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G5 Entertainment

Technology

7 August 2025

Markets fears ignore core strengths

G5 Entertainment's H125 results saw markets react negatively to a lower-than-expected (but traditionally weak) Q2 trading result. Market conditions are challenging, with fx movements and evolving user dynamics creating volatility. However, we see the current share price weakness as an opportunity for investors to see through G5 Entertainment's volatile revenue growth and focus instead on the quality of the group's balance sheet and earnings stream.

Q2 results

Q225, a seasonally weak quarter, saw revenues of SEK231.6m, down 20% y-o-y and down 11% q-o-q (in dollars -11% y-o-y and -1.7% q-o-q). Own game sales grew slightly to c. 72.5% of the total. In dollar terms, the group's key *Sherlock* game declined 3% y-o-y but grew 2.4% q-o-q. Gross margins improved again to 70.0%, helped by 38.5% y-o-y growth in sales through the G5 Store. Q225 EBIT was SEK5.6m (Q224: SEK21.8m), a 74% decrease, corresponding to an EBIT margin of 2.4% (Q224: 7.6%). This was affected by significant adverse fx movements (SEK10m) and an increase in user acquisition spend. H125 cash outflow was SEK5.8m (vs H124 inflow of SEK15.1m). Cash at end June 2025 was SEK247.0m (June 2024: SEK196.3m).

The evolution continues

While market conditions remain challenging, management continues to optimise the group's positioning. However, these initiatives take time. The most notable step, the margin-enhancing G5 Store, already accounts for a significant proportion of own game sales and the group expects to add the first third-party games by the end of the year. The group's game pipeline remains healthy, with *Twilight Land* releasing globally in H2 and four other games in soft launch. The balance sheet is robust and strengthening, with net cash of c SEK29 per share.

Valuation: Focus on growth ignores earnings quality

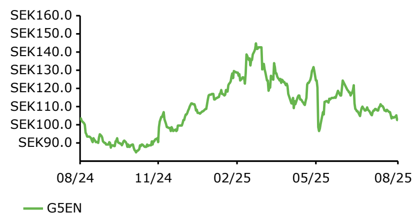
With markets focused on growth and easily distracted by fx movements, it is easy for investors to underappreciate the fundamental attractions of G5 Entertainment. Shareholder value is driven by earnings quality as much as earnings growth. The revenue resilience of G5 Entertainment's games, the resulting free cash flow generation and subsequent capital allocation opportunities should not be overlooked. M&A is a possibility and the shares yield around 8%.

Consensus forecasts								
Year end	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (SEK)	DPS (SEK)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/24	1,135.0	252.0	126.0	15.22	8.00	1.8	6.0	8.8
12/25	1,017.0	189.0	88.5	9.71	8.00	2.4	9.3	8.8
12/26e	1,034.0	211.0	113.5	12.25	8.16	2.2	7.4	9.0
12/27e	1,061.0	222.0	124.0	13.15	8.18	2.0	6.9	9.0

Source: LSEG Data & Analytics at 6 August 2025

Price	SEK90.70
Market cap	SEK702m

Share price performance



Share details

Code	G5EN
Listing	STO
Shares in issue	8.4m
Net cash/(debt) at 30 June 2025	SEK247.0m

Business description

G5 Entertainment is a Sweden-based developer and publisher of free-to-play games for smartphones, tablets and PCs.

Bull points

- History of consistent gross margin improvement over last decade helped by G5 Store.
- Large mobile gaming market with attractive growth characteristics and clear target audience.
- Strong balance sheet with a significant net cash position.

Bear points

- Significant fx (especially US dollar) exposure.
- Volatility in own game revenue growth in recent years.
- Highly competitive mobile gaming market with regular new offerings launched.

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