Starbreeze: Work-for-Hire Partnership with Strategic Potential

Starbreeze **Research Note** 2024-12-05 11:36 **Updated** 2024-12-05 11:45

Starbreeze has announced a partnership with Krafton, the South Korean gaming giant behind PUBG. Krafton, a major player in the free-to-play market, reported a record-breaking USD1.4b in revenue in 2023, with USD460m—about one-third—coming from PC and console platforms. PUBG: Battlegrounds consistently attracts close to 800,000 daily players on Steam, making this partnership highly favorable for both the franchise and Starbreeze, according to Redeye.


Tomas Otterbeck

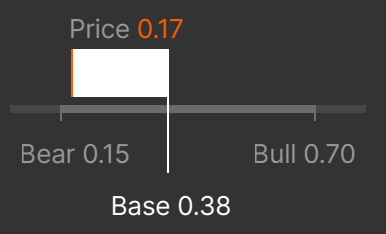

John Westborg

REDEYE

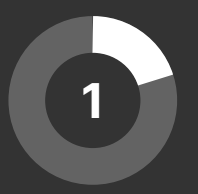
REDEYE QUALITY RATING



FAIR VALUE RANGE



MOMENTUM



KEY STATS

Market Cap	**258.4 MSEK**
Entprs. Value (EV)	**69.1 MSEK**
Net Debt (2024e)	**-189.2 MSEK**
30 Day Avg Vol	**6023 K**
Shares Outstanding	**1476.8M**
Price / Earnings	**N/A**
PEG	**0.0x**
Dividend Yield	**-42.4%**

Data from 2024-12-05 11:45

IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

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CONFLICT OF INTERESTS

Tomas Otterbeck owns shares in Starbreeze.
John Westborg owns shares in the company : No.
Redeye performs/has performed services for Starbreeze and receives/has received compensation from these Companies in connection with this.

This partnership follows a work-for-hire model, with approximately 25% of Starbreeze's workforce committed to the project over the next year. Starbreeze's contribution will focus on adding the cooperative gameplay elements for which its *Payday* series is known to the highly popular PUBG universe.

Pros and Cons of the Partnership

Cons:

- There is some uncertainty regarding how this collaboration will affect Starbreeze's content roadmap for *Payday 3* in 2025.
- It is unclear whether Project Baxter could face delays if additional personnel are required for the *Payday* franchise.
- Starbreeze has not disclosed any royalty component in the deal, suggesting the main benefit lies in marketing and brand exposure.

Pros:

- Engagement for *Payday 3* remains low, with little indication of a significant revival unless substantial changes occur. This partnership offers an opportunity for Starbreeze to explore the free-to-play model on PC and consoles without financial risk.
- PUBG is the third most popular games on Steam, where *Payday* also has a strong presence. By working with Krafton, Starbreeze can generate cash flow while testing a new business model in a highly visible platform.
- If the *Payday*-PUBG integration is successful, it could pave the way for *Payday* to find a broader audience and possibly a new long-term strategy.
- Krafton's financial strength makes them a viable candidate for acquiring the *Payday* franchise or Starbreeze itself if the collaboration proves successful. Redeye has long identified Starbreeze as a potential acquisition target, with Krafton now emerging as one of the most realistic buyers.

Financial Outlook

Despite the positive strategic potential, we are not adjusting our financial estimates at this time. Shares of Starbreeze are currently trading at SEK0.17 per share. Our fair value range remains SEK0.15–0.70, with a base-case valuation of SEK0.38 per share.