

Remedy

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Vahva kasvutarina on ennallaan” published on 05/12/2021 at 07:04 pm

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res.**

Strong growth story still stands

We reiterate our Accumulate recommendation and EUR 50.0 target price for Remedy. Remedy's Q1 report was as a whole in line with our expectations. The company's ambitious growth strategy is progressing on the right track and we have not revised our estimates much. Thanks to a multi-project model that has been built with controlled risks and is well-managed, as well as a strong financial position, Remedy's preconditions for developing successful games are good. In addition, favorable market trends help the company grow into a clearly larger game studio than currently over this decade. Due to the strongly progressing growth story we play the long game when it comes to share valuation. The extensive report published on Remedy can be found [here](#).

Considering weak visibility Q1 figures were quite well in line with our expectations

Remedy's Q1 revenue grew by 3% to EUR 8.1 million and operating profit was EUR 0.9 million (Q120: 1.1 million). The figures were below our estimates (EUR 8.5 and 1.4 million) but considering the uncertainty of earnings development on a quarterly level due to timing of development fees, the figures were in the same ballpark. As expected, Remedy repeated its guidance of growing revenue and EBIT and Remedy's game projects have progressed as planned in Q1. This was most important, because the earnings growth expectations for 2021 focus towards the end of the year.

Strong net cash enables accelerated growth investments

Remedy's financial position is extremely strong thanks to the EUR 41.5 million directed share issue carried out in February and good cash flow in Q1 (EUR 4.0 million). Net cash at the end of Q1 was EUR 62.4 million. The strong balance sheet enables larger risk taking when financing future game projects and in self-publishing. In addition, it also improves the company's already strong position when negotiating publishing contracts.

Growth outlook unchanged for next couple of years

Our estimates remain practically unchanged after the Q1 report. For 2021 we estimate 12% revenue growth and EUR 15.4 million in operating profit (2020: 13.2 million). This year, we expect the growing development fees from the Epic projects to support earnings growth in H2 when both projects are in full production. We estimate that Crossfire subcontracting can, 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 Remedy's next significant growth leap to take place in 2023 when we expect the large Epic project will be released. At that time, considerable income flow is also expected from the Vanguard project. 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 as the number of game projects grows.

Reasonable valuation for those 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 released games or games under development. At that time, we expect a considerable improvement in the company's revenue (EUR 68 million) and operating profit (EUR 24.8 million). That means Remedy's EV/EBIT multiple considering the strong net cash is 18x. In our opinion, the valuation looks reasonable when considering Remedy's strong growth outlook in the long term and the already relatively successful game releases. In addition, the investor gets the option of a hit game that strikes gold.

Recommendation

Accumulate
(previous Accumulate)

EUR 50.00
(previous EUR 50.00)

Share price:
41.30



Key indicators

	2020	2021e	2022e	2023e
Revenue	41.1	45.9	48.8	68.0
growth %	30 %	12 %	6 %	39 %
EBIT adjusted	13.2	15.4	14.8	24.8
EBIT % adjusted	32.2 %	33.5 %	30.3 %	36.4 %
Net profit	10.3	10.9	11.7	19.7
EPS (adjusted)	0.86	0.93	0.90	1.51
P/E (adjusted)	45.6	44.5	46.0	27.4
P/B	13.3	6.3	5.7	4.8
Dividend yield %	0.4 %	0.5 %	0.6 %	0.7 %
EV/EBIT (adjusted)	34.0	30.8	31.7	18.2
EV/EBITDA	31.5	28.7	27.6	13.6
EV/Sales	11.0	10.3	9.6	6.6

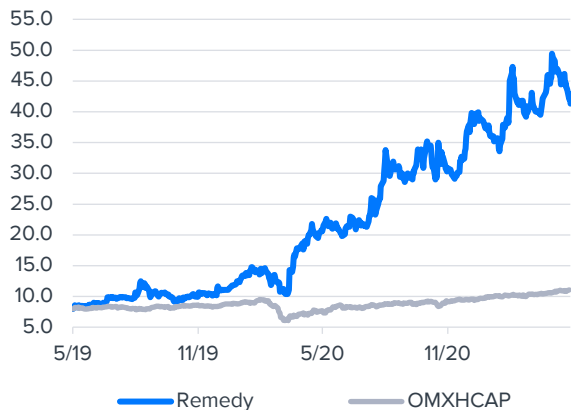
Source: Inderes

Guidance

(Unchanged)

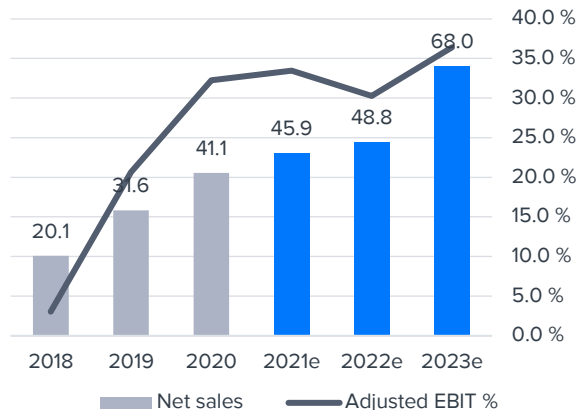
"Remedy expects its revenue and operating profit to increase during 2021. Majority of the revenue and operating profit is expected to materialize during second half-year period."

Share price



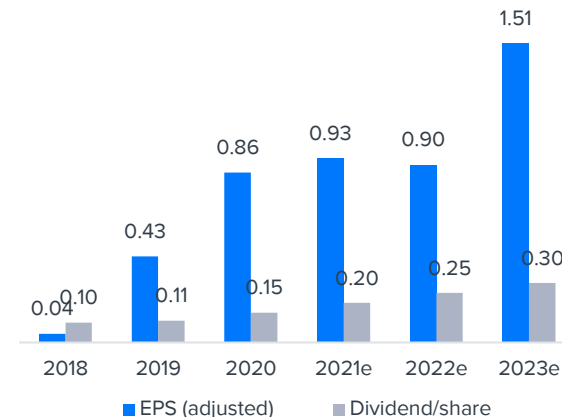
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Attractive position in value chain considering industry trends
- Exceptionally good terms of the 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 game engine and game development tools 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

Strategy progressed as expected in Q1

Q1 figures slightly below expectations

Remedy's Q1 revenue grew by 3% to EUR 8.1 million while our estimate was EUR 8.5 million. As expected, revenue consisted of development fees from the publishers of games under development and sales income from the Control game. Both the development fees and royalties from Control grew a bit from the comparison period.

Q1 operating profit decreased slightly from the comparison period to EUR 0.9 million (Q1'20: EUR 1.1 million) and was below our EUR 1.4 million estimate. Considering the change in how bonus provisions are recorded the result would have been very close to our estimate. Operational cash flow (Q1'21: EUR 4.0 million) was clearly stronger than the result reflecting the development fee payments of partners as game projects reached their planned project milestones. At a quarterly level, Remedy's result and cash flow can deviate clearly from one another depending on the timing of payments and level of product development cost capitalization.

Thanks to the strong cash flow and the directed share issue of EUR 41.5 million in February, Remedy's net cash swelled to EUR 62.4 million (Q4'20: 20.0 million). Strong cash position gives Remedy clearly more

leeway in its strategy to self-finance or self-publish games, which would also clearly increase Remedy's share of the value the games generate.

Control continues selling well on new consoles and in digital channels

Control was published on new Playstation 5 and Xbox Series X/S consoles in Q1 and has received excellent Metacritic critics reviews. Remedy still sees that the sales outlook for the game is good as the number of new console owners is only starting to grow and the tail end of sales for a high-quality game is several years in digital channels. In early 2021, Control was also introduced in the PlayStation Plus and Xbox Game Pass subscription services and included in the Humble Choice campaign on PCs. Remedy still sees new game platforms and marketplaces to which Control can expand. All in all, the recognition of Control has continued growing and we find it highly likely that Remedy will develop a sequel for the game at some point. Now nearly all of Remedy's internal Control developers have moved to other projects.

Other game projects progressing as planned

The plan is still to launch Smilegate's Crossfire HD and Crossfire X games for which Remedy has developed

single-player campaigns this year. Crossfire HD's PC version is published in China and CrossfireX is published on Xbox.

The large Epic project is as expected moving to full production soon, where the smaller project already is. At the time of the Q4 report around 100 persons were working with these projects and we believe the number has risen in Q1. 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.

Development of the multiplayer game project Vanguard is progressing well and according to Remedy many of the core elements of the game have been defined. Now more than 25 people are working on the project. The game is soon moving from internal game testing also to closed external testing. The game will operate under a "co-op free-to-play" model, which is completely new for Remedy.

The next game project has also started behind the scenes, which was mentioned already in connection with the financial statements. At this stage, Remedy has only commented that this is a "new, inspiring project".

Estimates	Q1'20	Q1'21	Q1'21e	Q1'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
MEUR / EUR								
Revenue	7.8	8.1	8.5				-5%	45.9
EBITDA	1.3	1.1	1.7				-33%	16.5
EBIT (adj.)	1.1	0.9	1.4				-40%	15.4
Revenue growth-%	-	3.4 %	8.3 %				-4.9 pp	11.8 %
EBIT-% (adj.)	13.7 %	10.5 %	16.6 %				-6.1 pp	33.5 %

Source: Inderes

Growth outlook that focuses on the end of the year remains unchanged

No big changes in estimates

As expected, Remedy reiterated its outlook and expects both revenue and operating profit to grow this year (2020: EUR 41.1 million and EUR 13.2 million). The growth is expected to focus on H2. Based on the Q1 report we basically maintained our estimates unchanged and thanks to the slight estimate undershoot in Q1 the expectations for the rest of the year rose a bit.

Eye remains on the long game in estimates

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. We outline Remedy's revenue drivers for the next few years on the following page. We expect

the company's next significant growth leap to take place in 2023 when we expect the large Epic project will be released. 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 estimate that Remedy's revenue will grow by 12% in 2021 and operating profit to improve to EUR 15.4 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 upcoming projects, we expect operating profit (2022e: EUR 14.8 million) to remain stable despite small revenue growth (6%).

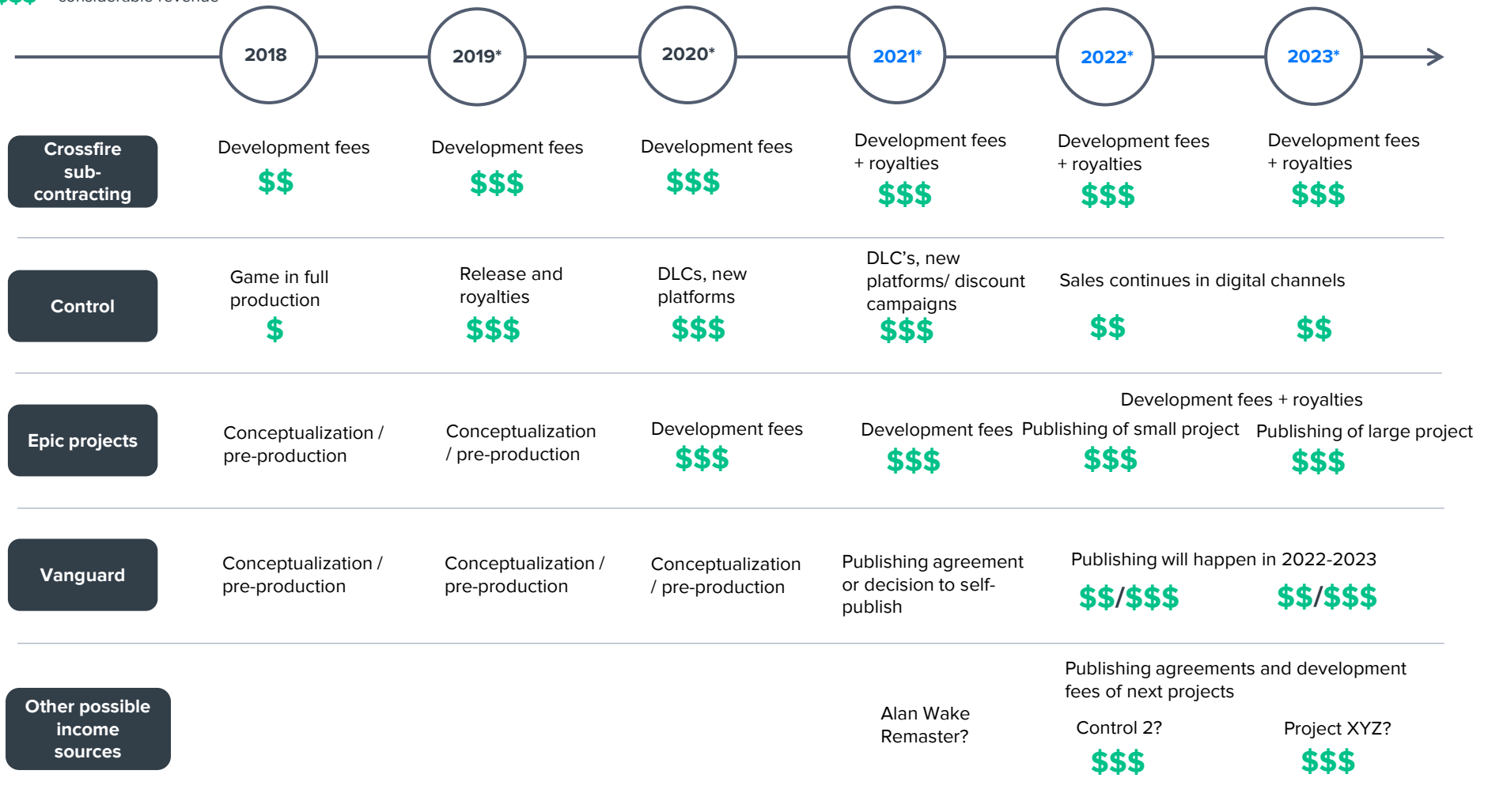
In 2023, we expect considerable improvements in Remedy's revenue (EUR 68 million) and operating profit (EUR 24.8 million) as a result of the large Epic project release. At that time, we also already expect more income flow from Vanguard, as we believe the game will be published during 2022 to 2023. We 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. One of these projects is already at the beginning of the development pipeline.

Estimate revisions	2021e			2022e			2023e			
	MEUR / EUR	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue		45.9	45.9	0%	48.8	48.8	0%	68.0	68.0	0%
EBITDA		16.7	16.5	-1%	17.0	17.0	0%	33.2	33.2	0%
EBIT (exc. NRIs)		15.5	15.4	-1%	14.8	14.8	0%	24.8	24.8	0%
EBIT		15.5	15.4	-1%	14.8	14.8	0%	24.8	24.8	0%
PTP		13.8	13.7	-1%	14.7	14.7	0%	24.7	24.7	0%
EPS (excl. NRIs)		0.94	0.93	-1%	0.90	0.90	0%	1.51	1.51	0%
DPS		0.20	0.20	0%	0.25	0.25	0%	0.30	0.30	0%

Source: Inderes

Strategy in light of game projects

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



Source: Inderes, *Inderes' estimates

Valuation

Valuation moderate considering strong long-term growth outlook

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 also 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. With the ramp-up of the multi-project model, the release rate of games also quickens and the number of "success options" increases. Even with only relatively well succeeding games, the company's growth outlook is, in our opinion, good far into the future.

Remedy's P/E multiples for 2021-2022 are 45x-46x and EV/EBIT multiples that take into consideration the strong net cash is 31x-32x. The multiples are high and reflect the considerable earnings growth expectations loaded into the share. However, Remedy is still only at the beginning of its growth path and the earnings level of the next few years does not provide the full picture of the company's potential. Thus, we feel the valuation should be examined in light of 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 improvement 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 27x and the corresponding EV/EBIT 18x 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 36x-29x and EV/EBIT ratios of 31x-23x.

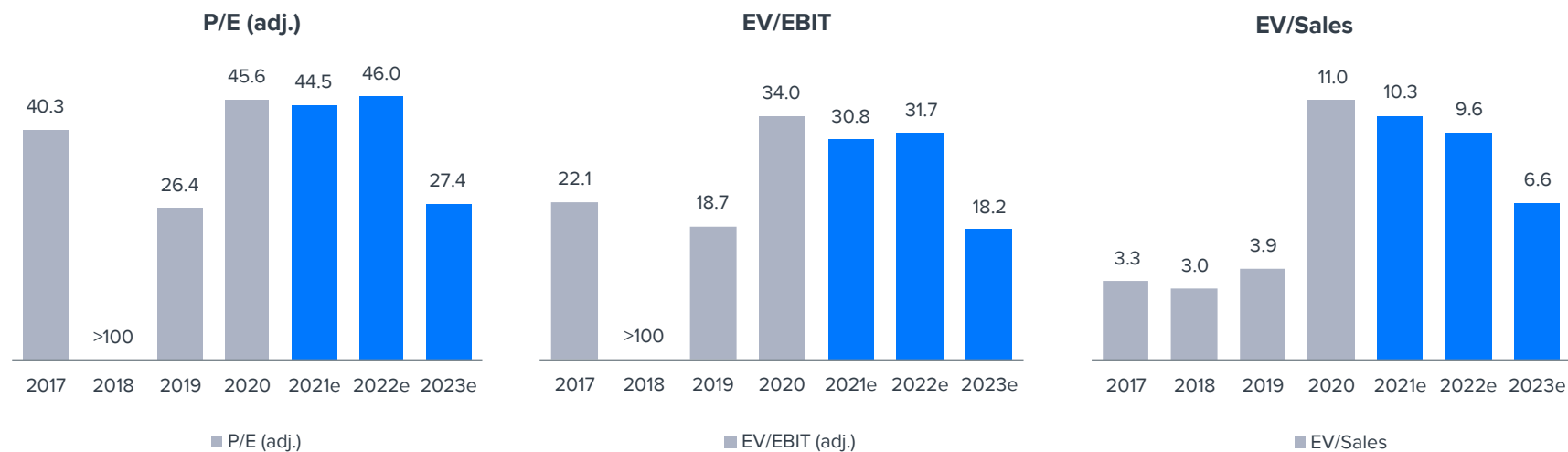
Valuation	2021e	2022e	2023e
Share price	41.3	41.3	41.3
Number of shares, millions	13.1	13.1	13.1
Market cap	540	540	540
EV	474	468	451
P/E (adj.)	44.5	46.0	27.4
P/E	49.4	46.0	27.4
P/FCF	10.9	66.3	25.5
P/B	6.3	5.7	4.8
P/S	11.8	11.1	7.9
EV/Sales	10.3	9.6	6.6
EV/EBITDA	28.7	27.6	13.6
EV/EBIT (adj.)	30.8	31.7	18.2
Payout ratio (%)	23.9 %	27.9 %	19.9 %
Dividend yield-%	0.5 %	0.6 %	0.7 %

Source: Inderes

Valuation table

Valuation	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	6.44	6.70	11.5	39.0	41.3	41.3	41.3	41.3
Number of shares, millions	12.1	12.1	12.1	12.1	13.1	13.1	13.1	13.1
Market cap	78	81	138	471	540	540	540	540
EV	57	61	122	451	474	468	451	430
P/E (adj.)	40.3	>100	26.4	45.6	44.5	46.0	27.4	23.5
P/E	52.9	>100	26.4	45.6	49.4	46.0	27.4	23.5
P/FCF	7.3	neg.	neg.	82.2	10.9	66.3	25.5	22.0
P/B	3.6	3.6	5.2	13.3	6.3	5.7	4.8	4.1
P/S	4.5	4.0	4.4	11.5	11.8	11.1	7.9	6.9
EV/Sales	3.3	3.0	3.9	11.0	10.3	9.6	6.6	5.5
EV/EBITDA	25.8	55.2	16.6	31.5	28.7	27.6	13.6	11.4
EV/EBIT (adj.)	22.1	>100	18.7	34.0	30.8	31.7	18.2	15.0
Payout ratio (%)	0.0 %	226.8 %	25.4 %	19.0 %	23.9 %	27.9 %	19.9 %	19.9 %
Dividend yield-%	0.0 %	1.5 %	1.0 %	0.4 %	0.5 %	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	2720.0	1289	1277	54.7	32.8	29.0	18.8	11.8	7.4	64.8	37.8		
Embracer Group	220.9	8921	8257	355.9		22.6	13.0	8.8	5.5				
CD Projekt SA	161.0	3406	3239	16.1	19.4	14.8	17.5	9.1	10.7	20.9	22.6	4.6	4.1
Paradox Interactive AB (publ)	181.5	1867	1811	25.6	21.0	15.6	12.2	9.8	7.5	36.9	29.4	0.6	0.6
Koei Tecmo Holdings Co Ltd	4675.0	5955	5885	31.1	27.6	30.4	26.0	13.2	11.7	31.3	29.1	1.6	1.7
Sumo Group PLC	381.0	711	720	33.3	27.4	25.9	21.7	5.9	4.9	40.8	35.0		
Team17 Group PLC	682.5	1016	948	27.7	24.7	24.6	22.2	9.1	8.3	35.5	32.4		
Playway SA	422.2	629	604	11.8	10.8	11.7	10.7	8.8	7.9	15.3	14.9	4.0	5.1
11 Bit Studios SA	500.0	264	247	60.3	17.2	37.0	15.0	17.4	8.7	65.9	17.5		
Enad Global 7	100.0	851	795	15.1	15.2	12.2	11.4	3.7	3.7	23.0	22.8		
Tinybuild	260.0	610	594	39.0	35.1	37.8	33.5	15.1	13.9	52.6	50.5		
Remedy (Inderes)	41.3	540	474	30.8	31.7	28.7	27.6	10.3	9.6	44.5	46.0	0.5	0.6
Average				61.0	23.1	23.8	18.4	10.2	8.2	38.7	29.2	2.7	2.9
Median				31.1	22.9	24.6	17.5	9.1	7.9	36.2	29.2	2.8	2.9
Diff-% to median				-1%	39%	17%	58%	13%	21%	23%	57%	-83%	-79%

Source: Thomson Reuters / Inderes

NB: The market cap Inderes uses does not consider own shares held by the company

Income statement

Income statement	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue	20.1	31.6	7.8	9.1	9.9	14.2	41.1	8.1	9.0	12.6	16.2	45.9	48.8	68.0	77.8
EBITDA	1.1	7.4	1.3	2.3	3.7	7.0	14.3	1.1	2.0	5.0	8.3	16.5	17.0	33.2	37.6
Depreciation	-0.5	-0.8	-0.2	-0.3	-0.3	-0.3	-1.1	-0.3	-0.3	-0.3	-0.3	-1.1	-2.2	-8.4	-8.9
EBIT (excl. NRI)	0.6	6.5	1.1	2.1	3.4	6.6	13.2	0.9	1.7	4.8	8.0	15.4	14.8	24.8	28.7
EBIT	0.6	6.5	1.1	2.1	3.4	6.6	13.2	0.9	1.7	4.8	8.0	15.4	14.8	24.8	28.7
Net financial items	0.1	0.0	0.0	0.0	-0.1	-0.2	-0.3	-1.6	-0.1	-0.1	-0.1	-1.7	-0.1	-0.1	0.0
PTP	0.7	6.6	1.1	2.1	3.3	6.5	12.9	-0.7	1.7	4.7	8.0	13.7	14.7	24.7	28.7
Taxes	-0.1	-1.3	-0.2	-0.4	-0.7	-1.3	-2.6	0.1	-0.3	-0.9	-1.6	-2.7	-2.9	-4.9	-5.7
Net earnings	0.5	5.2	0.8	1.7	2.7	5.2	10.3	-0.6	1.4	3.8	6.4	10.9	11.7	19.7	23.0
EPS (adj.)	0.04	0.43	0.07	0.14	0.22	0.43	0.86	0.05	0.10	0.29	0.49	0.93	0.90	1.51	1.76
EPS (rep.)	0.04	0.43	0.07	0.14	0.22	0.43	0.86	-0.04	0.10	0.29	0.49	0.84	0.90	1.51	1.76

Key figures	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	17.3 %	57.1 %					29.8 %	3.4 %	-1.4 %	27.1 %	14.1 %	11.8 %	6.3 %	39.3 %	14.4 %
Adjusted EBIT growth-%	-49%	973%					103%	-21%	-17%	38%	21%	16.0 %	-3.9 %	67.6 %	15.9 %
EBITDA-%	5.5 %	23.2 %	16.8 %	25.6 %	37.3 %	49.0 %	34.8 %	13.9 %	22.4 %	40.0 %	51.2 %	35.9 %	34.7 %	48.8 %	48.4 %
Adjusted EBIT-%	3.0 %	20.6 %	13.7 %	22.9 %	34.7 %	46.8 %	32.2 %	10.5 %	19.3 %	37.8 %	49.5 %	33.5 %	30.3 %	36.4 %	36.9 %
Net earnings-%	2.6 %	16.6 %	10.8 %	18.1 %	26.9 %	36.4 %	25.2 %	-6.9 %	15.0 %	29.9 %	39.4 %	23.8 %	24.0 %	29.0 %	29.5 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	5.1	10.4	16.1	20.5	18.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	2.8	7.7	13.7	18.8	17.4
Tangible assets	1.8	2.2	1.9	1.2	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	78.0	81.6	100
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	68.9	73.3	89.3
Balance sheet total	35.9	48.4	94.2	102	119

Source: Inderes

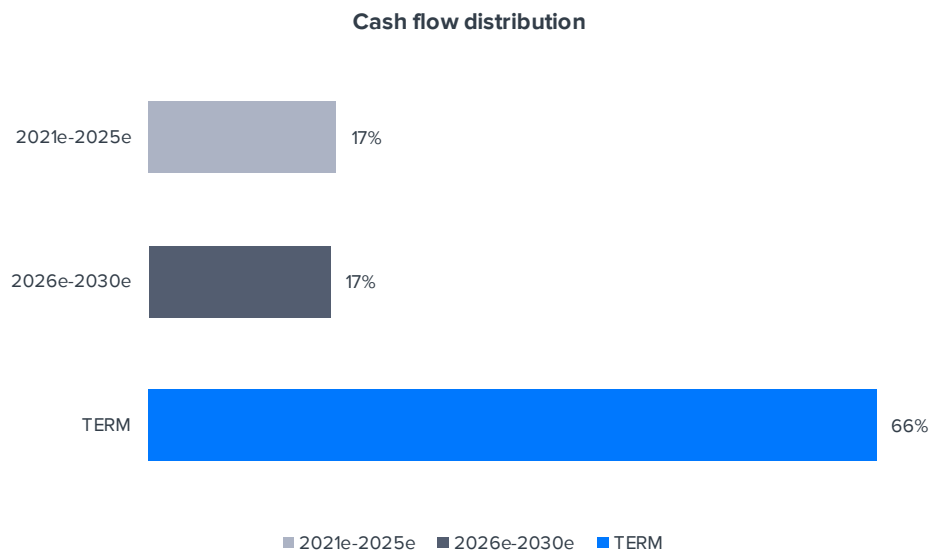
Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	26.4	35.4	85.9	95.0	111
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	12.5	21.5	30.5	39.6	56.1
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	13.7	13.7	55.2	55.2	55.2
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current 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	94.2	102	119

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	13.2	15.4	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	8.4	8.9	8.2	8.4	8.5	10.1	9.8	9.7	
- Paid taxes	-2.6	-2.7	-2.9	-4.9	-5.7	-6.9	-8.1	-8.9	-9.3	-9.8	-10.1	
- Tax, financial expenses	-0.1	-0.3	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	14.7	14.7	27.7	32.2	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	-6.8	-6.6	-6.6	-7.6	-8.6	-8.6	-8.6	-9.6	-9.6	-9.7	
Free operating cash flow	5.7	7.9	8.1	21.1	24.6	27.4	32.8	36.5	39.1	39.5	40.4	
+/- Other	0.0	41.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.7	49.4	8.1	21.1	24.6	27.4	32.8	36.5	39.1	39.5	40.4	876
Discounted FCFF		47.1	7.2	17.4	18.7	19.4	21.6	22.2	22.1	20.7	19.7	427
Sum of FCFF present value		642	595	588	571	552	533	511	489	467	446	427
Enterprise value DCF		642										
- Interesting bearing debt		-3.7										
+ Cash and cash equivalents		23.7										
-Minorities		0.0										
-Dividend/capital return		-2.0										
Equity value DCF		661										
Equity value DCF per share		50.5										

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	0.84	0.90
EBITDA	1.1	7.4	14.3	16.5	17.0	EPS (adj.)	0.04	0.43	0.86	0.93	0.90
EBIT	0.6	6.5	13.2	15.4	14.8	OCF / share	0.19	-0.04	1.00	1.12	1.13
PTP	0.7	6.6	12.9	13.7	14.7	FCF / share	-0.05	-0.25	0.47	3.78	0.62
Net Income	0.5	5.2	10.3	10.9	11.7	Book value / share	1.85	2.19	2.93	6.57	7.27
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	94.2	102.2	Revenue growth-%	17%	57%	30%	12%	6%
Equity capital	22.4	26.4	35.4	85.9	95.0	EBITDA growth-%	-50%	568%	95%	15%	3%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-76%	973%	103%	16%	-4%
Net debt	-20.1	-15.9	-20.0	-66.1	-71.5	EPS (adj.) growth-%	-72%	884%	97%	8%	-3%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	5.5 %	23.2 %	34.8 %	35.9 %	34.7 %
EBITDA	1.1	7.4	14.3	16.5	17.0	EBIT (adj.)-%	3.0 %	20.6 %	32.2 %	33.5 %	30.3 %
Change in working capital	1.3	-6.5	0.4	1.3	0.7	EBIT-%	3.0 %	20.6 %	32.2 %	33.5 %	30.3 %
Operating cash flow	2.3	-0.5	12.1	14.7	14.7	ROE-%	2.4 %	21.5 %	33.5 %	18.0 %	13.0 %
CAPEX	-2.9	-2.5	-6.4	-6.8	-6.6	ROI-%	2.5 %	23.6 %	38.3 %	24.1 %	15.9 %
Free cash flow	-0.7	-3.0	5.7	49.4	8.1	Equity ratio	79.1 %	73.5 %	73.2 %	91.2 %	93.0 %
						Gearing	-89.9 %	-60.2 %	-56.6 %	-76.9 %	-75.3 %
Largest shareholders	% of shares					Valuation multiples	2018	2019	2020	2021e	2022e
Markus Mäki	25.2 %					EV/S	3.0	3.9	11.0	10.3	9.6
Accendo Capital	19.3 %					EV/EBITDA (adj.)	55.2	16.6	31.5	28.7	27.6
Sami Järvi	4.7 %					EV/EBIT (adj.)	>100	18.7	34.0	30.8	31.7
Working Capital Management	3.4 %					P/E (adj.)	>100	26.4	45.6	44.5	46.0
Tero Virtala	2.7 %					P/E	3.6	5.2	13.3	6.3	5.7
Taalritehdas Mikro Markka	2.1 %					Dividend-%	1.5 %	1.0 %	0.4 %	0.5 %	0.6 %

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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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 €
19-02-17	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 €



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