

Remedy

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Alle vuoden päästä alkaa tapahtua” published on 12/27/2022 at 7:41 am

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Things will start to happen in less than a year

We reiterate our EUR 25.0 target price for Remedy but lower our recommendation to Accumulate (previously Buy). We have examined our assumptions about Remedy's game projects and cost structure, which resulted in our earnings estimates for 2023 declining, but our longer-term estimates that determine the direction of the company's investment story remain unchanged. In 2023, Remedy is still clearly in an investment phase as the company builds its strategy for the next growth leap with 5 major gaming projects under development. However, the company's investment story is entering an interesting phase in less than a year with the launch of Alan Wake 2, which is also a key short-term driver for the share.

Adjustments to short-term estimates

We believe that Alan Wake 2 has progressed well in the production phase, and in 2023 the project will move from alpha stage to beta stage of final finishing before the launch. In the alpha stage, AW2 tied up to over 100 Remedy's own employees, and in addition, roughly the same number of external developers have worked on the game. In the beta stage, the team size can be reduced, freeing up resources from AW2, e.g., to Control 2 and Max Payne projects that are in the conceptualization stage, where teams can be grown. We also believe that Condor and Vanguard will move forward in the production pipeline next year. Development fees from AW2 will decrease compared to 2022, while for other projects they will increase with growing team sizes. Due to the uncertainty related to the transition phase, we revised our assumptions for 2023 development fees downward, which also resulted in our earnings estimate (2023e EBIT: -10.7 MEUR) falling. The assumption concerning the level of product development capitalization for the next few years (now 8 MEUR vs. 10 MEUR previously) also affected the estimate. By contrast, our 2024 estimate (EBIT 6.8 MEUR) rose but the outcome is still very sensitive to AW2's sales development.

Big picture unchanged

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 depresses the company's profitability significantly. Regarding the release schedule of games, the company has commented that it intends to launch at least one new game per year between 2023 and 2025, plus additional free and purchasable content. In our estimates, with the releases of Alan Wake 2 (Q3/23), Condor (H2/24), Vanguard (H1/24), Control 2 (H2/25), and Max Payne Remake (2026), Remedy's earnings growth will be strong in the medium term, supported by growing royalty revenue.

Earnings growth potential of current game projects still attractive with current valuation

In our estimates, royalties from Remedy's current game projects largely occur in 2025-2026, when we expect the company's revenue (77.5-89.5 MEUR) and earnings (EBIT: 16.5-22.0 MEUR) take a significant step upward. With our estimates of reasonably successful game releases, the share's EV/EBIT ratios will be 15x-11x and corresponding EV/EBITDA ratios 11x-7x. We find these to be moderate levels considering Remedy's long-term growth potential, on top of which the investor also gets the option of hit games that are more successful than we estimate. 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 investors' patience to look several years ahead when it comes to the performance of story stocks has waned.

Recommendation

Accumulate
(previous Buy)

EUR 25.00
(previous EUR 25.00)

Share price:
21.50



Key figures

	2021	2022e	2023e	2024e
Revenue	44.7	43.2	38.2	62.9
growth-%	9%	-3%	-12%	65%
EBIT adj.	11.4	-1.6	-10.7	6.8
EBIT-% adj.	25.5 %	-3.7 %	-28.0 %	10.8 %
Net Income	8.8	-2.4	-8.6	5.3
EPS (adj.)	0.67	-0.18	-0.64	0.39
P/E (adj.)	59.0	neg.	neg.	54.8
P/B	6.0	3.5	4.1	3.9
Dividend yield-%	0.4 %	0.8 %	0.8 %	0.8 %
EV/EBIT (adj.)	41.8	neg.	neg.	39.1
EV/EBITDA	33.0	>100	neg.	19.4
EV/S	10.6	5.6	6.8	4.2

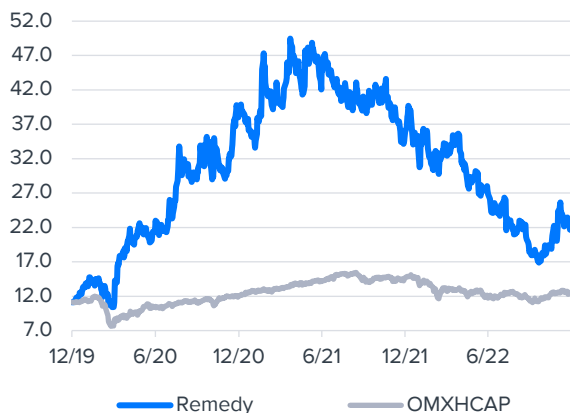
Source: Inderes

Guidance

(Unchanged)

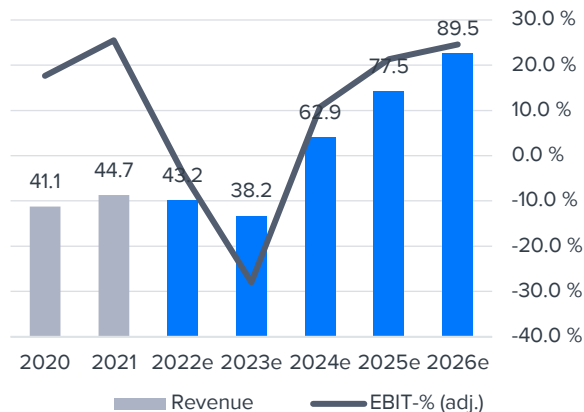
"Remedy company expects its revenue to remain at the previous year's level and its operating result to decline significantly compared to the year 2021."

Share price



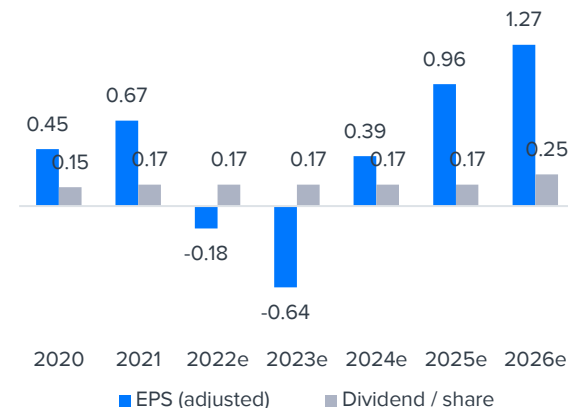
Source: Millstream Market Data AB

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	21.5	21.5	21.5
Number of shares, millions	13.4	13.5	13.6
Market cap	289	291	293
EV	243	261	265
P/E (adj.)	neg.	neg.	54.8
P/E	neg.	neg.	54.8
P/FCF	neg.	neg.	neg.
P/B	3.5	4.1	3.9
P/S	6.7	7.6	4.7
EV/Sales	5.6	6.8	4.2
EV/EBITDA	>100	neg.	19.4
EV/EBIT (adj.)	neg.	neg.	39.1
Payout ratio (%)	neg.	neg.	43.3 %
Dividend yield-%	0.8 %	0.8 %	0.8 %

Source: Inderes

Changes to short-term estimates, but big picture 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 overall the range of final outcomes at project level is wide.

Our 2022 estimates remain almost unchanged and we expect Remedy's revenue to decrease by 3.5% to EUR 43.2 million. With low royalty income, increasing recruitment, external game development and rising other costs, we expect EBIT to turn into a loss of EUR -1.6 million. In Q4 (EBIT: 1.1 MEUR) we expect

retroactive development fees from signing the release contract of Control 2 to support earnings.

In 2023, we now expect revenue to decrease by 11.5% and EBIT to fall EUR 10.7 million into red because of the increased cost structure. We expect that Alan Wake 2 to be released in late 2023 will not start generating royalties until 2024 once the production and marketing budget financed by Epic has been covered.

In 2024, we estimate that Remedy's revenue will grow by 65% and EBIT to be EUR 6.8 million mainly driven by royalties from Alan Wake 2. Then, a significant amount of development fees will also be recorded from the Max Payne project. We expect Condor to be released at the end of the year, but royalties will not become visible until 2025.

In addition to Condor, we expect Vanguard to start generating royalties for Remedy in late 2025.

However, the main royalty driver at that time is Control 2, which we expect to generate royalties in H2'25. As a whole, Remedy then receives revenue from at least 9 game projects either released or under development. In 2024-2025 we estimate that the company will start new game projects, which may generate revenue through release contracts and development fees. The company may also finance some of its future projects entirely itself, which means there are no development fees but the royalty potential is greater.

In 2026, we expect Max Payne Remake to be released and revenue to come from the same sources as the previous year. In our estimates Remedy's 2025-2026 revenue rises to EUR 77.5-89.5 million and EBIT to EUR 16.5-22.0 million, corresponding to an EBIT margin of 21-25%.

Estimate revisions MEUR / EUR	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	43.3	43.2	0%	44.9	38.2	-15%	62.5	62.9	1%
EBITDA	0.9	0.8	-11%	-2.1	-8.1	288%	12.8	13.6	6%
EBIT (exc. NRIs)	-1.5	-1.6	7%	-4.7	-10.7	128%	5.5	6.8	23%
EBIT	-1.5	-1.6	7%	-4.7	-10.7	128%	5.5	6.8	23%
PTP	-2.2	-2.3	4%	-4.8	-10.8	125%	5.4	6.7	24%
EPS (excl. NRIs)	-0.17	-0.18	3%	-0.28	-0.64	125%	0.32	0.39	24%
DPS	0.17	0.17	0%	0.17	0.17	0%	0.17	0.17	0%

Source: Inderes

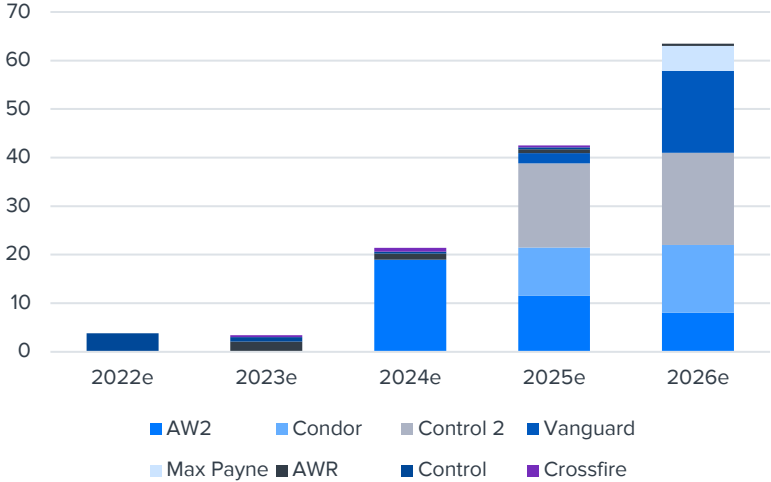
Strategy in light of game projects

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

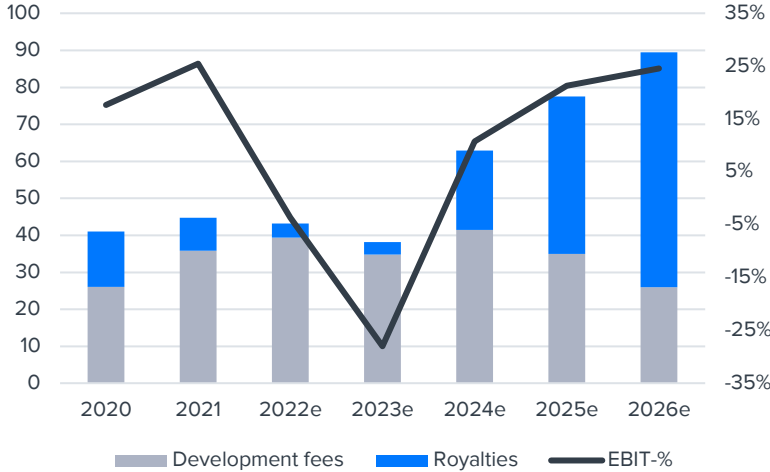
	2021	2022	2023	2024	2025	2026
Crossfire	Development fees \$\$\$	Development fees \$	Royalties \$	Royalties \$	Royalties \$	
Control	Royalties \$\$\$	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$	
Epic projects	Development fees and AWR release \$\$\$	Development fees \$\$\$	Alan Wake 2 release \$\$\$	Royalties \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$
Vanguard	Release and development contract with Tencent \$\$\$	Development fees \$\$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Release \$\$/\$\$\$	Royalties \$\$\$
Condor	Development fees \$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Release \$\$	Royalties \$\$\$	Royalties \$\$\$
Control 2	Conceptualization	Release contract \$\$	Development fees \$\$	Development fees \$\$\$	Release \$\$\$	Royalties \$\$\$
Max Payne		Release contract \$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$	Release \$\$\$
Next game projects					Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$

Underlying assumption for revenue estimates

Assumptions on royalties by game (MEUR)



Revenue and profitability



Source: Inderes

Remedy's game projects and partners



Control

Published
Q3'19

Budget
~30 MEUR

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

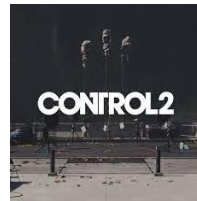


Condor

Proof-of-
concept

Budget
~25 MEUR

50%
50%



Control 2

Conceptualization

Budget
~50 MEUR

50%
50%



**Crossfire HD
Crossfire X**

Published
Q4'21/Q1'22

Budget**
~30 MEUR

0%
5-10%**



**Alan Wake
Remastered**

Released
Q4'21

Budget**
~7 MEUR

0%
50%



Alan Wake II

Production

Budget**
~50 MEUR



Vanguard

Proof-of-
concept

Budget**
~45 MEUR

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



**Max Payne
Remake**

Conceptualization

Budget**
~45 MEUR

0%
20-30%**



Rockstar Games

Gauging Remedy's long-term potential

Share price in different scenarios

		EV/EBIT 12x Reveue (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 Reveue (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 Reveue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	39.3	48.2	57.1	66.1	75.0	
30%	46.4	57.1	67.9	78.6	89.3	
35%	53.6	66.1	78.6	91.1	103.6	
40%	60.7	75.0	89.3	103.6	117.9	

Annual return 2026

		EV/EBIT 12x Reveue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	4%	9%	13%	18%	21%	
30%	8%	13%	18%	23%	26%	
35%	12%	18%	23%	27%	31%	
40%	15%	21%	26%	31%	35%	

		EV/EBIT 16x Reveue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	11%	16%	21%	26%	30%	
30%	15%	21%	26%	31%	35%	
35%	19%	26%	31%	36%	40%	
40%	23%	30%	35%	40%	45%	

		EV/EBIT 20x Reveue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	16%	22%	28%	32%	37%	
30%	21%	28%	33%	38%	43%	
35%	26%	32%	38%	43%	48%	
40%	30%	37%	43%	48%	53%	

Annual return 2028

		EV/EBIT 12x Reveue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	3%	6%	9%	11%	14%	
30%	5%	9%	12%	15%	17%	
35%	8%	11%	15%	17%	20%	
40%	10%	14%	17%	20%	22%	

		EV/EBIT 16x Reveue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	7%	11%	14%	16%	19%	
30%	10%	14%	17%	20%	22%	
35%	12%	16%	20%	23%	25%	
40%	15%	19%	22%	25%	28%	

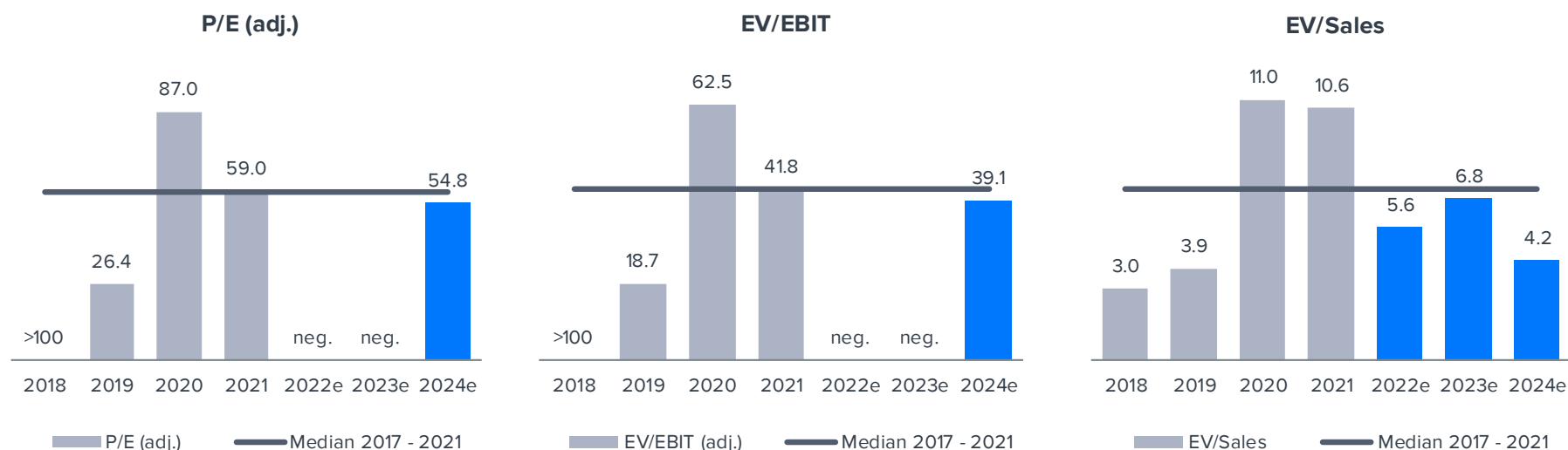
		EV/EBIT 20x Reveue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	11%	14%	18%	21%	23%	
30%	14%	18%	21%	24%	27%	
35%	16%	21%	24%	27%	30%	
40%	19%	23%	27%	30%	33%	

- The scenarios aim to illustrate the expected return on Remedy's share if the company achieves a revenue of EUR 100-200 million with an EBIT margin of 25-40% in 2026-2028.
- With the success of the company's current game projects, we believe revenue and profitability have the potential to reach these levels.
- The scenarios assume Remedy's net cash to be EUR 50 million (not fully accounting for future cash flows) and number of shares to be 14 million (accounting for the dilution of stock option schemes).
- In terms of valuation multiples, we believe that an EV/EBIT multiple of 12x would reflect a scenario where Remedy's future growth outlook would be weak, good at 16x and excellent at 20x.

Valuation table

Valuation	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	6.70	11.5	39.0	39.7	21.5	21.5	21.5	21.5
Number of shares, millions	12.1	12.1	12.1	13.1	13.4	13.5	13.6	13.7
Market cap	81	138	471	528	289	291	293	295
EV	61	122	453	476	243	261	265	254
P/E (adj.)	>100	26.4	87.0	59.0	neg.	neg.	54.8	22.5
P/E	>100	26.4	87.0	59.0	neg.	neg.	54.8	22.5
P/FCF	neg.	neg.	neg.	16.1	neg.	neg.	neg.	18.3
P/B	3.6	5.2	13.0	6.0	3.5	4.1	3.9	3.4
P/S	4.0	4.4	11.5	11.8	6.7	7.6	4.7	3.8
EV/Sales	3.0	3.9	11.0	10.6	5.6	6.8	4.2	3.3
EV/EBITDA	55.2	16.6	32.5	33.0	>100	neg.	19.4	10.6
EV/EBIT (adj.)	>100	18.7	62.5	41.8	neg.	neg.	39.1	15.3
Payout ratio (%)	226.8 %	25.4 %	36.2 %	25.7 %	neg.	neg.	43.3 %	17.8 %
Dividend yield-%	1.5 %	1.0 %	0.4 %	0.4 %	0.8 %	0.8 %	0.8 %	0.8 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%	
Company	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Frontier Developments	417	397	49.7	17.6	10.3	8.0	3.1	2.6	24%	19%	6%	15%
Embracer	5390	6543		11.6	10.7	6.8	4.5	1.9	71%	134%	-20%	17%
CD Projekt	2761	2581	34.4	33.2	26.6	23.6	13.3	12.3	-1%	9%	39%	37%
Paradox Interactive	1958	1911	23.7	22.4	15.7	13.1	10.8	9.2	35%	17%	46%	41%
Team17	727	672	15.8	13.9	13.6	12.2	4.7	4.3	40%	9%	30%	31%
Playway	476	445	14.9	15.2	14.7	15.1	9.0	9.1	-8%	-1%	60%	60%
11 Bit Studios	298	278	88.2	8.9	55.2	7.7	20.7	5.7	-6%	263%	23%	64%
Enad Global 7	215	192	29.9	9.2	5.2	5.0	1.2	1.1	15%	4%	4%	12%
Tinybuild	259	220	10.4	9.0	9.1	8.0	3.5	3.2	31%	10%	34%	36%
Remedy (Inderes)	289	243	-153.5	-24.4	295.9	-32.3	5.6	6.8	-3%	-12%	-4%	-28%
Average			33.4	14.4	17.9	10.2	7.8	5.0	20%	116%	21%	34%
Median			26.8	12.7	14.2	8.0	6.1	3.8	20%	14%	27%	34%
Diff-% to median			-	-	-	-	-8%	82%				

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	13.2	43.2	38.2	62.9	77.5
Development fees	26.0	6.1	6.1	5.3	18.3	35.8	11.6	7.4	7.5	12.8	39.4	34.8	41.5	35.0
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	42.5
EBITDA	14.0	0.9	2.3	0.4	10.9	14.5	3.3	-1.8	-2.4	1.7	0.8	-8.1	13.6	24.0
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	-6.9	-7.5
EBIT (excl. NRI)	7.2	-0.2	1.5	-0.2	10.3	11.4	2.8	-2.4	-3.0	1.1	-1.6	-10.7	6.8	16.5
EBIT	7.2	-0.2	1.5	-0.2	10.3	11.4	2.8	-2.4	-3.0	1.1	-1.6	-10.7	6.8	16.5
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	1.1	-2.3	-10.8	6.7	16.4
Taxes	-1.6	0.0	-0.3	-0.2	-2.1	-2.5	-0.5	0.2	0.5	-0.2	0.0	2.2	-1.3	-3.3
Net earnings	5.4	0.0	1.0	-0.4	8.2	8.8	2.2	-2.7	-2.7	0.8	-2.4	-8.6	5.3	13.1
EPS (adj.)	0.45	0.00	0.08	-0.03	0.61	0.67	0.16	-0.20	-0.20	0.06	-0.18	-0.64	0.39	0.96
EPS (rep.)	0.45	0.00	0.08	-0.03	0.61	0.67	0.16	-0.20	-0.20	0.06	-0.18	-0.64	0.39	0.96
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 %	-33.3 %	-3.5 %	-11.5 %	64.7 %	23.2 %
Adjusted EBIT growth-%	11%	-119%	-29%	-106%	1506%	57%	-1474%	-263%	1329%	-89%	-113.9 %	-	-	143.7 %
EBITDA-%	34.0 %	10.7 %	24.7 %	5.0 %	55.0 %	32.3 %	26.4 %	-19.3 %	-30.4 %	12.9 %	1.9 %	-21.2 %	21.7 %	30.9 %
Adjusted EBIT-%	17.6 %	-2.5 %	15.7 %	-2.9 %	52.3 %	25.5 %	21.8 %	-25.6 %	-38.3 %	8.3 %	-3.7 %	-28.0 %	10.8 %	21.3 %
Net earnings-%	13.2 %	-0.4 %	10.7 %	-4.8 %	41.3 %	19.7 %	17.1 %	-29.0 %	-33.6 %	6.4 %	-5.5 %	-22.6 %	8.5 %	17.0 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	13.4	23.1	29.8	35.8	37.5
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	22.3	28.7	31.5
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	63.5	44.8	47.9
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	13.4	18.9
Cash and equivalents	23.7	55.5	48.3	31.5	29.1
Balance sheet total	51.3	101	93.2	80.6	85.5

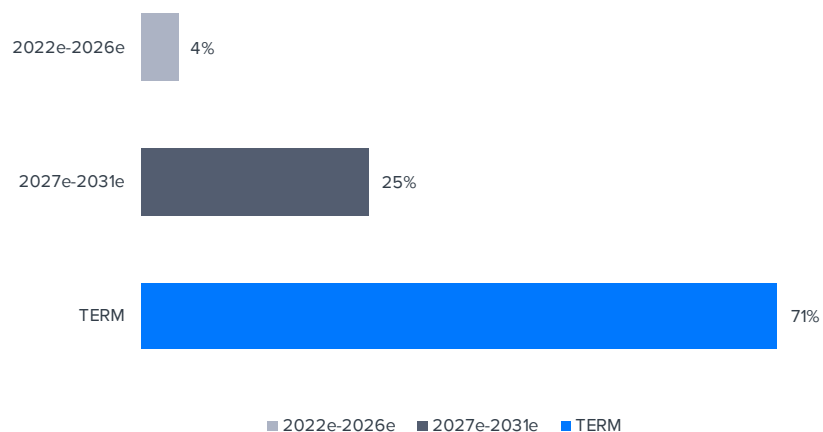
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	36.1	87.4	82.8	71.9	74.9
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.2	31.5	26.9	16.0	19.0
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	9.5	7.8	9.6
Short term debt	1.8	1.8	0.9	0.2	0.2
Payables	9.3	9.8	8.6	7.6	9.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	51.3	101	93.2	80.6	85.5

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	8.9 %	-3.5 %	-11.5 %	64.7 %	23.2 %	15.5 %	3.0 %	10.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	25.5 %	-3.7 %	-28.0 %	10.8 %	21.3 %	24.6 %	25.0 %	28.0 %	30.0 %	30.0 %	30.0 %	30.0 %
EBIT (operating profit)	11.4	-1.6	-10.7	6.8	16.5	22.0	23.0	28.4	31.9	33.5	34.5	
+ Depreciation	3.0	2.4	2.6	6.9	7.5	10.8	13.4	13.3	12.8	12.3	9.7	
- Paid taxes	-2.7	0.0	2.2	-1.3	-3.3	-4.4	-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	0.7	-3.7	4.0	1.0	2.2	1.3	0.5	0.5	0.0	
Operating cash flow	4.0	7.0	-5.2	8.6	24.7	29.4	34.0	37.3	38.9	39.6	37.3	
+ 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	-12.8	-9.1	-8.6	-8.6	-8.6	-9.1	-9.6	-9.6	-9.6	-9.6	-9.7	
Free operating cash flow	-8.8	-2.1	-13.8	0.0	16.1	20.3	24.4	27.7	29.3	30.0	27.6	
+/- 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	-2.1	-13.8	0.0	16.1	20.3	24.4	27.7	29.3	30.0	27.6	465
Discounted FCFF		-2.1	-12.6	0.0	12.4	14.3	15.8	16.4	15.9	14.9	12.6	212
Sum of FCFF present value		299	301	314	314	301	287	271	255	239	224	212
Enterprise value DCF		299										
- Interesting bearing debt		-3.9										
+ Cash and cash equivalents		55.5										
- Minorities		0.0										
- Dividend/capital return		-2.3										
Equity value DCF		348										
Equity value DCF per share		25.9										

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	43.2	38.2	EPS (reported)	0.43	0.45	0.67	-0.18	-0.64
EBITDA	7.4	14.0	14.5	0.8	-8.1	EPS (adj.)	0.43	0.45	0.67	-0.18	-0.64
EBIT	6.5	7.2	11.4	-1.6	-10.7	OCF / share	-0.04	1.07	0.30	0.52	-0.38
PTP	6.6	7.0	11.3	-2.3	-10.8	FCF / share	-0.25	-0.17	2.50	-0.16	-1.02
Net Income	5.2	5.4	8.8	-2.4	-8.6	Book value / share	2.19	2.99	6.69	6.16	5.31
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	93.2	80.6	Revenue growth-%	57%	30%	9%	-3%	-12%
Equity capital	26.4	36.1	87.4	82.8	71.9	EBITDA growth-%	568%	90%	4%	-94%	-1086%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	973%	11%	57%	-114%	576%
Net debt	-15.9	-18.0	-51.7	-46.5	-30.4	EPS (adj.) growth-%	884%	3%	50%	-126%	261%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	23.2 %	34.0 %	32.3 %	1.9 %	-21.2 %
EBITDA	7.4	14.0	14.5	0.8	-8.1	EBIT (adj.)-%	20.6 %	17.6 %	25.5 %	-3.7 %	-28.0 %
Change in working capital	-6.5	0.4	-7.7	6.2	0.7	EBIT-%	20.6 %	17.6 %	25.5 %	-3.7 %	-28.0 %
Operating cash flow	-0.5	12.9	4.0	7.0	-5.2	ROE-%	21.5 %	17.3 %	14.2 %	-2.8 %	-11.2 %
CAPEX	-2.5	-14.9	-12.8	-9.1	-8.6	ROI-%	23.6 %	20.2 %	17.1 %	-1.8 %	-13.6 %
Free cash flow	-3.0	-2.0	32.7	-2.1	-13.8	Equity ratio	73.5 %	70.4 %	86.4 %	88.8 %	89.2 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	-60.2 %	-49.8 %	-59.1 %	-56.2 %	-42.3 %
EV/S	3.9	11.0	10.6	5.6	6.8						
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	3.5	4.1						
Dividend-%	1.0 %	0.4 %	0.4 %	0.8 %	0.8 %						

Source: Inderes

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

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

Based on a notification received on November 24, 2022 Inderes' analyst Atte Riikola has a holding of over EUR 50,000 in the target company Remedy Entertainment Oyj.

Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
30-05-17	Accumulate	7.40 €	6.69 €
17-08-17	Buy	7.50 €	6.31 €
19-02-18	Buy	7.50 €	5.90 €
04-06-18	Buy	8.50 €	7.30 €
15-08-18	Buy	8.50 €	6.75 €
13-02-19	Accumulate	9.00 €	8.25 €
03-07-19	Accumulate	10.00 €	9.28 €
14-08-19	Accumulate	11.50 €	10.65 €
05-12-19	Accumulate	11.50 €	10.15 €
16-02-20	Accumulate	15.50 €	13.80 €
31-03-20	Buy	18.00 €	14.80 €
21-04-20	Accumulate	20.00 €	18.55 €
16-08-20	Reduce	33.00 €	33.80 €
27-10-20	Accumulate	33.00 €	29.00 €
10-12-20	Accumulate	38.00 €	34.00 €
14-02-21	Accumulate	50.00 €	45.00 €
08-04-21	Accumulate	50.00 €	43.75 €
12-05-21	Accumulate	50.00 €	41.30 €
16-08-21	Accumulate	50.00 €	43.00 €
14-09-21	Buy	50.00 €	40.00 €
15-11-21	Buy	50.00 €	40.75 €
14-02-22	Buy	50.00 €	33.50 €
16-05-22	Buy	42.00 €	29.30 €
02-06-22	Accumulate	34.00 €	29.85 €
15-08-22	Accumulate	26.00 €	22.15 €
31-10-22	Buy	25.00 €	18.14 €
27-12-22	Accumulate	25.00 €	21.50 €



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