

Remedy

Company report

10/31/2022



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

✓ Inderes corporate customer

This report is a summary translation of the report “Pitkän aikavälin potentiaali houkuttelee nykyhinnalla” published on 10/31/2022 at 07:25 am.

**inde
res.**

Long-term potential remains attractive at current price

Remedy's Q3 figures were softer than expected due to timing factors, but generally there was nothing surprising in the report. Remedy is now building the next growth leap of its strategy with the 5 major gaming projects under development. This will be reflected in rising costs between 2022 and 2023, but enable significant earnings growth particularly in 2025-2026, driven by increasing royalty income. Considering this long-term potential, we believe the current valuation of the stock is attractive. We raise our recommendation to Buy (was Accumulate) and revise our target price to EUR 25.0 (was 26.0 EUR) for Remedy.

Q3 figures missed expectations due to timing of development fees, but game projects are progressing

Remedy's Q3 revenue increased by 7% to EUR 7.9 million and EBIT deteriorated to EUR -3.0 million, both below our estimates (10.5 MEUR and -1.0 MEUR). However, the underperformance is mainly explained by the timing of development fees. Based on Remedy's unchanged outlook, more revenue will be generated in Q4 than we previously expected. Alan Wake Remastered has still not generated any royalties, and in this respect, expectations should be shifted closer to the release of Alan Wake 2, when AWR is also likely to get a sales boost. According to Remedy, user feedback on Alan Wake 2, which will be released next year, has now been positive in production testing and the company believes the game will be excellent. For Condor, which is in the proof-of-concept stage, the pieces are also starting to fall into place, and we expect the game to move forward in the production pipeline soon. The Heron project (we estimate Control 2), which is in the concept phase, has also progressed well and the team has gradually started to grow. Vanguard will continue in the proof-of-concept phase, as announced in the August profit warning. The game team will be expanded next year once all the key pillars of the game are in place.

Big picture unchanged - royalty expectations weighted towards 2025-2026

In the next few years, the progress of Remedy's games in the production pipeline will require increased investment in recruitment and external development, which weighs down the company's profitability significantly. Regarding the release schedule of games, the company now comments that it intends to launch at least one new game per year between 2023 and 2025, plus additional free and purchasable content. The comments were in line with our own assumptions, and we made only minor downward revisions to our estimates based on the Q3 report in relation to AWR and Control royalties. In our estimates, with the releases of Alan Wake 2 (2023), Condor (2024), Vanguard (2024/25), and Heron (2025), and Max Payne Remake (2026), Remedy's earnings growth will be strong in the medium term, supported by growing royalty revenue.

Buy if you believe in the success of future games

In our estimates, royalties from Remedy's current game projects take largely place in 2025-2026, when we expect the company's revenue (81.1-89.5 MEUR) and earnings (EBIT: 18.9-21.4 MEUR) take a significant step upward. With our estimates, the share's EV/EBIT ratios (2025e-2026e: 11x-9x) go down to a very attractive level even with moderately successful game releases. In addition, the investor gets the option of a hit game that strikes gold. However, estimates for 2022-2024 do not provide material support for Remedy's valuation, and in a significantly weakened stock market sentiment this year, investors' patience see out the development of story stocks for several years out has waned. For the long game investor, however, this offers a buying opportunity, as Remedy's current enterprise value (EV) of around EUR 200 million doesn't, in our view, fully reflect the company's rare ability to create successful game brands.

Recommendation

Buy

(previous Accumulate)

EUR 25.00

(previous EUR 26.00)

Share price:

18.14



Key figures

	2021	2022e	2023e	2024e
Revenue	44.7	43.3	44.9	62.5
growth-%	9%	-3%	4%	39%
EBIT adj.	11.4	-1.5	-4.7	5.5
EBIT-% adj.	25.5 %	-3.4 %	-10.4 %	8.8 %
Net Income	8.8	-2.3	-3.8	4.3
EPS (adj.)	0.67	-0.17	-0.28	0.32

P/E (adj.)	59.0	neg.	neg.	57.3
P/B	6.0	2.9	3.2	3.1
Dividend yield-%	0.4 %	0.9 %	0.9 %	0.9 %
EV/EBIT (adj.)	41.8	neg.	neg.	40.0
EV/EBITDA	33.0	>100	neg.	17.1
EV/S	10.6	4.6	4.8	3.5

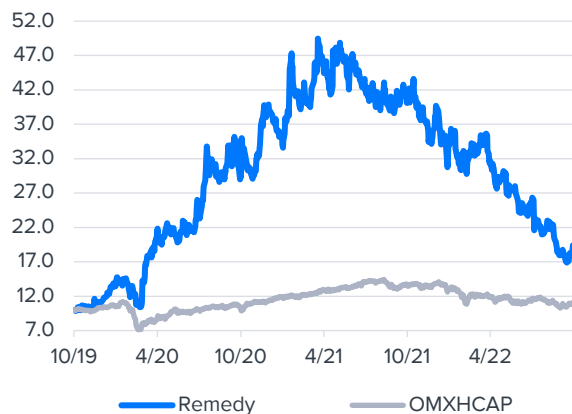
Source: Inderes

Guidance

(Unchanged)

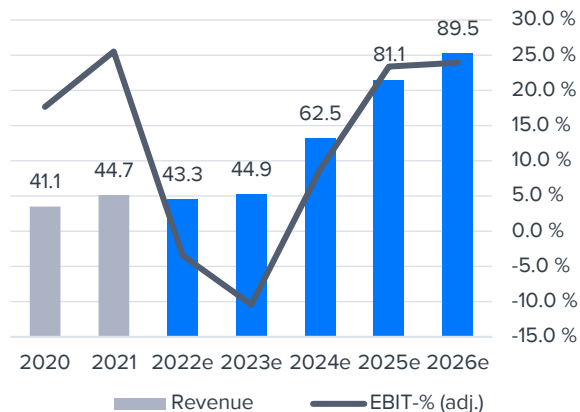
"Remedy company expects its revenue to remain at the previous year's level and its operating result to decline significantly compared to the year 2021."

Share price



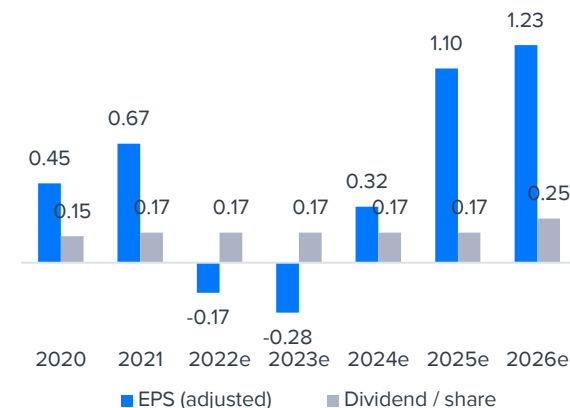
Source: Millstream Market Data AB

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	2022e	2023e	2024e
Share price	18.1	18.1	18.1
Number of shares, millions	13.4	13.5	13.6
Market cap	244	246	247
EV	198	214	220
P/E (adj.)	neg.	neg.	57.3
P/E	neg.	neg.	57.3
P/FCF	neg.	neg.	neg.
P/B	2.9	3.2	3.1
P/S	5.6	5.5	4.0
EV/Sales	4.6	4.8	3.5
EV/EBITDA	>100	neg.	17.1
EV/EBIT (adj.)	neg.	neg.	40.0
Payout ratio (%)	neg.	neg.	53.7 %
Dividend yield-%	0.9 %	0.9 %	0.9 %

Source: Inderes

Q3 figures missed our expectations due to timing of development fees

Lower-than-expected development fees in the quarter

Remedy's Q3 revenue grew by 7% to EUR 7.9 million, missing our estimate of EUR 10.5 million. Revenue consisted mainly of development fees, most of which came from Alan Wake 2, which is in full production. In addition, development fees were received from the Vanguard, Condor and Max Payne projects. Overall, development fees (Q2'22 7.5 MEUR) represented about 95% of revenue in the quarter.

Royalty income (Q3'22 0.4 MEUR) was generated only from Control. The game is getting quite far along in its life cycle and presumably the royalty stream generated by the game will continue to be on a downward trend, although there can be fluctuations between quarters.

Alan Wake Remastered, released in October 2021, had still not recouped its production and marketing budget. Our estimate was already expecting a small royalty stream in the quarter. Remedy has previously commented that the project has the potential to be a profitable project as a standalone product, with the marketing and release of Alan Wake 2 creating a buzz around the brand. AWR was also released on October 20 for Nintendo Switch, expanding the

potential player base for the game in the future. Remedy and Epic Games split the profits of Alan Wake games evenly once development and marketing costs financed by Epic have been recouped. Currently, it seems that small royalty revenues from AWR should be expected next year at the earliest.

Similarly, Crossfire HD, published in November 2021, or Crossfire X, published in February 2022, didn't bring royalties in Q1 as expected. Remedy has developed single player content for these Smilegate games with the subcontracting model. In the coming years, small royalty streams can be generated from the games. These expectations are particularly on the shoulders of Crossfire HD, which is popular in China, as Crossfire X that was released for Xbox received a very critical reception from players.

Cost structure growing as expected

Remedy's Q3 operating profit was EUR -3.0 million and below our estimate of EUR -1.0 million, reflecting the lower-than-expected revenue. However, operational cash flow (Q3'22: EUR 4.7 million) was clearly positive. This shows how the timing of development fees and royalty payments can cause cash flow to differ materially from the profit level.

As expected, Remedy's cost structure is getting heavier as the company has increased recruitment and external game development for game projects under development. Remedy's ability to leverage external development resources has improved this year, which is vital to ensure scalability as the multi-project model grows. Remedy has also been very successful in recruiting and staff retention has been at a good level, although the gaming industry in general has seen an increase in staff turnover after the pandemic.

In the coming years, more and more projects in Remedy's pipeline will move towards production, which means increased recruitment and external development efforts also in the future. The fruits of these investments will be reaped when the games now in development are launched.

Remedy's cash position is very strong thanks to the directed share issue in early 2021 (which, in retrospect, was well-timed from a share valuation perspective). At the end of Q3, cash and financial securities amounted to EUR 63.3 million. The strong balance sheet gives the company considerable room for maneuver in the investment phase of the coming years.

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	7.4	7.9	10.5				-25%	43.3
EBITDA	0.4	-2.4	-0.4				517%	0.9
EBIT (adj.)	-0.2	-3.0	-1.0				206%	-1.5
EPS (reported)	-0.03	-0.20	-0.06				218%	-0.17
Revenue growth-%	-25.4 %	6.9 %	41.9 %				-35 pp	-3.3 %
EBIT-% (adj.)	-2.9 %	-38.3 %	-9.4 %				-28.9 pp	-3.4 %

Source: Inderes

Big picture of estimates unchanged - royalty expectations weighted towards 2025-2026

Only minor downward revisions to our estimates

Remedy lowered its outlook for the current year in early August due to lower-than-expected royalty rates and the additional time needed for the Vanguard project, which will result in fewer development fees this year than previously planned. The outlook was now repeated in the Q3 report. Remedy's guidance expects 2022 revenue to remain at the level of the previous year (2021: 44.7 MEUR) and operating profit (2021: 11.4 MEUR) to decrease significantly from the previous year. For Q4, this means a clear increase in revenue from the previous quarters. Based on the soft revenue in Q3, this is mainly due to the timing of development fees, but we estimate that the release contract for the Heron project may also be delayed until the end of the year.

After the Q3 report, we revised AWR's and Control's royalty estimates slightly downwards and at the same time made small increases to our cost estimates. Overall, our estimates fell slightly, but the big picture remains unchanged.

Estimates for the coming years

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 generally the range of final outcomes at project level is wide.

We now expect Remedy's revenue to decline by 3% this year to EUR 43.3 million. With low royalty income, increasing recruitment, external game development and rising other costs, we expect EBIT to turn into a loss of EUR -1.5 million.

In 2023, we forecast revenue growth of 5%, but Alan Wake 2 will not start generating royalties until 2024. As Remedy's cost structure continues to rise, we

expect 2023 EBIT to deteriorate to EUR -4.3 million.

In 2024, mainly driven by royalties from Alan Wake 2, we forecast Remedy's revenue to grow by 38% and operating profit to reach EUR 5.5 million. Then, a significant amount of development fees will be recorded from the Max Payne project.

We forecast Condor and Vanguard to start generating royalties for Remedy in 2025. We also expect the release of the Heron project (Control 2) to be scheduled for H1'25 and in total Remedy to generate revenue from at least 9 game projects released or in development. In 2024-2025 we estimate that Remedy will start new game projects, which may generate revenue through release contracts and development fees. In 2026, we expect Max Payne Remake to be released and revenue to come from the same sources as the previous year. We forecast Remedy's revenue for 2025-2026 to increase to EUR 81.1-89.5 million and EBIT to EUR 18.9-21.4 million, corresponding to an EBIT margin of 23-24%.

Estimate revisions MEUR / EUR	2022e	2022e	Change %	2023e	2023e	Change %	2024e	2024e	Change %
	Old	New		Old	New		Old	New	
Revenue	43.7	43.3	-1%	46.2	44.9	-3%	62.9	62.5	-1%
EBITDA	0.9	0.9	-2%	0.1	-2.1	-4194%	13.7	12.8	-6%
EBIT (exc. NRIs)	-1.4	-1.5	3%	-2.5	-4.7	84%	6.3	5.5	-13%
EBIT	-1.4	-1.5	3%	-2.5	-4.7	84%	6.3	5.5	-13%
PTP	-2.1	-2.2	5%	-2.6	-4.8	81%	6.2	5.4	-13%
EPS (excl. NRIs)	-0.15	-0.17	10%	-0.16	-0.28	80%	0.36	0.32	-13%
DPS	0.17	0.17	0%	0.17	0.17	0%	0.17	0.17	0%

Source: Inderes

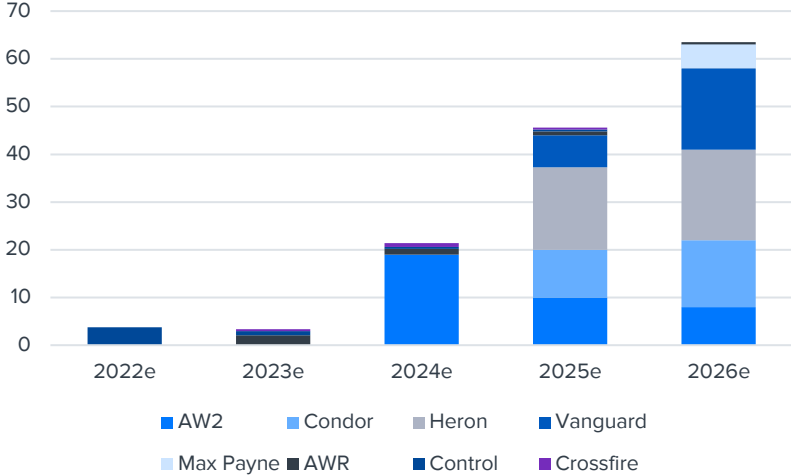
Strategy in light of game projects

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

	2021	2022	2023	2024	2025	2026
Crossfire	Development fees \$\$\$	Development fees \$	Royalties \$	Royalties \$	Royalties \$	
Control	Royalties \$\$\$	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$	
Epic projects	Development fees and ^{AWR} release \$\$\$	Development fees + royalties \$\$\$	Alan Wake 2 release \$\$\$	Royalties \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$
Vanguard	Development and distribution agreement with Tencent \$\$\$	Development fees \$\$	Development fees \$\$/\$\$\$	Release in 2024-2025 \$\$/\$\$\$	Release in 2024-2025 \$\$/\$\$\$	Royalties \$\$\$
Condor	Development fees \$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Release \$\$	Royalties \$\$\$	Royalties \$\$\$
Heron (Control 2)	Conceptualization	Publishing agreement? \$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Release \$\$\$	Royalties \$\$\$
Max Payne		Conceptualization \$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$	Release \$\$\$
Next game projects					Development fees \$\$\$	Development fees \$\$\$

Underlying assumption for revenue estimates

Assumptions of royalties per game (MEUR)



Revenue and profitability



Source: Inderes

Remedy's game projects and partners



Control

Published
Q3'19

Budget
~30 MEUR



Condor

Proof-of-
concept

Budget
~25 MEUR



**Heron
(Control 2*)**

Concept

Budget**
~40 MEUR



**Crossfire HD
Crossfire X**

Published
Q4'21/Q1'22

Budget**
~30 MEUR



**Alan Wake
Remastered**

Published
Q4'21

Budget**
~7 MEUR



Alan Wake II

Production

Budget**
~50 MEUR



Vanguard

Proof-of-
concept

Budget**
~45 MEUR



**Max Payne
Remake**

Concept

Budget**
~45 MEUR

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



**Smilegate
Entertainment**



Tencent



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

We see Remedy at current valuation as a good pick for a long-term investor

We don't expect Remedy's share price to be materially supported by earnings multiples for 2022-2024, as investments in game projects under development will continue to weigh on earnings in the coming years. With our estimates for 2022-2023, the result will be negative, and the royalties from Alan Wake 2 alone won't be enough to make the earnings level and thus valuation reasonable in 2024 (EV/EBIT 40x). However, the level of earnings in the coming years does not yet in any way reflect the full royalty

potential of Remedy's future game projects, which is why we believe the valuation should be viewed in light of the company's long-term growth prospects.

In our estimates, royalties from Remedy's presently ongoing game projects take largely place in 2025-2026, when we expect the company's revenue and earnings go up a significant step. With our estimates, the share's EV/EBIT ratios (2025e-2026e: 11x-9x) go down to a very attractive level, as we expect Remedy's growth outlook to remain strong after that too.

In the short term, however, the tight valuation may limit the upside potential of the stock, as investors' patience to look several years ahead for story stocks has waned this year amid weaker stock market sentiment. We still believe that Remedy's share price will at some point begin to more strongly anticipate the earnings potential of current projects. The exact timing of this is obviously challenging, but one of the key drivers will be the launch of Alan Wake 2 next year. In the case of Remedy, investors should continue to be prepared to tolerate high price volatility, as in the short term, changes in expectations for future games can cause significant volatility in the stock

Valuation	2022e	2023e	2024e
Share price	18.1	18.1	18.1
Number of shares, millions	13.4	13.5	13.6
Market cap	244	246	247
EV	198	214	220
P/E (adj.)	neg.	neg.	57.3
P/E	neg.	neg.	57.3
P/FCF	neg.	neg.	neg.
P/B	2.9	3.2	3.1
P/S	5.6	5.5	4.0
EV/Sales	4.6	4.8	3.5
EV/EBITDA	>100	neg.	17.1
EV/EBIT (adj.)	neg.	neg.	40.0
Payout ratio (%)	neg.	neg.	53.7 %
Dividend yield-%	0.9 %	0.9 %	0.9 %

Source: Inderes

Estimating Remedy's long-term potential

Share price in different scenarios

EBIT-%	EV/EBIT 12x				
	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

EBIT-%	EV/EBIT 16x				
	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

EBIT-%	EV/EBIT 20x				
	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

EBIT-%	EV/EBIT 12x				
	100	125	150	175	200
25%	8%	13%	18%	22%	25%
30%	12%	18%	22%	27%	30%
35%	16%	22%	27%	31%	35%
40%	19%	25%	30%	35%	39%

EBIT-%	EV/EBIT 16x				
	100	125	150	175	200
25%	15%	20%	25%	30%	34%
30%	19%	25%	30%	35%	39%
35%	23%	30%	35%	40%	44%
40%	27%	34%	39%	44%	49%

EBIT-%	EV/EBIT 20x				
	100	125	150	175	200
25%	20%	26%	32%	36%	40%
30%	25%	32%	37%	42%	46%
35%	30%	36%	42%	47%	52%
40%	34%	40%	46%	52%	57%

Annual return 2028

EBIT-%	EV/EBIT 12x				
	100	125	150	175	200
25%	5%	9%	12%	14%	16%
30%	8%	12%	15%	17%	20%
35%	10%	14%	17%	20%	23%
40%	13%	16%	20%	23%	25%

EBIT-%	EV/EBIT 16x				
	100	125	150	175	200
25%	10%	13%	16%	19%	22%
30%	13%	16%	20%	23%	25%
35%	15%	19%	23%	25%	28%
40%	18%	22%	25%	28%	31%

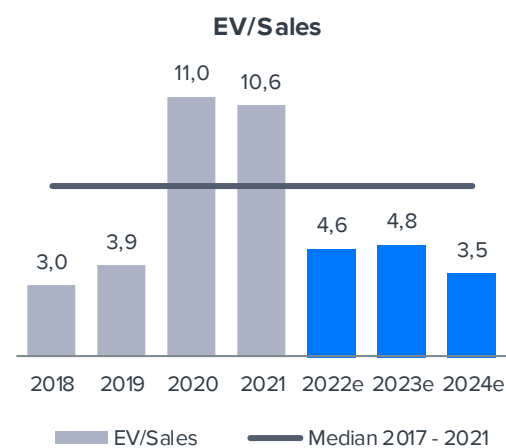
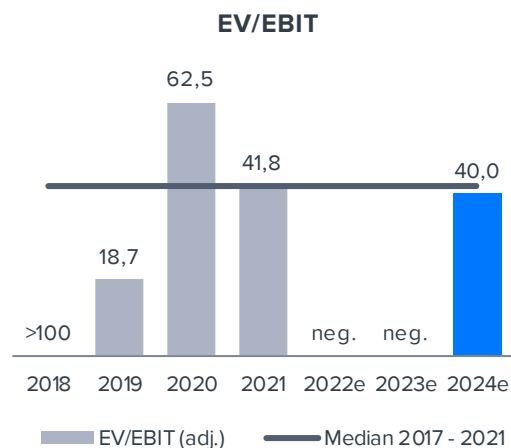
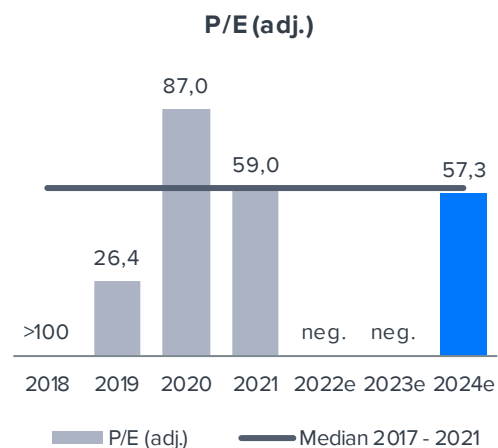
EBIT-%	EV/EBIT 20x				
	100	125	150	175	200
25%	13%	17%	20%	23%	26%
30%	16%	20%	24%	27%	29%
35%	19%	23%	27%	30%	33%
40%	22%	26%	29%	33%	35%

- 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% between 2026 and 2028.
- With the success of the company's current game projects, we see the revenue and profitability potential to reach these levels.
- The scenarios assume Remedy's net cash of EUR 50 million (not fully accounting for future cash flows) and a total stock of 14 million shares (accounting for the dilutive effect of stock option plans).
- 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 very good at 20x.

Valuation table

Valuation	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Share price	6,70	11,5	39,0	39,7	18,1	18,1	18,1	18,1	18,1
Number of shares, millions	12,1	12,1	12,1	13,1	13,4	13,5	13,6	13,7	13,8
Market cap	81	138	471	528	244	246	247	249	251
EV	61	122	453	476	198	214	220	207	192
P/E (adj.)	>100	26,4	87,0	59,0	neg.	neg.	57,3	16,5	14,7
P/E	>100	26,4	87,0	59,0	neg.	neg.	57,3	16,5	14,7
P/FCF	neg.	neg.	neg.	16,1	neg.	neg.	neg.	15,1	12,6
P/B	3,6	5,2	13,0	6,0	2,9	3,2	3,1	2,7	2,4
P/S	4,0	4,4	11,5	11,8	5,6	5,5	4,0	3,1	2,8
EV/Sales	3,0	3,9	11,0	10,6	4,6	4,8	3,5	2,6	2,1
EV/EBITDA	55,2	16,6	32,5	33,0	>100	neg.	17,1	7,6	5,7
EV/EBIT (adj.)	>100	18,7	62,5	41,8	neg.	neg.	40,0	10,9	9,0
Payout ratio (%)	226,8 %	25,4 %	36,2 %	25,7 %	neg.	neg.	53,7 %	15,5 %	20,3 %
Dividend yield-%	1,5 %	1,0 %	0,4 %	0,4 %	0,9 %	0,9 %	0,9 %	0,9 %	1,4 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E	
Company	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Frontier Developments	589	568	69.8	25.3	14.5	10.8	4.3	3.6	57.7	27.6
Embracer	5880	7050			6.6	5.3	2.1	1.8	8.7	7.4
CD Projekt	2561	2360	37.9	35.8	29.7	24.3	13.8	12.1	44.1	41.8
Paradox Interactive	1818	1777	23.9	21.8	14.5	12.4	10.0	8.6	31.0	28.4
Team17	691	636	14.6	12.9	12.6	11.3	4.3	4.0	17.7	16.1
Playway	394	347	11.8	12.1	11.7	12.0	7.1	7.2	18.4	14.0
11 Bit Studios	265	243	87.2	9.1	49.9	8.3	20.2	5.4	131.9	11.2
Enad Global 7	130	127	50.8	7.8	3.9	3.5	0.8	0.8	7.4	7.1
Tinybuild	257	217	9.7	8.4	8.5	7.5	3.3	3.0	14.9	12.9
Remedy (Inderes)	244	198	-133.8	-45.7	215.3	-102.8	4.6	4.8	-106.5	-64.2
Average			38.2	16.6	16.9	10.6	7.3	5.2	36.9	18.5
Median			30.9	12.5	12.6	10.8	4.3	4.0	18.4	14.0
Diff-% to median			-	-	-	-	6%	20%	-	-

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

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue	41.1	8.1	9.4	7.4	19.8	44.7	12.7	9.4	7.9	13.3	43.3	44.9	62.5	81.1
Development fees	26.0	6.1	6.1	5.3	18.3	35.8	11.6	7.4	7.5	12.9	39.5	41.5	41.1	35.5
Royalties	15.0	2.0	3.3	2.1	1.5	8.9	1.0	2.0	0.4	0.4	3.8	3.4	21.4	45.6
EBITDA	14.0	0.9	2.3	0.4	10.9	14.5	3.3	-1.8	-2.4	1.8	0.9	-2.1	12.8	27.2
Depreciation	-6.7	-1.1	-0.8	-0.6	-0.5	-3.0	-0.6	-0.6	-0.6	-0.6	-2.4	-2.6	-7.3	-8.3
EBIT (excl. NRI)	7.2	-0.2	1.5	-0.2	10.3	11.4	2.8	-2.4	-3.0	1.2	-1.5	-4.7	5.5	18.9
EBIT	7.2	-0.2	1.5	-0.2	10.3	11.4	2.8	-2.4	-3.0	1.2	-1.5	-4.7	5.5	18.9
Net financial items	-0.2	0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.5	-0.1	-0.1	-0.8	-0.1	-0.1	-0.1
PTP	7.0	0.0	1.3	-0.2	10.3	11.3	2.7	-2.9	-3.2	1.2	-2.2	-4.8	5.4	18.8
Taxes	-1.6	0.0	-0.3	-0.2	-2.1	-2.5	-0.5	0.2	0.5	-0.2	-0.1	1.0	-1.1	-3.8
Net earnings	5.4	0.0	1.0	-0.4	8.2	8.8	2.2	-2.7	-2.7	0.9	-2.3	-3.8	4.3	15.1
EPS (adj.)	0.45	0.00	0.08	-0.03	0.61	0.67	0.16	-0.20	-0.20	0.07	-0.17	-0.28	0.32	1.10
EPS (rep.)	0.45	0.00	0.08	-0.03	0.61	0.67	0.16	-0.20	-0.20	0.07	-0.17	-0.28	0.32	1.10
Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	29.8 %	3.4 %	3.2 %	-25.4 %	39.4 %	8.9 %	55.9 %	-0.2 %	6.9 %	-32.8 %	-3.3 %	3.8 %	39.2 %	29.8 %
Adjusted EBIT growth-%	11%	-119%	-29%	-106%	1506%	57%	-1474%	-263%	1329%	-88%	-113.0 %	-	-	244.5 %
EBITDA-%	34.0 %	10.7 %	24.7 %	5.0 %	55.0 %	32.3 %	26.4 %	-19.3 %	-30.4 %	13.5 %	2.1 %	-4.6 %	20.6 %	33.6 %
Adjusted EBIT-%	17.6 %	-2.5 %	15.7 %	-2.9 %	52.3 %	25.5 %	21.8 %	-25.6 %	-38.3 %	9.0 %	-3.4 %	-10.4 %	8.8 %	23.4 %
Net earnings-%	13.2 %	-0.4 %	10.7 %	-4.8 %	41.3 %	19.7 %	17.1 %	-29.0 %	-33.6 %	6.9 %	-5.3 %	-8.5 %	6.9 %	18.6 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	13.4	23.1	30.5	38.5	41.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.0	31.4	35.7
Tangible assets	5.2	4.3	3.8	3.4	2.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	3.0	3.0	3.0	3.0
Other non-current assets	0.6	0.7	0.7	0.7	0.7
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	37.9	78.1	62.9	48.4	47.5
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	14.2	22.5	15.1	15.7	18.8
Cash and equivalents	23.7	55.5	47.7	32.7	28.8
Balance sheet total	51.3	101	93.3	86.8	89.2

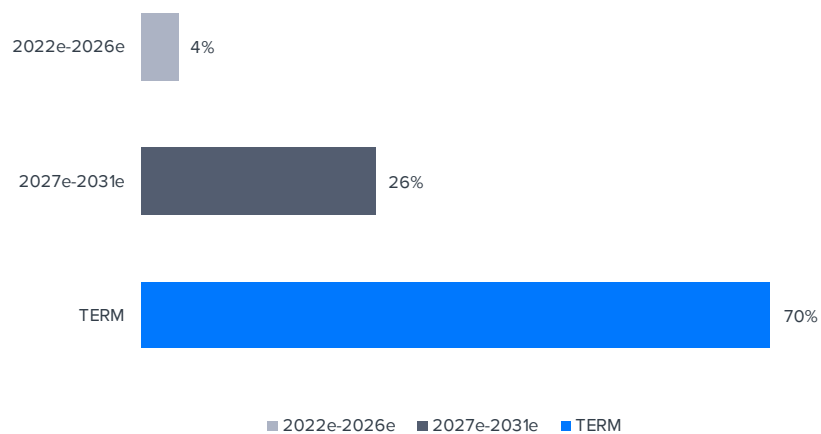
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	36.1	87.4	82.9	76.8	78.8
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.2	31.5	27.0	20.9	22.9
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	55.8	55.8	55.8	55.8
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	4.0	2.1	0.9	0.9	0.9
Deferred tax liabilities	0.2	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	3.9	2.1	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	11.1	11.7	9.6	9.2	9.6
Short term debt	1.8	1.8	0.9	0.2	0.2
Payables	9.3	9.8	8.7	9.0	9.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	51.3	101	93.3	86.8	89.2

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	8.9 %	-3.3 %	3.8 %	39.2 %	29.8 %	10.4 %	3.0 %	10.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	25.5 %	-3.4 %	-10.4 %	8.8 %	23.4 %	23.9 %	25.0 %	28.0 %	30.0 %	30.0 %	30.0 %	30.0 %
EBIT (operating profit)	11.4	-1.5	-4.7	5.5	18.9	21.4	23.0	28.4	31.9	33.5	34.5	
+ Depreciation	3.0	2.4	2.6	7.3	8.3	12.4	15.6	15.4	15.0	15.7	11.1	
- Paid taxes	-2.7	-0.1	1.0	-1.1	-3.8	-4.3	-4.6	-5.7	-6.4	-6.7	-6.9	
- Tax, financial expenses	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	
- Change in working capital	-7.7	6.2	-0.2	-2.6	3.7	1.2	2.2	1.3	0.5	0.5	0.0	
Operating cash flow	4.0	7.1	-1.4	9.1	27.1	30.8	36.2	39.4	41.0	43.1	38.7	
+ 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	-12.8	-9.8	-10.6	-10.6	-10.6	-10.8	-11.1	-11.3	-11.4	-11.5	-11.7	
Free operating cash flow	-8.8	-2.7	-12.0	-1.5	16.5	20.0	25.1	28.1	29.6	31.6	27.0	
+/- Other	41.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	32.7	-2.7	-12.0	-1.5	16.5	20.0	25.1	28.1	29.6	31.6	27.0	455
Discounted FCFF		-2.7	-10.8	-1.2	12.5	13.9	16.0	16.4	15.9	15.5	12.1	204
Sum of FCFF present value		292	294	305	306	294	280	264	248	232	216	204
Enterprise value DCF		292										
- Interesting bearing debt		-3.9										
+ Cash and cash equivalents		55.5										
-Minorities		0.0										
-Dividend/capital return		-2.3										
Equity value DCF		341										
Equity value DCF per share		25.4										

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	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	31.6	41.1	44.7	43.3	44.9	EPS (reported)	0.43	0.45	0.67	-0.17	-0.28
EBITDA	7.4	14.0	14.5	0.9	-2.1	EPS (adj.)	0.43	0.45	0.67	-0.17	-0.28
EBIT	6.5	7.2	11.4	-1.5	-4.7	OCF / share	-0.04	1.07	0.30	0.53	-0.10
PTP	6.6	7.0	11.3	-2.2	-4.8	FCF / share	-0.25	-0.17	2.50	-0.20	-0.89
Net Income	5.2	5.4	8.8	-2.3	-3.8	Book value / share	2.19	2.99	6.69	6.16	5.67
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.11	0.15	0.17	0.17	0.17
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	35.9	51.3	101.1	93.3	86.8	Revenue growth-%	57%	30%	9%	-3%	4%
Equity capital	26.4	36.1	87.4	82.9	76.8	EBITDA growth-%	568%	90%	4%	-94%	-326%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	973%	11%	57%	-113%	216%
Net debt	-15.9	-18.0	-51.7	-45.9	-31.6	EPS (adj.) growth-%	884%	3%	50%	-125%	66%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	23.2 %	34.0 %	32.3 %	2.1 %	-4.6 %
EBITDA	7.4	14.0	14.5	0.9	-2.1	EBIT (adj.)-%	20.6 %	17.6 %	25.5 %	-3.4 %	-10.4 %
Change in working capital	-6.5	0.4	-7.7	6.2	-0.2	EBIT-%	20.6 %	17.6 %	25.5 %	-3.4 %	-10.4 %
Operating cash flow	-0.5	12.9	4.0	7.1	-1.4	ROE-%	21.5 %	17.3 %	14.2 %	-2.7 %	-4.8 %
CAPEX	-2.5	-14.9	-12.8	-9.8	-10.6	ROI-%	23.6 %	20.2 %	17.1 %	-1.7 %	-5.8 %
Free cash flow	-3.0	-2.0	32.7	-2.7	-12.0	Equity ratio	73.5 %	70.4 %	86.4 %	88.8 %	88.4 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	-60.2 %	-49.8 %	-59.1 %	-55.4 %	-41.1 %
EV/S	3.9	11.0	10.6	4.6	4.8						
EV/EBITDA (adj.)	16.6	32.5	33.0	>100	neg.						
EV/EBIT (adj.)	18.7	62.5	41.8	neg.	neg.						
P/E (adj.)	26.4	87.0	59.0	neg.	neg.						
P/E	5.2	13.0	6.0	2.9	3.2						
Dividend-%	1.0 %	0.4 %	0.4 %	0.9 %	0.9 %						

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.

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 price	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 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

At Inderes we believe that open data is every investor's fundamental right. We guarantee investors' access to award-winning research, insightful video content and an active investor community.

For listed companies we ensure that there is always high-quality information available on the company for investors and shareholders for decision making, and that data collected from investors can be utilized by the companies.

Over 100 Finnish listed companies want to serve their shareholders and investors through us by utilizing our company research services, data driven IR services, content creation and consulting.

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

**Research belongs
to everyone.**