

Remedy

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Alan Wake 2:sta tulossa näyttävä peli" published on 06/12/2023 at 07:41 am

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Alan Wake 2 will be an impressive game

We reiterate our EUR 25.0 target price for Remedy but lower our recommendation to Reduce (previously Accumulate). We believe that Remedy's current market cap of about EUR 350 million already prices good success for Alan Wake 2 to be released on October 17, 2023, and the other projects in the production pipeline are also expected to generate value. We are particularly confident in the success of the traditional AAA game projects under development, whereas the multiplayer projects Condor and especially Vanguard are the biggest question marks at this point. All in all, we consider Remedy's equity story to be very interesting until the end of this decade, but the increased short-term valuation suggest you should press pause on your game controller in terms of additional purchases.

Alan Wake 2 will be an impressive survival horror game

We saw about 30 minutes of an Alan Wake 2 game video. Based on it, AW2 seems to be a high-quality survival horror game that looks like a Remedy product. The visuals of the game already looked great, even though there is still plenty of refinement and polishing to do towards the end of the production phase before the release. The scope, depth and story length of the game will be much wider than the first Alan Wake, which is also required from AAA games today. All in all, based on what we have seen AW2 is well positioned to sell well, which is also what our estimates expect. However, other major game releases, such as Spiderman 2 (10/20) and the latest Assassin's Creed (10/12), are also scheduled for October so the competition for gamers' attention will be fierce. Based on our current assumptions, AW2 should sell roughly 2 million copies, which would recoup the production and marketing budget funded by Epic. After that, the companies split the net proceeds of the game in half. We are currently expecting that AW2 will start producing royalties to Remedy from Q2/24.

Conventional AAA projects are progressing well, plenty to do in Vanguard before the production stage

Remedy organized an analyst call on Friday to review game project news from Q2. Control 2 and Max Payne projects that entered the proof-of-concept stage in early 2023, have progressed well and their team sizes will be expanded, while AW2 starts to free up resources toward the end of the year. Among multiplayer projects, Condor has continued to develop steadily in the POC stage and, it looks like the team size of the project will be scaled up later in the year. As regards Vanguard, new recruitments of key personnel at the end of last year has been good and the project has made progress in the early part of the year. However, the POC stage will continue and, e.g., the development of the core gameplay loop still requires some fine tuning. Changes are also being made to Vanguard's production model to enable better parallel development of different workflows and sub-areas. Currently it seems like larger scaling up of project staff would take place in 2024, which meant we moved our assumption of the game release to the end of 2026 (was H1'26). As Vanguard is Remedy's first F2P model game, we believe that its success involves most uncertainty at this point, although in a positive scenario its potential is also significant.

Looking forward to the Alan Wake 2 release

In our estimates, Remedy's royalty income from existing game projects is significantly weighted towards the years 2026-2027, when we expect the company's revenue (84.5 and 82.3 MEUR) and earnings (EBIT: 19.2-15.3 MEUR). With our forecasts expecting reasonably successful game releases, the share's EV/EBIT ratios (16x-19x) seem rather neutral at that time and the EV/EBITDA ratios (about 10x) are reasonable. On top of this, the investor gets an option on hit games that perform better than our estimates, although the uncertainty associated with multiplayer projects partly pushes the risk/return ratio in the other direction. The estimates for the next few years don't provide material support for Remedy's valuation, so investors need to be patient and play the long game.

Recommendation

Reduce

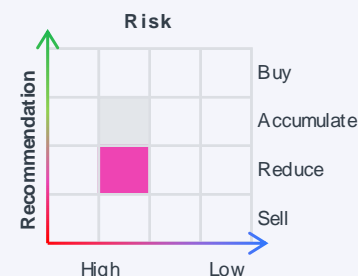
(previous Accumulate)

25.00 EUR

(previous EUR 25.00)

Share price:

26.10



Key figures

	2022	2023e	2024e	2025e
Revenue	43.6	36.2	60.6	66.1
growth-%	-3%	-17%	67%	9%
EBIT adj.	-0.6	-12.2	5.8	9.0
EBIT-% adj.	-1.3 %	-33.6 %	9.7 %	13.6 %
Net Income	-1.7	-12.3	4.6	7.1
EPS (adj.)	-0.13	-0.91	0.34	0.52

P/E (adj.)	neg.	neg.	77.0	50.2
P/B	3.3	4.7	4.5	4.3
Dividend yield-%	0.5 %	0.4 %	0.4 %	0.7 %
EV/EBIT (adj.)	neg.	neg.	54.3	35.0
EV/EBITDA	>100	neg.	24.3	18.9
EV/S	5.5	8.7	5.2	4.8

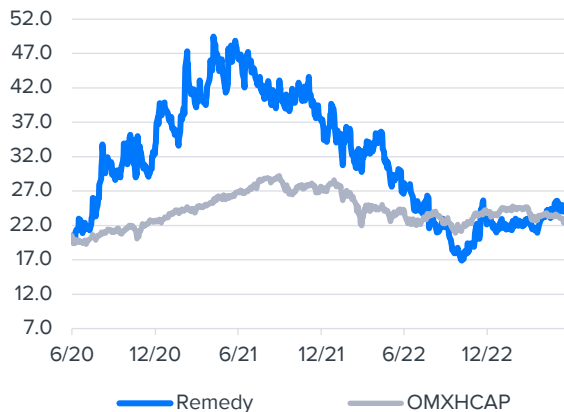
Source: Inderes

Guidance

(Unchanged)

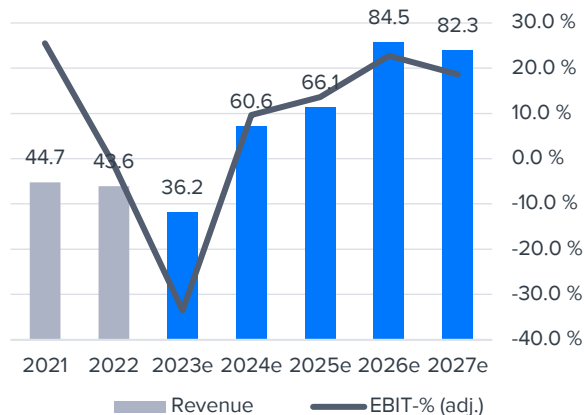
"Remedy expects its revenue to decline from the previous year and its operating result to be negative."

Share price



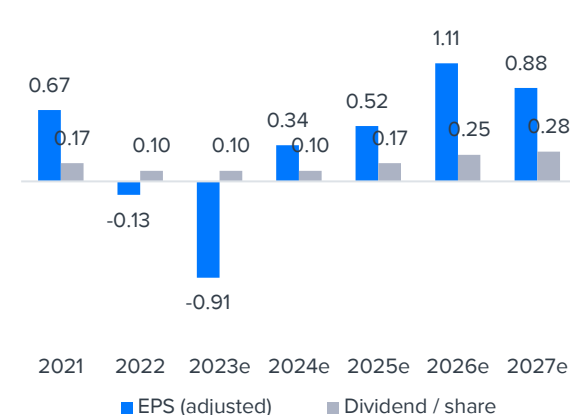
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Attractive position in value chain considering industry trends and consolidation
- 5 major game projects are being developed with strong partners
- Multi-project model creates continuity and disperses risks
- Strong track record of developing successful games
- Own game engine and game development tools create scalability and a competitive advantage



Risk factors

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

Valuation	2023e	2024e	2025e
Share price	26.1	26.1	26.1
Number of shares, millions	13.5	13.6	13.7
Market cap	352	354	356
EV	316	317	314
P/E (adj.)	neg.	77.0	50.2
P/E	neg.	77.0	50.2
P/FCF	neg.	>100	50.9
P/B	4.7	4.5	4.3
P/S	9.7	5.8	5.4
EV/Sales	8.7	5.2	4.8
EV/EBITDA	neg.	24.3	18.9
EV/EBIT (adj.)	neg.	54.3	35.0
Payout ratio (%)	neg.	29%	32.7%
Dividend yield-%	0.4 %	0.4 %	0.7 %

Source: Inderes

Estimate revisions

Vanguard's expectations revised downward a notch

We postponed our assumptions for the release of Vanguard, because it seems that a more significant increase in the project team will take place only during 2024. Thus, we now expect the game to be released at the end of H2'26 (was H1'26) and more significant royalties only in 2027. However, the big picture is unchanged and Remedy's earnings potential will be properly examined once the current projects have been released. With royalties now mostly scheduled for 2025-2027 in our estimates, investors will need to be patient while waiting for the results. Of course, the potential of projects can be judged a little faster than that, based on how they are received by players and critics immediately after release.

Estimate revisions	2023e		Change	2024e		Change	2025e		Change	
	MEUR / EUR	Old		New	Old		New	Old		New
Revenue		36.3	36.2	0%	62.1	60.6	-2%	66.1	66.1	0%
EBITDA		-8.8	-9.0	3%	14.0	13.0	-7%	16.3	16.6	2%
EBIT (exc. NRIs)		-11.8	-12.2	3%	6.8	5.8	-14%	8.7	9.0	4%
EBIT		-11.8	-12.2	3%	6.8	5.8	-14%	8.7	9.0	4%
PTP		-11.9	-12.3	3%	6.7	5.7	-15%	8.6	8.9	4%
EPS (excl. NRIs)		-0.88	-0.91	3%	0.40	0.34	-15%	0.50	0.52	4%
DPS		0.10	0.10	0%	0.17	0.10	-41%	0.17	0.17	0%

Source: Inderes

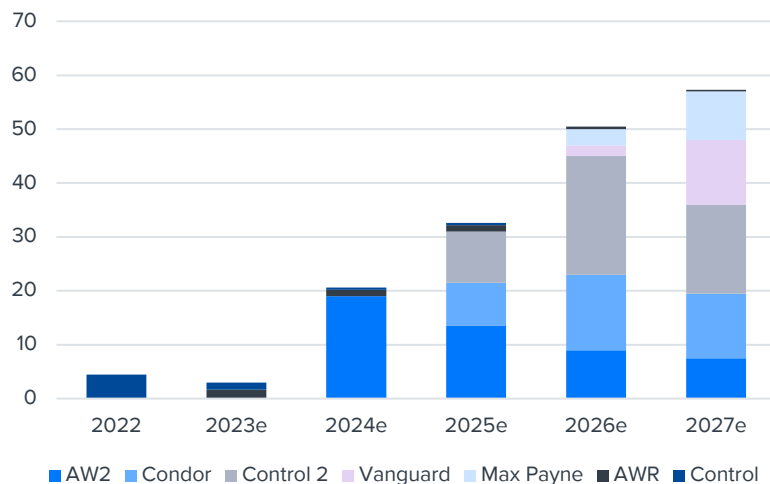
Strategy in light of game projects

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

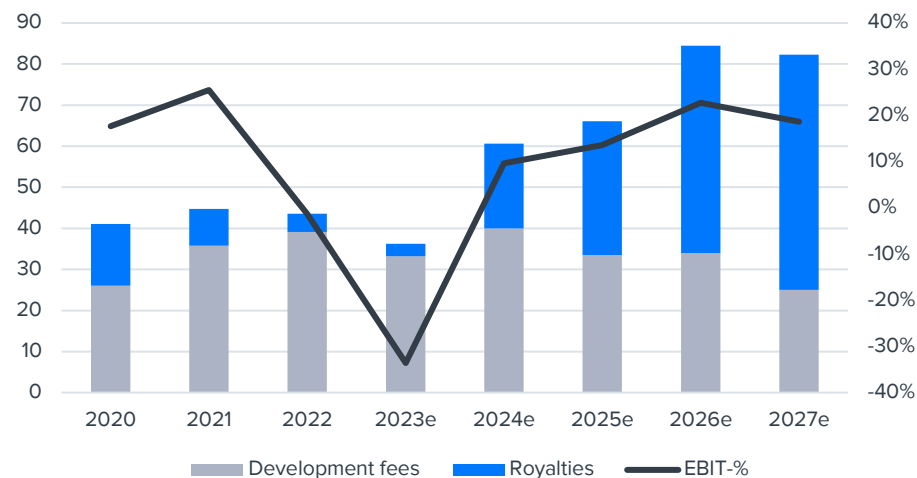
	2021	2022	2023	2024	2025	2026	2027	
Crossfire	Development fees \$\$\$	Development fees \$	Possible small royalty stream from Crossfire HD -/\$					
Control	Royalties \$\$\$	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$			
Epic projects	Development fees and AWR release \$\$\$	Development fees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

Underlying assumptions for revenue estimates

Roalty assumptions per game (MEUR)



Revenue and profitability



AW2 assumptions

	Q3'23e	Q4'23e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	Q1'25e	Q2'25e	Q3'25e	Q4'25e
Average price (€)	60	50	50	40	40	40	40	40	40	40
Sales volume (millions of copies)	0.30	0.80	0.70	0.59	0.50	0.50	0.40	0.30	0.25	0.20
Project income (MEUR)	11	25	22	16	13	13	11	8	7	5
Remedy's royalties (MEUR)	0	0	0	4	7	8	5	3	3	2.5
Cumulative copies sold (million)	0.3	1.1	1.8	2.4	2.9	3.4	3.8	4.1	4.3	4.5
Cumulative project income (million EUR)	11	36	58	74	87	100	111	119	125	131
Remedy's cumulative royalties (million EUR)		0	0	4	11	19	24	27	30	32.5

Source: Inderes

Underlying assumptions for the calculation

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

→ AW2 needs to sell around 2 million copies under these assumptions to cover the production and marketing costs funded by Epic and to start generating royalties for Remedy.

Remedy's game projects and partners



Control

Released
Q3'19

Budget
~30 MEUR

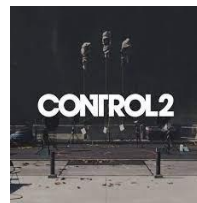
Remedy's share
the of budget: 45%
Remedy's share
of net sales: 45%



Condor

Proof-of-
concept

Budget
~25 MEUR



Control 2

Proof-of-
concept

Budget
~50 MEUR

50%
50%



**Alan Wake
Remastered**

Released
Q4'21

Budget**
~7 MEUR



Alan Wake II

Release
10/17/2023

Budget**
~50 MEUR

0%
50%



Vanguard

Proof-of-
concept

Budget**
~45 MEUR

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



**Max Payne
1&2 remake**

Proof-of-
concept

Budget**
~45 MEUR

0%
20-30%**



Rockstar Games

Valuation

Remedy's long-term potential is attractive

Over this decade, the ability of Remedy's team to launch high-quality games efficiently, favorable market trends and an attractive position in the value chain offer the company extremely good preconditions to grow into a significantly larger game developer than currently. A multi-project model that has been built with controlled risks and is well-managed also bring attractive optionality from the viewpoint of the risk/return ratio of the company's business model. We believe the likelihood of complete failures in game projects is low but a future project 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.

Looking forward to the Alan Wake 2 release

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

In our estimates, royalties from currently ongoing game projects take largely place in 2026-2027, when we expect the company's revenue and earnings go up a significant step. With our forecasts, the share's EV/EBIT ratios (16x-19x) seem rather neutral at that time and the EV/EBITDA ratios (about 10x) are reasonable. We estimate that if the game releases are successful, Remedy's growth outlook is also good after these years, when the company would probably be priced with relatively high multiples.

Remedy's share has risen by about 22% this year, and we believe this reflects the upcoming Alan Wake 2 release. We feel that Remedy's current market cap of about EUR 350 million already prices good success for the game, and other projects in the production pipeline are also expected to generate value. We are particularly confident in the success of the traditional AAA game projects under development, whereas the multiplayer projects Condor and Vanguard are the biggest question marks at this point. All in all, we consider Remedy's equity story to be very interesting until the end of this decade, but the increased short-term valuation suggest you should press pause on your game controller in terms of additional purchases. We'd like to remind that with Remedy, investors should continue to be prepared to tolerate large price swings, as in the short-term changes in expectations for future games can cause significant volatility in the stock

Valuation	2023e	2024e	2025e
Share price	26.1	26.1	26.1
Number of shares, millions	13.5	13.6	13.7
Market cap	352	354	356
EV	316	317	314
P/E (adj.)	neg.	77.0	50.2
P/E	neg.	77.0	50.2
P/FCF	neg.	>100	50.9
P/B	4.7	4.5	4.3
P/S	9.7	5.8	5.4
EV/Sales	8.7	5.2	4.8
EV/EBITDA	neg.	24.3	18.9
EV/EBIT (adj.)	neg.	54.3	35.0
Payout ratio (%)	neg.	29%	32.7 %
Dividend yield-%	0.4 %	0.4 %	0.7 %

Source: Inderes

Gauging Remedy's long-term potential

Share price in different scenarios

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

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

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

Annual return 2027

		EV/EBIT 12x Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	-1%	3%	7%	10%	13%	
30%	3%	7%	11%	15%	18%	
35%	6%	10%	15%	18%	22%	
40%	9%	13%	18%	22%	25%	

		EV/EBIT 16x Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	5%	9%	13%	17%	20%	
30%	9%	13%	18%	22%	25%	
35%	12%	17%	22%	26%	29%	
40%	15%	20%	25%	29%	33%	

		EV/EBIT 20x Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	9%	14%	19%	23%	26%	
30%	13%	19%	23%	27%	31%	
35%	17%	23%	27%	32%	35%	
40%	20%	26%	31%	35%	39%	

Annual return 2028

		EV/EBIT 12x Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	-1%	3%	6%	9%	11%	
30%	2%	6%	9%	12%	14%	
35%	5%	9%	12%	15%	17%	
40%	7%	11%	14%	17%	20%	

		EV/EBIT 16x Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	4%	8%	11%	14%	16%	
30%	7%	11%	14%	17%	20%	
35%	10%	14%	17%	21%	23%	
40%	12%	16%	20%	23%	26%	

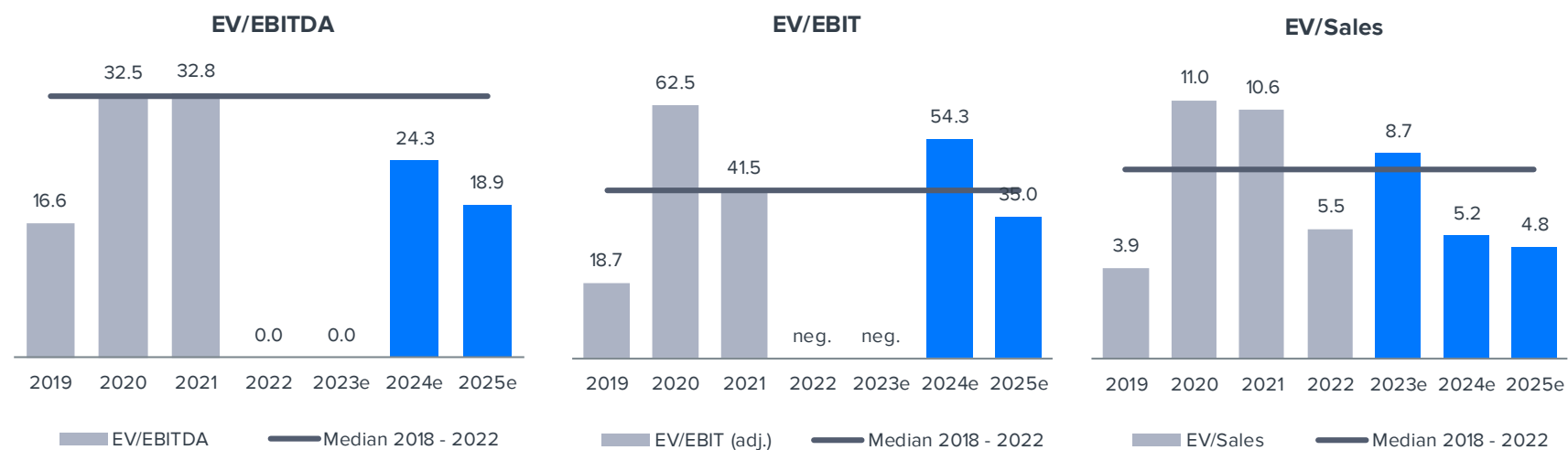
		EV/EBIT 20x Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	8%	12%	15%	18%	21%	
30%	11%	15%	19%	22%	25%	
35%	14%	18%	22%	25%	28%	
40%	16%	21%	25%	28%	31%	

- 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
Share price	11.5	39.0	39.7	21.9	26.1	26.1	26.1	26.1
Number of shares, millions	12.1	12.1	13.1	13.4	13.5	13.6	13.7	13.8
Market cap	138	471	528	294	352	354	356	359
EV	122	453	473	241	316	317	314	301
P/E (adj.)	26.4	87.0	59.0	neg.	neg.	77.0	50.2	23.5
P/E	26.4	87.0	59.0	neg.	neg.	77.0	50.2	23.5
P/FCF	neg.	neg.	neg.	neg.	neg.	>100	50.9	19.6
P/B	5.2	13.0	6.0	3.3	4.7	4.5	4.3	3.7
P/S	4.4	11.5	11.8	6.7	9.7	5.8	5.4	4.2
EV/Sales	3.9	11.0	10.6	5.5	8.7	5.2	4.8	3.6
EV/EBITDA	16.6	32.5	32.8	>100	neg.	24.3	18.9	10.0
EV/EBIT (adj.)	18.7	62.5	41.5	neg.	neg.	54.3	35.0	15.7
Payout ratio (%)	25.4 %	36.2 %	25.7 %	neg.	neg.	29.5 %	32.7 %	22.5 %
Dividend yield-%	1.0 %	0.4 %	0.4 %	0.5 %	0.4 %	0.4 %	0.7 %	1.0 %

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	249	222	34.9	22.6	6.3	5.4	1.8	1.7	-8%	8%	5%	7%
Embracer	2616	3963	8.2	6.5	5.2	4.1	1.2	1.1	129%	14%	15%	17%
Starbreeze	101	96	8.0	14.0	2.3	5.0	1.4	1.9	568%	-29%	17%	14%
CD Projekt	2938	2736	31.7	51.3	22.4	35.8	11.8	14.9	14%	-21%	37%	29%
Paradox Interactive	2352	2294	26.6	23.4	15.5	13.4	11.0	9.8	23%	12%	42%	42%
Team17	614	558	11.1	10.2	9.5	8.8	3.4	3.2	6%	7%	31%	31%
Playway	604	558	10.7	10.5	10.7	10.5	7.3	6.9	23%	6%	68%	66%
11 Bit Studios	368	353	65.8	8.7	47.6	7.2	13.2	5.2	61%	156%	20%	60%
Enad Global 7	221	186	5.2	5.8	4.0	4.3	1.0	1.0	20%	0%	19%	17%
Thunderful Group	86	123	6.2	5.6	3.2	3.0	0.5	0.4	3%	2%	7%	8%
Tinybuild	105	80	4.0	3.7	3.3	3.0	1.2	1.1	5%	10%	31%	31%
CI Games	237	244	8.4	24.1	5.2	14.7	4.0	8.8	354%	-55%	48%	37%
Activision Blizzard	58745	50420	15.6	14.2	15.1	13.7	5.7	5.6	18%	2%	36%	39%
Electronic Arts	31929	31104	16.3	14.8	14.1	13.4	4.7	4.4	-5%	6%	29%	30%
Take-Two Interactive	21099	22733	29.9	29.9	26.5	27.5	4.7	4.4	52%	7%	16%	15%
Ubisoft	3232	4206		12.3	5.1	4.6	2.1	2.0	-9%	9%	-21%	16%
Remedy (Inderes)	352	316	-26.0	54.3	-35.0	24.3	8.7	5.2	-17%	67%	-34%	10%
Average			18.8	16.1	12.2	10.9	4.7	4.5	74%	8%	24%	27%
Median			11.1	13.2	7.9	8.0	3.7	3.8	18%	6%	20%	29%
Diff-% to median			-	313%	-	205%	136%	39%				

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	44.7	12.7	9.4	7.9	13.6	43.6	6.9	8.5	9.9	10.9	36.2	60.6	66.1	84.5
Development fees	35.8	11.6	7.4	7.5	12.6	39.1	6.4	8.1	9.2	9.5	33.2	40.0	33.5	34.0
Royalties	8.9	1.0	2.0	0.4	1.1	4.5	0.5	0.4	0.7	1.4	3.0	20.6	32.6	50.5
EBITDA	14.5	3.3	-1.8	-2.4	2.8	1.9	-4.9	-3.2	-0.9	0.0	-9.0	13.0	16.6	30.2
Depreciation	-3.0	-0.6	-0.6	-0.6	-0.7	-2.5	-0.7	-0.7	-0.8	-1.1	-3.1	-7.2	-7.7	-11.0
EBIT (excl. NRI)	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-3.9	-1.7	-1.1	-12.2	5.8	9.0	19.2
EBIT	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-3.9	-1.7	-1.1	-12.2	5.8	9.0	19.2
Net financial items	-0.1	-0.1	-0.5	-0.1	0.1	-0.6	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
PTP	11.3	2.7	-2.9	-3.2	2.2	-1.2	-5.6	-3.9	-1.7	-1.1	-12.3	5.7	8.9	19.1
Taxes	-2.5	-0.5	0.2	0.5	-0.7	-0.5	0.0	0.0	0.0	0.0	0.0	-1.1	-1.8	-3.8
Net earnings	8.8	2.2	-2.7	-2.7	1.5	-1.7	-5.6	-3.9	-1.7	-1.1	-12.3	4.6	7.1	15.3
EPS (adj.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.29	-0.12	-0.08	-0.91	0.34	0.52	1.11
EPS (rep.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.29	-0.12	-0.08	-0.91	0.34	0.52	1.11
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	8.9 %	55.9 %	-0.2 %	6.9 %	-31.2 %	-2.5 %	-45.4 %	-9.6 %	25.2 %	-20.0 %	-16.9 %	67.4 %	9.1 %	27.8 %
Adjusted EBIT growth-%	57%	-1474%	-263%	1329%	-80%	-105%	-303%	60%	-46%	-150%	-	-	53.4 %	114.1 %
EBITDA-%	32.3 %	26.4 %	-19.3 %	-30.4 %	20.4 %	4.4 %	-71.6 %	-37.6 %	-9.1 %	0.0 %	-25.0 %	21.5 %	25.2 %	35.7 %
Adjusted EBIT-%	25.5 %	21.8 %	-25.6 %	-38.3 %	15.5 %	-1.3 %	-81.0 %	-45.3 %	-16.7 %	-9.6 %	-33.6 %	9.7 %	13.6 %	22.7 %
Net earnings-%	19.7 %	17.1 %	-29.0 %	-33.6 %	10.9 %	-4.0 %	-81.5 %	-45.6 %	-16.9 %	-9.9 %	-33.8 %	7.6 %	10.7 %	18.1 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	12.6	20.2	28.0	32.5	34.6
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.3	29.2	31.9
Tangible assets	4.3	4.3	3.9	2.5	1.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.7	0.8	0.8	0.8	0.8
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	81.1	71.2	48.9	52.9	58.5
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	22.5	15.3	12.7	15.2	15.2
Cash and equivalents	58.5	55.9	36.2	37.8	43.3
Balance sheet total	101	99.6	82.7	88.2	94.8

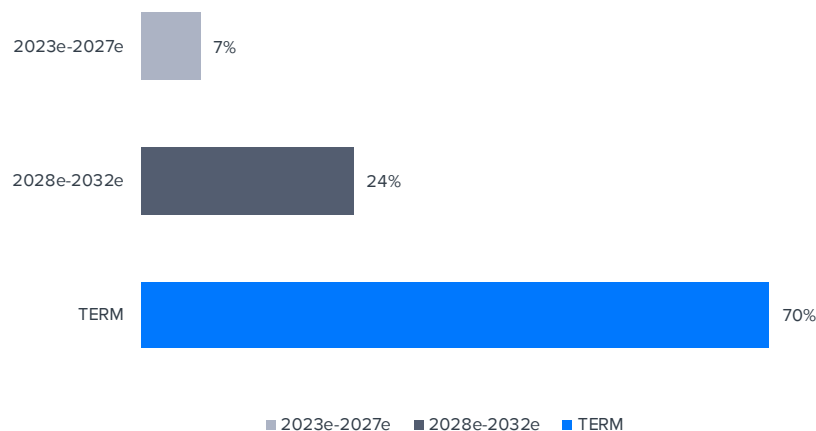
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	87.4	88.4	74.8	78.0	83.8
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.5	31.1	17.5	20.8	26.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	55.8	57.1	57.1	57.1	57.1
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	2.1	1.1	0.9	0.9	0.9
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	2.1	1.1	0.9	0.9	0.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	11.7	10.1	7.1	9.3	10.1
Short term debt	1.8	1.8	0.2	0.2	0.2
Payables	9.8	8.2	6.9	9.1	9.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	101	99.6	82.7	88.2	94.8

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-2.5 %	-16.9 %	67.4 %	9.1 %	27.8 %	-2.6 %	9.0 %	7.5 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	-1.3 %	-33.6 %	9.7 %	13.6 %	22.7 %	18.6 %	25.0 %	28.0 %	30.0 %	30.0 %	31.0 %	31.0 %
EBIT (operating profit)	-0.6	-12.2	5.8	9.0	19.2	15.3	22.4	27.0	30.4	31.9	33.9	
+ Depreciation	2.5	3.1	7.2	7.7	11.0	13.6	13.4	12.9	12.3	10.8	9.6	
- Paid taxes	-0.5	0.0	-1.1	-1.8	-3.8	-3.0	-4.5	-5.4	-6.1	-6.4	-6.8	
- Tax, financial expenses	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	5.6	1.3	-0.3	0.8	1.1	2.2	1.2	0.4	0.5	0.0	0.0	
Operating cash flow	6.8	-7.7	11.6	15.6	27.4	28.0	32.5	34.9	37.1	36.3	36.8	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-10.8	-8.6	-8.6	-8.6	-9.1	-9.6	-9.6	-9.6	-9.6	-9.6	-9.7	
Free operating cash flow	-4.0	-16.3	3.0	7.0	18.3	18.4	22.9	25.3	27.5	26.7	27.1	
+/- 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	-16.3	3.0	7.0	18.3	18.4	22.9	25.3	27.5	26.7	27.1	456
Discounted FCFF		-15.6	2.6	5.6	13.4	12.4	14.1	14.3	14.2	12.7	11.8	198
Sum of FCFF present value		283	299	296	291	277	265	251	236	222	210	198
Enterprise value DCF		283										
- Interest bearing debt		-3.0										
+ Cash and cash equivalents		55.9										
-Minorities		0.0										
-Dividend/capital return		-1.3										
Equity value DCF		335										
Equity value DCF per share		24.8										

Cash flow distribution



WACC

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

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	41.1	44.7	43.6	36.2	60.6	EPS (reported)	0.45	0.67	-0.13	-0.91	0.34
EBITDA	14.0	14.5	1.9	-9.0	13.0	EPS (adj.)	0.45	0.67	-0.13	-0.91	0.34
EBIT	7.2	11.4	-0.6	-12.2	5.8	OCF / share	1.07	0.30	0.51	-0.57	0.86
PTP	7.0	11.3	-1.2	-12.3	5.7	FCF / share	-0.17	-0.44	-0.29	-1.21	0.22
Net Income	5.4	8.8	-1.7	-12.3	4.6	Book value / share	2.99	6.69	6.57	5.55	5.75
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	82.7	88.2	Revenue growth-%	30%	9%	-3%	-17%	67%
Equity capital	36.1	87.4	88.4	74.8	78.0	EBITDA growth-%	90%	4%	-87%	-575%	-244%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	11%	57%	-105%	2058%	-148%
Net debt	-18.0	-54.7	-52.9	-35.1	-36.7	EPS (adj.) growth-%	3%	50%	-119%	609%	-137%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.0 %	32.3 %	4.4 %	-25.0 %	21.5 %
EBITDA	14.0	14.5	1.9	-9.0	13.0	EBIT (adj.)-%	17.6 %	25.5 %	-1.3 %	-33.6 %	9.7 %
Change in working capital	0.4	-7.7	5.6	1.3	-0.3	EBIT-%	17.6 %	25.5 %	-1.3 %	-33.6 %	9.7 %
Operating cash flow	12.9	4.0	6.8	-7.7	11.6	ROE-%	17.3 %	14.2 %	-2.0 %	-15.0 %	6.0 %
CAPEX	-14.9	-9.8	-10.8	-8.6	-8.6	ROI-%	20.2 %	17.1 %	-0.6 %	-14.5 %	7.5 %
Free cash flow	-2.0	-5.8	-4.0	-16.3	3.0	Equity ratio	70.4 %	86.4 %	88.8 %	90.4 %	88.4 %
						Gearing	-49.8 %	-62.5 %	-59.8 %	-46.9 %	-47.0 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	11.0	10.6	5.5	8.7	5.2						
EV/EBITDA (adj.)	32.5	32.8	>100	neg.	24.3						
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	54.3						
P/E (adj.)	87.0	59.0	neg.	neg.	77.0						
P/B	13.0	6.0	3.3	4.7	4.5						
Dividend-%	0.4 %	0.4 %	0.5 %	0.4 %	0.4 %						

Source: Inderes

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

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

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
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 €
13-02-23	Accumulate	25.00 €	22.70 €
19-04-23	Accumulate	25.00 €	24.20 €
27-04-23	Accumulate	25.00 €	23.10 €
12-06-23	Reduce	25.00 €	26.10 €



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