

Remedy

Company update

02/14/2021

- We reiterate our Accumulate recommendation and raise our target price to EUR 50.0 (previously EUR 38.0).
- H2 report proved that the strong growth story is supported by figures
- Outlook confirms earnings growth will continue this year
- In estimates we turn our eyes to 2023 when we predict the large Epic project will be published
- Valuation tight in the short term but reasonable for those playing the long game

✓ Inderes Corporate customer

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This report is a summary translation of the report “Pidämme katseen pitkässä pelissä” published on 02/14/2021 at 14:34

We keep our eye on the long game

We reiterate our Accumulate recommendation for Remedy and raise our target price to EUR 50.0 (previously EUR 38.0) after the H2 report again strengthened our confidence in the company's long-term value creation potential. Thanks to a multi-project model that has been built with controlled risks and is well-managed, Remedy's preconditions for developing successful games are good. In addition, favorable market trends help the company grow into a clearly larger game house than currently over this decade. Due to a growth story that progresses strongly we still play the long game with the share, even though the valuation looks tight in the short term.

Strong growth story also supported by figures

Remedy's H2 revenue grew by 35% to EUR 24.1 million and operating profit was EUR 10.1 million (H2'19: EUR 5.1 million), which considering the capitalization of development costs was well in line with our expectations. 2020 EPS grew by some 100% to EUR 0.86 and the EBIT margin rose to 32% reflecting the fact that Remedy's strategy has truly moved to a profitable growth phase. The outlook confirms earnings growth will continue this year, which dispersed earlier uncertainty connected to the outlook. In the big picture, Remedy is still in the early stages of its growth path and in coming years, as the number and size of game projects grow, the growth potential will strengthen year by year. At the same time, industry trends (subscription-based models, cloud gaming, digital distribution, and long-term game services) support the company's outlook when the need for high-quality gaming content increases in future.

Epic projects' development fees and Crossfire royalties as growth drivers in 2021

We expect Remedy's revenue to grow by 11% in 2021 and the operating result to be EUR 15.5 million. Growth is supported by Epic projects' development fees as both projects will be in full production in H2. We estimate that Crossfire subcontracting will, in addition to development fees, generate royalties as CrossfireX and Crossfire HD games are published. We expect Control sales to continue at a good level in digital channels and with new consoles.

In estimates, eyes turn to 2023 and beyond

Based on the H2 report we expect the publication of the small Epic project to take place in 2022 and the big Epic project in 2023 (previously 2022), when we believe Remedy's next big growth leap to take place. At that time, we also already expect more income flow from the Vanguard project as we believe the game will be published during 2022 to 2023. We also assume that the Crossfire subcontracting, or similar subcontracting will continue. In addition, Control and its DLCs, as well as earlier Crossfire projects, generate royalty flow for the company as the games continue selling. We also believe that in 2022 to 2023 the company will launch one or two new larger game projects that can generate revenue in form of publishing agreements and development fees. Based on the H2 report, one of these projects is already at the beginning of the development pipeline. We estimate that Remedy's earnings growth outlook is good also after 2023 even though, at this time, visibility several years down the line is still weak.

Valuation is reasonable for those that are playing the long game

In our estimates, the multi-project model has in 2023 progressed to a stage where Remedy receives income from more than five published games or games under development. At that time, we expect considerable improvements in the company's revenue (EUR 68 million) and operating profit (EUR 24.8 million). At that time, the share's P/E will be 28x and EV/EBIT 20x. We feel the multiples look reasonable when considering Remedy's strong growth outlook in the long term.

Analysts



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Recommendation



Accumulate
(previous Accumulate)

50.00 EUR
(previous EUR 38.00)

Share price:
45.00

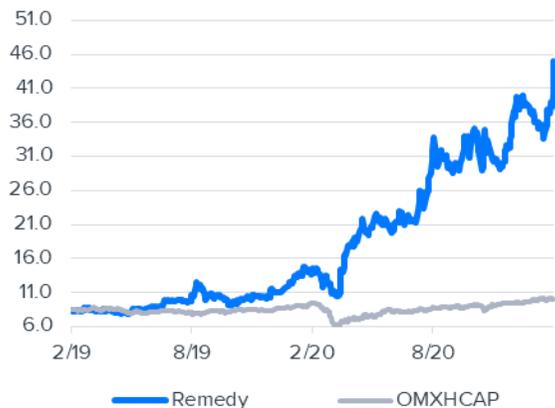
Key indicators

	2020	2021e	2022e	2023e
Revenue	41.1	45.9	48.8	68.0
Growth %	30%	12%	6%	39%
EBIT adjusted	13.2	15.5	14.8	24.8
EBIT % adjusted	32.2%	33.8%	30.3%	36.5%
Net profit	10.3	12.3	11.7	19.8
EPS (adjusted)	0.86	1.02	0.97	1.64

P/E (adjusted)	45.5	44.3	46.2	27.5
P/B	13.3	11.8	9.8	7.6
Dividend yield %	0.4%	0.4%	0.6%	0.7%
EV/EBIT (adjusted)	34.0	33.3	34.6	19.9
EV/EBITDA	31.5	31.0	30.2	14.9
EV/Revenue	11.0	11.3	10.5	7.3

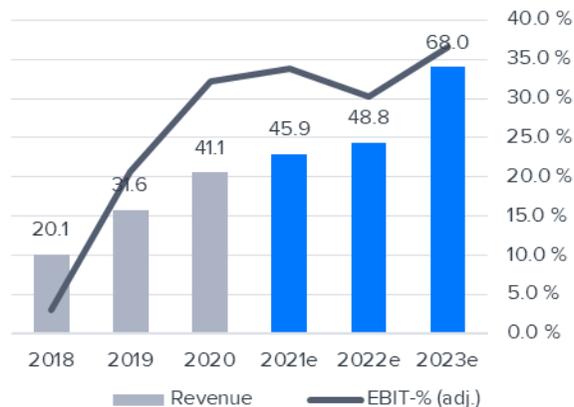
Source: Inderes

Share price



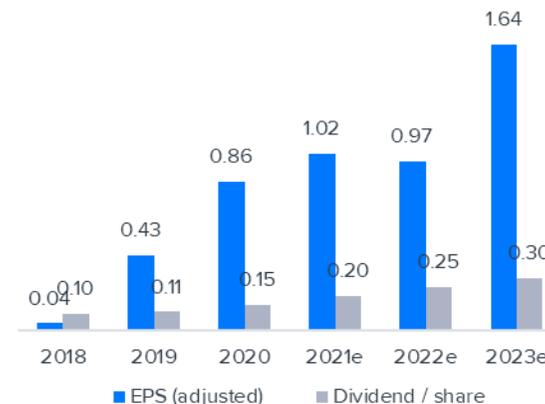
Lähde: Thomson Reuters

Revenue and EBIT %



Lähde: Inderes

EPS and dividend



Lähde: Inderes



Value drivers

- Attractive position in value chain considering industry trends
- Exceptionally good terms of Epic publishing agreement create visibility into income flow in the next couple of years
- Multi-project model creates continuity and disperses risks
- Strong track record of developing successful games
- Own technology platforms create scalability and a competitive advantage



Risk factors

- Failure or delays in game projects
- Dependency on publishing partners
- Dependency on the sales of an individual game
- Technology and market trends



Valuation

- Strong value creation potential in the long term as strategy progresses
- Relative valuation high in the industry
- In the short term, high valuation multiples reflect the earnings growth expectations of the share
- Valuation can be justified considering long-term growth potential

Brisk earnings growth in 2020

Revenue grew strongly as expected

Remedy's H2 revenue grew by 35% to EUR 24.1 million while we predicted 33% growth. Revenue mainly comprised sales income from the Control game and development fees received from publishers of games under development.

Control has continued selling well in digital channels and now we can say the game has been a success both measured by critics' reviews and its commercial success. In H2, the PC version of the game was published on Steam platform, the cloud service version on Amazon Luna and Nintendo Switch platforms, and the game was added to the Xbox Game Pass subscription service. This year, the game has been published for PS5 and Xbox Series X/S consoles. Remedy sees long-term business potential in Control for years to come and we believe the company will develop sequels for the game in coming years. Thanks to Control's good quality and considerable growth in recognition, we feel sequels will succeed well.

Smilegate cooperation continues as planned and generates stable and good cash flow for Remedy. This year, Crossfire projects are likely to generate royalty income as well, when Crossfire HD's PC version is published in China and CrossfireX is published for Xbox.

According to the company, Epic projects have progressed well and now some 100 people work with them. The smaller project is already in production and the larger AAA project will move to full production in spring 2021. Epic finances the development work of the projects fully but the net income from the projects is divided evenly between Remedy and Epic once the development and publishing costs have been covered.

The development work of the Vanguard multiplayer game project is still in its initial stages and the team is trying to iteratively develop the first playable version of the game. The game will be made into a multiplayer game that works with the "co-op free-to-play" model and combines some of Remedy's strengths in creating game worlds and storytelling. At this stage, the publication model for the game has not been decided and the sales potential of the game is also challenging to assess due to the extremely different business model of F2P games.

Remedy also reported it had capitalized development costs of a game project that has not yet been published, so the next game project is already bubbling under. Remedy is still actively growing its personnel and the well-managed multi-project model seems to scale well. At the end of 2020, the company employed 271 people (2019: 248).

Strong growth also reflected in earnings rows as expected

Thanks to revenue growth, operating profit also grew strongly and amounted to EUR 10.1 million in H2 (H2'19: EUR 5.1 million). The result is well in line with our estimate (EUR 9.3 million) when the EUR 3.1 million positive effect from capitalizing development costs (our estimate EUR 2 million) is considered. We expect capitalization to amount to EUR 6 million per year in the next few years. Operating cash flow improved clearly in H2 and stood at EUR 10.6 million. This naturally also supported net cash development in the latter half of the year (H2'20: EUR 20.0 million vs. H1'20: EUR 13.1 million).

Remedy's 2020 earnings per share grew by some 100% to EUR 0.86 (2019: EUR 0.43) reflecting the strong earnings growth last year. The company Board's dividend proposal is EUR 0.15 per share (2019: EUR 0.11). The dividend only plays a minor role in Remedy's growth story. In coming years, Remedy will probably fully finance and publish some of its new game projects itself, which calls for strong net cash.

Estimates MEUR / EUR	H2'19	H2'20	H2'20e	H2'20e	Consensus		Difference (%)	2020
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Act
Revenue	17,8	24,1	23,8				1 %	41,1
EBIT (adj.)	5,1	10,1	9,3				9 %	13,2
EPS (reported)	0,34	0,65	0,61				6 %	0,86
DPS	0,11	0,15	0,20				-25 %	0,15
Revenue growth-%	63,4 %	35,1 %	33,4 %				1,8 %	29,8 %
EBIT-% (adj.)	28,4 %	41,8 %	38,9 %				2,9 %	32,2 %

Source: Inderes

According to our estimates the next prominent growth leap comes in 2023

Outlook indicates earnings growth will continue

In its outlook Remedy expects its revenue (2020: EUR 41.1 million) and operating profit (2020: EUR 13.2 million) to grow during 2021. A majority of the growth is expected to take place during the second half of the year. Before the H2 report there was still a lot of uncertainty linked to 2021 earnings growth and, thus, the outlook was a positive relief which lowers estimate risks.

In estimates eyes turn to 2023 and beyond

Precise prediction of Remedy's earnings development in coming years is challenging due to the nature of the company's business model. 2020 already offered a small sample of the earnings potential of the company's strategy, even though there were no fully new game launches during the year and the multi-project model was still being ramped up. The H2 report strengthened our view of Remedy's long-term value creation potential, which is visible in our raised long-term estimates. Based on the outlook we also made changes to our estimates for the next few years and we now expect Remedy's next prominent growth leap to take place in 2023

(previously 2022) when we predict the large Epic project will be published. We outline Remedy's revenue drivers for the next few years in the figure on the following page. According to our estimates, Remedy's earnings growth outlook is strong also after 2023 as the strategy progresses and the company's income flow expands year by year.

Estimates for next few years

We now expect Remedy's revenue to grow by 12% in 2021 and operating profit to improve to EUR 15.5 million. Growth is supported by Epic projects' development fees as both projects will be in full production in H2. We also estimate that Crossfire subcontracting will, in addition to development fees, generate royalties as CrossfireX and Crossfire HD games are published. We also expect Control sales to continue at a good level in digital channels and with new consoles.

We expect the smaller Epic project to be published in 2022 and otherwise revenue will come from the same sources as in 2021. Due to increasing costs from coming projects, we expect operating profit (2022e: EUR 14.8 million) to remain stable despite

small revenue growth (6%).

In 2023, we expect considerable improvements in Remedy's revenue (EUR 68 million) and operating profit (EUR 24.8 million) as a result of the large Epic project publication. At that time, we also already expect more income flow from Vanguard, as we believe the game will be published during 2022 to 2023. We also assume that the Crossfire subcontracting, or similar subcontracting will continue. In addition, Control and its DLCs, as well as earlier Crossfire projects generate royalty flow for the company as the games continue selling. We also believe that in 2022 to 2023 the company will launch one or two new larger game projects that can generate revenue in form of publishing agreements and development fees. Based on the H2 report, one of these projects is already at the beginning of the development pipeline.

With our estimates, Remedy's EBIT margin will be 30 to 37% in coming years (2020: 32%). There is still upside potential in our long-term profitability assumption (38%) as players in the industry can at best reach over 50% margins.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	45,0	45,9	2 %	52,0	48,8	-6 %	59,5	68,0	14 %
EBITDA	15,8	16,7	5 %	22,7	17,0	-25 %	28,0	33,2	18 %
EBIT (exc. NRIs)	14,9	15,5	4 %	18,0	14,8	-18 %	21,9	24,8	13 %
EBIT	14,9	15,5	4 %	18,0	14,8	-18 %	21,9	24,8	13 %
PTP	14,9	15,3	3 %	18,1	14,7	-19 %	22,0	24,7	13 %
EPS (excl. NRIs)	0,99	1,02	3 %	1,20	0,97	-19 %	1,46	1,64	13 %
DPS	0,40	0,20	-50 %	0,55	0,25	-55 %	0,60	0,30	-50 %

Strategy in light of game projects

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



Source: Inderes, * Inderes' estimates

Strong long-term outlook supports valuation

Valuation is reasonable from the viewpoint of investors that are playing the long game

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 clearly larger game house than currently during this decade. A multi-project model that has been built with controlled risks and is well-managed bring attractive optionality from the viewpoint of the return/risk ratio of the company's business model. We believe the likelihood of complete failures in game projects is extremely low but one of future projects can strike gold and become an actual hit game. Even with only relatively well succeeding games, the company's growth outlook is good far into the future.

The high valuation multiples for Remedy in the next couple of years (2021e P/E 44x and EV/EBIT 33x) show that the share is loaded with high earnings growth expectations. Due to the above-mentioned factors, Remedy's valuation should, in our opinion, be examined based on the company's long-term growth outlook. However, we point out that the tight valuation in the short term does not leave much room for a bigger fracture in the growth story.

According to our estimate, the multi-project model has in 2023 progressed to a stage where Remedy receives income from more than five published games or games under development. At that time, we expect a considerable improvements in the company's revenue (EUR 68 million) and operating profit (EUR 24.8 million). With our estimates the share's P/E will be 28x and the corresponding EV/EBIT 20x at

that time. We feel the multiples look reasonable when considering Remedy's strong growth outlook in the long term.

At that time, the multiples seem moderate also compared to Remedy's peer group, assuming that the high valuation levels of the gaming industry remain to some extent also in future. Remedy's peer group is currently priced for 2021 to 2022 with average P/E ratios of 42x to 33x and EV/EBIT ratios of 33x to 29x.

Valuation	2021e	2022e	2023e
Share price	45,0	45,0	45,0
Number of shares, million:	12,1	12,1	12,1
Market cap	543	543	543
EV	517	511	493
P/E (adj.)	44,3	46,2	27,5
P/E	44,3	46,2	27,5
P/FCF	66,2	66,7	25,7
P/B	11,8	9,8	7,6
P/S	11,8	11,1	8,0
EV/Sales	11,3	10,5	7,3
EV/EBITDA	31,0	30,2	14,9
EV/EBIT (adj.)	33,3	34,6	19,9
Payout ratio (%)	19,7 %	25,7 %	18,3 %
Dividend yield-%	0,4 %	0,6 %	0,7 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	6,70	11,5	39,0	45,0	45,0	45,0	45,0
Number of shares, millions	12,1	12,1	12,1	12,1	12,1	12,1	12,1
Market cap	81	138	471	543	543	543	543
EV	61	122	451	517	511	493	472
P/E (adj.)	>100	26,4	45,5	44,3	46,2	27,5	23,7
P/E	>100	26,4	45,5	44,3	46,2	27,5	23,7
P/FCF	neg.	neg.	82,2	66,2	66,7	25,7	22,2
P/B	3,6	5,2	13,3	11,8	9,8	7,6	6,0
P/S	4,0	4,4	11,5	11,8	11,1	8,0	7,0
EV/Sales	3,0	3,9	11,0	11,3	10,5	7,3	6,1
EV/EBITDA	55,2	16,6	31,5	31,0	30,2	14,9	12,6
EV/EBIT (adj.)	>100	18,7	34,0	33,3	34,6	19,9	16,5
Payout ratio (%)	226,8 %	25,4 %	17,5 %	19,7 %	25,7 %	18,3 %	18,4 %
Dividend yield-%	1,5 %	1,0 %	0,4 %	0,4 %	0,6 %	0,7 %	0,8 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e
Frontier Developments PLC	3005,0	1346	1335	58,6	33,8	30,9	19,9	12,5	7,9	67,7	39,9		
Embracer Group	258,5	9937	9611			25,8	17,2	10,1	7,6	48,3	32,0		
CD Projekt SA	263,0	5889	5768	16,9	23,1	18,1	20,1	10,8	13,4	22,4	22,6		
Paradox Interactive AB (publ)	264,6	2770	2739	33,1	29,6	20,9	18,9	12,3	11,1	42,4	37,1	0,5	0,5
Koei Tecmo Holdings Co Ltd	6490,0	6611	6556	33,4	29,8	32,6	27,9	14,2	13,5	34,4	33,0	1,5	1,5
Sumo Group PLC	352,0	685	680	31,4	26,3	26,4	21,9	6,2	5,4	39,1	33,8		
Team17 Group PLC	832,0	1247	1194	34,9	31,1	31,8	28,6	11,8	10,7	43,9	39,9		
Codemasters Group Holdings PLC	602,0	1046	991	28,1	28,3	27,8	27,9	7,3	7,4	32,5	33,0		
Playway SA	642,0	943	918	17,7	16,2	17,6	16,1	13,2	11,9	22,6	22,0	2,7	3,5
11 Bit Studios SA	553,0	290	269	54,9	15,2	43,9	16,1	19,1	9,5	71,4	18,9		
Enad Global 7	117,5	534	481	204,6	57,2	8,3	7,2	3,6	3,1	224,5	69,9		
Remedy (Inderes)	45,0	543	517	33,3	34,6	31,0	30,2	11,3	10,5	44,3	46,2	0,4	0,6
Average				51,4	29,1	25,8	20,2	11,0	9,2	59,0	34,7	1,6	1,8
Median				33,2	29,0	26,4	19,9	11,8	9,5	42,4	33,0	1,5	1,5
Diff-% to median				0 %	19 %	18 %	51 %	-5 %	10 %	4 %	40 %	-69 %	-64 %

Source: Thomson Reuters / Inderes

Income statement

Income statement	2018	2019	H1'20	H2'20	2020	Q1'21e	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue	20,1	31,6	17,0	24,1	41,1	8,5	9,0	12,9	15,5	45,9	48,8	68,0	77,8
EBITDA	1,1	7,4	3,7	10,7	14,3	1,7	2,0	5,3	7,6	16,7	17,0	33,2	37,6
Depreciation	-0,5	-0,8	-0,5	-0,6	-1,1	-0,3	-0,3	-0,3	-0,3	-1,1	-2,2	-8,3	-8,9
EBIT (excl. NRI)	0,6	6,5	3,2	10,1	13,2	1,4	1,7	5,1	7,3	15,5	14,8	24,8	28,7
EBIT	0,6	6,5	3,2	10,1	13,2	1,4	1,7	5,1	7,3	15,5	14,8	24,8	28,7
Net financial items	0,1	0,0	0,0	-0,3	-0,3	-0,1	-0,1	-0,1	-0,1	-0,2	-0,1	-0,1	0,0
PTP	0,7	6,6	3,1	9,8	12,9	1,4	1,7	5,0	7,3	15,3	14,7	24,7	28,7
Taxes	-0,1	-1,3	-0,6	-2,0	-2,6	-0,3	-0,3	-1,0	-1,5	-3,1	-2,9	-4,9	-5,7
Net earnings	0,5	5,2	2,5	7,8	10,3	1,1	1,4	4,0	5,8	12,3	11,7	19,8	23,0
EPS (adj.)	0,04	0,43	0,21	0,65	0,86	0,09	0,11	0,33	0,48	1,02	0,97	1,64	1,90
EPS (rep.)	0,04	0,43	0,21	0,65	0,86	0,09	0,11	0,33	0,48	1,02	0,97	1,64	1,90

Key figures	2018	2019	H1'20	H2'20	2020	Q1'21e	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	17,3 %	57,1 %	23,0 %	35,1 %	29,8 %					11,7 %	6,3 %	39,3 %	14,4 %
Adjusted EBIT growth-%	-49 %	973 %	116 %	99 %	103 %					17,3 %	-4,8 %	68,0 %	15,6 %
EBITDA-%	5,5 %	23,2 %	21,6 %	44,2 %	34,8 %	19,9 %	22,4 %	41,4 %	49,0 %	36,3 %	34,7 %	48,8 %	48,3 %
Adjusted EBIT-%	3,0 %	20,6 %	18,6 %	41,8 %	32,2 %	16,6 %	19,3 %	39,2 %	47,2 %	33,8 %	30,3 %	36,5 %	36,9 %
Net earnings-%	2,6 %	16,6 %	14,7 %	32,5 %	25,2 %	12,8 %	15,0 %	31,1 %	37,5 %	26,7 %	24,1 %	29,1 %	29,5 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	3,6	3,8	4,8	9,2	15,0
Goodwill	0,0	0,0	0,0	0,0	0,0
Intangible assets	1,3	1,1	2,4	7,5	13,6
Tangible assets	1,8	2,2	1,9	1,1	0,8
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	0,5	0,6	0,6	0,6	0,6
Deferred tax assets	0,0	0,0	0,0	0,0	0,0
Current assets	30,8	37,9	38,2	42,0	60,8
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	11,2	14,2	9,2	8,3	10,9
Cash and equivalents	19,6	23,7	29,1	33,7	49,9
Balance sheet total	35,9	48,4	54,2	62,3	79,4

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	26,4	35,4	45,8	55,2	71,9
Share capital	0,1	0,1	0,1	0,1	0,1
Retained earnings	12,5	21,5	32,0	41,3	58,1
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	13,7	13,7	13,7	13,7
Minorities	0,0	0,0	0,0	0,0	0,0
Non-current liabilities	3,7	2,8	1,9	0,9	0,0
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	3,7	2,8	1,9	0,9	0,0
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	5,8	10,2	6,4	6,3	7,5
Short term debt	0,0	0,9	0,9	0,9	0,0
Payables	5,8	9,3	5,5	5,4	7,5
Other current liabilities	0,0	0,0	0,0	0,0	0,0
Balance sheet total	35,9	48,4	54,2	62,3	79,4

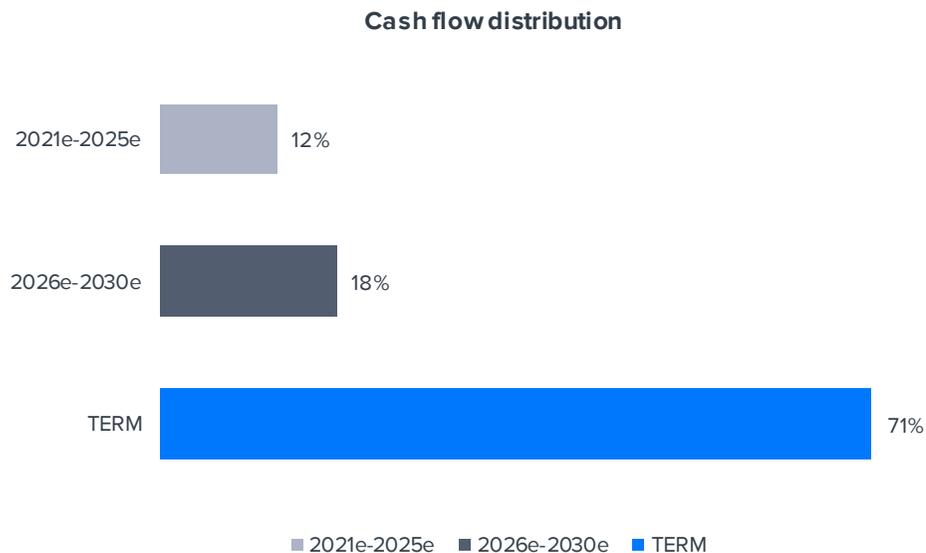
DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	13,2	15,5	14,8	24,8	28,7	34,3	40,5	44,5	46,7	49,1	50,5	
+ Depreciation	1,1	1,1	2,2	8,3	8,9	8,2	8,4	8,5	10,1	9,8	9,7	
- Paid taxes	-2,6	-3,1	-2,9	-4,9	-5,7	-6,9	-8,1	-8,9	-9,3	-9,8	-10,1	
- 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	0,4	1,3	0,7	-0,5	0,3	0,3	0,6	1,0	1,2	0,0	0,0	
Operating cash flow	12,1	14,8	14,7	27,7	32,1	36,0	41,4	45,1	48,7	49,1	50,1	
+ 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	-6,4	-6,6	-6,6	-6,6	-7,6	-8,6	-8,6	-8,6	-9,6	-9,6	-9,7	
Free operating cash flow	5,7	8,2	8,1	21,1	24,5	27,4	32,8	36,5	39,1	39,5	40,4	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	5,7	8,2	8,1	21,1	24,5	27,4	32,8	36,5	39,1	39,5	40,4	876
Discounted FCFF		7,7	7,1	17,1	18,4	19,1	21,2	21,9	21,8	20,4	19,4	421
Sum of FCFF present value		593	587	580	563	544	525	504	482	460	440	421
Enterprise value DCF		593										
- Interesting bearing debt		-3,7										
+ Cash and cash equivalents		23,7										
- Minorities		0,0										
- Dividend/capital return		0,0										
Equity value DCF		613										
Equity value DCF per share		50,7										

Wacc

Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E))	0,0 %
Cost of debt	5,0 %
Equity Beta	1,00
Market risk premium	4,75 %
Liquidity premium	1,00 %
Risk free interest rate	2,0 %
Cost of equity	7,8 %
Weighted average cost of capital (WACC)	7,8 %

Source: Inderes



Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	20,1	31,6	41,1	45,9	48,8	EPS (reported)	0,04	0,43	0,86	1,02	0,97
EBITDA	1,1	7,4	14,3	16,7	17,0	EPS (adj.)	0,04	0,43	0,86	1,02	0,97
EBIT	0,6	6,5	13,2	15,5	14,8	OCF / share	0,19	-0,04	1,00	1,23	1,22
PTP	0,7	6,6	12,9	15,3	14,7	FCF / share	-0,05	-0,25	0,47	0,68	0,67
Net Income	0,5	5,2	10,3	12,3	11,7	Book value / share	1,85	2,19	2,93	3,80	4,57
Extraordinary items	0,0	0,0	0,0	0,0	0,0	Dividend / share	0,10	0,11	0,15	0,20	0,25
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	28,3	35,9	48,4	54,2	62,3	Revenue growth-%	17 %	57 %	30 %	12 %	6 %
Equity capital	22,4	26,4	35,4	45,8	55,2	EBITDA growth-%	-50 %	568 %	95 %	16 %	2 %
Goodwill	0,0	0,0	0,0	0,0	0,0	EBIT (adj.) growth-%	-76 %	973 %	103 %	17 %	-5 %
Net debt	-20,1	-15,9	-20,0	-26,3	-31,9	EPS (adj.) growth-%	-72 %	884 %	97 %	19 %	-4 %
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	5,5 %	23,2 %	34,8 %	36,3 %	34,7 %
EBITDA	1,1	7,4	14,3	16,7	17,0	EBIT (adj.)-%	3,0 %	20,6 %	32,2 %	33,8 %	30,3 %
Change in working capital	1,3	-6,5	0,4	1,3	0,7	EBIT-%	3,0 %	20,6 %	32,2 %	33,8 %	30,3 %
Operating cash flow	2,3	-0,5	12,1	14,8	14,7	ROE-%	2,4 %	21,5 %	33,5 %	30,2 %	23,3 %
CAPEX	-2,9	-2,5	-6,4	-6,6	-6,6	ROI-%	2,5 %	23,6 %	38,3 %	35,4 %	28,0 %
Free cash flow	-0,7	-3,0	5,7	8,2	8,1	Equity ratio	79,1%	73,5 %	73,2 %	84,7 %	88,5 %
						Gearing	-89,9 %	-60,2 %	-56,6 %	-57,3 %	-57,8 %
Largest shareholders	% of shares					Valuation multiples	2018	2019	2020	2021e	2022e
Markus Mäki	27,3 %					EV/S	3,0	3,9	11,0	11,3	10,5
Accendo Capital	19,3 %					EV/EBITDA (adj.)	55,2	16,6	31,5	31,0	30,2
Sami Järvi	5,1 %					EV/EBIT (adj.)	>100	18,7	34,0	33,3	34,6
Working Capital Management	3,4 %					P/E (adj.)	>100	26,4	45,5	44,3	46,2
Tero Virtala	2,9 %					P/E	3,6	5,2	13,3	11,8	9,8
Taaleritehdas Mikro Markka	2,2 %					Dividend-%	1,5 %	1,0 %	0,4 %	0,4 %	0,6 %

Source: Inderes

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Buy The 12-month risk-adjusted expected shareholder return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

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

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

Inderes' analyst Atte Riikola has based on a notification received on July 27, 2020 a holding of over EUR 50,000 in the target company Remedy Entertainment Plc.

Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
5/30/2017	Accumulate	€ 7.40	€ 6.69
8/17/2017	Buy	€ 7.50	€ 6.31
2/19/2017	Buy	€ 7.50	€ 5.90
6/04/2018	Buy	€ 8.50	€ 7.30
8/15/2018	Buy	€ 8.50	€ 6.75
2/13/2019	Accumulate	€ 9.00	€ 8.25
7/03/2019	Accumulate	€ 10.00	€ 9.28
8/14/2019	Accumulate	€ 11.50	€ 10.65
12/05/2019	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



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