

Remedy

Company report

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

✓ Inderes corporate customer

This report is a summary translation of the report “Vanguardin uudelleenkäynnistys ennusteisiin” published on 11/16/2023 at 7:56 am EET

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Vanguard relaunch included in estimates

We have updated our estimates to include the reboot of the Vanguard project under the codename Kestrel. As a result, cash flows from Remedy's projects will focus slightly more at the end of this decade. Overall, Remedy's share valuation prices good success for future games, which we believe is also justified in light of AW2's excellent reception. The positive momentum around AW2 is also a clear driver supporting the share in the short term. As a whole, the risk/return ratio is now too thin in the neutral scenario in line with our estimates, although the hit game option associated with each game project can change the situation quickly. We lower Remedy's recommendation to Reduce (was Accumulate) and the target price to EUR 29.0 (was EUR 30.0).

Looking at the long game, we feel the Vanguard relaunch is the right move

Remedy announced on Monday that it is rebooting its free-to-play collaborative multiplayer project previously known as Vanguard, with Tencent as its publishing partner. Going forward, the project will be codenamed "Kestrel" and will be made into a premium game with a strong co-op multiplayer component. We had long said that Vanguard was the biggest question mark in Remedy's investment story, as the company has no previous experience in developing games based on the F2P model. Thus, the decision to change the direction of the project and focus more on Remedy's proven strengths is a welcome decision from a risk management perspective. In the short term, however, putting a long-planned and iterated project back to the drawing board is not a particularly positive thing, although we consider the decision a good one if looking until the end of this decade. We commented on the relaunch of the Vanguard project in more detail [here](#) on Tuesday .

For Kestrel, royalty expectations at the very end of this decade

We previously expected more significant royalty income from Vanguard from 2027 onwards. We now estimate that the Kestrel release could take place in 2028, with other projects in the pipeline being released in 2025-2027. Therefore, the royalty expectations for the project are focused on 2029 and beyond. It is possible that the development and publishing agreement with Tencent will undergo some changes as a result of the relaunch. This may have an impact on the budget of the project and Remedy's financial contribution to this package. We had previously estimated Tencent's share of Vanguard's budget to be about 70%.

AW2's success supports share valuation, but a lot of positives are already priced in the share

We expect that AW2's rating success will be reflected in the game's sales volumes, which provides some support for the share valuation already in short-term earnings multiples (2024e EV/EBIT 20x). The success of AW2 also reinforces Remedy's long-term growth story, with plenty of opportunities when looking at the rest of the decade. However, due to the timing of game releases, the company's earnings development will continue to fluctuate at an annual basis with our forecasts for a long time, and a steadier strong earnings development enabled by the multi-project model will not happen until the 2030s. With the average result for 2025-27, Remedy's EV/EBIT ratio is 21x and EV/EBITDA ratio is 12x, which indicate that significant growth expectations are loaded in the valuation. The value of our DCF model that expects strong long-term earnings growth, is also close to the current share price. In the short term, AW2 potentially winning the Game of the year award and any sales figures from the game at some point may boost the share. However, at the current market cap (389 MEUR), the positive surprise should be substantial compared to the forecasts already expecting strong sales to substantially change the share's valuation picture.

Recommendation

Reduce

(previous Accumulate)

EUR 29.00

(previous EUR 30.00)

Share price:

28.85



Key figures

	2022	2023e	2024e	2025e
Revenue	43.6	31.5	70.1	65.6
growth-%	-3%	-28%	122%	-6%
EBIT adj.	-0.6	-20.6	17.6	8.5
EBIT-% adj.	-1.3 %	-65.2 %	25.1 %	12.9 %
Net Income	-1.7	-16.5	14.2	6.7
EPS (adj.)	-0.13	-1.22	1.04	0.49
P/E (adj.)	neg.	neg.	27.6	58.7
P/B	3.3	5.5	4.7	4.4
Dividend yield-%	0.5 %	0.3 %	0.3 %	0.3 %
EV/EBIT (adj.)	neg.	neg.	20.3	41.5
EV/EBITDA	>100	neg.	15.7	22.5
EV/S	5.5	11.5	5.1	5.4

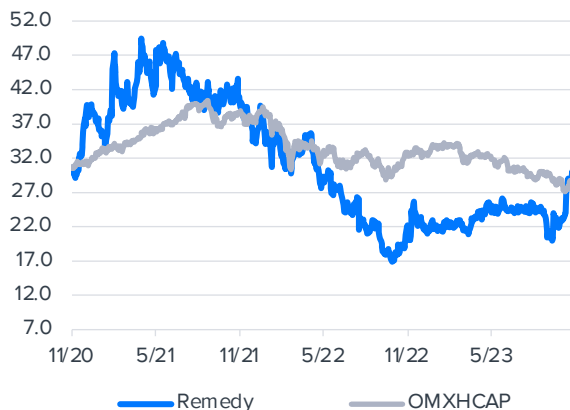
Source: Inderes

Guidance

(Unchanged)

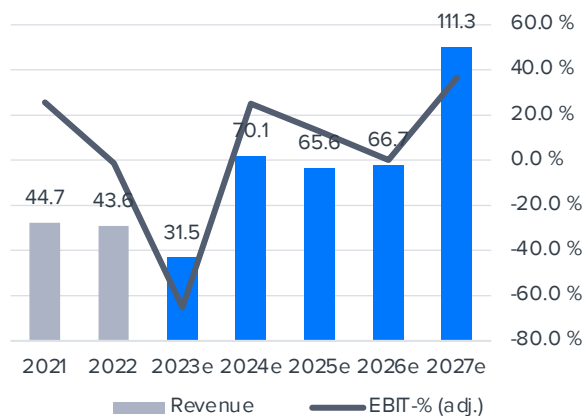
"Remedy expects its revenue to decline from the previous year and its operating result to be negative."

Share price



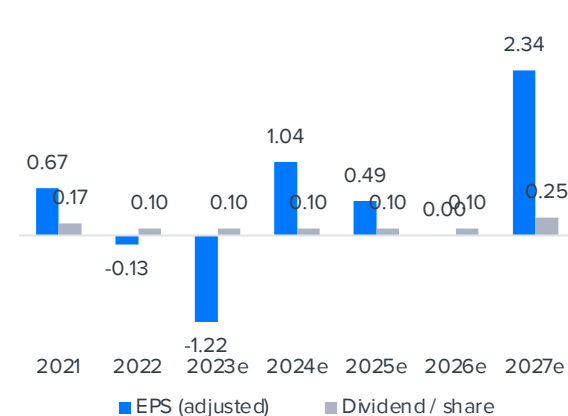
Source: Millstream Market Data AB

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	28.9	28.9	28.9
Number of shares, millions	13.5	13.6	13.7
Market cap	389	391	394
EV	362	358	353
P/E (adj.)	neg.	27.6	58.7
P/E	neg.	27.6	58.7
P/B	5.5	4.7	4.4
P/S	12.3	5.6	6.0
EV/Sales	11.5	5.1	5.4
EV/EBITDA	neg.	15.7	22.5
EV/EBIT (adj.)	neg.	20.3	41.5
Payout ratio (%)	neg.	10%	20.4%
Dividend yield-%	0.3%	0.3%	0.3%

Source: Inderes

Forecasts updated to consider the relaunch of Vanguard

- For the next few years, we slightly lowered our assumptions about development fees due to the relaunch of Vanguard. For this project, development fees will now be paid later than before.
- As a counterbalance, the personnel moving from Vanguard to other projects will probably mean slightly more development fees from these projects a little faster than before. However, precise visibility of these is weak.
- We previously expected royalties from Vanguard from 2027 onwards, now we expect royalties from Kestrel from 2029 onwards.
- We expect that Remedy will publish the four projects under development in 2025-2028
- We expect Remedy to launch new game projects in the coming years so that their royalty income will start to show in earnings growth in the 2030s. At that time, our estimates also indicate that the company will have several published old games with royalties that provide a certain revenue base.
- We added 3 years to the forecast period of our DCF model before the start of a stabler terminal period to better reflect the fluctuations in Remedy's revenue that are likely to still occur at the turn of the 2030s.
- Overall, our forecasts expect good success for upcoming games, but there is also potential for a much better performance in a positive scenario. All in all, the range of final outcomes at project level is wide.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	31.8	31.5	-1%	72.5	70.1	-3%	66.1	65.6	-1%
EBITDA	-16.2	-16.5	2%	25.1	22.8	-9%	15.9	15.6	-2%
EBIT (exc. NRIs)	-20.3	-20.6	1%	19.9	17.6	-12%	8.8	8.5	-3%
EBIT	-20.3	-20.6	1%	19.9	17.6	-12%	8.8	8.5	-3%
PTP	-19.9	-20.2	2%	20.0	17.7	-11%	8.7	8.4	-3%
EPS (excl. NRIs)	-1.21	-1.22	1%	1.18	1.04	-11%	0.51	0.49	-3%
DPS	0.10	0.10	0%	0.10	0.10	0%	0.10	0.10	0%

Source: Inderes

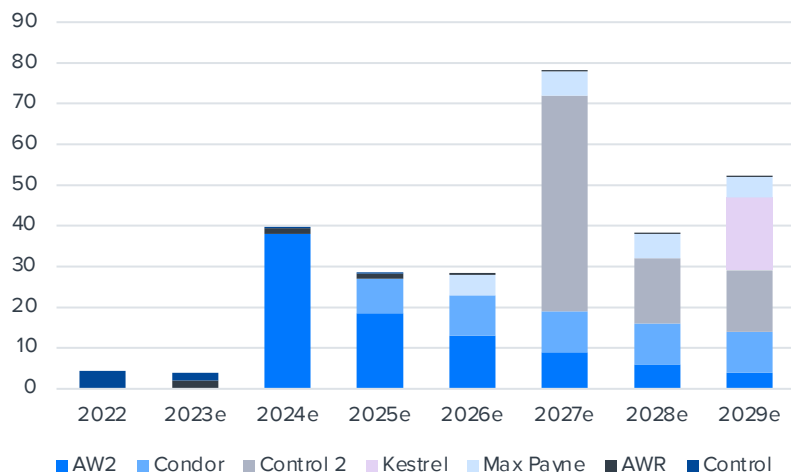
Strategy in light of game projects

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

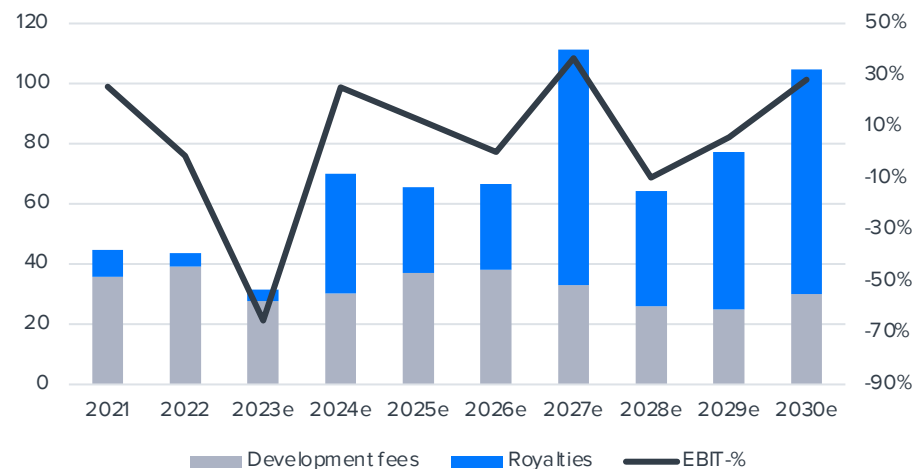
	2022	2023	2024	2025	2026	2027	2028
Crossfire	Development fees \$	Possible small royalty stream from Crossfire HD -/\$					
Control	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$			
Epic projects	Development fees \$\$\$	Alan wake 2 release Little royalties from AWR \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$\$	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 \$\$/\$\$\$
Kestrel	Development fees \$\$	Development fees \$\$	Development fees \$\$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Release in H2 \$\$\$
Next game projects				Development fees \$/\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$

Underlying assumptions for revenue estimates

Roalty assumptions per game (MEUR)



Net sales 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

Released
Q3'19

Budget
~30 MEUR

Remedy's share
of the budget:

45%

Remedy's share
of net sales:

45%

Recoup² before
the royalties to
Remedy?



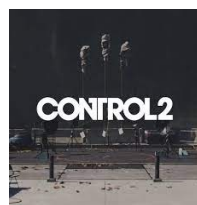
Condor

Production
readiness

Budget
~25 MEUR

50%

50%



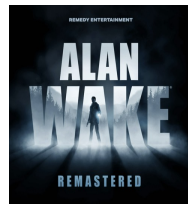
Control 2

Proof-of-
concept

Budget
~50 MEUR

50%

50%



**Alan Wake
Remastered**

Released
Q4'21

Budget¹
~7 MEUR



Alan Wake II

Released
10/27/2023

Budget¹
~50 MEUR

0%³

50%



**Max Payne
1&2 remake**

Production
readiness

Budget¹
~45-50 MEUR

0%

20-30%¹



Kestrel

Conceptualization

Budget¹
~45-50 MEUR

30%¹

30-50%^{1,4}



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.

⁴We estimate that Kestrel's previous development and publication agreement may at some point be subject to changes when the project is relaunched

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 a number of 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 20x).

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 21x and EV/EBITDA multiple is 12x. 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 multiplayer project Condor and Kestrel, now returned to the drawing board, are the projects involving most uncertainty at this point.

As a whole, we find Remedy's long-term investment story very interesting, but with the current valuation, the risk/return ratio remains too thin. We'd like to remind that investors should continue to be prepared to tolerate large price swings, as changes in expectations for future games can cause significant volatility in the share

Valuation	2023e	2024e	2025e
Share price	28.9	28.9	28.9
Number of shares, millions	13.5	13.6	13.7
Market cap	389	391	394
EV	362	358	353
P/E (adj.)	neg.	27.6	58.7
P/E	neg.	27.6	58.7
P/B	5.5	4.7	4.4
P/S	12.3	5.6	6.0
EV/Sales	11.5	5.1	5.4
EV/EBITDA	neg.	15.7	22.5
EV/EBIT (adj.)	neg.	20.3	41.5
Payout ratio (%)	neg.	10%	20.4 %
Dividend yield-%	0.3 %	0.3 %	0.3 %

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 2027

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		-3%	1%	5%	9%	12%
30%		0%	5%	10%	13%	17%
35%		4%	9%	13%	17%	21%
40%		7%	12%	17%	21%	25%

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		3%	8%	12%	16%	20%
30%		7%	12%	17%	21%	25%
35%		11%	16%	21%	25%	29%
40%		14%	20%	25%	29%	33%

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		8%	13%	18%	22%	26%
30%		12%	18%	23%	27%	31%
35%		16%	22%	27%	32%	36%
40%		20%	26%	31%	36%	41%

Annual return 2030

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		-2%	1%	3%	5%	7%
30%		0%	3%	5%	8%	9%
35%		2%	5%	8%	10%	12%
40%		4%	7%	9%	12%	14%

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		2%	4%	7%	9%	11%
30%		4%	7%	9%	12%	14%
35%		6%	9%	12%	14%	16%
40%		8%	11%	14%	16%	18%

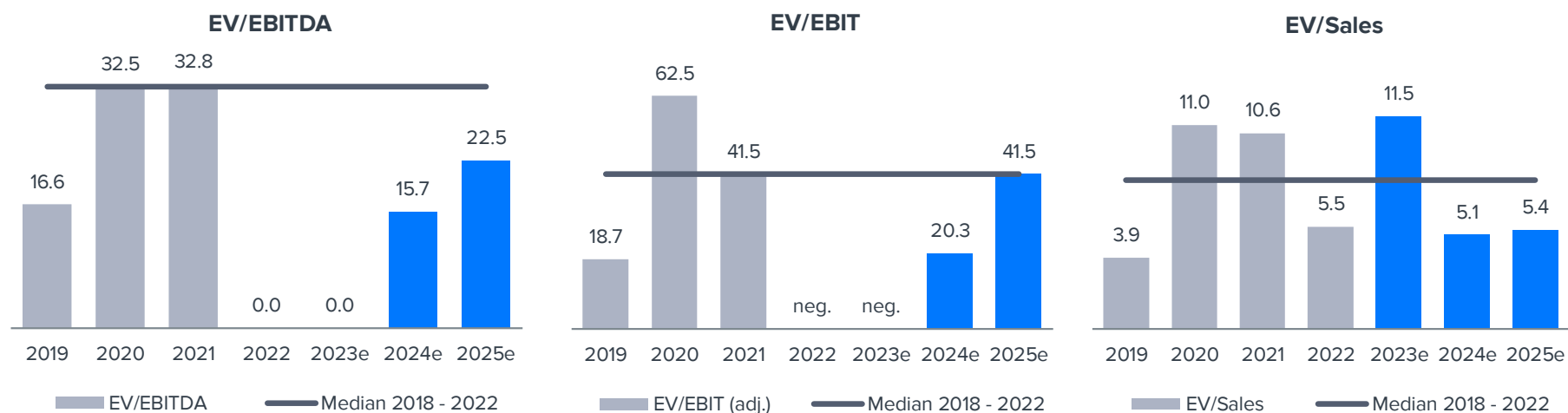
		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		4%	7%	10%	12%	14%
30%		7%	10%	13%	15%	17%
35%		9%	12%	15%	18%	20%
40%		11%	14%	17%	20%	22%

- The scenarios aim to illustrate the expected return on Remedy's share if the company achieves a sustainable revenue of EUR 100-200 million with an EBIT margin of 25-40% in 2027 or 2030.
- 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	28.9	28.9	28.9	28.9
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	389	391	394	397
EV	122	453	473	241	362	358	353	352
P/E (adj.)	26.4	87.0	59.0	neg.	neg.	27.6	58.7	>100
P/E	26.4	87.0	59.0	neg.	neg.	27.6	58.7	>100
P/B	5.2	13.0	6.0	3.3	5.5	4.7	4.4	4.5
P/S	4.4	11.5	11.8	6.7	12.3	5.6	6.0	6.0
EV/Sales	3.9	11.0	10.6	5.5	11.5	5.1	5.4	5.3
EV/EBITDA	16.6	32.5	32.8	>100	neg.	15.7	22.5	28.9
EV/EBIT (adj.)	18.7	62.5	41.5	neg.	neg.	20.3	41.5	>100
Payout ratio (%)	25.4 %	36.2 %	25.7 %	neg.	neg.	9.6 %	20.4 %	8285.2 %
Dividend yield-%	1.0 %	0.4 %	0.4 %	0.5 %	0.3 %	0.3 %	0.3 %	0.3 %

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	118	108			3.8	5.8	0.9	0.9	-9%	3%	-5%	-12%
Embracer	2378	3979	8.1	6.2	5.1	4.4	1.2	1.1	129%	16%	15%	17%
Starbreeze	47	9	0.3		0.2	0.7	0.2	0.4	380%	-56%	60%	-7%
CD Projekt	2588	2432	25.7	44.9	18.8	30.8	9.8	13.7	21%	-29%	38%	31%
Paradox Interactive	2132	2062	30.4	22.5	14.9	12.0	9.6	8.4	26%	15%	32%	37%
Team17	541	495	10.2	9.2	8.6	8.0	3.0	2.8	7%	7%	30%	31%
Playway	551	500	9.6	8.4	9.5	8.4	6.0	5.2	33%	15%	62%	62%
11 Bit Studios	306	292	56.5	6.5	42.3	5.4	11.8	3.8	48%	208%	21%	59%
Enad Global 7	158	122	3.1	3.8	2.5	2.8	0.7	0.7	19%	-1%	21%	17%
Thunderful Group	39	82	6.3	4.6	2.5	2.2	0.3	0.3	4%	4%	5%	6%
Tinybuild	18	5	1.8	1.7	1.1	0.9	0.1	0.1	-27%	6%	6%	6%
CI Games	121	131	4.5	12.9	2.8	7.8	2.1	4.7	354%	-55%	48%	37%
Electronic Arts	33367	32981	17.4	15.9	15.0	14.1	5.0	4.7	-5%	7%	29%	29%
Take-Two Interactive	24073	25784	34.1	37.0	30.3	31.4	5.4	5.1	52%	5%	16%	14%
Ubisoft	3829	5014		14.4	6.0	5.7	2.5	2.4	-9%	6%	-21%	17%
Remedy (Inderes)	389	362	-17.6	20.3	-21.9	15.7	11.5	5.1	-28%	122%	-65%	25%
Average			16.0	14.5	10.9	9.4	3.9	3.6	64%	9%	22%	22%
Median			9.6	9.2	6.0	5.8	2.5	2.8	20%	6%	21%	17%
Diff-% to median			-	120%	-	169%	352%	80%				

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	7.9	31.5	70.1	65.6	66.7
Development fees	35.8	11.6	7.4	7.5	12.6	39.1	6.4	7.9	6.7	6.5	27.6	30.3	37.0	38.2
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	28.6	28.5
EBITDA	14.5	3.3	-1.8	-2.4	2.8	1.9	-4.9	-4.0	-4.2	-3.4	-16.5	22.8	15.6	12.2
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	-4.7	-20.6	17.6	8.5	0.1
EBIT	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-4.8	-5.5	-4.7	-20.6	17.6	8.5	0.1
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	-4.7	-20.2	17.7	8.4	0.0
Taxes	-2.5	-0.5	0.2	0.5	-0.7	-0.5	0.0	1.7	1.1	0.9	3.7	-3.5	-1.7	0.0
Net earnings	8.8	2.2	-2.7	-2.7	1.5	-1.7	-5.6	-2.7	-4.4	-3.7	-16.5	14.2	6.7	0.0
EPS (adj.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.33	-0.28	-1.22	1.04	0.49	0.00
EPS (rep.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.33	-0.28	-1.22	1.04	0.49	0.00
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 %	-42.0 %	-27.7 %	122.4 %	-6.4 %	1.6 %
EBITDA-%	32.3 %	26.4 %	-19.3 %	-30.4 %	20.4 %	4.4 %	-71.6 %	-44.7 %	-53.4 %	-43.0 %	-52.3 %	32.6 %	23.8 %	18.3 %
Adjusted EBIT-%	25.5 %	21.8 %	-25.6 %	-38.3 %	15.5 %	-1.3 %	-81.0 %	-53.7 %	-70.5 %	-58.9 %	-65.2 %	25.1 %	12.9 %	0.2 %
Net earnings-%	19.7 %	17.1 %	-29.0 %	-33.6 %	10.9 %	-4.0 %	-81.6 %	-30.0 %	-56.7 %	-47.3 %	-52.3 %	20.2 %	10.2 %	0.0 %

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	41.8	55.8	59.0
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	14.2	21.0	16.4
Cash and equivalents	58.5	55.9	27.6	34.7	42.6
Balance sheet total	101	99.6	77.9	95.2	99.9

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	87.4	88.4	70.8	83.6	89.0
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.5	31.1	13.3	26.1	31.5
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	57.4	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	10.7	10.0
Interest bearing debt	1.8	1.8	0.2	0.2	0.2
Payables	9.8	8.2	6.0	10.5	9.8
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	101	99.6	77.9	95.2	99.9

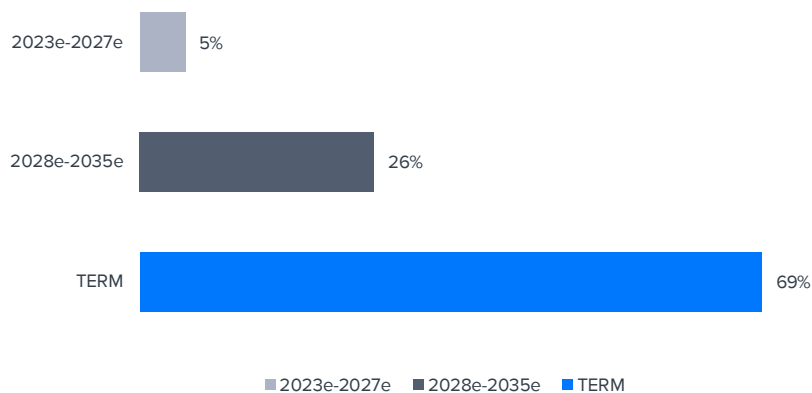
DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	-2.5 %	-27.7 %	122.4 %	-6.4 %	1.6 %	66.9 %	-42.2 %	20.2 %	35.6 %	23.1 %	-5.0 %	8.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	-1.3 %	-65.2 %	25.1 %	12.9 %	0.2 %	36.5 %	-9.7 %	5.7 %	28.1 %	33.0 %	31.0 %	33.0 %	33.0 %	33.0 %	33.0 %
EBIT (operating profit)	-0.6	-20.6	17.6	8.5	0.1	40.7	-6.2	4.4	29.4	42.6	38.0	43.7	45.9	47.3	
+ Depreciation	2.5	4.1	5.2	7.2	12.1	14.5	12.9	13.8	14.7	13.6	13.1	12.9	12.7	12.7	
- Paid taxes	-0.5	2.0	-3.5	-1.7	0.0	-8.1	1.3	-0.9	-5.9	-8.5	-7.6	-8.7	-9.2	-9.5	
- 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	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	5.6	-1.1	-2.3	4.0	1.9	-2.6	3.4	-0.4	-1.0	-1.2	0.3	-0.5	-0.3	2.5	
Operating cash flow	6.8	-15.5	17.0	17.9	14.1	44.5	11.3	17.0	37.2	46.5	43.8	47.3	49.1	53.0	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-10.8	-10.0	-8.6	-8.6	-9.6	-10.6	-11.6	-12.6	-12.6	-12.6	-12.6	-12.6	-12.6	-12.7	
Free operating cash flow	-4.0	-25.5	8.4	9.3	4.5	33.9	-0.3	4.4	24.6	33.9	31.2	34.7	36.5	40.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-4.0	-25.5	8.4	9.3	4.5	33.9	-0.3	4.4	24.6	33.9	31.2	34.7	36.5	40.3	
Discounted FCFF		-25.3	7.6	7.7	3.4	23.7	-0.2	2.6	13.2	16.7	14.1	14.3	13.8	14.0	235
Sum of FCFF present value		341	366	359	351	347	324	324	321	308	291	277	263	249	235
Enterprise value DCF		341													
- Interest bearing debt		-3.0													
+ Cash and cash equivalents		55.9													
-Minorities		0.0													
-Dividend/capital return		-1.3													
Equity value DCF		392													
Equity value DCF per share		29.1													

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

Cash flow distribution



Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	41.1	44.7	43.6	31.5	70.1	EPS (reported)	0.45	0.67	-0.13	-1.22	1.04
EBITDA	14.0	14.5	1.9	-16.5	22.8	EPS (adj.)	0.45	0.67	-0.13	-1.22	1.04
EBIT	7.2	11.4	-0.6	-20.6	17.6	OCF / share	1.07	0.30	0.51	-1.15	1.25
PTP	7.0	11.3	-1.2	-20.2	17.7	FCF / share	-0.17	-0.44	-0.29	-1.90	0.62
Net Income	5.4	8.8	-1.7	-16.5	14.2	Book value / share	2.99	6.69	6.57	5.26	6.16
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	77.9	95.2	Revenue growth-%	30%	9%	-3%	-28%	122%
Equity capital	36.1	87.4	88.4	70.8	83.6	EBITDA growth-%	90%	4%	-87%	-966%	-238%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	11%	57%	-105%	3550%	-186%
Net debt	-18.0	-54.7	-52.9	-26.5	-33.6	EPS (adj.) growth-%	3%	50%	-119%	853%	-185%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.0 %	32.3 %	4.4 %	-52.3 %	32.6 %
EBITDA	14.0	14.5	1.9	-16.5	22.8	EBIT (adj.)-%	17.6 %	25.5 %	-1.3 %	-65.2 %	25.1 %
Change in working capital	0.4	-7.7	5.6	-1.1	-2.3	EBIT-%	17.6 %	25.5 %	-1.3 %	-65.2 %	25.1 %
Operating cash flow	12.9	4.0	6.8	-15.5	17.0	ROE-%	17.3 %	14.2 %	-2.0 %	-20.7 %	18.4 %
CAPEX	-14.9	-9.8	-10.8	-10.0	-8.6	ROI-%	20.2 %	17.1 %	-0.6 %	-25.2 %	22.5 %
Free cash flow	-2.0	-5.8	-4.0	-25.5	8.4	Equity ratio	70.4 %	86.4 %	88.8 %	90.9 %	87.8 %
						Gearing	-49.8 %	-62.5 %	-59.8 %	-37.5 %	-40.2 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	11.0	10.6	5.5	11.5	5.1						
EV/EBITDA (adj.)	32.5	32.8	>100	neg.	15.7						
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	20.3						
P/E (adj.)	87.0	59.0	neg.	neg.	27.6						
P/B	13.0	6.0	3.3	5.5	4.7						
Dividend-%	0.4 %	0.4 %	0.5 %	0.3 %	0.3 %						

Source: Inderes

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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

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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 €
11/16/2023	Reduce	29.00 €	28.85 €

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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

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