

# Remedy

## Company report

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This report is a summary translation of the report “Luottavaisin mielin kohti loppuvuoden tulosloikkaa” published on 11/15/2021 at 7:45 am

# Confidently toward the earnings leap in Q4

Remedy's Q3 figures were clearly below our expectations. This was mainly due to timing factors and a reminder of the major fluctuations in the company's business between quarters. In operational terms, Remedy's strategy and game projects have progressed as planned, and the company reiterated with confidence its outlook that anticipates earnings growth for the whole year. Thus, the big picture of the company's growth story remains unchanged and there are clear drivers behind the significant earnings growth expectations that have been built for Q4. In our estimate, Remedy's game projects that are under development will enable the company to take the next significant growth leap in 2023-2024. When looking at these years, we consider the share valuation attractive. We reiterate our Buy recommendation and EUR 50.0 target price for Remedy.

## Soft Q3 result is a reminder of major fluctuations in Remedy's revenue between quarters

Remedy's Q3 revenue fell by 25% to EUR 7.4 million and clearly missed our EUR 12.6 million forecast. Reflecting this, operating profit also (Q3'21: 0.3 MEUR) was significantly below our forecast (4.8 MEUR). We had expected more revenue for Q3 from the big Epic project. In addition, the Smilegate subcontracting generated less revenue than we expected, since Remedy has moved staff from it to its own game projects, as Crossfire HD and Crossfire X games are virtually ready to be officially released. We believe that Remedy currently has a lot of opportunities for different subcontracting projects but concentrating resources on developing its own game brands offers much more long-term value creation potential. Alan Wake Remastered (AWR), released in October, was well received by both game critics and players and its sales have started well. We expect the relatively small development and publishing costs of the game to be covered during Q4, and then Remedy and the game's financier and publisher Epic Games will distribute profits from the project equally.

## Revenue from several different sources in Q4

Based on the Q3 report, we decreased our earnings estimates for the current year by about 7%, but our forecasts for the coming years remain largely unchanged. We estimate that Remedy's revenue will grow by 6% in 2021 and operating profit will increase to EUR 14.5 million. This will require EUR 18.8 million of revenue (+32%) and EUR 11.1 million of operating profit (+67%) in Q4. Remedy commented in its earnings call that reaching the guidance isn't dependent on individual partners, so revenue is expected from various sources. We estimate that the main growth drivers are the growing development fees from the large Epic project, which entered full production phase in August and the royalties from AWR. In addition, some royalties can be recognized from the Crossfire projects. We also expect Control sales to continue in digital channels and with new consoles. In addition, some development fees from the new Control projects will be recognized already this year. Publishing deal for the Vanguard project is also a possible revenue driver.

## Valuation is attractive in light of long-term growth story

In our estimate, the release of Remedy's game projects that are currently under development will be in 2023-2024, and we expect a significant improvement to the company's revenue and operating profit then. In 2024, we estimate Remedy to receive significant income from at least 7 game projects that have been released or are still under development. In our projections, the EV/EBIT multiples that consider Remedy's strong net cash are 19x-15x for 2023-2024. In our opinion, the valuation looks very moderate when considering Remedy's strong growth outlook in the long term even with just relatively successful game releases. In addition, the investor gets the option of a hit game that strikes gold.

## Recommendation

### Buy

(previous Buy)

### EUR 50.00

(previous EUR 50.00)

### Share price:

40.75



## Key figures

	2020	2021e	2022e	2023e
<b>Revenue</b>	41.1	43.7	46.8	68.3
<b>growth-%</b>	30%	6%	7%	46%
<b>EBIT adj.</b>	13.2	14.5	14.4	24.3
<b>EBIT-% adj.</b>	32.2 %	33.2 %	30.9 %	35.6 %
<b>Net Income</b>	10.3	10.7	11.5	19.4
<b>EPS (adj.)</b>	0.86	0.88	0.88	1.48

<b>P/E (adj.)</b>	45.6	46.2	46.4	27.5
<b>P/B</b>	13.3	6.2	5.6	4.8
<b>Dividend yield-%</b>	0.4 %	0.5 %	0.6 %	0.7 %
<b>EV/EBIT (adj.)</b>	34.0	32.3	32.5	18.7
<b>EV/EBITDA</b>	31.5	29.9	28.4	12.8
<b>EV/S</b>	11.0	10.7	10.0	6.6

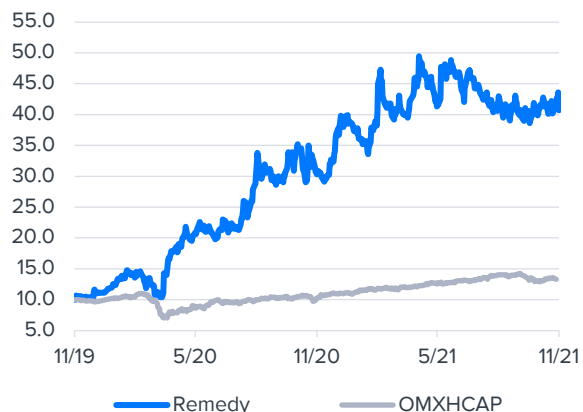
Source: Inderes

## Guidance

(Unchanged)

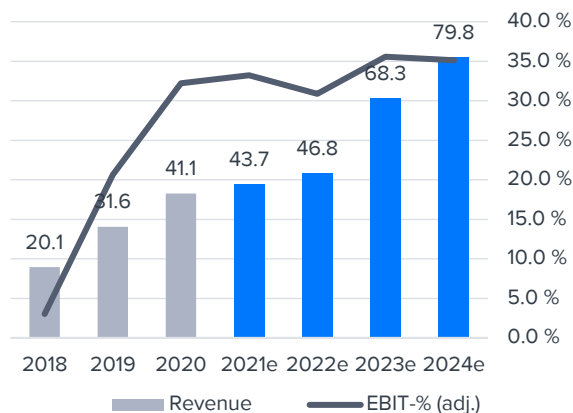
"Remedy expects its revenue and operating profit to increase during 2021. Majority of the revenue and operating profit is expected to materialize during second half-year period."

## Share price



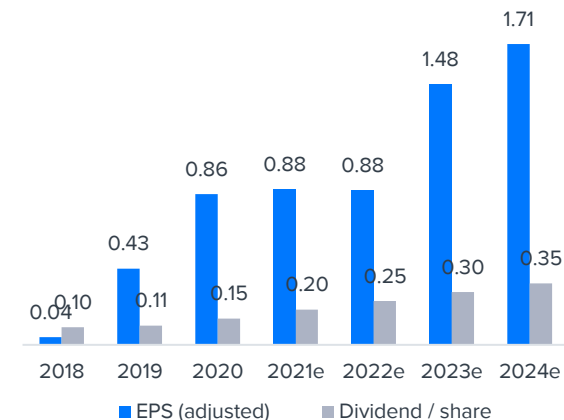
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Attractive position in value chain considering industry trends and consolidation
- Exceptionally favorable conditions of Epic release contract
- Multi-project model creates continuity and disperses risks
- Strong track record of developing successful games
- Own game engine and game development tools create scalability and a competitive advantage



## Risk factors

- Failure or delays in game projects
- Dependency on publishing partners
- Dependency on the sales of an individual game
- Technology and market trends

Valuation	2021e	2022e	2023e
Share price	40.8	40.8	40.8
Number of shares, millions	13.1	13.1	13.1
Market cap	533	533	533
EV	470	469	454
P/E (adj.)	46.2	46.4	27.5
P/E	49.9	46.4	27.5
P/FCF	11.6	>100	28.3
P/B	6.2	5.6	4.8
P/S	12.2	11.4	7.8
EV/Sales	10.7	10.0	6.6
EV/EBITDA	29.9	28.4	12.8
EV/EBIT (adj.)	32.3	32.5	18.7
Payout ratio (%)	24.5 %	28.5 %	20.3 %
Dividend yield-%	0.5 %	0.6 %	0.7 %

Source: Inderes

# Q3 figures were clearly below our expectations, mainly due to timing

## We estimated the timing of revenue between Q3 and Q4 incorrectly

Remedy's Q3 revenue fell by 25% to EUR 7.4 million and clearly missed our EUR 12.6 million estimate. We had expected more revenue for Q3 from the big Epic project, which explains missing our estimate. In addition, the revenue recognized from the Crossfire sub-contracting was lower than we expected. The visibility to Remedy's quarterly revenue is weak and the timing of development fees and royalties from game sales can cause significant swings in the figures. Thus, there is no bigger drama associated with the Q3 figures, given that Remedy confidently reiterated its guidance that predicts growth in revenue and operating profit for the whole fiscal year.

With the Q3 report, Remedy shared the distribution of revenue between development fees and royalties for the first time. EUR 2.1 million of Q3 revenue came from royalty payments (Control) and EUR 5.3 million from development fees from publishers of games that are under development. Since the release of Control (Q3'19), Remedy's royalty revenue has cumulatively amounted to EUR 32 million. We estimate that the sum has come almost entirely from Control and only marginal amounts from old games (e.g. Alan Wake). In the coming years, the share of high-margin royalties of

Remedy's revenue will increase, which will support profitability.

## Result clearly below expectations

Remedy's operating profit was EUR 0.3 million (Q3' 20: 3.7 MEUR) and clearly missed our EUR 4.8 million forecast. Remedy's cost structure is largely fixed, so there can be major swings in quarterly operating profit due to timing of development fees and royalties.

Remedy's cash situation is very strong after the directed share issue earlier this year. At the end of Q3, cash and financial securities amounted to EUR 64 million. Remedy has invested EUR 7 million of its cash position in liquid financial assets to neutralize the effect of negative interest rates on financial costs. However, the net cash reported by the company (Q3'21: 53.3 MEUR) doesn't take these securities into account, which is important to bear in mind when looking at the company's cash situation.

For 2021, Remedy has piloted a model, where a part of new recruitments are located outside of Finland instead of the Espoo studio. The pilot has progressed so well that on Friday the company officially announced that it will open an office in Stockholm to which at least 25, mainly senior-level developers, will be recruited during 2022. The presence in Sweden

will significantly increase Remedy's opportunities for senior-level recruitment, which plays a very important role as the multi-project model progresses and the number of projects grows.

## Good start for AWR sales

Remedy's smaller Epic project, Alan Wake Remastered, was released in October. According to Remedy, the game has been well received by both game critics and players, and its sales have begun well. Remedy hasn't shared figures on the production budgets for Epic projects, but we estimate that in remastered projects, the ballpark for budgets is several millions. By assuming a budget of EUR 8 million for the AWR project (production+marketing), the game needs to sell around 420,000-600,000 copies at an average price of EUR 21-30 to cover the costs. After this, Remedy and Epic Games will distribute the project revenues equally. Therefore, we expect the game to start producing royalties to Remedy from Q4 onward.

Set in the same game universe as AWR, the larger Epic project entered full production phase in August. In our view, it's virtually certain that the project will be Alan Wake 2, which has very strong potential for success.

Estimates	Q3'20	Q3'21	Q3'21e	Q3'21e	Consensus		Difference (%)	2021e	
	MEUR / EUR	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	9.9	7.4	12.6					-41%	43.7
EBITDA	3.7	0.6	5.0					-88%	15.7
EBIT (adj.)	3.4	0.3	4.8					-94%	14.5
Revenue growth-%	-	-25.4 %	27.1 %					-52.5 pp	6.4 %
EBIT-% (adj.)	34.7 %	3.9 %	37.8 %					-33.9 pp	33.2 %

Source: Inderes

# Strategy and game projects progressing as planned

## In the future, revenue from Smilegate subcontracting comes mainly from royalties instead of development fees

Regarding the Smilegate cooperation, the revenue flow seems to be lower in terms of development fees, as Remedy has allocated its developers to other ongoing projects. The current Crossfire projects are virtually ready for official release, and in the light of the latest gaming videos from YouTube, at least the single player mode of Crossfire HD is already playable. It's possible that Remedy receives certain royalty payments depending on the success of Crossfire X and Crossfire HD, for which the company has developed single player modes. However, the visibility to these revenue streams is very poor.

Launching a new subcontracting project would commit a large team from Remedy to the project for several years. We believe that Remedy currently has many opportunities for different cooperations, but we believe that the company will primarily invest in its own game projects, where the company develops its

own game brands. In these, the long-term value creation potential is considerably greater, and Remedy's strong financial position allows the company to make required investments in the projects and to bear risks associated to them.

## Other game projects progressing as planned

In June, Remedy signed a co-release and co-development deal of the new Condor project with 505 Games, with an initial budget of ca. EUR 25 million. Condor is a four player PVE game (player vs. environment) that takes place in the Control universe. The development and marketing investments and net earnings will be evenly split between 505 Games and Remedy. Condor is currently in the proof-of-concept phase and is already generating some development fees to Remedy.

Furthermore, Remedy and 505 Games are developing another larger-budget Control game, which we expect to be a sequel for the original game. In our estimate, the development budget and

the release conditions for this game to be in the same ballpark as the Condor project. This project is currently in the concept phase.

According to Remedy, the development of the multiplayer project Vanguard has progressed well over the past 18 months. In addition to internal playtesting, the game has also been in closed external playtesting this year, and the game is constantly being developed in an iterative manner. Now more than 35 people are working on the project. The game will operate under a "co-op free-to-play" model, which is completely new for Remedy. Remedy has been actively negotiating with different partners and weighing different alternative cooperation models. The company's comments in the earnings call indicated that a possible publishing agreement would be signed already this year. In this case, the project would for the first time generate revenue in Q4 in the form of development fees, which are typically paid retrospectively, as so far Remedy has self-funded the development.

Quarterly revenue mix (MEUR)



# Strong long-term growth story unchanged

## Small downward adjustments in the forecasts

Despite soft Q3 numbers, Remedy reiterated its outlook and expects both revenue and operating profit to grow this year (2020: EUR 41.1 million and EUR 13.2 million). Based on the report, we decreased our earnings estimates for 2021 by about 7%, but our estimates for the coming years remain largely unchanged.

After the first 9 months, the company has brought in EUR 24.9 million of revenue and EUR 3.4 million of operating profit, so Q4 must be very strong to meet the guidance levels. We estimate that Remedy's revenue will grow by 6% in 2021 and operating profit will increase to EUR 14.5 million. This will require EUR 18.8 million of revenue (+32%) and EUR 11.1 million of operating profit (+67%) in Q4. Remedy commented in its earnings call that reaching the guidance isn't dependent on individual partners, so revenue is expected from various avenues. We estimate that the main growth drivers are the growing development fees from the large Epic project and the royalties from

AWR. In addition, some royalties can be recognized from the Crossfire projects. We also expect Control sales to continue in digital channels and with new consoles. In addition, some development fees from the Control projects will be recognized already this year. Publishing deal for the Vanguard project is also a possible revenue driver for the rest of the year.

## Estimates for the next few years

Precise prediction of Remedy's earnings development in coming years is challenging due to the nature of the company's business model. We outline Remedy's revenue drivers for the next few years on the following page. We expect the company's next significant growth leap to take place in 2023 when we expect the large Epic project will be released. In 2024, we estimate that earnings improvement continues supported by the new Control projects and that Remedy receives significant income from least 7 game projects that have been released or are still under development. When the strategy progresses, Remedy has good

preconditions to continue growing after this too.

In 2022, we expect revenue to come from the same sources as in 2021. Due to increasing recruitment and other costs, we expect operating profit (2022e: EUR 14.4 million) to remain stable despite small revenue growth (+7%).

In 2023, we expect considerable improvements in Remedy's revenue (EUR 68.3 million) and operating profit (EUR 24.3 million) as a result of the large Epic project release. At that time, we also already expect more income flow from Vanguard, as we believe the game will be published during 2022 to 2023. Then, the new Control projects are also generating gradually increasing development fees. In addition, the original Control as well as earlier Crossfire projects, generate royalty flow as the games continue selling. By 2023, we estimate that Remedy will start at least one new game project, which may generate revenue through release contract and development fees.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	46.3	43.7	-6%	49.1	46.8	-5%	68.3	68.3	0%
EBITDA	16.8	15.7	-6%	17.0	16.5	-3%	34.4	35.4	3%
EBIT (exc. NRIs)	15.6	14.5	-7%	14.7	14.4	-1%	24.8	24.3	-2%
EBIT	15.6	14.5	-7%	14.7	14.4	-1%	24.8	24.3	-2%
PTP	14.4	13.3	-8%	14.6	14.3	-2%	24.7	24.2	-2%
EPS (excl. NRIs)	0.95	0.88	-7%	0.89	0.88	-2%	1.51	1.48	-2%
DPS	0.20	0.20	0%	0.25	0.25	0%	0.30	0.30	0%

Source: Inderes

# Strategy in light of game projects

\$ =low revenue  
\$\$ =medium revenue  
\$\$\$ =considerable revenue

	2019	2020	2021	2022	2023	2024
<b>Crossfire-subcontracting</b>	Development fees \$\$	Development fees \$\$\$	Development fees + royalties \$\$\$	Royalties \$\$	Royalties \$/\$\$	Royalties \$/\$\$
<b>Control</b>	Release and royalties \$\$\$	DLCs, new platforms \$\$\$	DLCs, new platforms \$\$\$		Sales continue in digital channels \$/\$\$	
<b>Epic projects</b>	Conceptualization / pre-production	Development fees \$\$\$	Development fees and Alan Wake Remastered release \$\$\$	Development fees + royalties \$\$\$	Launch of the large project (Alan Wake 2) \$\$\$	Royalties \$\$\$
<b>Vanguard</b>	Conceptualization / pre-production	Conceptualization / pre-production	Release contract or decision to self-publish	Release will happen 2022-2023 \$\$/\$\$\$\$		Royalties \$\$/\$\$\$\$
<b>Condor</b>			Development fees \$	Development fees \$\$/\$\$\$\$	Release will be in 2023-2024 \$\$/\$\$\$\$	
<b>Control 2</b>			Conceptualization / pre-production	Development fees \$\$/\$\$\$\$	Development fees \$\$/\$\$\$\$	Release \$\$\$
<b>Next game projects</b>					Development fees \$\$/\$\$\$\$	Development fees \$\$/\$\$\$\$

# Valuation

## Valuation is attractive in light of long-term growth story

Over this decade, the ability of Remedy's team to launch high-quality games efficiently, favorable market trends and an attractive position in the value chain offer the company extremely good preconditions to grow into a significantly larger game house than currently. A multi-project model that has been built with controlled risks and is well-managed also bring attractive optionality from the viewpoint of the return/risk ratio of the company's business model. We believe the likelihood of complete failures in game projects is extremely low but one of future projects can become an actual hit game. The revenue potential of a single game varies from tens of millions to well over hundreds of million euros, so the range of possible outcomes is wide. With successful ramp-up of the multi-project model, the release rate of games also quickens and the number of "success options" increases. We estimate that even with only relatively well succeeding games, Remedy's growth outlook is good far into the future.

Remedy's P/E multiples for 2021-2022 are around 46x and EV/EBIT multiples that take into consideration the strong net cash are 32x. The multiples are high and reflect the considerable earnings growth expectations loaded into the share. However, Remedy is still only at the beginning of its growth path and the earnings level of the next few years does not provide the full picture of the company's potential. Thus, we feel the valuation should be examined in light of the company's long-term growth outlook. However, we point out that the tight valuation in the short term does not leave much room for a bigger fracture in the

growth story.

In our estimate, the release of Remedy's game projects that are currently under development will be in 2023-2024, and we expect a significant improvement to the company's revenue and operating profit then. In 2024, we estimate Remedy to receive significant income from at least 7 game projects that have been released or are still under development. Based on our estimates, Remedy's P/E multiples for 2023-2024 are 28x-24x while the respective EV/EBIT multiples are 19x-15x. We feel the multiples look very moderate when considering Remedy's strong growth outlook in the long term.

At that time, the multiples seem moderate also compared to Remedy's peer group, assuming that the valuation levels of the gaming industry remain somewhat high also in future. For Remedy's peer group, the median P/E and EV/EBIT ratios are 40x-28x and 35x-26x for 2021-2022.

Valuation	2021e	2022e	2023e
Share price	40.8	40.8	40.8
Number of shares, million:	13.1	13.1	13.1
Market cap	533	533	533
EV	470	469	454
P/E (adj.)	46.2	46.4	27.5
P/E	49.9	46.4	27.5
P/FCF	11.6	>100	28.3
P/B	6.2	5.6	4.8
P/S	12.2	11.4	7.8
EV/Sales	10.7	10.0	6.6
EV/EBITDA	29.9	28.4	12.8
EV/EBIT (adj.)	32.3	32.5	18.7
Payout ratio (%)	24.5 %	28.5 %	20.3 %
Dividend yield-%	0.5 %	0.6 %	0.7 %

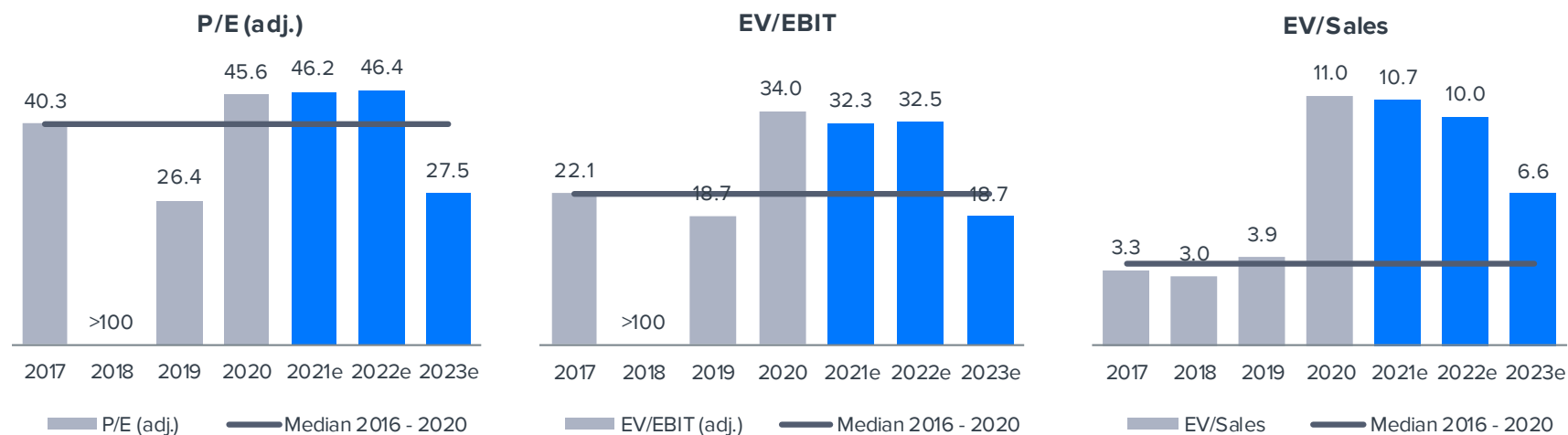
Source: Inderes



# Valuation table

Valuation	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	6.44	6.70	11.5	39.0	40.8	40.8	40.8	40.8
Number of shares, millions	12.1	12.1	12.1	12.1	13.1	13.1	13.1	13.1
Market cap	78	81	138	471	533	533	533	533
EV	57	61	122	451	470	469	454	430
P/E (adj.)	40.3	>100	26.4	45.6	46.2	46.4	27.5	23.8
P/E	52.9	>100	26.4	45.6	49.9	46.4	27.5	23.8
P/FCF	7.3	neg.	neg.	82.2	11.6	>100	28.3	19.3
P/B	3.6	3.6	5.2	13.3	6.2	5.6	4.8	4.1
P/S	4.5	4.0	4.4	11.5	12.2	11.4	7.8	6.7
EV/Sales	3.3	3.0	3.9	11.0	10.7	10.0	6.6	5.4
EV/EBITDA	25.8	55.2	16.6	31.5	29.9	28.4	12.8	10.6
EV/EBIT (adj.)	22.1	>100	18.7	34.0	32.3	32.5	18.7	15.3
Payout ratio (%)	0.0 %	226.8 %	25.4 %	19.0 %	24.5 %	28.5 %	20.3 %	20.5 %
Dividend yield-%	0.0 %	1.5 %	1.0 %	0.4 %	0.5 %	0.6 %	0.7 %	0.9 %

Source: Inderes



# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company		MEUR	MEUR	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e
Frontier Developments PLC	2455.0	1161	1135	50.2	31.8	26.1	18.1	10.6	6.9	54.7	35.1		
Embracer Group	88.7	8388	7146			19.3	9.3	7.5	4.0				
Starbreeze AB	1.2	91	84		26.1			6.8	6.6				
CD Projekt SA	184.8	4010	3814	37.4	32.4	29.6	26.1	15.2	14.7	43.2	31.6	2.3	1.5
Paradox Interactive AB	122.8	1271	1225	21.8	15.3	12.2	8.8	7.0	5.5	28.6	20.2	0.8	0.9
Koei Tecmo Holdings	5280.0	6795	6686	35.0	26.5	34.2		14.9	10.9	35.3	25.2	1.4	1.8
Sumo Group PLC	486.0	967	975	42.6	35.6	34.9	29.3	7.9	6.5	54.7	46.3		
Team17 Group PLC	666.0	1069	993	28.9	26.3	25.5	23.0	9.4	8.6	35.6	32.3		
Playway SA	453.4	648	631	16.8	13.3	16.7	13.3	12.0	9.4	23.0	17.2	2.9	3.5
11 Bit Studios SA	443.8	239	216	57.6	27.2	37.6	19.6	16.5	7.9	53.4	28.2		
Enad Global 7	30.7	280	225	13.8	10.5	5.7	4.6	1.4	1.3	62.7	27.4		
Tinybuild Inc	207.5	492	439	38.8	23.7	25.5	21.6	10.1	8.8	40.8	35.0		
Cl Games SA	1.9	77	72	9.0	17.1	5.3	8.3	3.2	5.2	11.5	22.4		
<b>Remedy (Inderes)</b>	<b>40.8</b>	<b>533</b>	<b>470</b>	<b>32.3</b>	<b>32.5</b>	<b>29.9</b>	<b>28.4</b>	<b>10.7</b>	<b>10.0</b>	<b>46.2</b>	<b>46.4</b>	<b>0.5</b>	<b>0.6</b>
<b>Average</b>				<b>32.0</b>	<b>23.8</b>	<b>22.7</b>	<b>16.6</b>	<b>9.4</b>	<b>7.4</b>	<b>40.3</b>	<b>29.2</b>	<b>1.9</b>	<b>1.9</b>
<b>Median</b>				<b>35.0</b>	<b>26.2</b>	<b>25.5</b>	<b>18.1</b>	<b>9.4</b>	<b>6.9</b>	<b>40.8</b>	<b>28.2</b>	<b>1.9</b>	<b>1.6</b>
<b>Diff-% to median</b>				<b>-8%</b>	<b>24%</b>	<b>17%</b>	<b>56%</b>	<b>14%</b>	<b>44%</b>	<b>13%</b>	<b>65%</b>	<b>-73%</b>	<b>-63%</b>

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

# Income statement

Income statement	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21e	2021e	2022e	2023e	2024e
Revenue	20.1	31.6	7.8	9.1	9.9	14.2	41.1	8.1	9.4	7.4	18.8	43.7	46.8	68.3	79.8
EBITDA	1.1	7.4	1.3	2.3	3.7	7.0	14.3	1.1	2.6	0.6	11.4	15.7	16.5	35.4	40.6
Depreciation	-0.5	-0.8	-0.2	-0.3	-0.3	-0.3	-1.1	-0.3	-0.3	-0.3	-0.3	-1.2	-2.1	-11.1	-12.6
EBIT (excl. NRI)	0.6	6.5	1.1	2.1	3.4	6.6	13.2	0.9	2.3	0.3	11.1	14.5	14.4	24.3	28.0
EBIT	0.6	6.5	1.1	2.1	3.4	6.6	13.2	0.9	2.3	0.3	11.1	14.5	14.4	24.3	28.0
Net financial items	0.1	0.0	0.0	0.0	-0.1	-0.2	-0.3	-1.0	-0.1	-0.1	-0.1	-1.2	-0.1	-0.1	-0.1
PTP	0.7	6.6	1.1	2.1	3.3	6.5	12.9	-0.2	2.2	0.2	11.0	13.3	14.3	24.2	27.9
Taxes	-0.1	-1.3	-0.2	-0.4	-0.7	-1.3	-2.6	0.0	-0.4	0.0	-2.2	-2.7	-2.9	-4.8	-5.6
Net earnings	0.5	5.2	0.8	1.7	2.7	5.2	10.3	-0.1	1.8	0.2	8.8	10.7	11.5	19.4	22.3
EPS (adj.)	0.04	0.43	0.07	0.14	0.22	0.43	0.86	0.06	0.14	0.01	0.68	0.88	0.88	1.48	1.71
EPS (rep.)	0.04	0.43	0.07	0.14	0.22	0.43	0.86	-0.01	0.14	0.01	0.68	0.82	0.88	1.48	1.71
<b>Key figures</b>	<b>2018</b>	<b>2019</b>	<b>Q1'20</b>	<b>Q2'20</b>	<b>Q3'20</b>	<b>Q4'20</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21</b>	<b>Q4'21e</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Revenue growth-%	17.3 %	57.1 %					29.8 %	3.4 %	3.2 %	-25.4 %	32.4 %	6.4 %	7.0 %	45.8 %	16.9 %
Adjusted EBIT growth-%	-49%	973%					103%	-21%	10%	-92%	67%	9.7 %	-0.6 %	68.1 %	15.4 %
EBITDA-%	5.5 %	23.2 %	16.8 %	25.6 %	37.3 %	49.0 %	34.8 %	13.9 %	27.6 %	8.1 %	60.5 %	35.9 %	35.4 %	51.9 %	50.9 %
Adjusted EBIT-%	3.0 %	20.6 %	13.7 %	22.9 %	34.7 %	46.8 %	32.2 %	10.5 %	24.5 %	3.9 %	59.0 %	33.2 %	30.9 %	35.6 %	35.1 %
Net earnings-%	2.6 %	16.6 %	10.8 %	18.1 %	26.9 %	36.4 %	25.2 %	-1.6 %	18.8 %	2.6 %	47.0 %	24.4 %	24.5 %	28.4 %	28.0 %

Source: Inderes

# Balance sheet

Assets	2019	2020	2021e	2022e	2023e
<b>Non-current assets</b>	<b>5.1</b>	<b>10.4</b>	<b>19.2</b>	<b>28.1</b>	<b>28.1</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	2.8	7.7	16.7	26.0	26.6
Tangible assets	1.8	2.2	1.9	1.5	0.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.5	0.6	0.6	0.6	0.6
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>30.8</b>	<b>37.9</b>	<b>74.5</b>	<b>73.3</b>	<b>90.0</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	11.2	14.2	8.7	8.0	10.9
Cash and equivalents	19.6	23.7	65.7	65.4	79.1
<b>Balance sheet total</b>	<b>35.9</b>	<b>48.4</b>	<b>93.6</b>	<b>101</b>	<b>118</b>

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
<b>Equity</b>	<b>26.4</b>	<b>35.4</b>	<b>85.6</b>	<b>94.5</b>	<b>111</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	12.5	21.5	30.2	39.1	55.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	13.7	13.7	55.2	55.2	55.2
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>3.7</b>	<b>2.8</b>	<b>1.9</b>	<b>0.9</b>	<b>0.0</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	3.7	2.8	1.9	0.9	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>5.8</b>	<b>10.2</b>	<b>6.1</b>	<b>6.0</b>	<b>7.5</b>
Short term debt	0.0	0.9	0.9	0.9	0.0
Payables	5.8	9.3	5.2	5.1	7.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>35.9</b>	<b>48.4</b>	<b>93.6</b>	<b>101</b>	<b>118</b>

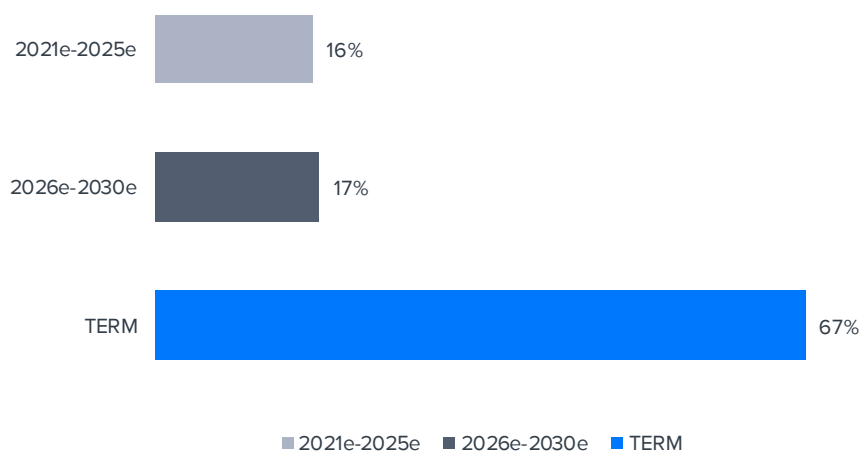
# DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
<b>EBIT (operating profit)</b>	<b>13.2</b>	<b>14.5</b>	<b>14.4</b>	<b>24.3</b>	<b>28.0</b>	<b>34.5</b>	<b>40.8</b>	<b>44.9</b>	<b>47.1</b>	<b>49.5</b>	<b>51.0</b>	
+ Depreciation	1.1	1.2	2.1	11.1	12.6	11.1	9.8	9.2	10.6	10.0	9.8	
- Paid taxes	-2.6	-2.7	-2.9	-4.8	-5.6	-6.9	-8.2	-9.0	-9.4	-9.9	-10.2	
- Tax, financial expenses	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.4	1.4	0.7	-0.6	0.2	0.4	0.7	1.0	1.2	0.0	0.0	
<b>Operating cash flow</b>	<b>12.1</b>	<b>14.2</b>	<b>14.3</b>	<b>29.9</b>	<b>35.2</b>	<b>39.1</b>	<b>43.1</b>	<b>46.1</b>	<b>49.4</b>	<b>49.6</b>	<b>50.5</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-6.4	-9.9	-11.0	-11.1	-7.6	-8.6	-8.6	-8.6	-9.6	-9.6	-9.7	
<b>Free operating cash flow</b>	<b>5.7</b>	<b>4.3</b>	<b>3.3</b>	<b>18.8</b>	<b>27.6</b>	<b>30.5</b>	<b>34.5</b>	<b>37.5</b>	<b>39.8</b>	<b>40.0</b>	<b>40.8</b>	
+/- Other	0.0	41.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.7	45.8	3.3	18.8	27.6	30.5	34.5	37.5	39.8	40.0	40.8	884
<b>Discounted FCFF</b>		<b>45.4</b>	<b>3.1</b>	<b>16.1</b>	<b>21.9</b>	<b>22.4</b>	<b>23.6</b>	<b>23.7</b>	<b>23.4</b>	<b>21.8</b>	<b>20.6</b>	<b>447</b>
Sum of FCFF present value		669	624	621	605	583	561	537	513	490	468	447
<b>Enterprise value DCF</b>		<b>669</b>										
- Interesting bearing debt		-3.7										
+ Cash and cash equivalents		23.7										
-Minorities		0.0										
-Dividend/capital return		-2.0										
<b>Equity value DCF</b>		<b>688</b>										
<b>Equity value DCF per share</b>		<b>52.6</b>										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>7.8 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.8 %</b>

Source: Inderes

Cash flow distribution



# Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	20.1	31.6	41.1	43.7	46.8	EPS (reported)	0.04	0.43	0.86	0.82	0.88
EBITDA	1.1	7.4	14.3	15.7	16.5	EPS (adj.)	0.04	0.43	0.86	0.88	0.88
EBIT	0.6	6.5	13.2	14.5	14.4	OCF / share	0.19	-0.04	1.00	1.09	1.10
PTP	0.7	6.6	12.9	13.3	14.3	FCF / share	-0.05	-0.25	0.47	3.50	0.26
Net Income	0.5	5.2	10.3	10.7	11.5	Book value / share	1.85	2.19	2.93	6.55	7.23
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.10	0.11	0.15	0.20	0.25
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	28.3	35.9	48.4	93.6	101.4	Revenue growth-%	17%	57%	30%	6%	7%
Equity capital	22.4	26.4	35.4	85.6	94.5	EBITDA growth-%	-50%	568%	95%	10%	5%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-76%	973%	103%	10%	-1%
Net debt	-20.1	-15.9	-20.0	-62.9	-63.6	EPS (adj.) growth-%	-72%	884%	97%	3%	-1%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	5.5 %	23.2 %	34.8 %	35.9 %	35.4 %
EBITDA	1.1	7.4	14.3	15.7	16.5	EBIT (adj.)-%	3.0 %	20.6 %	32.2 %	33.2 %	30.9 %
Change in working capital	1.3	-6.5	0.4	1.4	0.7	EBIT-%	3.0 %	20.6 %	32.2 %	33.2 %	30.9 %
Operating cash flow	2.3	-0.5	12.1	14.2	14.3	ROE-%	2.4 %	21.5 %	33.5 %	17.6 %	12.7 %
CAPEX	-2.9	-2.5	-6.4	-9.9	-11.0	ROI-%	2.5 %	23.6 %	38.3 %	22.8 %	15.6 %
Free cash flow	-0.7	-3.0	5.7	45.8	3.3	Equity ratio	79.1%	73.5 %	73.2 %	91.4 %	93.1 %
						Gearing	-89.9 %	-60.2 %	-56.6 %	-73.5 %	-67.3 %
Valuation multiples	2018	2019	2020	2021e	2022e						
EV/S	3.0	3.9	11.0	10.7	10.0						
EV/EBITDA (adj.)	55.2	16.6	31.5	29.9	28.4						
EV/EBIT (adj.)	>100	18.7	34.0	32.3	32.5						
P/E (adj.)	>100	26.4	45.6	46.2	46.4						
P/E	3.6	5.2	13.3	6.2	5.6						
Dividend-%	1.5 %	1.0 %	0.4 %	0.5 %	0.6 %						

Source: Inderes

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
5/30/2017	Accumulate	7.40 €	6.69 €
8/17/2017	Buy	7.50 €	6.31 €
2/19/2017	Buy	7.50 €	5.90 €
6/4/2018	Buy	8.50 €	7.30 €
8/15/2018	Buy	8.50 €	6.75 €
2/13/2019	Accumulate	9.00 €	8.25 €
7/3/2019	Accumulate	10.00 €	9.28 €
8/14/2019	Accumulate	11.50 €	10.65 €
12/5/2019	Accumulate	11.50 €	10.15 €
2/16/2020	Accumulate	15.50 €	13.80 €
3/31/2020	Buy	18.00 €	14.80 €
4/21/2020	Accumulate	20.00 €	18.55 €
8/16/2020	Reduce	33.00 €	33.80 €
10/27/2020	Accumulate	33.00 €	29.00 €
12/10/2020	Accumulate	38.00 €	34.00 €
2/14/2021	Accumulate	50.00 €	45.00 €
4/8/2021	Accumulate	50.00 €	43.75 €
5/12/2021	Accumulate	50.00 €	41.30 €
8/16/2021	Accumulate	50.00 €	43.00 €
9/14/2021	Buy	50.00 €	40.00 €
11/15/2021	Buy	50.00 €	40.75 €



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