

Remedy

Company report

11/1/2023



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✓ Inderes corporate customer

This report is a summary translation of the report “Odotellemme AW2:n myyntilukuja osakkeen kydyssä” published on 11/1/2023 at 8:00 am EET.

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Waiting for AW2 sales figures with a positive view

We reiterate our Accumulate recommendation and EUR 30.0 target price for Remedy. Remedy's Q3 report did not yet provide any information on preliminary sales figures for Alan Wake 2. However, the game's excellent reception by critics and players alike creates a strong foundation for good sales success and also strengthens Remedy's long-term prospects in many ways. The market is already pricing in good success of future games, for which the reception of AW2 also provided good grounds. As such, we will follow the sales performance of AW2 with a positive view on the stock.

Q3 figures reflect ongoing investment phase, AW2 sales figures not yet available

Remedy's Q3 revenue was flat at EUR 7.8 million and EBIT landed at EUR -5.5 million, both missing our expectations (9.7 MEUR and -2.0 MEUR). In the big picture, it was known that the Q3 figures still reflected Remedy's ongoing investment phase, and the report focused on Alan Wake 2, released on October 27. In the early days of the release, Remedy was still reticent about the game's sales figures, suggesting that it was too early to draw any conclusions. However, the excellent reception of the game by critics and players alike creates a strong basis for good long-term sales, which we also expect in our forecasts.

Other game projects saw progress in the production pipeline

AW2 has started to free up resources for other projects, which supports their progress. The Max Payne Remake project, which entered the proof-of-concept stage at the beginning of the year, has made good progress and moved into the production readiness stage during Q3. Condor, long in the POC phase, also moved into the production readiness stage in the quarter, and we expect it to be Remedy's next game release in H1'25. In a service-based multiplayer game, the actual production phase can be relatively quick, as testing the game and proving the concept also requires the development of a more holistic game already at the POC stage. Control 2 will continue in the proof-of-concept stage for at least a few more quarters to ensure that the ambitious plans for the game work. For Vanguard, Remedy reiterated its goal to complete the POC phase by the end of the year and is currently defining the next steps for the project together with Tencent.

Changes to estimates for the release timeline of game projects

Based on the Q3 report, we revised our assumptions on the release dates of Control 2 and Max Payne, which had a significant impact on the timing of royalties. We are now waiting for the release of Control 2 in H1'27 (was H1'26) and the release of Max Payne in H1'26 (was H1'27). We estimate that Control 2 will be a much bigger game in royalty terms for Remedy, so with the revisions our estimates see royalties to be more concentrated in 2027.

Alan Wake 2's success supports share valuation

We estimate that AW2's critical acclaim will also be reflected in the game's sales figures, with a significant amount of royalty income coming into Remedy's coffers as early as next year. As a result, the valuation of the stock is already supported by short-term earnings multiples (2024e EV/EBIT 17x). The success of AW2 also reinforces Remedy's long-term growth story, with plenty of opportunities when looking at the rest of the decade. With average earnings for 2025-27, Remedy's EV/EBIT multiple is 18x and EV/EBITDA multiple is 11x. The multiples are not particularly low, indicating that the valuation is loaded with significant growth expectations. There are also reasons for this, and we are particularly confident in the success of the traditional AAA game projects under development, which also have the potential to outperform our forecasts. The Condor and Vanguard multiplayer projects are the biggest question mark at this point.

Recommendation

Accumulate

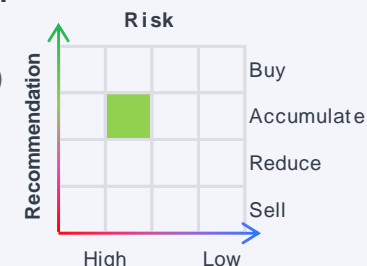
(previous Accumulate)

EUR 30.00

(previous EUR 30.00)

Share price:

27.95



Key figures

	2022	2023e	2024e	2025e
Revenue	43.6	31.8	72.5	66.1
growth-%	-3%	-27%	128%	-9%
EBIT adj.	-0.6	-20.3	19.9	8.8
EBIT-% adj.	-1.3 %	-63.6 %	27.5 %	13.3 %
Net Income	-1.7	-16.2	16.0	6.9
EPS (adj.)	-0.13	-1.21	1.18	0.51

P/E (adj.)	neg.	neg.	23.7	54.9
P/B	3.3	5.3	4.4	4.2
Dividend yield-%	0.5 %	0.4 %	0.4 %	0.4 %
EV/EBIT (adj.)	neg.	neg.	17.2	38.5
EV/EBITDA	>100	neg.	13.7	21.2
EV/S	5.5	11.0	4.7	5.1

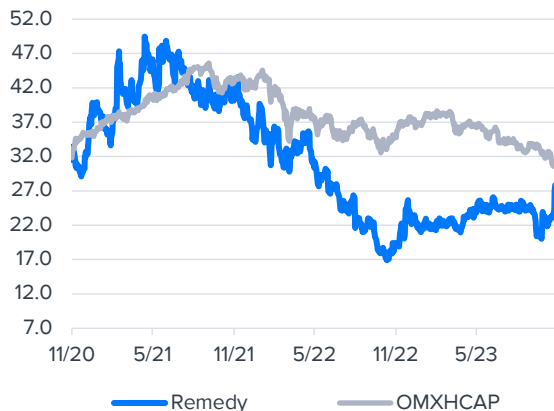
Source: Inderes

Guidance

(Unchanged)

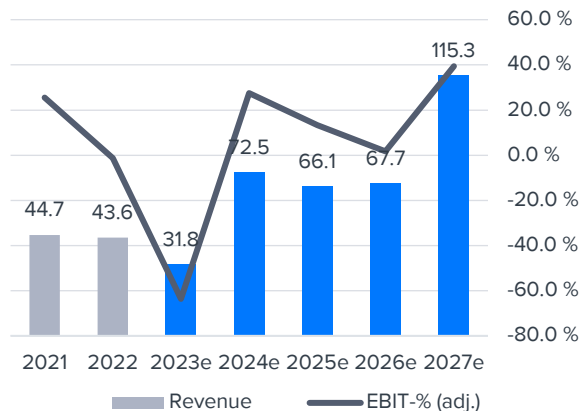
"Remedy expects its revenue to decline from the previous year and its operating result to be negative."

Share price



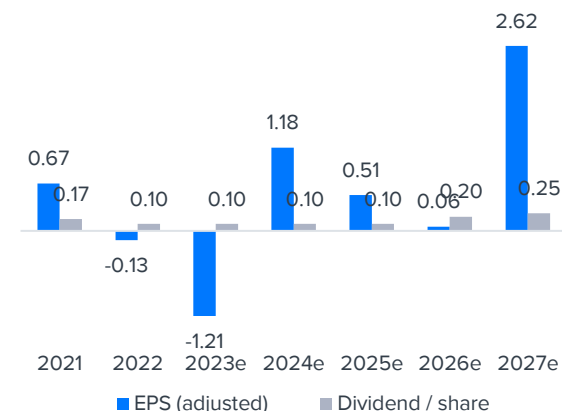
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Alan Wake 2's strong sales boosted by top reviews
- Attractive position in value chain considering industry trends and consolidation
- 4 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	28.0	28.0	28.0
Number of shares, millions	13.5	13.6	13.7
Market cap	376	379	382
EV	350	344	338
P/E (adj.)	neg.	23.7	54.9
P/E	neg.	23.7	54.9
P/B	5.3	4.4	4.2
P/S	11.8	5.2	5.8
EV/Sales	11.0	4.7	5.1
EV/EBITDA	neg.	13.7	21.2
EV/EBIT (adj.)	neg.	17.2	38.5
Payout ratio (%)	neg.	8%	19.7%
Dividend yield-%	0.4%	0.4%	0.4%

Source: Inderes

Q3 figures still reflect the investment phase

Lower development fees than expected in Q3

Remedy's Q3 revenue decreased by 1% to EUR 7.8 million, missing our estimate of EUR 9.7 million. Development fees (Q3'23: 6.7 MEUR) decreased both year-on-year and quarter-on-quarter, as Alan Wake 2 was already in the final stages of production for Q3. We estimate that our forecast was a notch off for development fees still to come from AW2. At the same time, Remedy is also investing in the final stages of AW2's development to ensure the game is of the highest quality. We estimate that this has meant that staff have been committed to the project for longer and had not yet moved on to other projects, affecting their development fees.

Royalty income for the quarter was EUR 1.1 million, above our estimate of EUR 0.7 million. Alan Wake Remastered, which recouped its production and marketing budget with sales in July, saw an increase in royalty income. The marketing and excellent reception of Alan Wake 2 has recently given a further

boost to AWR, so this is likely to be reflected to some extent in the Q4 royalty growth. However, the game is being sold at a rather low price point, so expectations should be cautious in this respect.

Q3 result still well in the red

Remedy's EBIT landed at EUR -5.5 million (Q3' 22: -3.0 MEUR), below our forecast of -EUR 2.0 million. The miss was due to both lower than expected revenue and a slightly higher cost structure. 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, increased recruitment, external game development and other cost increases. Going forward, Remedy will no longer need to recruit at the same pace as in recent years but will be able to move projects forward with existing resources and continued targeted recruitment. The cost structure will therefore no longer grow as strongly as it has in recent years during the investment phase.

Remedy has a very strong balance sheet, which allows it to invest well in the promotion of gaming projects. Cash and financial securities totaled around EUR 31.7 million at the end of Q3, and the company has virtually no interest-bearing debt, excluding the small Business Finland product development loan and IFRS16 lease liabilities.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	7.9	7.8	9.7				-19%	31.8
EBITDA	-2.4	-4.2	-1.2				248%	-16.2
EBIT (adj.)	-3.0	-5.5	-2.0				183%	-20.3
EPS (reported)	-0.20	-0.33	-0.12				181%	-1.21
Revenue growth-%	6.9 %	-1.1 %	22.6 %				-23.8 pp	-2.5 %
EBIT-% (adj.)	-38.3 %	-70.5 %	-20.1 %				-50.4 pp	-63.6 %

Source: Inderes

Next year's earnings forecast to fluctuate with AW2's sales success

Outlook for the current year unchanged

Remedy reiterated its outlook for 2023, predicting a decline in revenue and a loss-making operating result. With a more negative Q3 result than expected, we cut our forecast for the current year. We now forecast a 27% decline in revenue this year and an operating loss of EUR -20.3 million due to low royalty income, increased recruitment, external game development and rising other costs.

Based on the Q3 report, we revised our assumptions on the release dates of Control 2 and Max Payne, which had a significant impact on the timing of royalties. We are now waiting for the release of Control 2 in H1'27 (was H1'26) and the release of Max Payne in H1'26 (was H1'27). We estimate that Control 2 will be a much bigger game in royalty terms for Remedy, so with the revisions our estimates see royalties to be more concentrated on 2027.

AW2 reflected in next year's results

We expect Alan Wake 2 to start earning royalties from Q1'24, once the Epic-funded production and marketing budget has first been recouped. Buoyed by critical acclaim, we expect the game to sell

strongly in the coming years, even without significant discount campaigns. At the same time, we expect costs to continue to rise moderately, with the exception of external development expenditure, which is expected to fall slightly from the previous year. Driven by Alan Wake 2, we forecast 2024 revenue to grow 128% to EUR 72.5 million and EBIT to EUR 19.9 million. We also expect development fees to increase for all projects under development.

Estimates for 2025-2027

We have outlined Remedy's revenue drivers and game-specific assumptions 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 forecasts expect a reasonably good performance in the upcoming games, but there is also potential for a much better performance in a good scenario. All in all, the range of final outcomes at project level is wide.

In 2025, in addition to AW2, our estimates expect royalties from Condor, which will be released in H1, but for which the royalty assumptions are significantly lower than for AW2. Thus, we expect the figures

(revenue 66.1 MEUR and EBIT 8.8 MEUR) to decline year-on-year, reflecting the declining royalties from AW2. At that time, we estimate that the company may also launch new game projects that could generate revenue in the form of publishing contracts and development fees. The company could 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 a successful release of Max Payne, but due to the outsourcing model, it will bring more limited royalties to Remedy. We also expect Vanguard to be published in H2 and revenue to come from otherwise similar sources as the previous year. For 2027, we expect Control 2 to be released on H1, which we expect to be a very successful game (royalty assumptions still more modest than AW2). Furthermore, all previously released projects will be generating a royalty stream and new projects are likely to be in development. We forecast Remedy's 2027 revenue to jump to EUR 115 million and EBIT to EUR 45.5 million, while the 2026 figures (67.7 MEUR and 1.1 MEUR) are significantly lower due to the timing of royalties.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	35.7	31.8	-11%	75.5	72.5	-4%	68.1	66.1	-3%
EBITDA	-11.0	-16.2	47%	28.1	25.1	-10%	18.3	15.9	-13%
EBIT (exc. NRIs)	-14.3	-20.3	42%	22.5	19.9	-12%	11.6	8.8	-24%
EBIT	-14.3	-20.3	42%	22.5	19.9	-12%	11.6	8.8	-24%
PTP	-13.9	-19.9	43%	22.4	20.0	-11%	11.5	8.7	-24%
EPS (excl. NRIs)	-0.85	-1.21	42%	1.32	1.18	-11%	0.67	0.51	-24%
DPS	0.10	0.10	0%	0.10	0.10	0%	0.10	0.10	0%

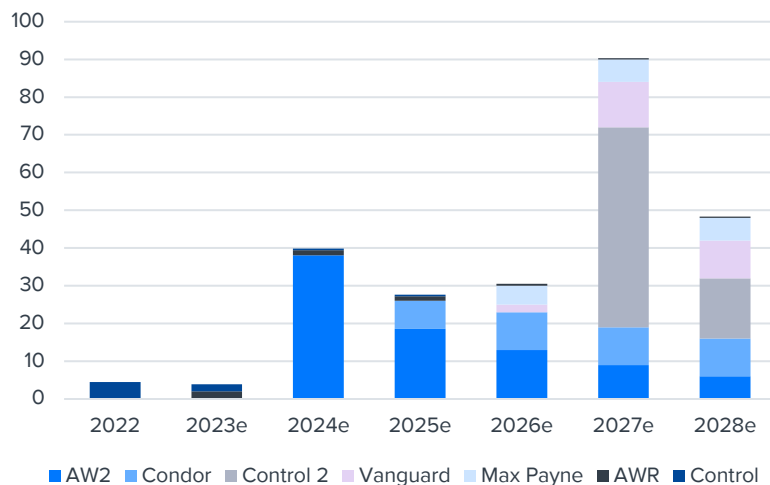
Strategy in light of game projects

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

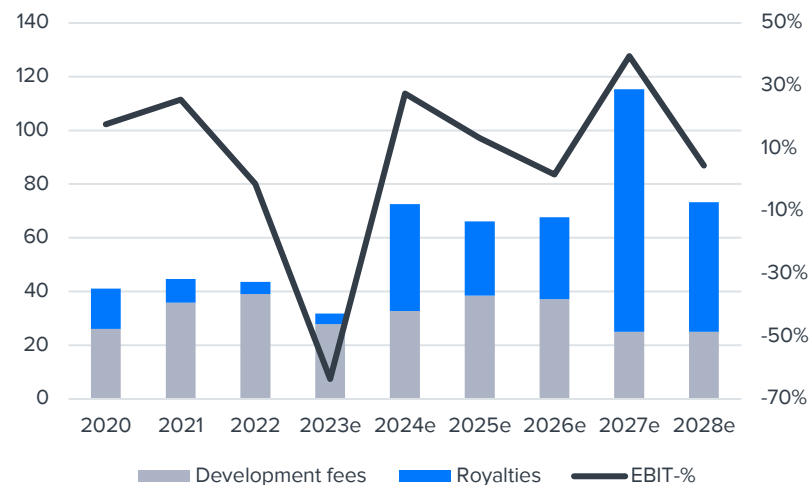
	2022	2023	2024	2025	2026	2027	2028
Crossfire	Development fees \$	Possible small royalty stream from Crossfire HD -/\$					
Control	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$			
Epic projects	Development fees \$\$\$	Alan wake 2 release Small royalties from AWR \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$/\$\$\$
Vanguard	Development fees \$\$	Development fees \$\$	Development fees \$\$	Development fees \$\$/\$\$\$	Release in H2 \$\$/\$\$\$	Royalties \$\$\$	Royalties \$\$\$
Condor	Development fees \$\$	Development fees \$/\$\$	Development fees \$\$	Release in H1 \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$\$
Control 2	Release contract \$\$	Development fees \$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$	Release in H1 \$\$\$	Royalties \$\$\$
Max Payne	Release contract \$\$	Development fees \$\$	Development fees \$\$\$	Development fees \$\$\$	Release in H1 \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$/\$\$\$
Next game projects				Development fees \$/\$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$

Underlying assumptions for revenue estimates

Royalty assumptions per game (MEUR)



Revenue and profitability



AW2 assumptions in the estimate model

	Q3'23	Q4'23e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	Q1'25e	Q2'25e	Q3'25e	Q4'25e
Average price (€)	60	55	55	55	55	50	45	45	45	40
Sales volume (millions of copies)	0.30	1.60	0.60	0.60	0.52	0.65	0.43	0.30	0.25	0.38
Project income (MEUR)	11	55	21	21	18	20	12	8	7	10
Remedy's royalties (MEUR)	0	0	8.5	10.4	9.0	10.2	6.0	4.2	3.5	4.8
Cumulative copies sold (million)	0.3	1.9	2.5	3.1	3.6	4.3	4.7	5.0	5.3	5.6
Cumulative project income (million MEUR)	11	66	87	108	126	146	158	167	174	183
Remedy's cumulative royalties (MEUR)		0	8.5	18.8	27.8	38.0	44.1	48.3	51.8	56.6




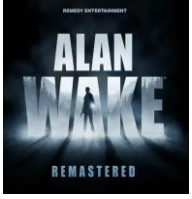







Source: Inderes

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.

Remedy's game projects and partners

							
	Control	Condor	Control 2	Alan Wake Remastered	Alan Wake II	Vanguard	Max Payne 1&2 remake
	Released Q3'19	Production readiness	Proof-of-concept	Released Q4'21	Released 10/27/2023	Proof-of-concept	Production readiness
	Budget ~30 MEUR	Budget ~25 MEUR	Budget ~50 MEUR	Budget ¹ ~7 MEUR	Budget ¹ ~50 MEUR	Budget ¹ ~45 MEUR	Budget ¹ ~45 MEUR
Remedy's share of the budget:	45%	50%	50%		0% ³	30% ¹	0%
Remedy's share of net sales:	45%	50%	50%		50%	>50% ¹ (Western market)	20-30% ¹
Recoup ² before the royalties to Remedy?				✓	✓	✓	✓
							 Rockstar Games

Source: Inderes, ¹ Inderes' rough estimates of project production budgets and allocation ratios

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

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

Valuation

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 low, but a future project can become an actual hit game. Alan Wake 2, for example, now has the potential to reach this hit game scenario, driven by top reviews, although there are still several variables around game sales. The royalty potential of a single game from Remedy's perspective ranges from tens of millions to well over a hundred million euros, so the range of possible outcomes is wide. With the successful ramp-up of the multi-project model, the pace of game releases will quicken and the number of "success options" will rise in the future. We estimate that even with only relatively well succeeding games, Remedy's growth outlook is good far into the future.

Alan Wake 2's success supports share valuation

We estimate that AW2's critical acclaim will also be reflected in the game's sales figures, with a significant amount of royalty revenue coming into Remedy's coffers as early as next year. As a result, the valuation of the stock is already supported by short-term earnings multiples (2024e EV/EBIT 17x).

AW2's success also reinforces Remedy's long-term growth story, which supports the share's valuation. The success of the game meant that Remedy now owns two strong game brands (Control and Alan

Wake) from which the company can develop new games and other additional content. A ready fan base of games significantly lowers the risks associated with publishing, and familiar game brands bring scalability to game development. The release of a top-quality game will also further strengthen Remedy's reputation, which may encourage new players to try the company's next game releases. At the same time, AW2 is an excellent reference for publishing partners and also strengthens Remedy's position as a potential acquisition target. The status of a quality game studio also helps in recruitment. The financial success of the game also strengthens Remedy's ability to publish some of its future game projects if it wishes to do so.

In our estimates, the timing of royalty revenues from future games will have a strong impact on the individual year's results. Thus, the multiples for 2025-27 do not give a reasonable picture of the valuation. With average earnings for 2025-27, Remedy's EV/EBIT multiple is 18x and EV/EBITDA multiple is 11x. The multiples are not particularly low, indicating that the valuation is loaded with significant growth expectations. There are also reasons for this and we are particularly confident in the success of the traditional AAA game projects under development, which also have the potential to outperform our forecasts. The Condor and Vanguard multiplayer projects are the biggest question mark at this point.

Overall, we find Remedy's investment story very attractive for the rest of this decade, and at the current share price leads to a positive view. We'd like to remind that 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	28.0	28.0	28.0
Number of shares, millions	13.5	13.6	13.7
Market cap	376	379	382
EV	350	344	338
P/E (adj.)	neg.	23.7	54.9
P/E	neg.	23.7	54.9
P/B	5.3	4.4	4.2
P/S	11.8	5.2	5.8
EV/Sales	11.0	4.7	5.1
EV/EBITDA	neg.	13.7	21.2
EV/EBIT (adj.)	neg.	17.2	38.5
Payout ratio (%)	neg.	8%	19.7%
Dividend yield-%	0.4%	0.4%	0.4%

Source: Inderes

Gauging Remedy's long-term potential

Share price in different scenarios

EBIT-%	EV/EBIT 12x Revenue (MEUR)				
	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 Revenue (MEUR)				
	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 Revenue (MEUR)				
	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 2027

EBIT-%	EV/EBIT 12x Revenue (MEUR)				
	100	125	150	175	200
25%	-3%	2%	6%	10%	13%
30%	1%	6%	10%	14%	18%
35%	4%	10%	14%	18%	22%
40%	8%	13%	18%	22%	26%

EBIT-%	EV/EBIT 16x Revenue (MEUR)				
	100	125	150	175	200
25%	3%	9%	13%	17%	20%
30%	8%	13%	18%	22%	26%
35%	11%	17%	22%	26%	30%
40%	15%	20%	26%	30%	34%

EBIT-%	EV/EBIT 20x Revenue (MEUR)				
	100	125	150	175	200
25%	9%	14%	19%	23%	27%
30%	13%	19%	24%	28%	32%
35%	17%	23%	28%	33%	37%
40%	20%	27%	32%	37%	41%

Annual return 2028

EBIT-%	EV/EBIT 12x Revenue (MEUR)				
	100	125	150	175	200
25%	-2%	2%	5%	8%	10%
30%	1%	5%	8%	11%	14%
35%	4%	8%	11%	14%	17%
40%	6%	10%	14%	17%	20%

EBIT-%	EV/EBIT 16x Revenue (MEUR)				
	100	125	150	175	200
25%	3%	7%	10%	13%	16%
30%	6%	10%	14%	17%	20%
35%	9%	13%	17%	21%	24%
40%	12%	16%	20%	24%	27%

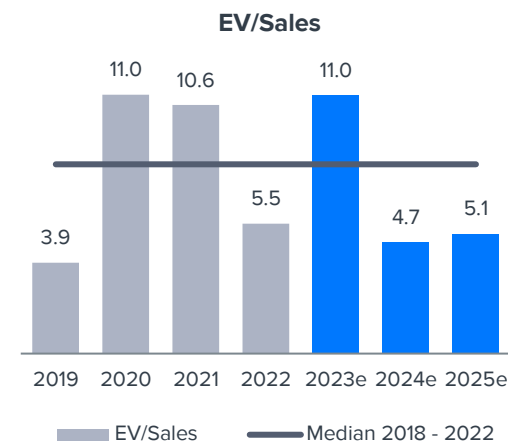
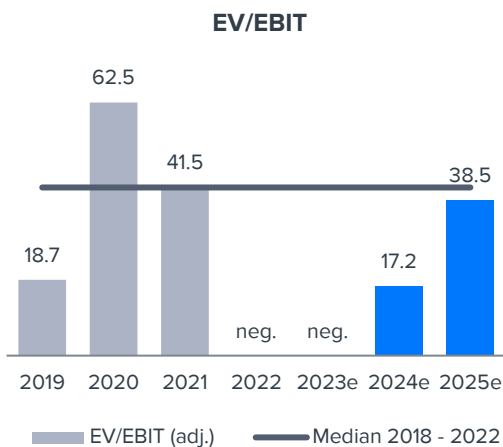
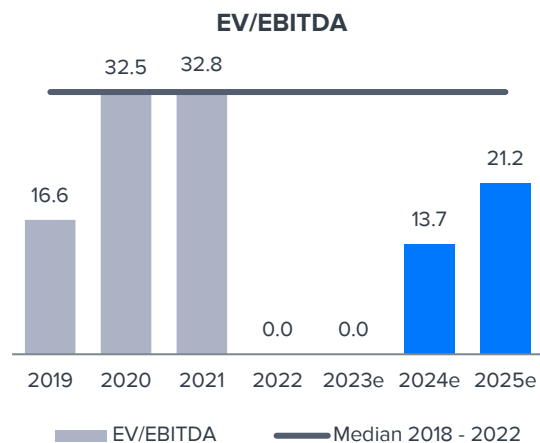
EBIT-%	EV/EBIT 20x Revenue (MEUR)				
	100	125	150	175	200
25%	7%	11%	15%	18%	21%
30%	10%	15%	19%	22%	25%
35%	13%	18%	22%	26%	29%
40%	16%	21%	25%	29%	32%

- 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 2027-2028.
- 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	2027e
Share price	11.5	39.0	39.7	21.9	28.0	28.0	28.0	28.0	28.0
Number of shares, millions	12.1	12.1	13.1	13.4	13.5	13.6	13.7	13.8	13.9
Market cap	138	471	528	294	376	379	382	385	387
EV	122	453	473	241	350	344	338	337	305
P/E (adj.)	26.4	87.0	59.0	neg.	neg.	23.7	54.9	>100	10.7
P/E	26.4	87.0	59.0	neg.	neg.	23.7	54.9	>100	10.7
P/B	5.2	13.0	6.0	3.3	5.3	4.4	4.2	4.2	3.1
P/S	4.4	11.5	11.8	6.7	11.8	5.2	5.8	5.7	3.4
EV/Sales	3.9	11.0	10.6	5.5	11.0	4.7	5.1	5.0	2.6
EV/EBITDA	16.6	32.5	32.8	>100	neg.	13.7	21.2	25.5	5.1
EV/EBIT (adj.)	18.7	62.5	41.5	neg.	neg.	17.2	38.5	>100	6.7
Payout ratio (%)	25.4 %	36.2 %	25.7 %	neg.	neg.	8.5 %	19.7 %	336.9 %	9.5 %
Dividend yield-%	1.0 %	0.4 %	0.4 %	0.5 %	0.4 %	0.4 %	0.4 %	0.7 %	0.9 %

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	105	94			3.4	5.1	0.8	0.8	-9%	3%	-5%	-12%
Embracer	1874	3435	7.2	6.6	4.6	3.9	1.1	0.9	129%	16%	15%	14%
Starbreeze	46	7	0.2		0.2	0.6	0.2	0.4	380%	-56%	60%	-7%
CD Projekt	2355	2200	23.5	40.9	17.2	28.1	9.0	12.5	21%	-28%	38%	31%
Paradox Interactive	1843	1774	26.8	19.9	13.2	10.6	8.5	7.4	26%	15%	32%	37%
Team17	442	396	8.2	7.4	6.9	6.4	2.4	2.3	7%	7%	30%	31%
Playway	513	463	9.0	7.9	8.9	7.8	5.6	4.9	33%	15%	62%	62%
11 Bit Studios	328	315	61.5	7.0	47.1	5.9	12.8	4.2	48%	208%	21%	59%
Enad Global 7	143	109	2.8	3.6	2.4	2.6	0.6	0.6	19%	0%	21%	17%
Thunderful Group	36	79	6.2	4.5	2.5	2.2	0.3	0.3	4%	4%	5%	6%
Tinybuild	20	7	2.4	2.4	1.5	1.3	0.2	0.1	-27%	6%	6%	6%
Cl Games	124	134	4.6	13.3	2.9	8.1	2.2	4.9	354%	-55%	48%	37%
Electronic Arts	30948	30287	15.6	14.8	13.5	12.5	4.5	4.2	-5%	6%	29%	29%
Take-Two Interactive	21327	23032	29.9	32.0	26.5	26.9	4.7	4.4	52%	6%	16%	14%
Ubisoft	3363	4550		13.6	5.5	5.2	2.3	2.2	-9%	7%	-21%	16%
Remedy (Inderes)	376	350	-17.3	17.2	-21.6	13.7	11.0	4.7	-27%	128%	-64%	27%
Average			15.2	13.4	10.4	8.5	3.7	3.3	64%	10%	22%	21%
Median			8.2	7.9	5.5	5.9	2.3	2.3	20%	6%	21%	17%
Diff-% to median			-	119%	-	134%	378%	108%				

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	44.7	12.7	9.4	7.9	13.6	43.6	6.9	8.9	7.8	8.2	31.8	72.5	66.1	67.7
Development fees	35.8	11.6	7.4	7.5	12.6	39.1	6.4	7.9	6.7	6.8	27.9	32.7	38.5	37.2
Royalties	8.9	1.0	2.0	0.4	1.1	4.5	0.5	1.0	1.1	1.4	3.9	39.8	27.6	30.5
EBITDA	14.5	3.3	-1.8	-2.4	2.8	1.9	-4.9	-4.0	-4.2	-3.1	-16.2	25.1	15.9	13.2
Depreciation	-3.0	-0.6	-0.6	-0.6	-0.7	-2.5	-0.7	-0.8	-1.3	-1.3	-4.1	-5.2	-7.2	-12.1
EBIT (excl. NRI)	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-4.8	-5.5	-4.4	-20.3	19.9	8.8	1.1
EBIT	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-4.8	-5.5	-4.4	-20.3	19.9	8.8	1.1
Net financial items	-0.1	-0.1	-0.5	-0.1	0.1	-0.6	0.0	0.4	0.0	0.0	0.4	0.1	-0.1	-0.1
PTP	11.3	2.7	-2.9	-3.2	2.2	-1.2	-5.6	-4.4	-5.5	-4.4	-19.9	20.0	8.7	1.0
Taxes	-2.5	-0.5	0.2	0.5	-0.7	-0.5	0.0	1.7	1.1	0.9	3.7	-4.0	-1.7	-0.2
Net earnings	8.8	2.2	-2.7	-2.7	1.5	-1.7	-5.6	-2.7	-4.4	-3.5	-16.2	16.0	6.9	0.8
EPS (adj.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.33	-0.26	-1.21	1.18	0.51	0.06
EPS (rep.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.33	-0.26	-1.21	1.18	0.51	0.06
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	8.9 %	55.9 %	-0.2 %	6.9 %	-31.2 %	-2.5 %	-45.4 %	-5.3 %	-1.1 %	-39.8 %	-27.0 %	127.8 %	-8.8 %	2.4 %
EBITDA-%	32.3 %	26.4 %	-19.3 %	-30.4 %	20.4 %	4.4 %	-71.6 %	-44.7 %	-53.4 %	-37.8 %	-50.9 %	34.6 %	24.1 %	19.5 %
Adjusted EBIT-%	25.5 %	21.8 %	-25.6 %	-38.3 %	15.5 %	-1.3 %	-81.0 %	-53.7 %	-70.5 %	-53.0 %	-63.6 %	27.5 %	13.3 %	1.7 %
Net earnings-%	19.7 %	17.1 %	-29.0 %	-33.6 %	10.9 %	-4.0 %	-81.6 %	-30.0 %	-56.7 %	-42.7 %	-51.0 %	22.1 %	10.5 %	1.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	12.6	20.2	31.1	35.5	37.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.3	28.3	32.3
Tangible assets	4.3	4.3	5.2	4.6	2.9
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	1.7	1.7	1.7
Current assets	81.1	71.2	42.1	58.2	61.4
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	14.3	21.8	16.5
Cash and equivalents	58.5	55.9	27.8	36.5	44.9
Balance sheet total	101	99.6	78.2	97.7	102

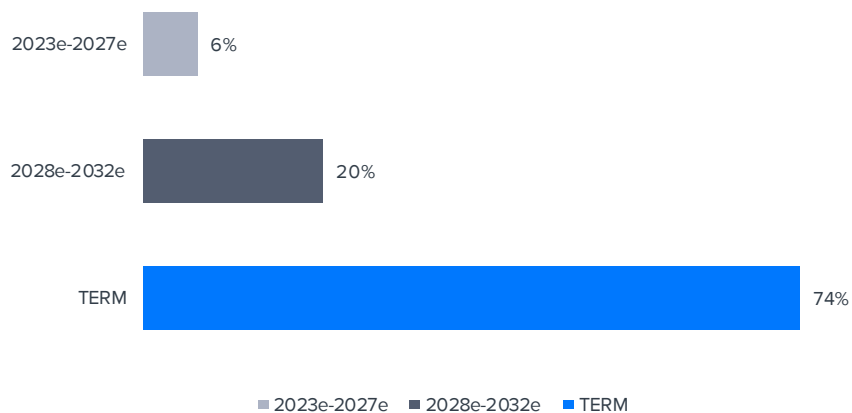
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	87.4	88.4	71.0	85.7	91.3
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.5	31.1	13.6	28.2	33.8
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	57.4	57.4	57.4
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
Interest bearing 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	6.2	11.1	10.1
Interest bearing debt	1.8	1.8	0.2	0.2	0.2
Payables	9.8	8.2	6.0	10.9	9.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	101	99.6	78.2	97.7	102

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-2.5 %	-27.0 %	127.8 %	-8.8 %	2.4 %	70.3 %	-36.4 %	36.0 %	22.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	-1.3 %	-63.6 %	27.5 %	13.3 %	1.7 %	39.4 %	4.5 %	35.8 %	33.0 %	33.0 %	33.0 %	33.0 %
EBIT (operating profit)	-0.6	-20.3	19.9	8.8	1.1	45.5	3.3	35.7	40.1	42.1	43.5	
+ Depreciation	2.5	4.1	5.2	7.2	12.1	14.5	12.9	13.8	14.7	13.6	13.1	
- Paid taxes	-0.5	1.9	-4.0	-1.7	-0.2	-9.1	-0.6	-7.1	-8.0	-8.4	-8.7	
- Tax, financial expenses	-0.1	0.1	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	-1.2	-2.6	4.3	1.9	-2.8	3.1	-1.1	-0.6	1.6	0.4	
Operating cash flow	6.8	-15.4	18.5	18.5	14.9	48.2	18.7	41.3	46.2	49.0	48.3	
+ 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	-10.0	-8.6	-8.6	-9.6	-10.6	-11.6	-12.6	-12.6	-12.6	-13.2	
Free operating cash flow	-4.0	-25.4	9.9	9.9	5.3	37.6	7.1	28.7	33.6	36.4	35.1	
+/- 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	-25.4	9.9	9.9	5.3	37.6	7.1	28.7	33.6	36.4	35.1	590
Discounted FCFF		-25.0	9.0	8.2	4.0	26.1	4.5	16.7	18.0	17.8	15.8	265
Sum of FCFF present value		360	385	376	368	364	338	333	316	299	281	265
Enterprise value DCF		360										
- Interest bearing debt		-3.0										
+ Cash and cash equivalents		55.9										
-Minorities		0.0										
-Dividend/capital return		-1.3										
Equity value DCF		411										
Equity value DCF per share		30.5										

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	31.8	72.5	EPS (reported)	0.45	0.67	-0.13	-1.21	1.18
EBITDA	14.0	14.5	1.9	-16.2	25.1	EPS (adj.)	0.45	0.67	-0.13	-1.21	1.18
EBIT	7.2	11.4	-0.6	-20.3	19.9	OCF / share	1.07	0.30	0.51	-1.14	1.37
PTP	7.0	11.3	-1.2	-19.9	20.0	FCF / share	-0.17	-0.44	-0.29	-1.88	0.73
Net Income	5.4	8.8	-1.7	-16.2	16.0	Book value / share	2.99	6.69	6.57	5.27	6.32
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.10	0.10	0.10
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	51.3	101.1	99.6	78.2	97.7	Revenue growth-%	30%	9%	-3%	-27%	128%
Equity capital	36.1	87.4	88.4	71.0	85.7	EBITDA growth-%	90%	4%	-87%	-950%	-255%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	11%	57%	-105%	3497%	-198%
Net debt	-18.0	-54.7	-52.9	-26.7	-35.4	EPS (adj.) growth-%	3%	50%	-119%	839%	-198%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.0 %	32.3 %	4.4 %	-50.9 %	34.6 %
EBITDA	14.0	14.5	1.9	-16.2	25.1	EBIT (adj.)-%	17.6 %	25.5 %	-1.3 %	-63.6 %	27.5 %
Change in working capital	0.4	-7.7	5.6	-1.2	-2.6	EBIT-%	17.6 %	25.5 %	-1.3 %	-63.6 %	27.5 %
Operating cash flow	12.9	4.0	6.8	-15.4	18.5	ROE-%	17.3 %	14.2 %	-2.0 %	-20.4 %	20.4 %
CAPEX	-14.9	-9.8	-10.8	-10.0	-8.6	ROI-%	20.2 %	17.1 %	-0.6 %	-24.8 %	25.1 %
Free cash flow	-2.0	-5.8	-4.0	-25.4	9.9	Equity ratio	70.4 %	86.4 %	88.8 %	90.9 %	87.7 %
						Gearing	-49.8 %	-62.5 %	-59.8 %	-37.6 %	-41.3 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	11.0	10.6	5.5	11.0	4.7						
EV/EBITDA (adj.)	32.5	32.8	>100	neg.	13.7						
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	17.2						
P/E (adj.)	87.0	59.0	neg.	neg.	23.7						
P/B	13.0	6.0	3.3	5.3	4.4						
Dividend-%	0.4 %	0.4 %	0.5 %	0.4 %	0.4 %						

Source: Inderes

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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

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According to a flagging 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.

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 €
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 €

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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.**