11 bit studios – commentary on the results for Q3 2025

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11 bit studios' results for Q3 2025 exceeded both our forecasts and market expectations, particularly at the net profit level. Revenue reached PLN 44.1 million (-41.9% y/y; above our projections of PLN 41.6 million), mainly thanks to Game Pass payments for two key productions: "Frostpunk 2" (PLN 18.9 million; +PLN 10.6 million q/q) and "The Alters" (PLN 16.6 million). EBIT reached PLN 12.5 million (vs. PLN 11.0 million in our forecast), and EBITDA reached PLN 25.7 million (vs. PLN 25.2 million). However, the biggest positive surprise came in the form of net profit, which reached PLN 13.5 million, compared to our expectations of PLN 9.3 million. The better result was a consequence of a clearly better financial balance than we expected (PLN +1.1 million), including positive exchange rate differences (PLN +0.5 million) and a higher than our forecast share in the profit of the associate (PLN +1.2 million). **It's worth emphasizing, however, that despite exceeding consensus estimates in Q3 2025, the current year should be viewed as disappointing.** Both the releases of "Frostpunk 2" and "The Alters" provided solid grounds for expecting a much stronger revenue boost, yet sales growth for both titles remains significantly lower than initially projected.

The proprietary games segment generated PLN 39.6 million in revenue in Q3 2025, accounting for 90% of the company's sales (+10.9% q/q; -41.9% y/y). **The increase compared to the previous quarter was almost entirely due to revenue from two titles: "Frostpunk 2" and "The Alters" (mainly thanks to the agreement with Microsoft)** – PLN 18.9 million (vs. PLN 4.8 million and 8.3 million in Q1 and Q2 2025) and PLN 16.6 million (vs. PLN 20.4 million the previous quarter), respectively. The back catalogue ("Frostpunk 1" and "This War of Mine") contributed PLN 4.0 million, the weakest result this year (Q1: PLN 6.8 million, Q2: PLN 5.6 million).

The development teams at 11 bit studios are currently working on three projects in the first-party games segment. "Frostpunk 2" was expanded in Q3 2025 to include a console release (September 18, 2025), and the first major paid expansion, "Frostpunk 2: Fractured Utopias," is scheduled for December 8th of this year. **"The Alters"** exceeded 405,000 copies sold as of November 14th (vs. 280,000 reported on July 8th), which, according to our calculations, means that the game sold only around 90,000-95,000 units in Q3. Work is underway on the first paid DLC, scheduled for release in H1 2026 (around the anniversary of the game's debut), and the title will receive its first major free content update in Q4 2025. As for the latest project, **"Frostpunk 1886"**, the production team has been expanded to approximately 20 people and is approaching the target of 30. The company confirmed during the conference that the game will be developed based on paid expansions (DLC).

The publishing segment had a marginal impact on Q3 2025 results, generating only PLN 4.5 million in revenue (vs. PLN 11.6 million in Q3 2024, when "Creatures of Ava" was recognized). We expect this part of the business to improve in Q4 2025, primarily thanks to two releases. **On Wednesday, "Moonlighter 2" launched on Steam Early Access** (November 19th), reaching a peak of 2,467 players and a 73% positive review rate. **The sequel's launch is therefore noticeably weaker compared to the first installment, which enjoyed a significantly better reception** (82% positive ratings, peak 6,229 players). The title was simultaneously made available in the PC Game Pass catalog, while the console versions will go on sale alongside the full release. The Early Access exit schedule remains dependent on community feedback. **The second title debuting in Q4 2025 will be "Death Howl"**, whose release date was announced yesterday. The game will be released on PC on December 9th. Versions for PlayStation 5, Xbox Series X/S, and Nintendo Switch will be available to players in the first quarter of 2026.

Operating expenses increased significantly in Q3 2025, by 80.7% year-on-year and 63.5% quarter-on-quarter. The largest impact was a **dynamic increase in depreciation and amortization**, which reached PLN 13.1 million in the quarter, compared to PLN 2.0 million a year earlier and PLN 6.4 million in Q2 2025. **The more than five-fold increase year-on-year and doubling q/q resulted from the commencement of full depreciation of "The Alters" and the extension of depreciation and amortization for "Frostpunk 2" to include the console versions.** As a reminder, since Q4 2024, the company has been using the declining balance method instead of the straight-line method, and the amortization period for both titles has been set at seven years, accelerating the recognition of costs in the first years of the game's lifecycle. **The scale of the increase in depreciation and amortization is consistent with our previous assumptions. The second category strongly contributing to the cost increase was external services**, which amounted to PLN 10.8 million compared to PLN 8.3 million in Q2 2025, but at the same time was 4.1% lower year-on-year (vs. PLN 11.3 million in Q3 2024). The q/q increase was primarily related to increased marketing activity accompanying launches and the handling of in-house projects. **An increase was also recorded in salaries**, which amounted to PLN 4.3 million (+99.2% y/y; +38.7% q/q).

During the results conference, the company declined to comment on a report published on gram.pl regarding the canceled "Project 8". The article indicates that the project, estimated to cost approximately PLN 50 million, was plagued by significant production instability: multiple changes in creative direction, communication problems, and team expansion amid limited progress. The circumstances described in the report suggest that the project was terminated late in development, primarily due to the lack of prospects for a satisfactory return on investment.

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11 bit studios - quarterly results (PLN million)

	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24	4Q'24	1Q'25	2Q'25	3Q'25	y/y
Sales revenue	**13,8**	**14,6**	**14,8**	**10,0**	**9,5**	**18,0**	**15,3**	**15,4**	**75,9**	**33,9**	**17,5**	**39,7**	**44,1**	**-41,9%**
Other operating income	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,2	8,2	0,0	
Total operating income	**13,8**	**14,6**	**14,8**	**10,0**	**9,5**	**18,0**	**15,3**	**15,4**	**75,9**	**33,9**	**18,7**	**39,7**	**44,1**	**-41,9%**
Depreciation and amortization	1,5	1,3	1,1	1,2	1,0	0,8	0,9	2,0	2,0	14,9	4,6	6,4	13,1	544,4%
Consumption of raw materials and consumables	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,3	0,2	0,2	0,2	0,1	0,2	-27,9%
External services	5,7	4,8	7,7	5,9	6,4	7,1	8,4	8,9	11,3	10,4	10,3	8,3	10,8	-4,1%
Salaries and employee benefits	3,2	3,2	3,3	3,2	3,1	-0,5	6,0	7,3	2,1	-4,6	4,6	3,1	4,3	99,2%
Taxes and fees	0,1	0,4	0,2	0,0	0,2	0,7	0,1	0,4	0,5	1,8	0,9	0,0	1,8	262,5%
Other operating expenses	0,5	0,7	0,4	0,9	0,9	0,4	0,7	0,9	0,9	0,8	0,4	1,2	1,3	46,3%
Project 8 closure costs										48,4				-
Impairment of intangible assets										18,3		0,2		-
Total operating expenses	**11,3**	**10,6**	**12,9**	**11,2**	**11,8**	**8,8**	**16,4**	**19,8**	**17,5**	**89,8**	**21,0**	**19,3**	**31,6**	**80,7%**
EBIT	**2,6**	**4,0**	**1,9**	**-1,3**	**-2,3**	**9,3**	**-1,0**	**-4,3**	**58,4**	**-55,9**	**-2,4**	**20,4**	**12,5**	**-78,6%**
EBIT margin	*18,7%*	*27,3%*	*12,8%*	-	-	*51,5%*	-	-	*77,0%*	-	-	*51,4%*	*28,4%*	-
EBITDA	**4,1**	**5,3**	**3,0**	**-0,1**	**-1,3**	**10,1**	**-0,1**	**-2,3**	**60,5**	**-41,1**	**2,2**	**26,8**	**25,7**	**-57,6%**
EBITDA margin	*29,5%*	*36,3%*	*20,4%*	-	-	*56,2%*	-	-	*79,7%*	-	*12,6%*	*67,4%*	*58,2%*	-
Finance income/expenses	3,0	0,0	0,9	3,2	-0,7	-11,1	0,3	0,5	-2,8	4,9	-3,9	-3,5	0,3	-
Net profit	**4,9**	**2,9**	**2,5**	**1,5**	**-2,7**	**-0,8**	**-1,6**	**1,1**	**48,0**	**-40,7**	**-6,4**	**14,9**	**13,5**	**-71,9%**
Net profit margin	*35,3%*	*20,0%*	*16,7%*	*15,5%*	-	-	-	*7,3%*	*63,3%*	-	-	*37,4%*	*30,6%*	-
Cash flow from operating activities	12,7	-3,9	2,0	0,9	21,0	-2,0	5,4	14,3	7,6	49,6	5,3	-5,3	27,4	259,1%
Cash flow from investing activities	-28,1	12,1	-5,2	7,9	-16,5	-2,3	-1,1	-10,9	-14,9	-18,4	-3,5	-11,1	-6,3	-
Cash flow from financing activities	-0,5	-0,3	-0,6	3,4	-0,3	-0,1	-0,4	-0,5	-0,5	-0,4	-0,4	-0,4	-0,4	-
FCF (Free Cash Flow)	-0,7	-15,4	-10,6	-13,3	5,0	-18,1	-8,6	-0,9	-7,9	36,2	-3,5	-16,2	20,8	-
Net cash position	95,2	79,7	70,0	61,0	66,5	48,0	38,7	37,2	30,6	65,6	64,9	47,6	67,2	119,6%

Source: 11 bit studios, BM Bank Millennium

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