go directly to period operating expenses instead of capital expenditures in our model. The same is true for expenditures on games from Broken Mirror Games - of the currently announced projects, we assume that all of them will be released (and simultaneously financed) by '27. As we announce more games in the pipeline and extend the forecast period, we will include further adequate capital expenditures and project revenues in our model. The 'lease payment & other' line includes, among other things, assumed flows from grants, which the company has been effectively raising for years.

Comparative valuation. For visibility, we present the peers company multipliers for BLO. The comparison group includes global companies that produce and publish video games. This method is not included in the calculation of our target price.

BLO: Comparative valuation

Peers	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
	P/E			EV/EBITDA			FCFF yield		
Peer group median	25.7	19.0	16.9	12.4	10.0	8.7			
Bloober Team	10.8	14.4	10.9	5.4	5.5	6.4	3.1%	6.6%	9.2%
BLO premium/(discount)	-58%	-24%	-35%	-57%	-45%	-27%			
applied weight (year)	33%	33%	33%	33%	33%	33%			
applied weight (multiple)		50%			50%				
Target Price (PLN)	51.0								

Source: Bloomberg, Trigon

BLO: Peers

	MC (EUR)	P/E			EV/EBITDA			ROE (%)			5Y CAGR	
		2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	EPS	EBITDA
Bloober Team	113	10.2	14.2	10.7	5.2	5.4	6.2	30%	21%	24%	22%	52%
Tencent Holdings	705,982	20.0	17.7	15.8	17.7	15.7	14.1	21%	20%	11%	11%	13%
NetEase	86,780	16.1	15.2	14.0	12.2	11.4	10.4	24%	22%	15%	15%	17%
Electronic Arts	43,093	26.2	20.8	18.9	18.2	16.2	14.9	19%	23%	4%	4%	-14%
Take-Two Interactive Software	42,579	89.6	80.5	25.8	64.5	51.2	20.8	8%	8%	-	-	-
NEXON	18,487	27.3	23.5	22.5	15.2	14.1	13.8	10%	11%	6%	6%	3%
BANDAI NAMCO HOL	22,622	25.2	26.7	24.2	13.1	13.9	12.8	18%	15%	17%	17%	18%
Capcom	14,408	34.8	30.8	26.9	28.1	24.4	21.4	23%	23%	22%	22%	26%
Konami Holdings	21,924	38.5	32.9	29.3	22.4	19.2	17.5	18%	18%	18%	18%	22%
Krafton Inc	11,492	16.2	13.0	12.3	8.7	7.8	7.3	13%	14%	27%	27%	25%
Kunlun Tech	7,064	-	-	403.0	-	427.5	737.3	-5%	0%	-	-	-
Square Enix	8,504	42.3	40.0	36.2	20.7	19.4	18.0	9%	9%	4%	4%	3%
Koei Tecmo	4,489	19.8	21.4	20.2	21.2	16.8	17.1	17%	15%	18%	18%	23%
NCsoft	3,120	40.3	16.4	17.1	22.8	8.9	9.4	3%	8%	-	-	-42%
Sega Sammy	4,608	16.1	16.4	13.3	10.7	9.9	8.7	11%	10%	7%	7%	31%
Ubisoft	1,395	-	-	19.0	3.2	3.5	2.8	-6%	-4%	2%	2%	-
CD Projekt	7,034	74.3	80.1	15.8	54.6	65.1	10.5	12%	9%	15%	15%	22%
Embracer Group	2,016	8.2	18.4	9.7	2.2	3.5	2.6	4%	1%	48%	48%	63%
G-bits Network	4,578	22.4	19.6	18.1	14.4	12.6	11.4	27%	27%	-1%	-1%	3%
Paradox Interactive	1,945	31.6	24.0	20.0	11.8	10.1	9.8	19%	26%	16%	16%	9%
Pearl Abyss	1,516	261.4	15.8	23.3	73.1	12.5	17.9	1%	15%	-40%	-40%	-29%
XD	4,887	27.3	23.6	23.0	21.6	19.2	18.4	37%	30%	-	-	-
HUYA	735	31.0	24.4	16.9	22.6	8.6	5.4	2%	4%	-	-	-23%
PlayWay	481	10.6	9.3	9.7	7.3	6.4	6.7	-	-	17%	17%	18%
11 bit studios	121	5.9	12.2	16.8	3.5	6.3	6.1	31%	12%	-12%	-12%	-1%
Remedy Entertainment	226	119.3	-	23.1	11.0	15.7	6.7	2%	0%	-19%	-19%	-
Pullup Entertainment	228	5.0	9.4	7.3	2.0	3.0	2.7	19%	10%	47%	47%	16%
Digital Bros	214	-	8.5	9.4	7.4	2.9	3.1	-5%	16%	54%	54%	143%
EG7	105	28.3	10.8	8.8	3.3	1.9	1.9	2%	3%	145%	145%	-
Creepy Jar	88	10.1	13.7	15.9	7.3	6.2	6.5	37%	17%	-	-	-
Devolver Digital	150	24.3	17.5	15.0	12.4	9.4	8.6	1%	2%	-	-	-
CI Games	151	97.5	-	8.0	44.8	6.6	2.9	-	-	16%	16%	-
Nacon	100	-	79.7	10.2	3.2	2.7	2.3	0%	2%	16%	16%	-
Starbreeze AB	32	-	-	-	2.8	1.0	1.5	-9%	-14%	-	-	-
tinyBuild	33	-	-	14.0	31.0	10.0	8.2	-10%	-4%	-	-	-
Frontier Developments	194	16.9	30.3	21.9	3.8	5.0	4.8	10%	4%	-22%	-22%	-
Median		25.7	19.0	16.9	12.4	10.0	8.7	10%	10%	16%	16%	16%

Source: Trigon, Bloomberg

Bussines model and strategy

Horror house. Bloober Team is an independent producer and publisher of games specializing in the horror genre. Since the beginning of its activity, the position of President of the Management Board has been held by Piotr Babieno. During 15 years of activity, Bloober Team has developed its brand, achieving in recent years the position of one of the leading producers of games in the genre. Each of the productions has its own unique characteristics, while all are united by the theme of horror and exploration of human emotions. Among the best-known games are: Layers of Fear (2016) and Layers of Fear 2, Layers of Fear (2023), >observer_ (2017) and Observer: System Redux, Blair Witch, The Medium and Silent Hill 2 Remake (on a work-for-hire model).

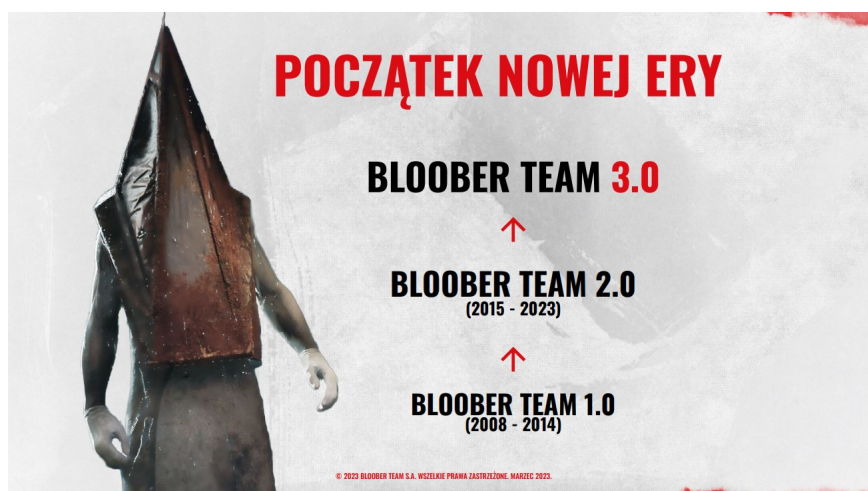
The Company is currently working on two major productions and several smaller projects. The first project under the WFH formula in cooperation with Konami Digital Entertainment is a remake of the first game in the Silent Hill series. The second project is Cronos: The New Dawn, scheduled for release on September 5 this year. The title is based on its own IP and is being released in a self-publishing model for PC, PS5, Xbox X/S and Nintendo Switch 2.

In addition to the two main titles, Bloober Team is also working with external teams developing smaller projects, which will be published under Bloober's Broken Mirror Games publishing brand.

Business model. The Group operates based on three operating segments. The division into operating segments is made on the basis of factors including the type of product, production process model, resource allocation, among others:

- Segment I - in-house projects is an area that includes productions carried out by two in-house development teams, which are released both on a self-publishing basis (Cronos) and in cooperation with an external publisher or platform-holder (Silent Hill Remake);
- Segment II - co-creation projects, which the Company defines as other development projects, which are carried out in production in cooperation with external entities and subsidiaries and affiliated companies, which are published both in self-publishing formula and in cooperation formula with an external publisher or platform-holder;
- Segment III - other projects that complement the product portfolio and other activities of the companies.

BLO: Bloober Team 3.0



Source: Bloober Team

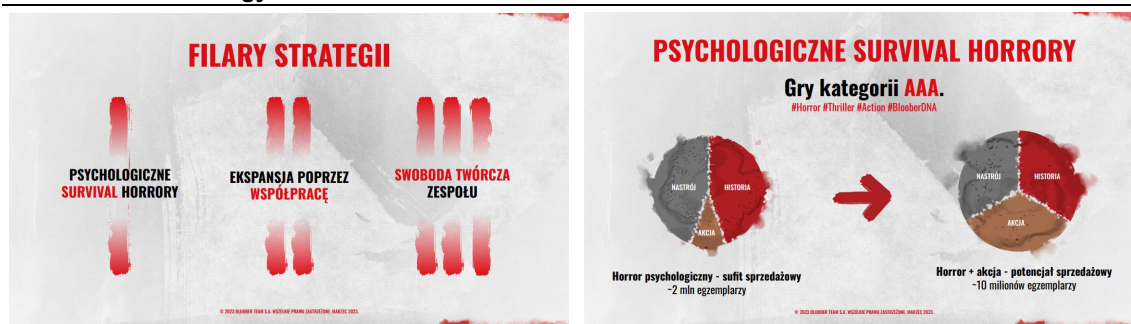
Strategy for 2023-2027 = Bloober Team 3.0 In March 2023 . Bloober Team officially presented an update of its strategic plans, the Strategic Plan for 2023-2027. With the release of the new Layers of Fear game in June 2023. Bloober Team closed the period of Bloober Team 2.0 while opening the next stage in development, which was defined in the Strategic Plan as Bloober Team 3.0. The beginning of the new stage in the company's development was the production of the title Silent Hill 2 Remake for Japan's Konami. The game received great

reviews and was released to more than 3 million players in less than a year after its release.

The main goal of the Strategic Plan is for Bloober Team to become the world leader in horror, as an entire game genre. In future productions, Bloober Team's goal is to emphasize action elements in the foreground to increase sales potential and further deepen player immersion. These elements will play into both the already released Silent Hill 2 Remake and Cronos, scheduled for September.

Achieving the position of the best so-called "horror house" in practice also means going beyond the area of video games, by expanding the catalog of our own activities in other fields of exploitation, such as the realization of film productions, television productions (e.g., the production of a full-length series based on the game The Medium), and the creation of board games.

BLO: Pillars of strategy



Source: Bloober Team

The path to achieving the goal set forth in the Strategic Plan will be based on three main pillars assuming:

- self-improvement in the production of psychological survival horror movies with horror elements to increase sales potential;
- expansion on a collaborative basis (including not only partnerships, but also investments in entities that are complementary to the strategic plans);
- basing the games on the unique DNA of the team and unleashing the creative potential of employees.

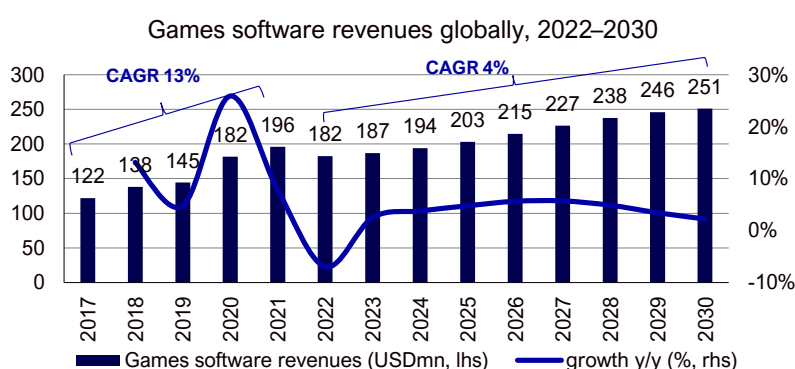
Pipeline. We believe Bloober Team's ambitious release plan can bring the group closer to realizing its strategic plan, i.e. becoming a leader in the horror game genre. The very good reception of Silent Hill 2 Remake has opened the door for the company to further partnerships with horror IP holders. Continuing the partnership with Konami seems to be a natural step, although it is possible that other publishers are also interested in Bloober's services. As for Bloober's second in-house team (which is currently finalizing work on Cronos), there are many indications that it will produce another game of the studio's own based on its own IP. This seems to be a healthy approach where one leg of the business provides some stability and repeatable results, while the other gives exposure to the potential commercial success of its own game.

As for Segment II (2nd party), the company's release pipeline is diversified and balanced and includes titles ranging from AA items to smaller indie games. At the moment we are waiting for the releases of the games 'I hate this place' and 'Star Trek: Infection, more titles (e.g., projects M, J, F, N) are waiting for their reveal.

Market overview

A mature market with very high competition. The market outlook remains uncertain for both mobile games and PC/console games due to continued competition, high player demands and the transition from a fast-growing to a mature industry. Nevertheless, 2025 may be the last year in which the industry will face serious challenges, after which we expect competition to stabilize and investment to recover (the growth of new launches on Steam has stabilized, the pace of layoffs in the industry has clearly slowed). We believe that companies should adapt to the new reality by, among other things, looking for niches, taking care of IP, developing shorter (and cheaper) games and taking advantage of transmedia opportunities. According to MIDiA, after a period of rapid revenue growth, the industry's growth rate has slowed and should average 4% per year in the coming years. This means that the mature market should now focus more on profitability.

BLO: Global gaming market revenues, 2022-30

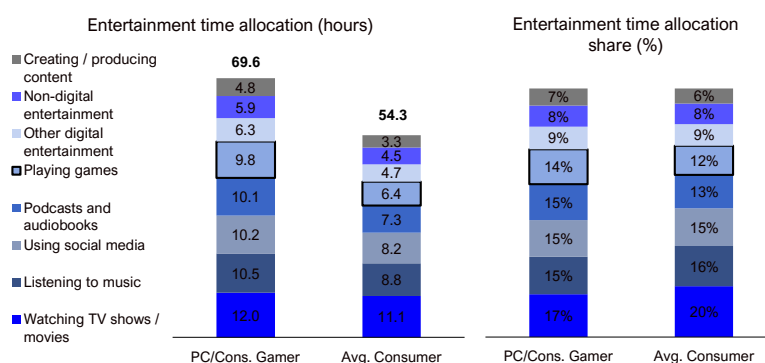


Source: MIDiA

Competition is not only with other games. It is increasingly difficult to increase the time spent on games. The average gamer, compared to the average consumer, spends more time on entertainment in a broad sense, so instead of competing for their time, it makes sense to look for synergies - the solution may be to accept other formats instead of fighting against them. The average PC or console gamer spends about 10 hours a week playing games, out of the 69 hours spent on entertainment overall.

Playing games is only the fifth form of entertainment for the average gamer (after TV, music, social media and podcasts/audiobooks). F2P games, and the spending of players in them, are, among other things, a function of the amount of time players spend in the game. So it's worth considering expanding your IPs into other media - TV, board games, comics, books. This may explain the studios' recent commitment to going beyond gaming, such as The Last of Us series, Fallout and the anime Cyberpunk: Edgerunner. Bloober has also hinted at plans to go out with its IPs into cinema/TV.

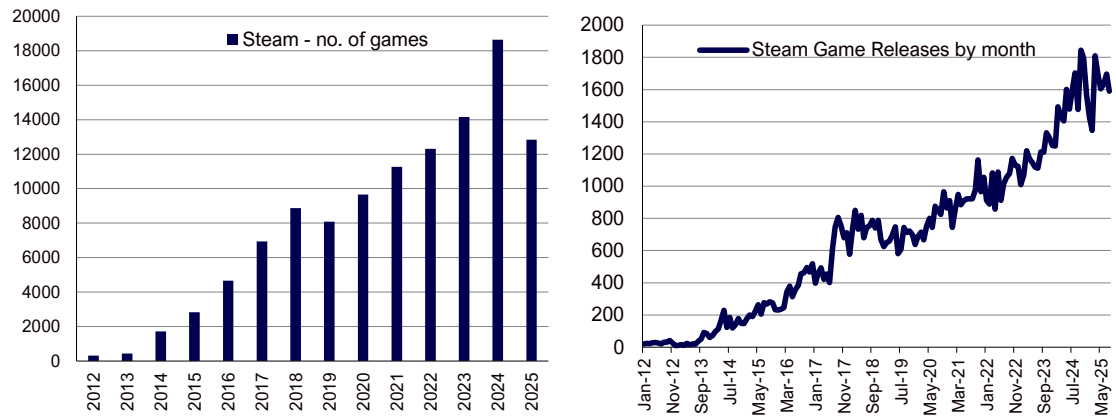
BLO: Allocation of player/consumer time between entertainment activities



Source: MIDiA

Competition in the game market remains high. The charts below show that the number of debuts increased with the pandemic, and this trend continues today. We expect that this trend may slow down in '25. (which is already evident) due to reduced investment (layoffs, project and team closures, less publisher activity) in new titles since '23.

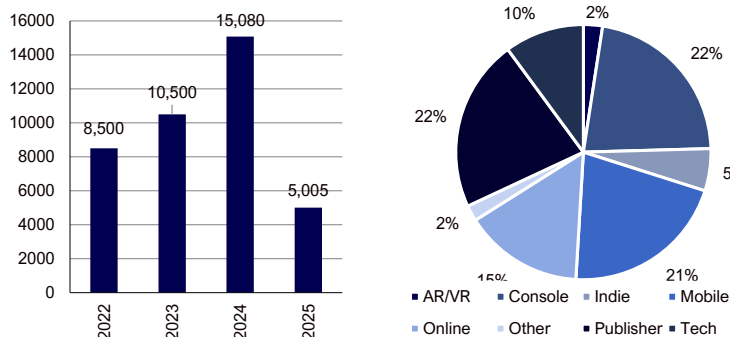
BLO: Number of launches on Steam (years - rhs, months - lhs)



Source: steamdb.info, 2025 - data to August

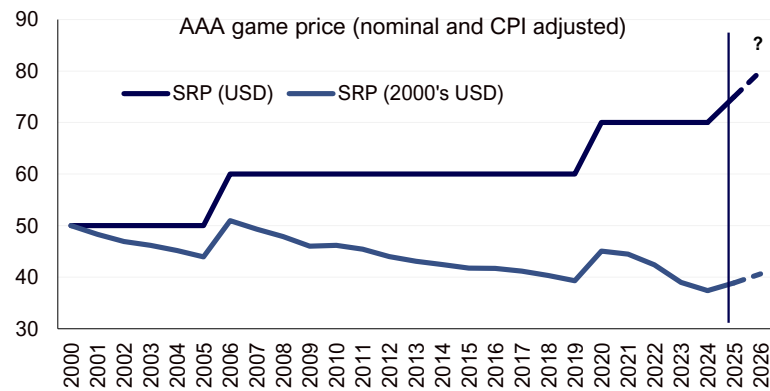
We assume that the rebalancing of the market will be achieved primarily by reducing supply. We assume that demand will grow steadily with an average market growth rate of 4% per year. Despite an increase in the number of active Steam users after the pandemic, revenue generated on the platform has not increased at the same rate, which may indicate lower average consumer spending. At the same time, the number of launches on Steam also increased, causing players to disperse their spending on a larger number of titles.

BLO: Lay-offs in gaming - 2022-25



Source: Game Industry Layoffs - Obsidian Publish

We expect that the cooling of supply is also linked to the end of the employee market in the industry. As of 2022, an estimated 39,000 workers have lost their jobs in the industry. We believe that the recent slowdown in gaming is contributing to the end of the employee market and a weakening of wage pressure, which could benefit studios expanding their teams

BLO: AAA games' SRP - CPI adjusted

Source: MIDiA

We assume that the catalyst for a recovery in the industry over the next 1-2 years may also be the search for higher returns on investment, driven by more optimized production budgets (shorter games, developed more flexibly) and rising game prices (see chart above showing the decline in real game prices in recent years). The release of GTA VI next year may seal the increases in game prices initiated this year by some publishers. Currently, the inflation-adjusted price of AAA games is approx. 20% lower than at the beginning of the century.

Risk factors

Risk of new games not meeting revenue targets. Gaming is characterized by highly volatile trends and intense competition. Demand for new games depends on the effectiveness of marketing efforts, visibility on distribution platforms, the quality of the game's performance, player preferences, current trends and the release schedule of other titles.

Risk of delays in game production. Game development is an iterative process, where production plans are regularly updated after each stage is completed. Adjustments are made to improve the quality of the product and to accommodate the expectations of target groups, which are studied in parallel with production. There is a risk that the necessary changes will exceed the budget and production time.

Risk of losing a publisher/partner. Refers mainly to projects under contract (WFH) or in partnership with an external publisher. Given the current market situation, it cannot be ruled out that a partner will withdraw at any stage of the project's progress, which may affect the entity's performance and liquidity.

USDPLN exchange rate risk. Companies in the industry incur most of their costs in PLN (primarily employment costs), while almost all sales revenues are generated in foreign currencies. There is a risk of unfavorable changes in foreign exchange rates, which may affect the companies' revenues and thus their profitability. Of particular importance is the USDPLN exchange rate, due to the significant share of transactions in this currency in the companies' revenue structure (more than 90%).

Risk associated with the loss of management. Companies may face the risk of a shortage of specialists in the game production sector. This may lead to the loss of, lack of, or difficulty in attracting new employees or associates. As a result, this may adversely affect the companies' development strategies, operations, financial position and performance.

Risks arising from the use of third-party technologies. The companies use third-party technologies, such as the Unreal Engine from Epic Games, in game production. In order to use these technologies, the companies must have the appropriate licenses from their developers and maintain them throughout the game's distribution period. In the future, there may be events beyond its control that could lead to the discontinuation of cooperation with the technology provider or a change in the terms of this cooperation.

Risk of changing trends in the game market. The gaming market is characterized by low predictability, developing with the increase in the number of gamers on various platforms, new generations of gamers and consumer trends. Technological advances and the rapidly growing gaming industry mean that there is a risk of the emergence of new, unexpected trends that may affect the perception of the companies' products.

Risks related to the economic situation in the gaming industry. There is a perceived deterioration in the economic and financial situation among game developers, which is reflected in job cuts and reduced production budgets for many titles. There is uncertainty in the market regarding the acquisition of new sources of financing, and cooperation with subcontractors carries the risk that their financial and economic difficulties may affect the execution of commissioned work.

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Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares

free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company

min/max 52 wks – lowest/highest share price over the previous 52 weeks

average turnover – average volume of share trading over the previous month

EBIT – operating profit

EBITDA – operating profit before depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

CAPEX – sum of investment expenditures on fixed assets

OCF – cash generated through a company's operating activities

FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets

ROA – rate of return on assets

ROE – rate of return on equity

ROIC – rate of return on invested capital

NWC – net working capital

cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services

gross profit margin – ratio of gross profit to net revenue

EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – ratio of operating profit to net revenue

net margin – ratio of net profit to net revenue

EPS – earnings per share

DPS – dividend per share

P/E – ratio of market price to earnings per share

P/BV – ratio of market price to book value per share

EV/EBITDA – ratio of a company's EV to EBITDA

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, ratio of dividends paid to share price

RFR – risk free rate

WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – Bloober Team S.A.

BUY – we expect the total return on an investment to reach at least 15%

HOLD – we expect the price of an investment to be largely stable, with potential upside of up to 15%

SELL – we expect negative total return on an investment of more than -0%

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Document prepared by: Grzegorz Balcerski

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.

- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.

- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn't consider market sentiment or short-term fluctuations.

The comparable valuation method values a company by comparing it to similar publicly traded companies.

- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.

- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.

Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.

Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)

Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.

Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)

Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.

Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)

Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.

Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)

Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.

Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible

assets.

Target multiple method

Advantages: the method can be applied to any company.

Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.

Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.

Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.

Advantages: the method can capture the lowest threshold of a company's value.

Disadvantages: it may be hard to capture the value of a company's intangibles.

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