

Remedy

Company report

04/27/2023



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

✓ Inderes corporate customer

This report is a summary translation of the report “Jännitys tiivistyy ennen AW2:n julkaisua” published on 04/27/2023 at 6:55 am.

inde
res.

Excitement builds ahead of AW2 release

We reiterate our EUR 25.0 target price and Accumulate recommendation for Remedy. The company's Q1 figures were weak as expected, with the company's 5 game projects in development this year mainly showing up as costs in the income statement. However, the company's investment story is about to enter an interesting phase with the release of Alan Wake 2 at the end of the year, which will also be a key short-term driver for the stock. At the current valuation, we continue to take a cautiously positive view towards the game's release.

As expected, the Q1 result was clearly in the red

Remedy's Q1 revenue decreased by 45% to EUR 6.9 million and the operating result turned into a loss of -5.6 MEUR, which were broadly in line with our expectations. As expected, due to timing factors, the early part of the year saw only few development fees. The company is still clearly in the investment phase this year, with five game projects under development. Thus, as expected, Remedy reiterated this year its guidance of lower revenue and a loss-making result.

Traditional AAA projects are progressing well

Alan Wake 2 is progressing steadily towards release, which we expect to happen at the end of Q3. The game is entering its final phase, which will gradually free up resources for other projects towards the end of the year. Development of Control 2 is well underway, and the game has been in proof-of-concept phase (POC) since January. Similarly, the Max Payne project is progressing well, and the game has also entered the POC phase early this year. In particular, these projects are waiting for people to be freed up from AW2.

Multiplayer projects the biggest question mark in the investment story

As far as multiplayer projects are concerned, Condor has continued its steady progress in the POC phase, according to Remedy. Vanguard is also still in the POC phase, but new key hires at the end of last year have given the project a boost. All in all, multiplayer projects seem to still require work before they move forward in the production pipeline. However, it's also worth remembering that the POC phase of a service-based game is typically longer than that of a traditional AAA game due to, e.g., the need to plan post-launch live operations in advance. Game testing and proofing the concept also requires much more holistic game development already at the POC stage. That way, when the pieces finally fall into place, the actual production phase can then proceed quite quickly. At this point, however, Remedy's first multiplayer projects are the biggest question mark in the company's investment story, although their potential is also significant in a good scenario. Our estimates for the coming years are broadly unchanged, but we revised Vanguard's royalty expectations to be a notch more conservative, which was reflected in lower earnings estimates for 2026-2027.

We approach the launch of AW2 with a cautiously positive outlook

In our estimates, Remedy's royalty income from existing game projects is significantly weighted towards the years 2026-2027, when we expect a significant level increase in the company's revenue (88.5 and 84.3 MEUR) and earnings (EBIT: 22.7-17.1 MEUR). With our estimates of reasonably successful game releases, the share's EV/EBIT ratios will be 11x-14x and corresponding EV/EBITDA ratios of around 8x. We consider these levels to be reasonable, as we expect Remedy's growth prospects to be good beyond that point if the game releases are successful. On top of this, the investor gets an option on hit games that perform better than our estimates, although the uncertainty associated with multiplayer projects partly tips the risk/reward balance in the other direction. The estimates for the next few years don't provide material support for Remedy's valuation, so investors need to be patient and play the long game.

Recommendation

Accumulate
(previous Accumulate)

EUR 25.00
(previous EUR 25.00)

Share price:
23.10



Key figures

	2022	2023e	2024e	2025e
Revenue	43.6	36.3	62.1	66.1
growth-%	-3%	-17%	71%	6%
EBIT adj.	-0.6	-11.8	6.8	8.7
EBIT-% adj.	-1.3 %	-32.4 %	11.0 %	13.1 %
Net Income	-1.7	-11.9	5.4	6.8
EPS (adj.)	-0.13	-0.88	0.40	0.50

P/E (adj.)	neg.	neg.	58.2	46.1
P/B	3.3	4.1	4.0	3.8
Dividend yield-%	0.5 %	0.4 %	0.7 %	0.7 %
EV/EBIT (adj.)	neg.	neg.	40.4	31.6
EV/EBITDA	>100	neg.	19.6	16.7
EV/S	5.5	7.6	4.4	4.1

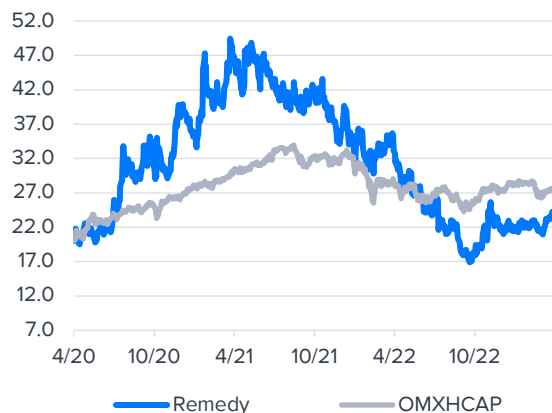
Source: Inderes

Guidance

(Unchanged)

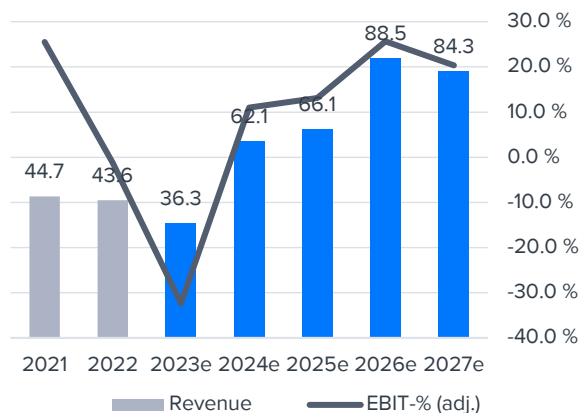
"Remedy expects its revenue to decline from the previous year and its operating result to be negative."

Share price



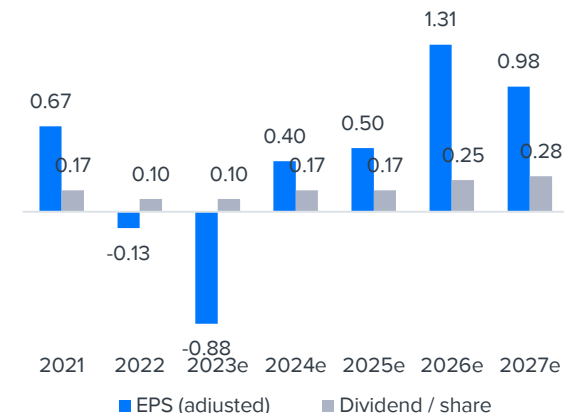
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Attractive position in value chain considering industry trends and consolidation
- 5 major game projects are being developed with strong partners
- 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

- Commercial failure of upcoming games
- Game projects being delayed
- Dependency on publishing partners
- Fierce competition for top talent in the gaming industry
- Technology and market trends

Valuation	2023e	2024e	2025e
Share price	23.1	23.1	23.1
Number of shares, millions	13.5	13.6	13.7
Market cap	311	313	315
EV	276	276	273
P/E (adj.)	neg.	58.2	46.1
P/E	neg.	58.2	46.1
P/FCF	neg.	85.2	45.6
P/B	4.1	4.0	3.8
P/S	8.6	5.0	4.8
EV/Sales	7.6	4.4	4.1
EV/EBITDA	neg.	19.6	16.7
EV/EBIT (adj.)	neg.	40.4	31.6
Payout ratio (%)	neg.	43%	33.9%
Dividend yield-%	0.4%	0.7%	0.7%

Source: Inderes

The Q1 result was clearly in the red as expected

As expected, the early part of the year saw few development fees

Remedy's Q1 revenue decreased by 45% to EUR 6.9 million and slightly exceeded our estimate of EUR 6.5 million. As expected, due to timing factors, the early part of the year saw few development fees. We think this is due to, among other things, Alan Wake 2, which has been transitioning to the final stages of development during the first part of the year before the game's release. For the other projects, we estimate that development fees were also relatively low at the beginning of the year but will increase towards the end of the year as AW2 frees up resources. We expect that around 80 people are freed up from AW2 during the current year, and Remedy will continue to make targeted recruitments in the future.

Royalty income for the quarter was EUR 0.5 million, above our estimate of EUR 0.3 million. We understand that almost all of the royalties came from

Control, and as expected, Alan Wake Remastered hasn't yet generated royalties in the early part of the year. AWR has the potential to start generating small royalties towards the end of the year as the marketing of Alan Wake 2 gives the game a boost.

Q1 losses in line with our expectations

In Q1, Remedy's operating profit was EUR -5.6 million (Q1'22: 2.8 MEUR), and thus in line with our estimate of EUR -5.4 million. As expected, increased investments in game projects under development were reflected in a higher cost structure, while at the same time there was little revenue in the quarter. All in all, 2023 will still be a clear investment year for Remedy, with no miracles expected from the company's earnings due to low royalty income, increasing recruitment, external game development and other cost increases.

At the EPS level (Q1'23: -0.42 EUR vs. estimated -0.32 EUR), we had assumed that Remedy's loss-

making result would lead to a positive tax write-off in the income statement. We understand that taxes in the income statement were close to zero, which explains the estimate deviation at the EPS level.

Remedy has a very strong balance sheet, which allows it to invest well in the promotion of gaming projects. Cash and financial securities totaled almost EUR 50 million at the end of Q1, and the company has virtually no interest-bearing debt, excluding the small Business Finland product development loan and IFRS16 lease liabilities.

Estimates MEUR / EUR	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	12.7	6.9	6.5				6%	36.3
EBITDA	3.3	-4.9	-4.7				4%	-8.8
EBIT (adj.)	2.8	-5.6	-5.4				5%	-11.8
EPS (reported)	0.16	-0.42	-0.32				32%	-0.88
Revenue growth-%	55.9 %	-45.4 %	-48.6 %				3.2 pp	-2.5 %
EBIT-% (adj.)	21.8 %	-81.0 %	-82.3 %				1.3 pp	-32.4 %

Lähde: Inderes

Big picture unchanged - earnings expectations weighted towards 2025-2027

Still in the investment phase this year

As expected, Remedy reiterated its outlook for 2023, predicting a decline in revenue and a loss-making operating result. Based on the report, we only fine-tuned our estimates for the coming years. However, we revised our assumptions on Vanguard royalties to be a bit more conservative, reflecting the game's somewhat unclear progress in the production pipeline. As a result, earnings estimates for 2026-2027 were lowered.

However, the big picture is unchanged, and Remedy's earnings potential will be properly examined once the current projects have been released. With royalties now mostly scheduled for 2025-2027 in our estimates, investors will need to be patient while waiting for the results. Of course, the potential of projects can be judged a little faster than that, based on how they are received by players and critics immediately after release.

Estimates for 2023-2027

We have outlined Remedy's revenue drivers and game-specific expectations for the coming years on

the following pages. The development fees of the games currently under development create a solid base for revenue estimates, but the visibility to royalty forecasts is weak. Overall, our estimates expect Remedy to do reasonably well with its upcoming games. We also see potential for the games to perform significantly better in a good scenario, but overall, the range of final outcomes at project level is wide.

In 2023, we forecast revenue to fall by 17% and with low royalty revenues, increasing recruitment, external game development and rising other costs, we expect EBIT to fall to a loss of -EUR 11.8 million. We expect that Alan Wake 2 to be released in late 2023 will not start generating royalties until 2024 once the production and marketing budget financed by Epic has been covered. We expect the staff freed up from AW2 to gradually move to Remedy's other game projects towards the end of the year, at which point the development fees from these projects will also go up.

In 2024, we estimate that Remedy's revenue will grow by 71% to EUR 62.1 million and EBIT to be EUR

6.8 million mainly driven by royalties from Alan Wake 2. At this point, we also estimate that development fees from all projects under development will increase as the projects progress.

In 2025 (revenue 66.1 MEUR and EBIT 8.7 MEUR), we expect royalties from Condor in H1 and Control 2 in H2, in addition to AW2. At that time, we also expect the company to launch new game projects, which could start generating revenue in the form of publishing contracts and development fees. The company may also finance some of its future projects entirely itself, which means there are no development fees, but the royalty potential is greater.

In 2026, we expect Vanguard to be released in H1 and Max Payne Remake in H2, with revenue otherwise coming from the same sources as the previous year. By 2027, all previously released projects will be generating a royalty stream and new projects are likely to be in development. In our estimates Remedy's 2026-2027 revenue rises to EUR 88.5-84.3 million and EBIT to EUR 22.7-17.1 million, corresponding to EBIT margins of 26 % and 20 %.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New		Old	New		Old	New	
MEUR / EUR			%			%			%
Revenue	35.6	36.3	2%	62.1	62.1	0%	66.1	66.1	0%
EBITDA	-8.2	-8.8	7%	13.9	14.0	1%	16.3	16.3	0%
EBIT (excl. NRIs)	-11.2	-11.8	5%	6.7	6.8	1%	8.7	8.7	0%
EBIT	-11.2	-11.8	5%	6.7	6.8	1%	8.7	8.7	0%
PTP	-11.3	-11.9	5%	6.6	6.7	2%	8.6	8.6	0%
EPS (excl. NRIs)	-0.67	-0.88	32%	0.39	0.40	2%	0.50	0.50	1%
DPS	0.10	0.10	0%	0.17	0.17	0%	0.17	0.17	0%

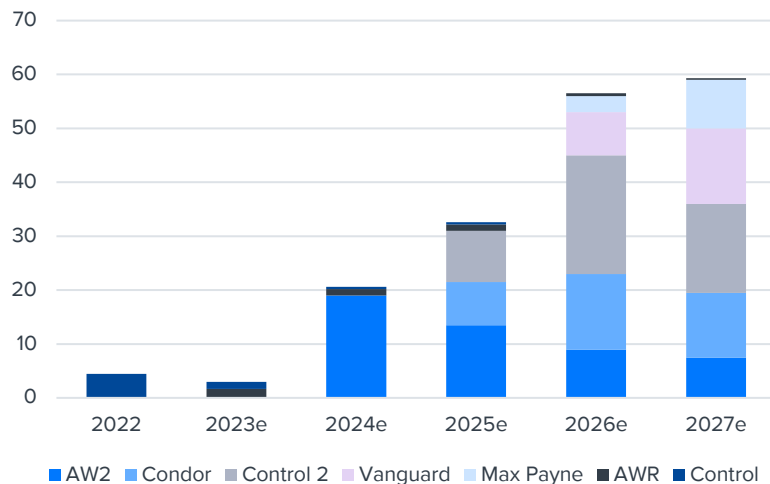
Strategy in light of game projects

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

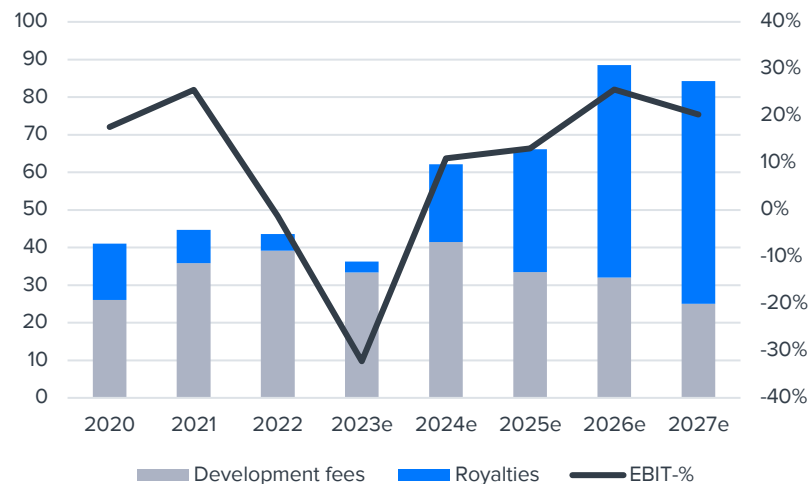
	2021	2022	2023	2024	2025	2026	2027
Crossfire	Development fees \$\$\$	Development fees \$	Possible small royalty stream from Crossfire HD -/\$				
Control	Royalties \$\$\$	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$		
Epic projects	Development fees and AWR release \$\$\$	Development fees \$\$\$	Alan Wake 2 release \$\$\$	Royalties \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$	Royalties \$\$
Vanguard	Release and development contract with Tencent \$\$\$	Development fees \$\$	Development fees \$\$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Release in H1 \$\$\$	Royalties \$\$\$
Condor	Development fees \$	Development fees \$\$	Development fees \$/\$\$	Development fees \$\$	Release in H1 \$\$\$	Royalties \$\$\$	Royalties \$\$\$
Control 2	Conceptualization	Release contract \$\$	Development fees \$\$	Development fees \$\$\$	Release in H2 \$\$/\$\$\$	Royalties \$\$\$	Royalties \$\$\$
Max Payne		Release contract \$\$	Development fees \$\$	Development fees \$\$\$	Development fees \$\$\$	Release in H2 \$\$\$	Royalties \$\$\$
Next game projects					Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$

Underlying assumptions for revenue estimates

Assumptions on royalties per game (EUR)



Revenue and profitability



AW2 assumptions

	Q3'23e	Q4'23e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	Q1'25e	Q2'25e	Q3'25e	Q4'25e
Average price (€)	60	50	50	40	40	40	40	40	40	40
Sales volume (millions of copies)	0.30	0.80	0.70	0.50	0.45	0.50	0.32	0.20	0.20	0.18
Project income (MEUR)	11	25	22	16	14	16	10	6	6	6
Remedy's royalties (MEUR)	0	0	0	4	7	8	5	3	3	2.5
Cumulative copies sold (million)	0.30	1.10	1.80	2.30	2.75	3.25	3.57	3.77	3.97	4.15
Cumulative project income (MEUR)	11	36	58	74	88	104	114	120	127	132
Remedy's royalties cumulatively (MEUR)		0	0	4	11	19	24	27	30	32.5

Source: Inderes

Underlying assumptions for the calculation

- Value added tax 20%
- Distribution cost 25%
- Budget (production+marketing) 66 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.

Remedy's game projects and partners



Control

Released
Q3'19

Budget
~30 MEUR

Remedy's share of
the budget: 45%
Remedy's share
of net sales: 45%

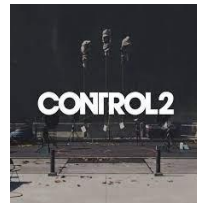


Condor

Proof-of-
concept

Budget
~25 MEUR

50%
50%



Control 2

Proof-of-
concept

Budget
~50 MEUR

50%
50%



**Alan Wake
Remastered**

Released
Q4'21

Budget**
~7 MEUR

0%
50%



Alan Wake II

Production

Budget**
~50 MEUR



Vanguard

Proof-of-
concept

Budget**
~45 MEUR

30%**
>50%**
(Western market)



**Max Payne
1&2 remake**

Proof-of-
concept

Budget**
~45 MEUR

0%
20-30%**



Rockstar Games

Valuation

Remedy's long-term potential is attractive

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 developer 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 risk/return 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. We have outlined the long-term potential of Remedy in different scenarios on the next page.

Towards the release of Alan Wake 2 with a cautiously positive outlook

We don't expect Remedy's share price to be materially supported by earnings multiples in the coming years, as investments in game projects under development will continue to depress earnings in the coming years, although royalty income from the first new projects will be seen in 2024-2025. In the short term, we believe that the tight valuation currently limits the upside for the stock, as rising interest rates and the changed market environment over the past year or so have reduced investors' patience to look several

years ahead for story stocks.

In our estimates, royalties from currently ongoing game projects take largely place in 2026-2027, when we expect the company's revenue and earnings go up a significant step. We forecast the stock's EV/EBIT multiples (11x-14x) and EV/EBITDA multiples (around 8x) to look reasonable then, as we expect Remedy's growth prospects to be remain good even after that, if the game releases are successful. We are particularly confident in the success of the traditional AAA game projects under development, whereas the multiplayer projects Condor and Vanguard are the biggest question marks at this point.

As Remedy's strategy continues to progress and game projects move up the production pipeline closer to release, we believe that at some point the company's share price will also begin to more strongly anticipate the company's long-term earnings potential. The exact timing of this is of course challenging, but in the short term a key driver will be the release of Alan Wake 2 later this year. We believe that the fundamentals are in place for the game to succeed, and we approach the release with a cautiously positive view at the current valuation of the stock. We'd like to remind that with Remedy, investors should continue to be prepared to tolerate large price swings, as in the short term, changes in expectations for future games can cause significant volatility in the stock

Valuation	2023e	2024e	2025e
Share price	23.1	23.1	23.1
Number of shares, millions	13.5	13.6	13.7
Market cap	311	313	315
EV	276	276	273
P/E (adj.)	neg.	58.2	46.1
P/E	neg.	58.2	46.1
P/FCF	neg.	85.2	45.6
P/B	4.1	4.0	3.8
P/S	8.6	5.0	4.8
EV/Sales	7.6	4.4	4.1
EV/EBITDA	neg.	19.6	16.7
EV/EBIT (adj.)	neg.	40.4	31.6
Payout ratio (%)	neg.	43%	33.9%
Dividend yield-%	0.4%	0.7%	0.7%

Source: Inderes

Gauging Remedy's long-term potential

Share price in different scenarios

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	25.0	30.4	35.7	41.1	46.4	
30%	29.3	35.7	42.1	48.6	55.0	
35%	33.6	41.1	48.6	56.1	63.6	
40%	37.9	46.4	55.0	63.6	72.1	

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	32.1	39.3	46.4	53.6	60.7	
30%	37.9	46.4	55.0	63.6	72.1	
35%	43.6	53.6	63.6	73.6	83.6	
40%	49.3	60.7	72.1	83.6	95.0	

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	39.3	48.2	57.1	66.1	75.0	
30%	46.4	57.1	67.9	78.6	89.3	
35%	53.6	66.1	78.6	91.1	103.6	
40%	60.7	75.0	89.3	103.6	117.9	

Annual return 2026

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	2%	8%	13%	17%	21%	
30%	7%	13%	18%	22%	27%	
35%	11%	17%	22%	27%	32%	
40%	14%	21%	27%	32%	36%	

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	9%	16%	21%	26%	30%	
30%	14%	21%	27%	32%	36%	
35%	19%	26%	32%	37%	42%	
40%	23%	30%	36%	42%	47%	

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	16%	22%	28%	33%	38%	
30%	21%	28%	34%	39%	44%	
35%	26%	33%	39%	45%	50%	
40%	30%	38%	44%	50%	56%	

Annual return 2028

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	1%	5%	8%	11%	13%	
30%	4%	8%	11%	14%	16%	
35%	7%	11%	14%	17%	19%	
40%	9%	13%	16%	19%	22%	

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	6%	10%	13%	16%	19%	
30%	9%	13%	16%	19%	22%	
35%	12%	16%	19%	23%	25%	
40%	14%	19%	22%	25%	28%	

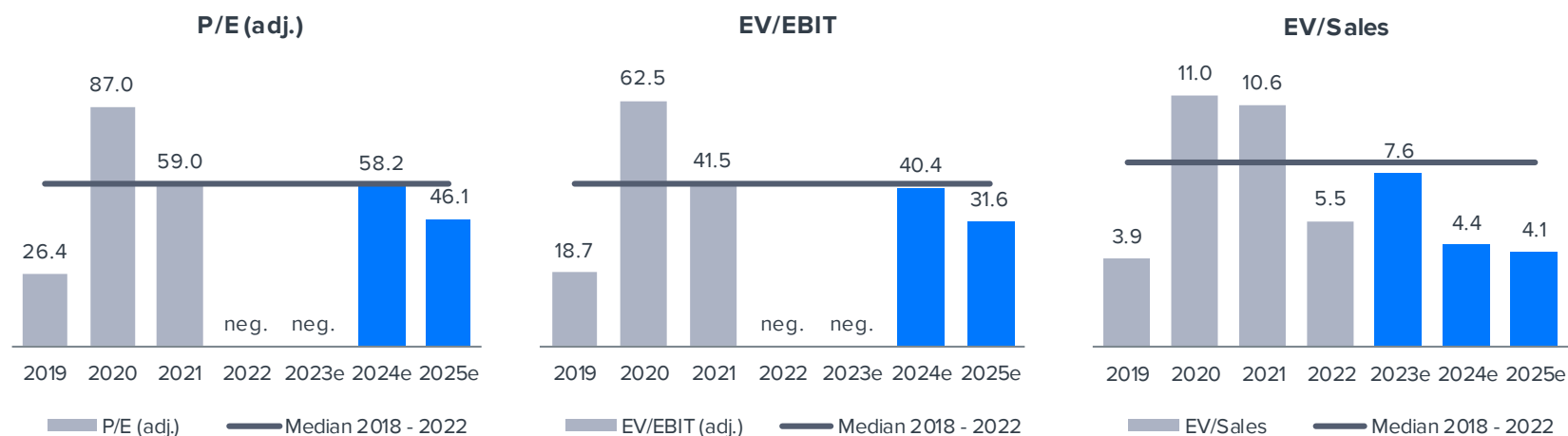
		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	10%	14%	17%	20%	23%	
30%	13%	17%	21%	24%	27%	
35%	16%	20%	24%	27%	30%	
40%	19%	23%	27%	30%	33%	

- 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% in 2026-2028.
- With the success of the company's current game projects, we believe revenue and profitability have the potential to reach these levels.
- The scenarios assume Remedy's net cash to be EUR 50 million (not fully accounting for future cash flows) and number of shares to be 14 million (accounting for the dilution of stock option schemes).
- 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	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	11.5	39.0	39.7	21.9	23.1	23.1	23.1	23.1
Number of shares, millions	12.1	12.1	13.1	13.4	13.5	13.6	13.7	13.8
Market cap	138	471	528	294	311	313	315	318
EV	122	453	473	241	276	276	273	257
P/E (adj.)	26.4	87.0	59.0	neg.	neg.	58.2	46.1	17.6
P/E	26.4	87.0	59.0	neg.	neg.	58.2	46.1	17.6
P/FCF	neg.	neg.	neg.	neg.	neg.	85.2	45.6	15.2
P/B	5.2	13.0	6.0	3.3	4.1	4.0	3.8	3.2
P/S	4.4	11.5	11.8	6.7	8.6	5.0	4.8	3.6
EV/Sales	3.9	11.0	10.6	5.5	7.6	4.4	4.1	2.9
EV/EBITDA	16.6	32.5	32.8	>100	neg.	19.6	16.7	7.6
EV/EBIT (adj.)	18.7	62.5	41.5	neg.	neg.	40.4	31.6	11.3
Payout ratio (%)	25.4 %	36.2 %	25.7 %	neg.	neg.	42.8 %	33.9 %	19.0 %
Dividend yield-%	1.0 %	0.4 %	0.4 %	0.5 %	0.4 %	0.7 %	0.7 %	1.1 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%	
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Frontier Developments	212	186	31.6	19.9	5.4	4.7	1.6	1.5	-8%	8%	5%	7%
Embracer	5188	6576	12.0	8.3	7.8	5.6	2.0	1.7	134%	14%	16%	21%
CD Projekt	2433	2245	27.5	42.3	19.4	26.4	10.1	12.5	13%	-20%	37%	30%
Paradox Interactive	2494	2441	27.0	24.2	16.1	14.2	11.5	10.3	22%	12%	43%	43%
Team17	580	526	10.4	9.6	9.5	8.8	3.3	3.1	5%	6%	32%	33%
Playway	596	547	10.9	10.7	10.8	10.6	7.4	7.0	23%	6%	68%	66%
11 Bit Studios	329	312	21.0	7.8	8.9	6.3	6.2	4.6	213%	35%	30%	59%
Enad Global 7	223	201	5.2	5.5	4.1	4.2	1.1	1.1	14%	1%	21%	20%
Tinybuild	114	90	4.2	3.8	3.7	3.4	1.4	1.3	6%	10%	34%	34%
Remedy (Inderes)	311	276	-23.5	40.4	-31.5	19.6	7.6	4.4	-17%	71%	-32%	11%
Average			15.6	21.3	9.0	9.5	4.6	4.5	111%	5%	32%	32%
Median			11.4	10.1	8.4	7.6	2.6	2.7	18%	7%	31%	32%
Diff-% to median			-	298%	-	159%	187%	65%				

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	44.7	12.7	9.4	7.9	13.6	43.6	6.9	8.3	10.1	11.0	36.3	62.1	66.1	88.5
Kehitysmaksut	35.8	11.6	7.4	7.5	12.6	39.1	6.4	7.9	9.4	9.6	33.3	41.5	33.5	32.0
Rojaltit	8.9	1.0	2.0	0.4	1.1	4.5	0.5	0.4	0.7	1.4	3.0	20.6	32.6	56.5
EBITDA	14.5	3.3	-1.8	-2.4	2.8	1.9	-5.0	-3.0	-1.0	0.2	-8.8	14.0	16.3	33.7
Depreciation	-3.0	-0.6	-0.6	-0.6	-0.7	-2.5	-0.7	-0.7	-0.7	-1.1	-3.0	-7.2	-7.7	-11.0
EBIT (excl. NRI)	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-3.7	-1.7	-0.9	-11.8	6.8	8.7	22.7
EBIT	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-3.7	-1.7	-0.9	-11.8	6.8	8.7	22.7
Net financial items	-0.1	-0.1	-0.5	-0.1	0.1	-0.6	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
PTP	11.3	2.7	-2.9	-3.2	2.2	-1.2	-5.6	-3.7	-1.7	-0.9	-11.9	6.7	8.6	22.6
Taxes	-2.5	-0.5	0.2	0.5	-0.7	-0.5	0.0	0.0	0.0	0.0	0.0	-1.3	-1.7	-4.5
Net earnings	8.8	2.2	-2.7	-2.7	1.5	-1.7	-5.6	-3.7	-1.7	-0.9	-11.9	5.4	6.8	18.1
EPS (adj.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.27	-0.12	-0.06	-0.88	0.40	0.50	1.31
EPS (rep.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.27	-0.12	-0.06	-0.88	0.40	0.50	1.31
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	8.9 %	55.9 %	-0.2 %	6.9 %	-31.2 %	-2.5 %	-45.4 %	-11.7 %	27.7 %	-19.2 %	-16.7 %	71.0 %	6.4 %	33.9 %
Adjusted EBIT growth-%	57%	-1474%	-263%	1329%	-80%	-105%	-303%	51%	-46%	-140%	-	-	26.7 %	162.1 %
EBITDA-%	32.3 %	26.4 %	-19.3 %	-30.4 %	20.4 %	4.4 %	-71.6 %	-36.1%	-9.9 %	1.8 %	-24.1 %	22.6 %	24.7 %	38.1 %
Adjusted EBIT-%	25.5 %	21.8 %	-25.6 %	-38.3 %	15.5 %	-1.3 %	-81.0 %	-44.0 %	-16.3 %	-7.7 %	-32.4 %	11.0 %	13.1 %	25.6 %
Net earnings-%	19.7 %	17.1 %	-29.0 %	-33.6 %	10.9 %	-4.0 %	-81.5 %	-44.3 %	-16.6 %	-8.0 %	-32.6 %	8.7 %	10.4 %	20.4 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	12.6	20.2	28.0	32.6	34.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.3	29.3	32.0
Tangible assets	4.3	4.3	3.9	2.5	1.9
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	0.7	0.8	0.8	0.8	0.8
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	81.1	71.2	49.2	54.2	58.5
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	22.5	15.3	12.7	15.5	15.2
Cash and equivalents	58.5	55.9	36.5	38.7	43.2
Balance sheet total	101	99.6	83.2	89.6	94.7

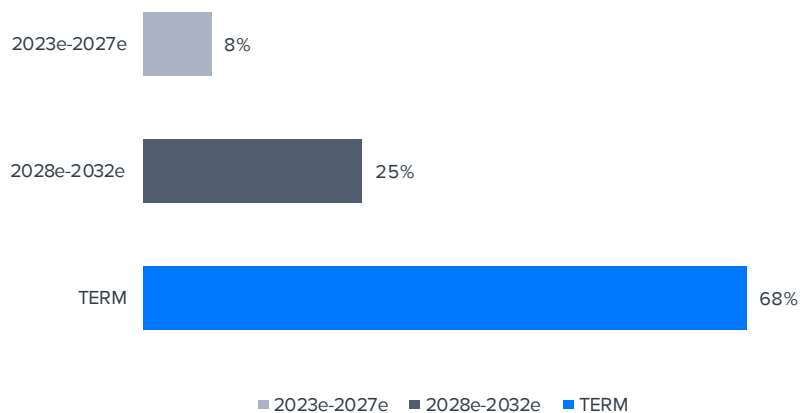
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	87.4	88.4	75.2	79.2	83.7
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.5	31.1	17.9	22.0	26.5
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	55.8	57.1	57.1	57.1	57.1
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	2.1	1.1	0.9	0.9	0.9
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	2.1	1.1	0.9	0.9	0.9
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
Current liabilities	11.7	10.1	7.1	9.5	10.1
Short term debt	1.8	1.8	0.2	0.2	0.2
Payables	9.8	8.2	6.9	9.3	9.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	101	99.6	83.2	89.6	94.7

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-2.5 %	-16.7 %	71.0 %	6.4 %	33.9 %	-4.7 %	11.0 %	7.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	-1.3 %	-32.4 %	11.0 %	13.1 %	25.6 %	20.3 %	28.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %
EBIT (operating profit)	-0.6	-11.8	6.8	8.7	22.7	17.1	26.2	30.0	31.5	33.1	34.1	
+ Depreciation	2.5	3.0	7.2	7.7	11.0	13.6	13.4	12.9	12.3	10.8	9.1	
- Paid taxes	-0.5	0.0	-1.3	-1.7	-4.5	-3.4	-5.2	-6.0	-6.3	-6.6	-6.8	
- Tax, financial expenses	-0.1	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	
- Change in working capital	5.6	1.3	-0.4	0.9	0.9	2.3	1.2	0.4	0.5	0.0	0.0	
Operating cash flow	6.8	-7.4	12.3	15.5	30.0	29.6	35.5	37.4	38.0	37.3	36.4	
+ 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	-10.8	-8.6	-8.6	-8.6	-9.1	-9.6	-9.6	-9.6	-9.6	-9.6	-9.7	
Free operating cash flow	-4.0	-16.0	3.7	6.9	20.9	20.0	25.9	27.8	28.4	27.7	26.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-4.0	-16.0	3.7	6.9	20.9	20.0	25.9	27.8	28.4	27.7	26.7	449
Discounted FCFF		-15.1	3.2	5.5	15.2	13.3	15.8	15.5	14.5	13.0	11.5	193
Sum of FCFF present value		285	300	297	291	276	263	247	232	217	204	193
Enterprise value DCF		285										
- Interesting bearing debt		-3.0										
+ Cash and cash equivalents		55.9										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		338										
Equity value DCF per share		25.1										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	9.1 %
Weighted average cost of capital (WACC)	9.1 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	41.1	44.7	43.6	36.3	62.1	EPS (reported)	0.45	0.67	-0.13	-0.88	0.40
EBITDA	14.0	14.5	1.9	-8.8	14.0	EPS (adj.)	0.45	0.67	-0.13	-0.88	0.40
EBIT	7.2	11.4	-0.6	-11.8	6.8	OCF / share	1.07	0.30	0.51	-0.55	0.91
PTP	7.0	11.3	-1.2	-11.9	6.7	FCF / share	-0.17	-0.44	-0.29	-1.19	0.27
Net Income	5.4	8.8	-1.7	-11.9	5.4	Book value / share	2.99	6.69	6.57	5.58	5.84
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.10	0.10	0.17
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	51.3	101.1	99.6	83.2	89.6	Revenue growth-%	30%	9%	-3%	-17%	71%
Equity capital	36.1	87.4	88.4	75.2	79.2	EBITDA growth-%	90%	4%	-87%	-559%	-260%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	11%	57%	-105%	1987%	-158%
Net debt	-18.0	-54.7	-52.9	-35.4	-37.6	EPS (adj.) growth-%	3%	50%	-119%	586%	-145%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.0 %	32.3 %	4.4 %	-24.1 %	22.6 %
EBITDA	14.0	14.5	1.9	-8.8	14.0	EBIT (adj.)-%	17.6 %	25.5 %	-1.3 %	-32.4 %	11.0 %
Change in working capital	0.4	-7.7	5.6	1.3	-0.4	EBIT-%	17.6 %	25.5 %	-1.3 %	-32.4 %	11.0 %
Operating cash flow	12.9	4.0	6.8	-7.4	12.3	ROE-%	17.3 %	14.2 %	-2.0 %	-14.5 %	7.0 %
CAPEX	-14.9	-9.8	-10.8	-8.6	-8.6	ROI-%	20.2 %	17.1 %	-0.6 %	-14.0 %	8.7 %
Free cash flow	-2.0	-5.8	-4.0	-16.0	3.7	Equity ratio	70.4 %	86.4 %	88.8 %	90.4 %	88.4 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-49.8 %	-62.5 %	-59.8 %	-47.1 %	-47.5 %
EV/S	11.0	10.6	5.5	7.6	4.4						
EV/EBITDA (adj.)	32.5	32.8	>100	neg.	19.6						
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	40.4						
P/E (adj.)	87.0	59.0	neg.	neg.	58.2						
P/B	13.0	6.0	3.3	4.1	4.0						
Dividend-%	0.4 %	0.4 %	0.5 %	0.4 %	0.7 %						

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.

According to a notification received on 11/24/2022, Inderes analyst Atte Riikola has a holding of more than EUR 50,000 in the target company Remedy Entertainment Oyj.

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
5/30/2017	Accumulate	7.40 €	6.69 €
8/17/2017	Buy	7.50 €	6.31 €
2/19/2018	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 €
2/14/2022	Buy	50.00 €	33.50 €
5/16/2022	Buy	42.00 €	29.30 €
6/2/2022	Accumulate	34.00 €	29.85 €
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 €



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on 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

**Analyysi kuuluu
kaikille.**