

# Remedy

## Company report

11/20/2024



**Atte Riikola**  
+358 44 593 4500  
atte.riikola@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Vahvistunut potentiaali ei näy arvostuksessa” published on 11/20/2024 at 8:00 am EET

inde  
res.

# Stronger potential not reflected in valuation

Remedy hosted a Capital Markets Day on Tuesday, the recording of which can be viewed [here](#). Over the years, Remedy has demonstrated its ability to develop games of very high quality, but this has not yet been reflected to the same extent in their commercial success for the company. After years of work, the company has built the capabilities and resources for a more frequent, even annual, pace of new game releases in the 2025-2030 strategy period. Thanks to self-publishing, their financial success will continue to be strongly reflected in Remedy's figures, and in the event of a possible hit game, the potential is very significant. We believe that the current valuation of the stock provides an attractive risk/reward ratio to tap into the long-term potential of the company's ongoing game projects and its own game brands (Alan Wake and Control). We reiterate our EUR 19.0 target price and raise our recommendation to Buy (previously Accumulate).

## Targets for sustainable profitable growth by the end of the decade

Remedy aims to double its 2024 revenue by 2027 and grow steadily thereafter. The EBITDA margin is targeted to reach 30% by 2027, and profitability is set to remain at least at this level until the end of the strategy period (2025-2030). With our revenue estimate of 48.6 MEUR in 2024, the target level would represent a rough revenue range of around 90-100 MEUR. To reach the objectives, Remedy focuses on: 1.) creating and growing world-class gaming franchises, 2.) making distinctive category-leading games, 3.) working in ways that enable successful productions, and 4.) self-publishing games owned by Remedy.

We believe that the 2027 revenue target is achievable if the company's games in development perform well/very well. Remedy's minimum target for each project is still 100% return on investment, and a hit game could be many times that figure. If the revenue target is broadly met, profitability will also be on target and, in a good scenario, there is potential for significant improvement. In our projections, the successful launch of Control 2 in 2027 is particularly critical to the targets. Thanks to self-publishing, the game's revenue potential is very significant for Remedy if the game's popularity exceeds that of the already successful first Control game.

Maintaining high year-on-year revenue and profitability beyond 2027 was an ambitious target compared to our previous assumptions. The company commented that it aims to release one new game per year starting next year, making the target achievable in our estimation if the games are successful. A pace of one game per year sounds fast in historical terms, but Remedy has made great strides over the years in operating a multi-project model, developing its own game engine and other technologies, and growing its organization and resources to a size sufficient to work on multiple projects simultaneously. In this regard, the company also revealed that there is a new, 4th game project in early conceptualization behind the scenes, which, with an efficient development pace, could be released in 2028. In this way, we estimate that the game/year target would be achieved in 2025-2028.

## Current valuation allows to play the long game with an attractive risk/reward ratio

We believe in Remedy's ability to create multiple high-quality and successful games over the long term, which, when viewed against the growth and profitability potential, makes the current valuation of the stock (2025e EV/S 2.8x) attractive. The long-term potential is also reflected in the value implied by the DCF model, which now stands at EUR 25.6.

## Recommendation

**Buy**

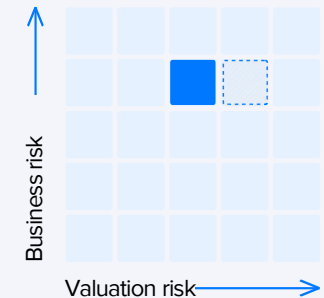
(was Accumulate)

**EUR 19.00**

(was EUR 19.00)

**Share price:**

12.90



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	33.9	48.6	62.3	62.7
<b>growth-%</b>	-22%	43%	28%	1%
<b>EBIT adj.</b>	-28.6	-7.1	1.5	-2.4
<b>EBIT-% adj.</b>	-84.4 %	-14.7 %	2.4 %	-3.8 %
<b>Net Income</b>	-22.7	-5.6	1.2	-1.9
<b>EPS (adj.)</b>	-1.68	-0.41	0.09	-0.14
<b>P/E (adj.)</b>	neg.	neg.	>100	neg.
<b>P/B</b>	5.1	2.8	2.8	2.9
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	neg.	neg.	>100	neg.
<b>EV/EBITDA</b>	neg.	neg.	22.2	23.0
<b>EV/S</b>	9.3	3.5	2.8	2.9

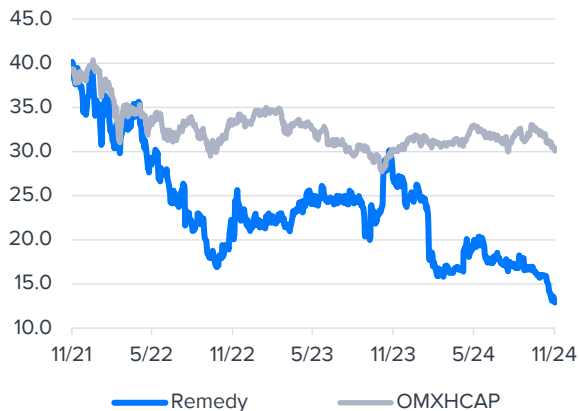
Source: Inderes

## Guidance

(Unchanged)

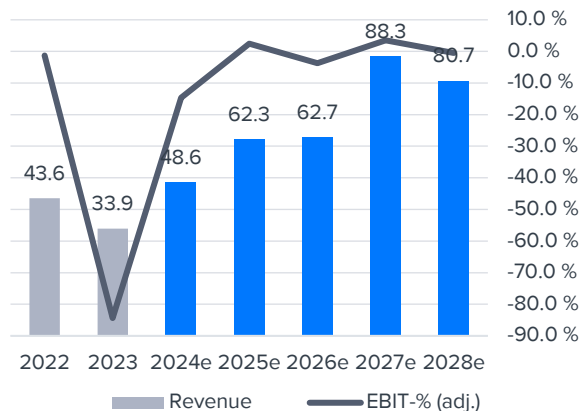
“Remedy expects its revenue to increase from the previous year and operating profit (EBIT) to improve but remains negative.”

### Share price



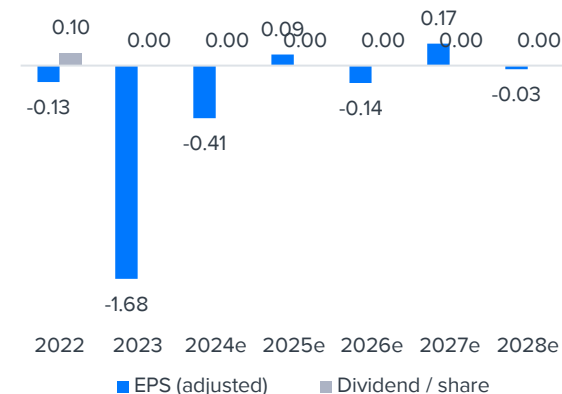
Source: Millstream Market Data AB

### Revenue and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Alan Wake 2 sales development and the successful launch of FBC: Firebreak
- Attractive position in value chain considering industry trends and consolidation
- Self-owned game brands (Alan Wake and Control)
- Multi-project model creates continuity and disperses risks
- Strong track record of developing high-quality games
- Own game engine and game development tools create scalability and a competitive advantage



### Risk factors

- Commercial failure of upcoming games
- Game projects being delayed
- Dependency on publishing partners
- Fierce competition for top talent and players' time and money in the games industry
- Technology and market trends
- Changes in expectations for future games can cause significant volatility in the stock

Valuation	2024e	2025e	2026e
Share price	12.9	12.9	12.9
Number of shares, millions	13.6	13.7	13.8
Market cap	175	176	178
EV	169	177	179
P/E (adj.)	neg.	>100	neg.
P/E	neg.	>100	neg.
P/B	2.8	2.8	2.9
P/S	3.6	2.8	2.8
EV/Sales	3.5	2.8	2.9
EV/EBITDA	neg.	22.2	23.0
EV/EBIT (adj.)	neg.	>100	neg.
Payout ratio (%)	0.0 %	0%	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

# Comments on the CMD

## New game-specific information provided at CMD

**Alan Wake 2:** The game has sold over 1.8 million copies to date at a fairly good average price. Despite this, the game has not yet fully covered its development and marketing budget, which had to be increased towards the end of production. Under the original project plan, the game would already be generating royalties for Remedy, underscoring the importance of project planning and management to stay within financial constraints. However, the project has provided many important lessons for a more effective implementation of future projects. The percentage of players who have completed Alan Wake 2 in its entirety is around 40% (compared to an average of 20-30% for similar games), which speaks well for the quality of the game, in addition to the critical reviews and awards.

**Alan Wake Remastered:** The game has sold 1.7 million copies to date and has generated a small royalty income for Remedy in recent quarters. Overall, the Alan Wake franchise has already had around 15 million players.

**FBC: Firebreak** The budget for the game was said to be around 30 MEUR (previously estimated at 25 MEUR). According to Remedy, achieving a 100% ROI requires sales of around 3 million mid-priced copies (our estimate is EUR 30-40). This includes agreements with Sony and Microsoft to bring the game to Game Pass and PS plus upon release. According to Remedy, B2B deals with platforms are no longer what they were a few years ago in the era of zero interest rates, but the amounts could still be significant (we assume 10 MEUR in 2025). FBC: Firebreak will allow Remedy to reach a whole new

audience of players in the PvE shooter genre, estimated to be around 13 million players per month (MAU) in the Western market relevant to Remedy. Based on the data gathered following the release of the game trailer, the initial response from players has been positive, although the final verdict will only be known at launch.

**Control 2:** The production budget for this action RPG is around 50 MEUR and the 100% ROI target would require sales of 3-4 million copies, depending on the scale of potential B2B contracts. In our view, Remedy's financial targets dictate that the game must be released in 2027.

**Control:** Since its release in 2019, Control has been played by over 19 million players and has sold over 4.5 million copies. The game has still sold over 0.5 million copies this year, reflecting the long tail of game sales. As of January, all future profits from the game will belong to Remedy, mirroring the company's purchase of the rights to the Control franchise from 505 Games in February. With a small game update planned for the beginning of the year and the game's release on Apple's Mac platform in February, a small revenue stream can be expected in the future as well.

**Max Payne:** Remedy has two key objectives for this subcontracting project: 1. make an excellent and successful game, and 2. build a strong action-game team in the process. We believe it is likely that the Max Payne project will be Remedy's last subcontracting project, and that the team that will be freed from this project will begin developing a new game, either for Remedy's existing franchises (Alan Wake and Control) or a new franchise altogether.

## Organization and resources begin to be put in place to execute the strategy

Remedy has 365 employees, and the capabilities the company has built up over the years to leverage external development give it access to more than 250 additional pairs of hands in the production phase if needed. Remedy's current cash position (Q3'24: 31.2 MEUR), the 15 MEUR still to be raised from Tencent through a convertible bond and Annapurna's 50% financing of Control 2 also ensure that Remedy's financial position is sufficient to execute the strategy. The progress made in the multi-project model and the technological advances in the proprietary Northlight game engine will also provide increasing efficiency gains and economies of scale for future game projects. The resources are therefore in place to develop the upcoming game projects, and the next few years will require a determined execution of the strategy and game projects.

Remedy will self-publish its own future game releases, and in preparation for this, the company has already gradually increased its publishing operations (currently 18 employees) in recent years. Some additional hiring may be required for publishing activities, but overall Remedy's game development costs (incl. capitalization on the balance sheet) are not expected to increase significantly over the next few years. Thus, operating largely with a fixed cost structure, the increase in revenue is strongly reflected in the company's earnings.

# Key forecast changes

- After Remedy's announcement that its 4th new project is already in the early stages of development, we accelerated our expectations for the following, as yet unknown, game releases by approximately one year.
- We changed the structure of our estimates for marketing expenses so that they are now reflected in Remedy's operating expenses. Previously, we had netted them out when calculating royalty revenue. This resulted in higher revenue assumptions for future game projects, but the impact on earnings was neutral in this regard. We also revised downwards our expectations for the marketing budgets of future games.
- On the whole, our earnings forecasts for both the next few years and the longer term increased.
- In 2027 and 2028, we expect Remedy to achieve revenue of 88 and 81 MEUR with an EBITDA of 25% and 23%, which is slightly below the company's targets. However, we still expect significant growth and profitability improvement in 2029-2032 with more new game releases, while the older games as a whole will continue to generate good underlying revenue for the company.

Estimate revisions MEUR / EUR	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	48.6	48.6	0%	57.3	62.3	9%	58.7	62.7	7%
EBITDA	-0.1	-0.1	0%	4.5	8.0	78%	3.3	7.8	137%
EBIT (exc. NRIs)	-7.1	-7.1	0%	-2.0	1.5	175%	-6.9	-2.4	66%
EBIT	-7.1	-7.1	0%	-2.0	1.5	175%	-6.9	-2.4	66%
PTP	-6.7	-6.7	0%	-2.0	1.5	175%	-6.9	-2.4	66%
EPS (excl. NRIs)	-0.41	-0.41	0%	-0.12	0.09	175%	-0.40	-0.14	66%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

# Strategy in light of game projects

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Control</b>	Royalties \$	\$	\$	\$					
<b>Alan Wake Remastered</b>	Royalties \$	\$	\$	\$	\$	\$			
<b>Alan Wake 2</b>	Development fees \$\$\$	Royalties \$	Royalties \$\$\$	\$\$\$	\$\$/\$\$\$	\$\$	\$	\$	\$
<b>FBC: Firebreak</b>	Development fees \$/\$\$	Development fees \$	<b>Release in Q3</b> \$\$\$	Royalties \$\$\$	\$\$\$	\$\$\$	\$\$/\$\$\$	\$/\$\$	\$/\$\$
<b>Control 2</b>	Development fees \$\$	Development fees \$\$\$	Development fees \$\$\$	Development fees \$\$\$	<b>Release in H1</b> \$\$\$	Royalties \$\$\$	\$\$\$	\$\$/\$\$\$	\$/\$\$
<b>Max Payne</b>	Development fees \$\$	Development fees \$\$\$	Development fees \$\$\$	<b>Release in H1</b> \$\$\$	Royalties \$\$/\$\$\$	\$\$/\$\$\$	\$\$/\$\$\$	\$/\$\$	\$
<b>Next game projects*</b>		New project in preliminary conception	New project in conception				<b>"Alan Wake 3" publication</b> \$\$\$	\$\$\$	\$\$\$
				New project in conception				<b>"Control 3" publication</b> \$\$\$	\$\$\$
					New project in conception				<b>"Game X" publication</b> \$\$\$

Source: Inderes, \*Inderes' estimates of future projects

# Underlying assumptions for revenue estimates 1/2

## AW2 assumptions in the estimate model

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Average price (€)	60	55	55	55	50	45	40	40	40	40
Sales volume (millions of copies)	0.30	0.70	0.40	0.20	0.25	0.35	0.30	0.25	0.15	0.30
Project income (MEUR)	11	24	14	7	8	10	8	6	4	8
<b>Remedy's royalties (MEUR)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>1.9</b>	<b>3.8</b>	<b>3.1</b>	<b>1.9</b>	<b>3.8</b>
Cumulative copies sold (million)	0.3	1.0	1.4	1.6	1.9	2.2	2.5	2.8	2.9	3.2
Cumulative project income (MEUR)	11	35	49	56	64	74	81	87	91	99
<b>Remedy's cumulative royalties (MEUR)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>1.9</b>	<b>5.6</b>	<b>8.7</b>	<b>10.6</b>	<b>14.4</b>

## Current projects under development

### Control 2 (self-publication, 50% funded by Annapurna)

Marketing budget 15 MEUR

Production budget 50 MEUR

	2027	2028	2029
Sales volume (millions of copies)	1.8	2.2	1.1
Average price (€)	60	50	45

### Max Payne 1&2 (subcontracting)

Marketing budget 25 MEUR

Production budget 60 MEUR

Remedy's share of royalties 15%

	26-27	2028	2029
Sales volume (millions of copies)	4.1	1.5	1.2
Average price (€)	60	50	45

### FBC: Firebreak (self-publication)

Development + marketing 35 MEUR

Assumption: The game will generate around 1.5x the capital invested in the project by the end of 2028

Source: Inderes

## Assumptions of future game projects

### "Alan Wake 3" (self-publication)

Marketing budget 20 MEUR

	2029	2030	2031
Sales volume (millions of copies)	1.5	1.8	1.2
Average price (€)	60	55	50

### "Control 3" (self-publication)

Marketing budget 20 MEUR

	2030	2031	2032
Sales volume (millions of copies)	1.7	2.2	1.3
Average price (€)	60	55	50

Underlying assumptions for the calculation

- Value added tax 20%
- Distribution cost 25%
- Budget (production+marketing) 70 MEUR

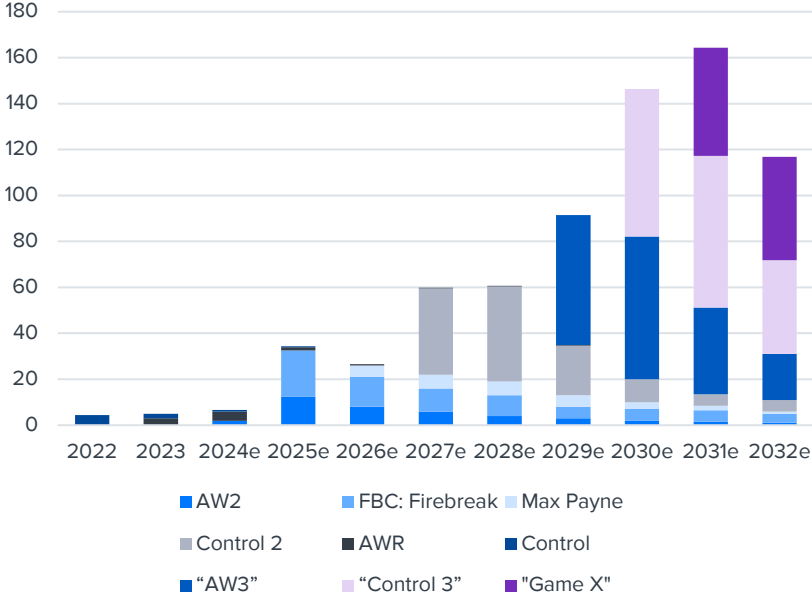
→ AW2 needs to sell around 2 million copies under these assumptions to cover the production and marketing costs funded by Epic and to start generating royalties for Remedy.

Underlying assumptions for the calculation

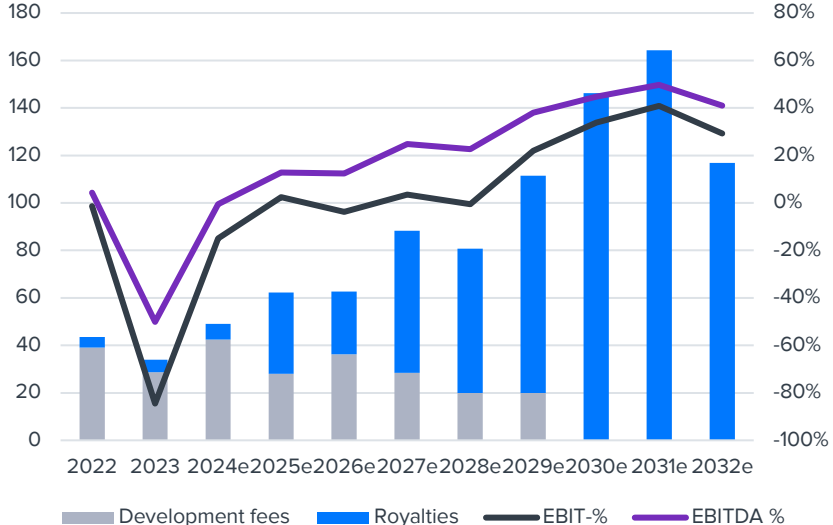
- Value added tax 20%
- Distribution cost 25%
- We expect Remedy to be able with its current organization (with assumed increase in costs) to start and self-publish the next game projects

# Underlying assumptions for revenue estimates 2/2

Assumptions on royalties per game (EUR)



Revenue and profitability



Source: Inderes



# Remedy's game projects and partners



**Control**

Released  
Q3'19

Budget  
~30 MEUR

45%<sup>4</sup>

45%<sup>4</sup>



**FBC: Firebreak**

Production

Budget  
~30 MEUR

100%

100%



**Control 2**

Production  
readiness

Budget  
~50 MEUR

50%

60-75%<sup>5</sup>



**Alan Wake  
Remastered**

Released  
Q4'21

Budget  
~8 MEUR<sup>1</sup>



**Alan Wake 2**

Released  
Q3'23

Budget  
~60 MEUR<sup>1</sup>

0%<sup>3</sup>

50%



**Max Payne  
1&2 remake**

Production

Budget  
~60 MEUR<sup>1</sup>

0%

10-30%<sup>1</sup>



Remedy's  
share of the  
production  
budget:

Remedy's share  
of revenue:

Recoup<sup>2</sup> before  
the royalties to  
Remedy?

Source: Inderes, <sup>1</sup> Inderes' rough estimates of the production budgets and profit splits.

<sup>2</sup> The production and marketing budget financed by the distributor must be recouped in whole or in part before royalties accrue to Remedy.

<sup>3</sup> Remedy also provided some funding for Alan Wake 2 towards the end of production to ensure the game's high quality.

<sup>4</sup> Old publishing agreement with 505 Games, as of 2025 Remedy's share of royalties 100%

<sup>5</sup> Remedy will be the publisher of the game and will be responsible for marketing costs, thus getting a bigger share of the game sales.  
The game's revenue will be split equally until the game's production budget is recouped.

# Gauging Remedy's long-term potential

## Share price in different scenarios

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		21.3	26.3	31.3	36.3	41.3
30%		25.3	31.3	37.3	43.3	49.3
35%		29.3	36.3	43.3	50.3	57.3
40%		33.3	41.3	49.3	57.3	65.3

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		28.0	34.7	41.3	48.0	54.7
30%		33.3	41.3	49.3	57.3	65.3
35%		38.7	48.0	57.3	66.7	76.0
40%		44.0	54.7	65.3	76.0	86.7

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		34.7	43.0	51.3	59.7	68.0
30%		41.3	51.3	61.3	71.3	81.3
35%		48.0	59.7	71.3	83.0	94.7
40%		54.7	68.0	81.3	94.7	108.0

## Annual expected return 2030

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		9%	12%	16%	18%	21%
30%		12%	16%	19%	22%	25%
35%		14%	18%	22%	25%	28%
40%		17%	21%	25%	28%	30%

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		14%	18%	21%	24%	27%
30%		17%	21%	25%	28%	30%
35%		20%	24%	28%	31%	34%
40%		22%	27%	30%	34%	37%

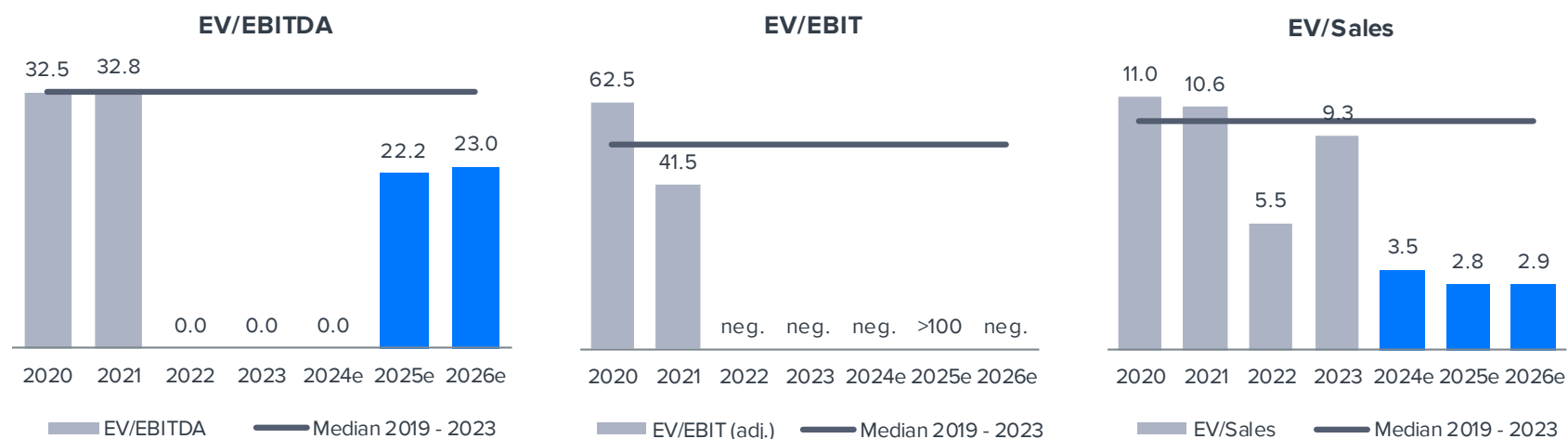
		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		18%	22%	25%	28%	31%
30%		21%	25%	29%	32%	35%
35%		24%	28%	32%	36%	39%
40%		27%	31%	35%	39%	42%

- The scenarios aim to illustrate the expected return on Remedy's share if the company achieves a revenue of EUR 100-200 million with an EBIT margin of 25-40% by 2030.
- If the company's game projects perform very well, we see the revenue and profitability potential to reach these levels.
- The scenarios assume Remedy's net cash to be 20 MEUR and number of shares to be 15 million (accounting for the dilution of stock option schemes and convertible bond).
- In terms of valuation multiples, we believe that an EV/EBIT multiple of 12x would reflect a scenario where Remedy's future growth outlook would be weak, good at 16x and excellent at 20x.

# Valuation table

Valuation	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	39.0	39.7	21.9	25.4	12.9	12.9	12.9	12.9
Number of shares, millions	12.1	13.1	13.4	13.5	13.6	13.7	13.8	13.9
Market cap	471	528	294	343	175	176	178	179
EV	453	473	241	316	169	177	179	171
P/E (adj.)	87.0	59.0	neg.	neg.	neg.	>100	neg.	74.6
P/E	87.0	59.0	neg.	neg.	neg.	>100	neg.	74.6
P/B	13.0	6.0	3.3	5.1	2.8	2.8	2.9	2.8
P/S	11.5	11.8	6.7	10.1	3.6	2.8	2.8	2.0
EV/Sales	11.0	10.6	5.5	9.3	3.5	2.8	2.9	1.9
EV/EBITDA	32.5	32.8	>100	neg.	neg.	22.2	23.0	7.8
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	neg.	>100	neg.	55.1
Payout ratio (%)	36.2 %	25.7 %	neg.	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.4 %	0.4 %	0.5 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%	
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Frontier Developments	105	95			3.2	2.8	0.9	0.9	-14%	0%	-29%	-4%
Embracer	3215	4484	7.2	9.8	4.7	5.1	1.2	1.3	15%	-9%	17%	14%
Starbreeze	22	4			0.6	6.2	0.3	1.2	-71%	-24%	-124%	-52%
CD Projekt	3617	3403	55.9	95.6	37.8	63.1	17.5	21.7	-28%	-19%	31%	23%
Paradox Interactive	1665	1569	31.6	21.2	13.9	9.9	8.7	6.7	-16%	30%	28%	31%
Team17	344	283	6.6	6.2	5.7	5.5	1.5	1.4	9%	3%	22%	23%
Playway	426	371	13.9	12.4	13.7	12.1	5.5	5.1	-5%	7%	40%	42%
11 Bit Studios	139	132	4.6	4.3	3.7	3.3	2.4	2.3	287%	3%	51%	54%
Enad Global 7	101	89	5.4	4.0	3.0	2.0	0.6	0.5	-16%	17%	11%	12%
Thunderful Group	5		0.1	0.6	3.0				-90%	5%	-205%	-24%
Tinybuild	25	17				8.2	0.4	0.4	-9%	8%	-15%	-3%
Cl Games	62	70			4.7	11.7	3.7	5.2	-64%	-30%	-6%	-24%
Electronic Arts	40681	40038	18.3	17.0	16.4	15.4	5.6	5.5	6%	2%	31%	32%
Take-Two Interactive	30384	32671	61.5	54.0	50.5	44.7	6.5	6.1	1%	6%	11%	11%
Ubisoft	1738	3147	8.8	2384.1	3.5	4.0	1.4	1.6	11%	-8%	16%	0%
<b>Remedy (Inderes)</b>	<b>175</b>	<b>169</b>	<b>-23.7</b>	<b>118.2</b>	<b>-1244.3</b>	<b>22.2</b>	<b>3.5</b>	<b>2.8</b>	<b>43%</b>	<b>28%</b>	<b>-15%</b>	<b>2%</b>
<b>Average</b>			<b>19.4</b>	<b>237.2</b>	<b>11.7</b>	<b>13.9</b>	<b>4.0</b>	<b>4.3</b>	<b>1%</b>	<b>-1%</b>	<b>-8%</b>	<b>8%</b>
<b>Median</b>			<b>8.8</b>	<b>12.4</b>	<b>4.7</b>	<b>7.2</b>	<b>1.9</b>	<b>1.9</b>	<b>-7%</b>	<b>3%</b>	<b>14%</b>	<b>12%</b>
<b>Diff-% to median</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>208%</b>	<b>80%</b>	<b>47%</b>				

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>43.6</b>	<b>6.9</b>	<b>8.9</b>	<b>7.8</b>	<b>10.3</b>	<b>33.9</b>	<b>10.8</b>	<b>10.3</b>	<b>17.9</b>	<b>9.6</b>	<b>48.6</b>	<b>62.3</b>	<b>62.7</b>	<b>88.3</b>
Development fees	39.1	6.4	7.9	6.7	7.6	28.8	9.0	9.4	17.0	7.0	42.4	28.0	36.2	28.5
Royalties	4.5	0.5	1.0	1.1	2.7	5.2	1.8	0.9	0.8	2.6	6.2	34.3	26.5	59.8
<b>EBITDA</b>	<b>1.9</b>	<b>-4.9</b>	<b>-4.0</b>	<b>-4.2</b>	<b>-3.9</b>	<b>-17.0</b>	<b>-1.2</b>	<b>-2.4</b>	<b>6.7</b>	<b>-3.2</b>	<b>-0.1</b>	<b>8.0</b>	<b>7.8</b>	<b>22.0</b>
Depreciation	-2.5	-0.7	-0.8	-1.3	-8.9	-11.7	-0.9	-0.9	-4.3	-1.0	-7.0	-6.5	-10.1	-18.9
<b>EBIT (excl. NRI)</b>	<b>-0.6</b>	<b>-5.6</b>	<b>-4.8</b>	<b>-5.5</b>	<b>-12.7</b>	<b>-28.6</b>	<b>-2.1</b>	<b>-3.2</b>	<b>2.4</b>	<b>-4.2</b>	<b>-7.1</b>	<b>1.5</b>	<b>-2.4</b>	<b>3.1</b>
<b>EBIT</b>	<b>-0.6</b>	<b>-5.6</b>	<b>-4.8</b>	<b>-5.5</b>	<b>-12.7</b>	<b>-28.6</b>	<b>-2.1</b>	<b>-3.2</b>	<b>2.4</b>	<b>-4.2</b>	<b>-7.1</b>	<b>1.5</b>	<b>-2.4</b>	<b>3.1</b>
Net financial items	-0.6	0.0	0.4	0.0	0.7	1.1	0.1	0.3	0.0	0.1	0.5	0.0	0.0	-0.1
<b>PTP</b>	<b>-1.2</b>	<b>-5.6</b>	<b>-4.4</b>	<b>-5.5</b>	<b>-12.0</b>	<b>-27.5</b>	<b>-2.0</b>	<b>-2.9</b>	<b>2.4</b>	<b>-4.1</b>	<b>-6.7</b>	<b>1.5</b>	<b>-2.4</b>	<b>3.0</b>
Taxes	-0.5	0.0	1.7	1.1	2.1	4.9	0.0	0.7	-0.5	0.8	1.0	-0.3	0.5	-0.6
<b>Net earnings</b>	<b>-1.7</b>	<b>-5.6</b>	<b>-2.7</b>	<b>-4.4</b>	<b>-9.9</b>	<b>-22.7</b>	<b>-2.0</b>	<b>-2.2</b>	<b>1.9</b>	<b>-3.3</b>	<b>-5.6</b>	<b>1.2</b>	<b>-1.9</b>	<b>2.4</b>
<b>EPS (adj.)</b>	<b>-0.13</b>	<b>-0.42</b>	<b>-0.20</b>	<b>-0.33</b>	<b>-0.74</b>	<b>-1.68</b>	<b>-0.15</b>	<b>-0.16</b>	<b>0.14</b>	<b>-0.24</b>	<b>-0.41</b>	<b>0.09</b>	<b>-0.14</b>	<b>0.17</b>
<b>EPS (rep.)</b>	<b>-0.13</b>	<b>-0.42</b>	<b>-0.20</b>	<b>-0.33</b>	<b>-0.74</b>	<b>-1.68</b>	<b>-0.15</b>	<b>-0.16</b>	<b>0.14</b>	<b>-0.24</b>	<b>-0.41</b>	<b>0.09</b>	<b>-0.14</b>	<b>0.17</b>
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	-2.5 %	-45.4 %	-5.3 %	-1.1 %	-24.4 %	-22.2 %	56.2 %	16.2 %	128.5 %	-7.1 %	43.2 %	28.3 %	0.6 %	40.8 %
<b>EBITDA-%</b>	4.4 %	-71.6 %	-44.7 %	-53.4 %	-37.4 %	-50.0 %	-11.2 %	-22.7 %	37.3 %	-33.8 %	-0.3 %	12.8 %	12.4 %	24.9 %
<b>Adjusted EBIT-%</b>	-1.3 %	-81.0 %	-53.7 %	-70.5 %	-123.6 %	-84.4 %	-19.3 %	-31.0 %	13.4 %	-44.3 %	-14.7 %	2.4 %	-3.8 %	3.5 %
<b>Net earnings-%</b>	-4.0 %	-81.6 %	-30.0 %	-56.7 %	-96.3 %	-66.8 %	-18.5 %	-21.4 %	10.6 %	-34.6 %	-11.6 %	1.9 %	-3.0 %	2.7 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>28.4</b>	<b>31.9</b>	<b>52.8</b>	<b>57.3</b>	<b>58.1</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	23.3	19.3	41.0	46.5	48.2
Tangible assets	4.3	6.5	5.8	4.8	3.9
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	0.8	1.0	1.0	1.0	1.0
Deferred tax assets	0.0	5.0	5.0	5.0	5.0
<b>Current assets</b>	<b>71.2</b>	<b>47.4</b>	<b>38.5</b>	<b>32.6</b>	<b>29.6</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	15.3	17.0	14.6	16.2	13.8
Cash and equivalents	55.9	30.4	24.0	16.4	15.8
<b>Balance sheet total</b>	<b>99.6</b>	<b>79.3</b>	<b>91.3</b>	<b>89.9</b>	<b>87.7</b>

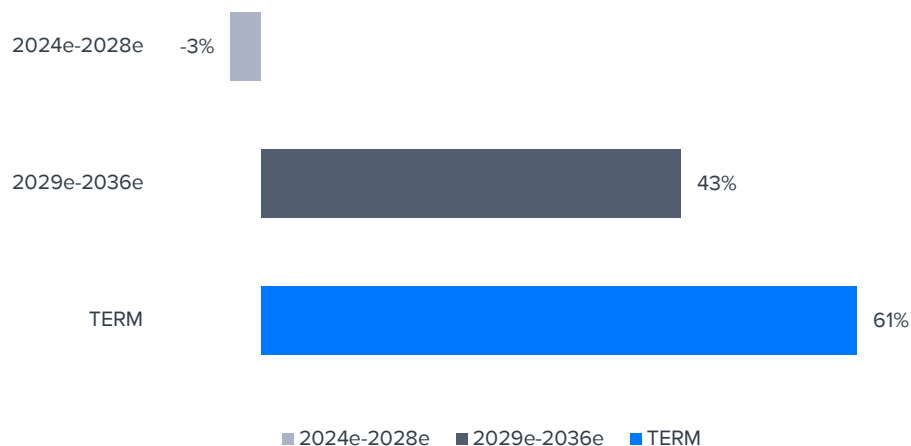
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>88.4</b>	<b>67.8</b>	<b>62.1</b>	<b>63.3</b>	<b>61.4</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.1	9.8	4.2	5.4	3.5
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	57.1	57.8	57.8	57.8	57.8
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>1.1</b>	<b>1.5</b>	<b>17.7</b>	<b>17.0</b>	<b>17.0</b>
Deferred tax liabilities	0.0	0.1	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	1.1	1.4	17.7	17.0	17.0
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>10.1</b>	<b>10.0</b>	<b>11.5</b>	<b>9.5</b>	<b>9.3</b>
Interest bearing debt	1.8	2.2	0.2	0.2	0.2
Payables	8.2	7.8	7.3	9.3	9.1
Other current liabilities	0.0	0.0	4.0	0.0	0.0
<b>Balance sheet total</b>	<b>99.6</b>	<b>79.3</b>	<b>91.3</b>	<b>89.9</b>	<b>87.7</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	TERM
Revenue growth-%	-22.2%	43.2%	28.3%	0.6%	40.8%	-8.6%	38.2%	31.2%	12.3%	-28.9%	3.0%	12.0%	3.0%	3.0%	3.0%
EBIT-%	-84.4%	-14.7%	2.4%	-3.8%	3.5%	-0.5%	22.0%	33.8%	40.9%	29.2%	32.0%	35.0%	33.0%	33.0%	33.0%
<b>EBIT (operating profit)</b>	<b>-28.6</b>	<b>-7.1</b>	<b>1.5</b>	<b>-2.4</b>	<b>3.1</b>	<b>-0.4</b>	<b>24.6</b>	<b>49.5</b>	<b>67.2</b>	<b>34.2</b>	<b>38.5</b>	<b>47.2</b>	<b>45.8</b>	<b>47.2</b>	
+ Depreciation	11.7	7.0	6.5	10.1	18.9	18.7	17.9	16.0	14.5	13.8	13.4	13.2	13.1	13.1	
- Paid taxes	0.0	0.9	-0.3	0.5	-0.6	0.1	-4.9	-9.9	-13.4	-6.8	-7.7	-9.4	-9.1	-9.4	
- Tax, financial expenses	0.2	0.1	0.0	0.0	0.0	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	0.0	0.0	0.0	
- Change in working capital	-2.1	5.9	-3.6	2.2	-0.6	1.3	-1.0	-0.8	2.6	1.0	-0.1	-0.3	-0.1	-0.1	
<b>Operating cash flow</b>	<b>-18.9</b>	<b>6.8</b>	<b>4.1</b>	<b>10.4</b>	<b>20.7</b>	<b>19.7</b>	<b>36.5</b>	<b>54.8</b>	<b>70.9</b>	<b>42.1</b>	<b>44.1</b>	<b>50.6</b>	<b>49.7</b>	<b>50.7</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	0.0	0.0	0.0	
- Gross CAPEX	-10.1	-27.9	-11.0	-11.0	-11.0	-12.0	-13.0	-13.0	-13.0	-13.0	-13.0	-13.0	-13.0	-13.0	
<b>Free operating cash flow</b>	<b>-29.0</b>	<b>-21.1</b>	<b>-6.9</b>	<b>-0.6</b>	<b>9.7</b>	<b>7.7</b>	<b>23.5</b>	<b>41.8</b>	<b>57.9</b>	<b>29.1</b>	<b>31.1</b>	<b>37.6</b>	<b>36.7</b>	<b>37.7</b>	
+/- Other	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-29.0	-16.1	-6.9	-0.6	9.7	7.7	23.5	41.8	57.9	29.1	31.1	37.6	36.7	37.7	
<b>Discounted FCFF</b>		<b>-15.9</b>	<b>-6.2</b>	<b>-0.5</b>	<b>7.3</b>	<b>5.3</b>	<b>14.7</b>	<b>23.9</b>	<b>30.1</b>	<b>13.8</b>	<b>13.5</b>	<b>14.9</b>	<b>13.2</b>	<b>12.4</b>	<b>194</b>
Sum of FCFF present value		320	336	343	343	336	331	316	292	262	248	234	220	206	194
<b>Enterprise value DCF</b>		<b>320</b>													
- Interest bearing debt		-3.7													
+ Cash and cash equivalents		30.4													
-Minorities		0.0													
-Dividend/capital return		0.0													
<b>Equity value DCF</b>		<b>347</b>													
<b>Equity value DCF per share</b>		<b>25.6</b>													

## Cash flow distribution



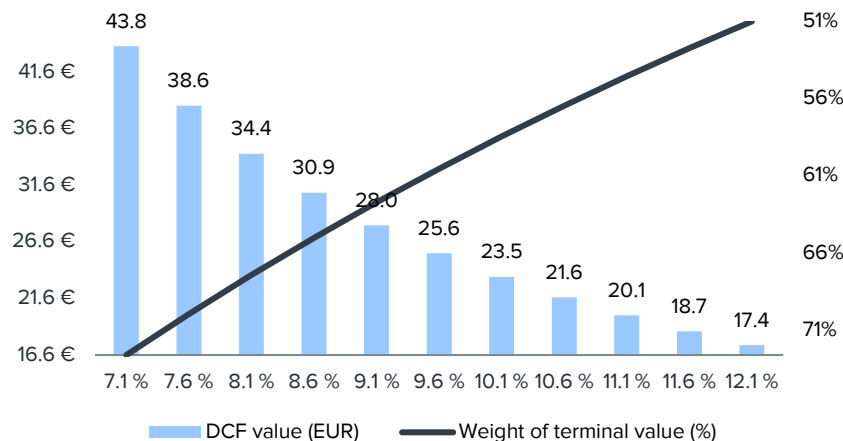
## WACC

Tax-% (WACC)	20.0%
Target debt ratio (D/(D+E))	0.0%
Cost of debt	5.0%
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5%
<b>Cost of equity</b>	<b>9.6%</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.6%</b>

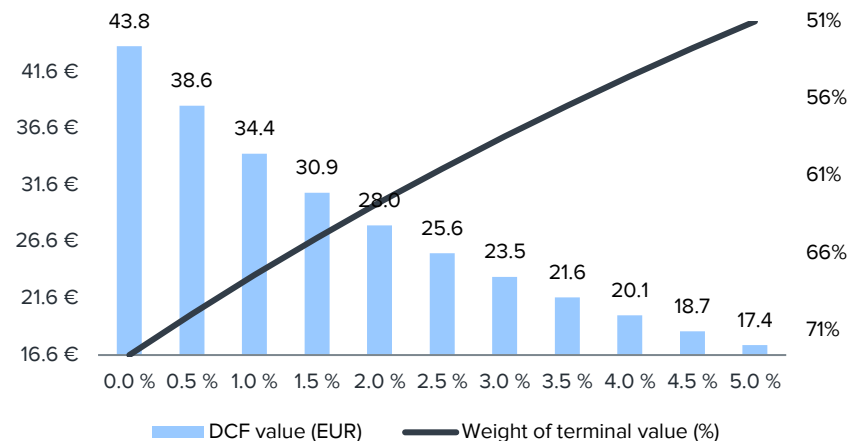
Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs

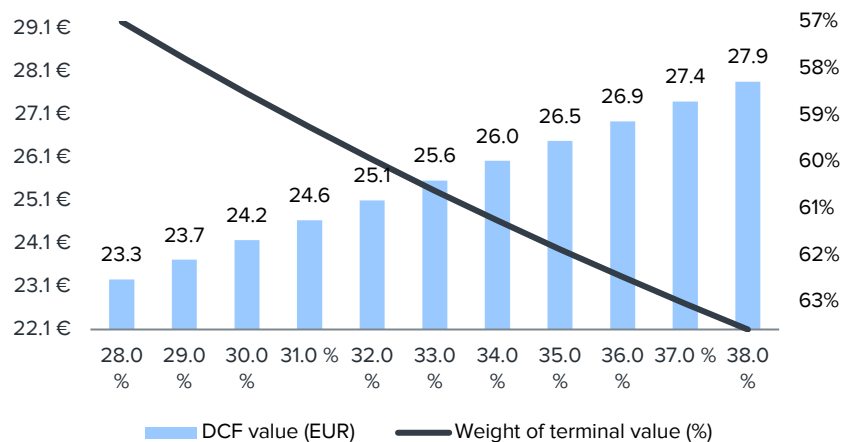
Sensitivity of DCF to changes in the WACC-%



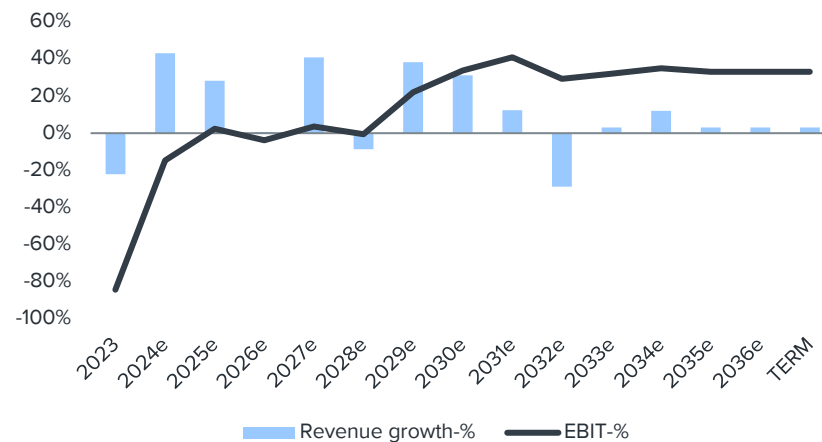
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.



# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	44.7	43.6	33.9	48.6	62.3	EPS (reported)	0.67	-0.13	-1.68	-0.41	0.09
EBITDA	14.5	1.9	-17.0	-0.1	8.0	EPS (adj.)	0.67	-0.13	-1.68	-0.41	0.09
EBIT	11.4	-0.6	-28.6	-7.1	1.5	OCF / share	0.30	0.51	-1.40	0.50	0.30
PTP	11.3	-1.2	-27.5	-6.7	1.5	FCF / share	-0.44	-0.29	-2.15	-1.19	-0.50
Net Income	8.8	-1.7	-22.7	-5.6	1.2	Book value / share	6.69	6.57	5.02	4.57	4.63
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.17	0.10	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	101.1	99.6	79.3	91.3	89.9	Revenue growth-%	9%	-3%	-22%	43%	28%
Equity capital	87.4	88.4	67.8	62.1	63.3	EBITDA growth-%	4%	-87%	-990%	-99%	-5984%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	57%	-105%	4985%	-75%	-121%
Net debt	-54.7	-52.9	-26.8	-6.1	0.8	EPS (adj.) growth-%	50%	-119%	1209%	-75%	-121%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	32.3 %	4.4 %	-50.0 %	-0.3 %	12.8 %
EBITDA	14.5	1.9	-17.0	-0.1	8.0	EBIT (adj.)-%	25.5 %	-1.3 %	-84.4 %	-14.7 %	2.4 %
Change in working capital	-7.7	5.6	-2.1	5.9	-3.6	EBIT-%	25.5 %	-1.3 %	-84.4 %	-14.7 %	2.4 %
Operating cash flow	4.0	6.8	-18.9	6.8	4.1	ROE-%	14.2 %	-2.0 %	-29.0 %	-8.7 %	1.9 %
CAPEX	-9.8	-10.8	-10.1	-27.9	-11.0	ROI-%	17.1 %	-0.6 %	-35.2 %	-9.4 %	1.9 %
Free cash flow	-5.8	-4.0	-29.0	-16.1	-6.9	Equity ratio	86.4 %	88.8 %	85.5 %	68.0 %	70.5 %
						Gearing	-62.5 %	-59.8 %	-39.5 %	-9.8 %	1.3 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	10.6	5.5	9.3	3.5	2.8						
EV/EBITDA	32.8	>100	neg.	neg.	22.2						
EV/EBIT (adj.)	41.5	neg.	neg.	neg.	>100						
P/E (adj.)	59.0	neg.	neg.	neg.	>100						
P/B	6.0	3.3	5.1	2.8	2.8						
Dividend-%	0.4 %	0.5 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

# Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/15/2022	Accumulate	26.00 €	22.15 €
10/31/2022	Buy	25.00 €	18.14 €
12/27/2022	Accumulate	25.00 €	21.50 €
2/13/2023	Accumulate	25.00 €	22.70 €
4/19/2023	Accumulate	25.00 €	24.20 €
4/27/2023	Accumulate	25.00 €	23.10 €
6/12/2023	Reduce	25.00 €	26.10 €
8/14/2023	Reduce	25.00 €	25.55 €
9/14/2023	Reduce	24.00 €	22.50 €
10/27/2023	Accumulate	30.00 €	27.00 €
11/1/2023	Accumulate	30.00 €	27.95 €
11/16/2023	Reduce	29.00 €	28.85 €
2/7/2024	Reduce	21.00 €	21.60 €
2/13/2024	Accumulate	21.00 €	17.62 €
2/19/2024	Accumulate	19.00 €	17.02 €
3/21/2024	Accumulate	19.00 €	16.70 €
4/30/2024	Accumulate	20.00 €	19.20 €
8/12/2024	Accumulate	20.00 €	17.20 €
9/5/2024	Accumulate	21.00 €	17.50 €
11/4/2024	Accumulate	19.00 €	15.32 €
11/20/2024	Buy	19.00 €	12.90 €



**Inderes democratizes investor information by connecting investors and listed companies.**

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

**Inderes Oyj**

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE  
ANALYST AWARDS  
FROM REFINITIV**



THOMSON REUTERS  
ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020

**Connecting investors  
and listed companies.**