

# Remedy

## Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Kärsivällisyys palkitaan vielä” published on 05/16/2022 at 08:00 am.

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res.**

# Patience will be rewarded

Remedy's Q1 result was stronger than we had expected, but the main thing was that the 5 major game projects under development are progressing as planned. According to our estimates, these projects will become more clearly visible in Remedy's earnings growth only in 2024-2025, which means that some patience from investors is required. With our estimates, the share's valuation becomes so low at that point that we consider the return/risk ratio very attractive for investors who play the long game. We reiterate our Buy recommendation for Remedy but reflecting the lowered estimates for 2022-2023 and the pressure on the valuation multiples of growth companies, we lower the target price to EUR 42.0 (previously 50.0 EUR).

## More development fees in the early part of the year than we expected

Remedy's Q1 revenue grew by 56% to EUR 12.7 million and operating profit was EUR 2.8 million (Q1'21: -0.2 MEUR), which clearly exceeded our forecast (10.1 MEUR and 1.1 MEUR). The year-over-year increase in the number of game projects was visible as expected in growing development fees (Q1'22: 11.6 MEUR), but the payments made in Q1 for the Max Payne project signed in April came as a surprise. In Q1, royalty revenue (Q1'22: 1.0 MEUR) was against our expectations generated only from Control, and Alan Wake Remastered that was released in October hadn't recouped its production and marketing budget in the early part of the year. This was disappointing in relation to our expectations and the lowered royalty forecasts together with somewhat higher cost forecasts are reflected in our lowered estimates for 2022-2023.

## Long-term attractive growth potential remains unchanged

Remedy reconfirmed its outlook for the year and expects its revenue to grow and operating profit to be on a lower level than in 2021. Remedy is currently working on 5 major game projects. Moving these forward in the production pipeline requires more investments in recruitment and external game development in the coming quarters. The company has been successful in opening the Stockholm studio and has been able to recruit several new experienced developers. Overall, the visibility of Remedy's revenue drivers is starting to be good for many years to come, as long as the company manages to bring the current projects into the launch phase. In our estimates, with the releases of Alan Wake 2 (2023), Condor (2024), Vanguard (2026), and Heron (2025), and Max Payne Remake (2026), Remedy's earnings growth will be strong, supported by growing royalty revenue.

## Buying opportunity for a patient investor

In our estimates, royalties from Remedy's ongoing game projects take largely place in 2024-2025, when we expect the company's revenue (85.6 and 101 MEUR) and earnings (EBIT: 28.2 and 36.6 MEUR) take a significant step upward. With our estimates, the share's EV/EBIT ratios (2024e-2025e: 11x-8x) go down to a very attractive level even with moderately successful game releases. In addition, the investor gets the option of a hit game that strikes gold. However, we are aware that with our 2022-2023 estimates, the valuation of Remedy looks tight, and the investors' patience is put to test with the significantly weakened stock market sentiment this year. Remedy's strategy and game projects are currently progressing as planned and we believe that the company's share price will begin at some point to anticipate more strongly the potential of current game projects. The exact timing of this is obviously challenging, but one of the key drivers will be the launch of Alan Wake 2 next year.

## Recommendation

**Buy**

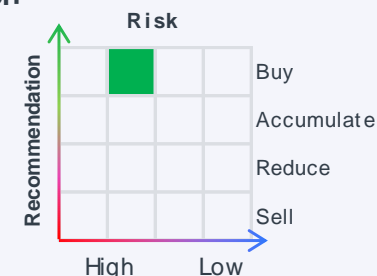
(previous Buy)

**EUR 42.00**

(previous EUR 50.00)

**Share price:**

29.30



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	44.7	48.1	62.6	85.6
<b>growth-%</b>	9%	7%	30%	37%
<b>EBIT adj.</b>	11.4	6.7	11.1	28.2
<b>EBIT-% adj.</b>	25.5 %	13.9 %	17.8 %	33.0 %
<b>Net Income</b>	8.8	5.2	8.8	22.5
<b>EPS (adj.)</b>	0.67	0.39	0.66	1.66
<b>P/E (adj.)</b>	59.0	75.4	44.7	17.7
<b>P/B</b>	6.0	4.3	4.0	3.4
<b>Dividend yield-%</b>	0.4 %	0.6 %	0.8 %	0.9 %
<b>EV/EBIT (adj.)</b>	41.8	51.4	30.3	11.2
<b>EV/EBITDA</b>	33.0	39.4	15.9	7.7
<b>EV/S</b>	10.6	7.2	5.4	3.7

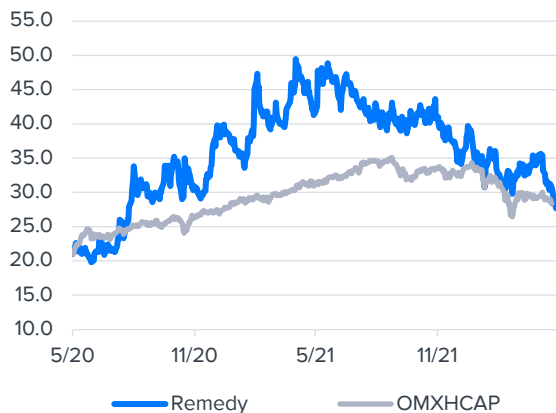
Source: Inderes

## Guidance

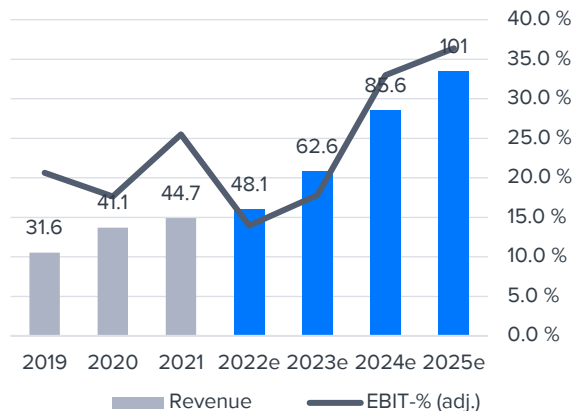
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“Remedy expects its revenue to grow and operating profit to be on a lower level than in 2021.”

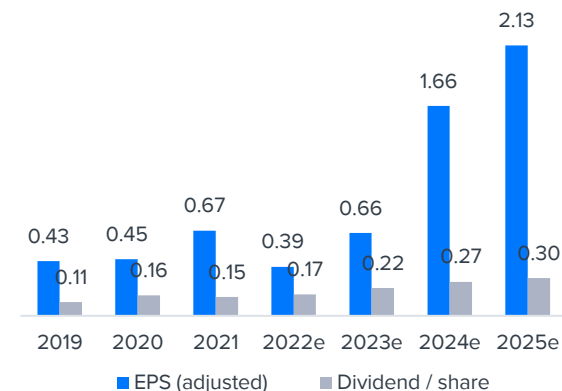
## Share price



## Revenue and EBIT %



## EPS and dividend



## 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	29.3	29.3	29.3
Number of shares, million:	13.4	13.5	13.6
Market cap	392	392	392
EV	344	338	317
P/E (adj.)	75.4	44.7	17.7
P/E	75.4	44.7	17.7
P/FCF	neg.	45.3	16.3
P/B	4.3	4.0	3.4
P/S	8.2	6.3	4.6
EV/Sales	7.2	5.4	3.7
EV/EBITDA	39.4	15.9	7.7
EV/EBIT (adj.)	51.4	30.3	11.2
Payout ratio (%)	43.8 %	33.6 %	16.3 %
Dividend yield-%	0.6 %	0.8 %	0.9 %

Source: Inderes

# Stronger than expected Q1 result

## More development fees in Q1 than expected

Remedy's Q1 revenue grew by 56% to EUR 12.7 million, clearly beating our EUR 10.1 million estimate. The increased number and progress of Remedy's game projects was reflected in increased development fees year-over-year. The highest development fees came from Alan Wake 2, which is in full production phase. In addition, development fees were received from the Vanguard, Condor and Max Payne projects. Even though the Max Payne project was only announced in April, revenue was retroactively recorded for Q1 by signing the contract. According to our estimates, this partly explains the revenue beat. In the coming quarters, we estimate Max Payne's development fees to be clearly lower than in the early part of the year, as the project is still in early conceptualization stage. Overall, development fees (Q1'22: 11.6 MEUR) made up 92% of Q1 revenue.

In Q1, royalty revenue (Q1'22: 1.0 MEUR) was against our expectations generated only from Control, and Alan Wake Remastered that was released in October hadn't recouped its production and marketing budget in the early part of the year. Remedy and Epic Games split the profits evenly once development and

marketing costs financed by Epic have been recouped. According to Remedy, AWR has continued to sell largely in line with the company's reasonable expectations. However, in relation to our expectations, sales performance has been disappointing in the early stages. With our estimated EUR 8 million budget for the game roughly half a million copies must be sold to recoup the costs. We expect AWR to start producing a bit of royalty revenue for Remedy later this year already. Sales of the game will probably also receive some support when marketing around Alan Wake 2 grows.

Similarly, Crossfire HD, published in November 2021, or Crossfire X, published in February 2022, didn't bring royalties in Q1 as expected. Remedy has developed single player content for these Smilegate games with the subcontracting model. In the coming years, small royalty streams can be generated from the games. These expectations are particularly on the shoulders of Crossfire HD, which is popular in China, as Crossfire X that was released for Xbox received a very critical reception from players.

## Q1 result exceeded our expectations

In Q1, Remedy's operating profit was EUR 2.8 million

(Q1'21: -0.2 MEUR) and clearly beat our EUR 1.1 million forecast. Remedy's cost structure is largely fixed, so there can be major swings in quarterly operating profit due to timing of development fees and royalties. According to our estimates, development fees that were paid retroactively for Max Payne supported Q1 profitability (EBIT-% 22%).

Remedy reported financial results from Q1 for the first time in accordance with IFRS standard. Moving to IFRS caused the operating profit for 2021 to decrease to EUR 11.4 million (FAS: 14.7 MEUR). This is due, among other things, to the different ways in which options and depreciation are recognized. We estimate that this also had some impact on the Q1 result.

Remedy's cash situation is very strong after the directed share issue in early 2021. In addition, cash flow from operations in the first quarter (Q1'22: 17.7 MEUR) was exceptionally strong due to the cash flows generated in the early part of the year from the Vanguard project development and publishing contract signed at the end of December. Revenue from these was already visible in the Q4 figures. At the end of Q1, cash and financial securities amounted to EUR 73.4 million.

Estimates	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e
MEUR / EUR	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	8.1	12.7	10.1				25%	48.1
EBITDA	0.9	3.3	1.5				117%	8.7
EBIT (adj.)	-0.2	2.8	1.1				154%	6.7
EPS (reported)	0.00	0.16	0.06				162%	0.39
Revenue growth-%	3.4 %	55.9 %	24.4 %				31.5 pp	7.4 %
EBIT-% (adj.)	-2.5 %	21.8 %	10.8 %				11.1 pp	13.9 %

Source: Inderes

# Long-term attractive growth potential remains unchanged

## Remedy's growth story will still require patience in the coming years

Remedy reconfirmed its outlook for the year as expected and expects its revenue to grow and operating profit to be on a lower level than in 2021. Remedy is currently working on 5 major game projects. Moving these forward in the production pipeline requires more investments in recruitment and external game development in the coming quarters. The company has been successful in opening the Stockholm studio and has been able to recruit several new experienced developers.

Based on the Q1 report, Remedy focuses more on external game development than we expected. At the same time, AWR's royalty income appears to be below our previous expectations. Reflecting these factors, we lowered our earnings estimates for 2022-2023 clearly. However, in our estimates, Remedy's the growth potential of the games currently being developed will only be fully realized in 2024-2025, and we are still confident about this.

## Estimates for the coming years

Precise prediction of Remedy's earnings development in coming years is challenging due to the nature of the company's business model. We outline Remedy's revenue drivers for 2022-2026 on the following page. The development fees of the games currently under development create a solid base for revenue estimates, but the visibility to royalty forecasts is weak. In the big picture, we estimate that Remedy's upcoming games will have a reasonably good success, but we see potential for significantly better performance.

We estimate Remedy's revenue to grow by 7% to EUR 48.1 million this year, mainly driven by development fees. Given the low royalty income, growing number of recruits and other costs, we estimate operating profit to decrease to EUR 6.7 million.

In 2023, we expect Remedy's revenue growth to accelerate to 30% and operating profit to be EUR 11.1 million with the release of Alan Wake 2 Q3'22). At the moment, we estimate that a significant share of AW2

royalties will be generated in 2024-2025. If the game was published in Q4, the royalties and thus earnings would focus even more so on those years.

We expect Vanguard and Condor to be released in 2024. Then, a significant amount of development fees will be recorded from the Max Payne project. In our estimates, Remedy's 2024 revenue will grow by 37% to EUR 85.6 million, driven by royalties. High-margin royalties also support profitability (EBIT: 33%) and we expect operating profit to grow to EUR 28.2 million.

We estimate that the Heron project (Control 2) will be released in 2025 and that in total, Remedy will create revenue from at least 9 games that have already been released or are currently being developed. In our estimates, revenue grows by 17% to EUR 101 million and operating profit by 30% to EUR 36.6 million, which represents a 36% EBIT margin. When the strategy progresses, we believe that Remedy has good preconditions to continue growing after this too. For example, we expect a royalty stream from the Max Payne project only from 2026 onwards.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	47.4	48.1	1%	60.9	62.6	3%	82.9	85.6	3%
EBITDA	13.3	8.7	-34%	25.3	21.2	-16%	41.7	41.0	-1%
EBIT (exc. NRIs)	11.5	6.7	-42%	15.8	11.1	-29%	29.1	28.2	-3%
EBIT	11.5	6.7	-42%	15.8	11.1	-29%	29.1	28.2	-3%
PTP	11.3	6.5	-43%	15.7	11.0	-30%	29.0	28.1	-3%
EPS (excl. NRIs)	0.68	0.39	-43%	0.93	0.66	-30%	1.71	1.66	-3%
DPS	0.20	0.17	-15%	0.25	0.22	-12%	0.30	0.27	-10%

# Strategy in light of game projects

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

	2021	2022	2023	2024	2025	2026
<b>Crossfire</b>	Development fees \$\$\$		Royalties \$	Royalties \$/\$\$	Royalties \$/\$\$	Royalties \$
<b>Control</b>	Royalties \$\$\$	Royalties \$\$	Royalties \$/\$\$	Royalties \$/\$\$	Royalties \$	Royalties \$
<b>Epic projects</b>	Development fees and AWR release \$\$\$	Development fees + royalties \$\$\$	Alan Wake 2 release \$\$\$	Royalties \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$
<b>Vanguard</b>	Development and distribution agreement with Tencent \$\$\$	Development fees \$\$\$	Development fees \$\$\$	Release \$\$\$	Royalties \$\$\$	Royalties \$\$\$
<b>Condor</b>	Development fees \$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Release \$\$\$	Royalties \$\$\$	Royalties \$\$\$
<b>Heron (Control 2)</b>	Conceptualization	Development fees \$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Release \$\$\$	Royalties \$\$\$
<b>Max Payne</b>		Conceptualization \$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$	Release \$\$\$
<b>Next game projects</b>					Development fees \$\$\$	Development fees \$\$\$

# Valuation

## The valuation becomes very low when the game projects under development are released

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 house 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 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 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.

Remedy's P/E multiples for 2022-2023 are 75x-45x and EV/EBIT multiples that take into consideration the strong net cash is 51x-30x. 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.

In our estimates, royalties from Remedy's presently ongoing game projects take largely place in 2024-2025, when we expect the company's revenue and earnings go up a significant step. With our estimates, the share's EV/EBIT multiples (2024e-2025e: 11x-8x) go down to a very attractive level, as we expect Remedy's growth outlook to remain strong after that too. Moreover, EV/Sales ratios (4x-3x) go down to a low level, considering Remedy's growth and profitability profile.

Our target price corresponds to 17x-12x EV/EBIT multiples with our 2024-2025 estimates, which we consider moderate, if Remedy's growth story continues on track. If our forecasts materialize, we assess that Remedy could be priced with a ~20x EV/EBIT multiple in 2025. Mirroring this, the share would offer an annual return of more than 20% from the current share price. However, we are aware that this year the significantly weakened sentiment of the stock market will put pressure on Remedy's share in the short term, as investors' time horizon has clearly been shortened amid the increased uncertainty. We consider the current market nervousness a good buying opportunity for patient investors who are in for the long game. Remedy's strategy and game projects are currently progressing as planned and we believe that the company's share price will begin at some point to anticipate more strongly the potential of current game projects. The exact timing of this is obviously challenging, but one of the key drivers will be the launch of Alan Wake 2 next year.

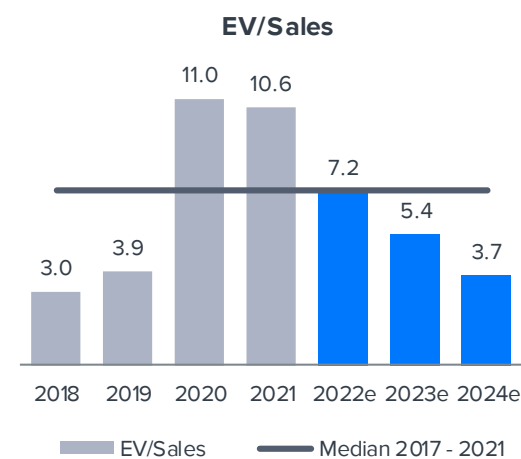
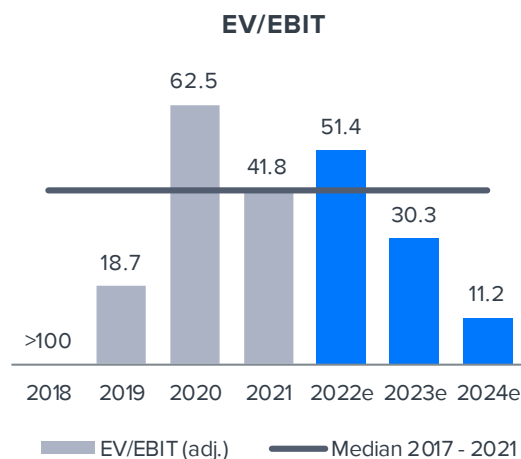
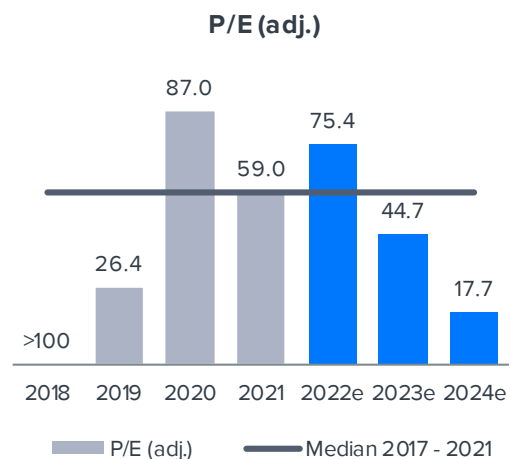
Valuation	2022e	2023e	2024e
Share price	29.3	29.3	29.3
Number of shares, million:	13.4	13.5	13.6
Market cap	392	392	392
EV	344	338	317
P/E (adj.)	75.4	44.7	17.7
P/E	75.4	44.7	17.7
P/FCF	neg.	45.3	16.3
P/B	4.3	4.0	3.4
P/S	8.2	6.3	4.6
EV/Sales	7.2	5.4	3.7
EV/EBITDA	39.4	15.9	7.7
EV/EBIT (adj.)	51.4	30.3	11.2
Payout ratio (%)	43.8 %	33.6 %	16.3 %
Dividend yield-%	0.6 %	0.8 %	0.9 %

Source: Inderes

# Valuation table

Valuation	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	6.70	11.5	39.0	39.7	<b>29.3</b>	<b>29.3</b>	<b>29.3</b>	<b>29.3</b>
Number of shares, millions	12.1	12.1	12.1	13.1	<b>13.4</b>	<b>13.5</b>	<b>13.6</b>	<b>13.7</b>
Market cap	81	138	471	528	<b>392</b>	<b>392</b>	<b>392</b>	<b>392</b>
EV	61	122	453	476	<b>344</b>	<b>338</b>	<b>317</b>	<b>287</b>
P/E (adj.)	>100	26.4	87.0	59.0	<b>75.4</b>	<b>44.7</b>	<b>17.7</b>	<b>13.7</b>
P/E	>100	26.4	87.0	59.0	<b>75.4</b>	<b>44.7</b>	<b>17.7</b>	<b>13.7</b>
P/FCF	neg.	neg.	neg.	16.1	<b>neg.</b>	<b>45.3</b>	<b>16.3</b>	<b>11.7</b>
P/B	3.6	5.2	13.0	6.0	<b>4.3</b>	<b>4.0</b>	<b>3.4</b>	<b>2.8</b>
P/S	4.0	4.4	11.5	11.8	<b>8.2</b>	<b>6.3</b>	<b>4.6</b>	<b>3.9</b>
EV/Sales	3.0	3.9	11.0	10.6	<b>7.2</b>	<b>5.4</b>	<b>3.7</b>	<b>2.9</b>
EV/EBITDA	55.2	16.6	32.5	33.0	<b>39.4</b>	<b>15.9</b>	<b>7.7</b>	<b>5.7</b>
EV/EBIT (adj.)	>100	18.7	62.5	41.8	<b>51.4</b>	<b>30.3</b>	<b>11.2</b>	<b>7.9</b>
Payout ratio (%)	226.8 %	25.4 %	36.2 %	25.7 %	<b>43.8 %</b>	<b>33.6 %</b>	<b>16.3 %</b>	<b>14.1 %</b>
Dividend yield-%	1.5 %	1.0 %	0.4 %	0.4 %	<b>0.6 %</b>	<b>0.8 %</b>	<b>0.9 %</b>	<b>1.0 %</b>

Source: Inderes





# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E	
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Frontier Developments PLC	1308.0	604	593	54.6	25.5	14.6	10.6	4.6	3.8	61.3	28.5
Embracer Group	72.4	7308	5922	13.9	5.8	9.2	4.8	3.8	1.7		
CD Projekt SA	120.7	2602	2393	26.2	26.1	21.8	21.4	11.4	10.8	29.1	31.1
Paradox Interactive AB	179.0	1790	1756	25.5	21.4	14.8	11.8	9.6	7.7	33.5	28.0
Koei Tecmo Holdings	4290.0	5396	5380	21.2	20.0	20.5	19.8	9.9	9.0	20.2	19.6
Team17 Group PLC	385.0	652	593	12.7	11.2	11.5	10.2	4.0	3.7	17.0	15.8
Playway SA	261.0	369	329	8.6	7.5	8.6	7.4	5.6	4.9	12.3	10.5
11 Bit Studios SA	497.5	253	232	139.3	8.2	67.3	6.1	21.5	4.2	97.9	9.8
Enad Global 7	16.0	134	130		6.6	3.0	2.9	0.7	0.7		11.2
Tinybuild Inc	177.5	423	377	17.3	15.0	15.7	13.8	6.0	5.5	25.3	22.2
<b>Remedy (Inderes)</b>	<b>29.3</b>	<b>392</b>	<b>344</b>	<b>51.4</b>	<b>30.3</b>	<b>39.4</b>	<b>15.9</b>	<b>7.2</b>	<b>5.4</b>	<b>75.4</b>	<b>44.7</b>
<b>Average</b>				<b>35.5</b>	<b>14.7</b>	<b>18.7</b>	<b>10.9</b>	<b>7.7</b>	<b>5.2</b>	<b>37.1</b>	<b>19.6</b>
<b>Median</b>				<b>21.2</b>	<b>13.1</b>	<b>14.7</b>	<b>10.4</b>	<b>5.8</b>	<b>4.6</b>	<b>27.2</b>	<b>19.6</b>
<b>Diff-% to median</b>				<b>143%</b>	<b>131%</b>	<b>168%</b>	<b>53%</b>	<b>23%</b>	<b>18%</b>	<b>177%</b>	<b>128%</b>

Source: Thomson Reuters / 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	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>41.1</b>	<b>8.1</b>	<b>9.4</b>	<b>7.4</b>	<b>19.8</b>	<b>44.7</b>	<b>12.7</b>	<b>10.4</b>	<b>12.0</b>	<b>13.0</b>	<b>48.1</b>	<b>62.6</b>	<b>85.6</b>	<b>101</b>
Development fees	26.0	6.1	6.1	5.3	18.3	35.8	11.6	9.5	10.2	11.2	42.5	42.2	34.9	34.0
Royalties	15.0	2.0	3.3	2.1	1.5	8.9	1.0	0.9	1.8	1.8	5.5	20.4	50.7	66.5
<b>EBITDA</b>	<b>14.0</b>	<b>0.9</b>	<b>2.3</b>	<b>0.4</b>	<b>10.9</b>	<b>14.5</b>	<b>3.3</b>	<b>0.6</b>	<b>2.2</b>	<b>2.6</b>	<b>8.7</b>	<b>21.2</b>	<b>41.0</b>	<b>50.5</b>
Depreciation	-6.7	-1.1	-0.8	-0.6	-0.5	-3.0	-0.6	-0.5	-0.5	-0.5	-2.0	-10.1	-12.8	-13.9
<b>EBIT (excl. NRI)</b>	<b>7.2</b>	<b>-0.2</b>	<b>1.5</b>	<b>-0.2</b>	<b>10.3</b>	<b>11.4</b>	<b>2.8</b>	<b>0.1</b>	<b>1.7</b>	<b>2.1</b>	<b>6.7</b>	<b>11.1</b>	<b>28.2</b>	<b>36.6</b>
<b>EBIT</b>	<b>7.2</b>	<b>-0.2</b>	<b>1.5</b>	<b>-0.2</b>	<b>10.3</b>	<b>11.4</b>	<b>2.8</b>	<b>0.1</b>	<b>1.7</b>	<b>2.1</b>	<b>6.7</b>	<b>11.1</b>	<b>28.2</b>	<b>36.6</b>
Net financial items	-0.2	0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1
<b>PTP</b>	<b>7.0</b>	<b>0.0</b>	<b>1.3</b>	<b>-0.2</b>	<b>10.3</b>	<b>11.3</b>	<b>2.7</b>	<b>0.1</b>	<b>1.7</b>	<b>2.1</b>	<b>6.5</b>	<b>11.0</b>	<b>28.1</b>	<b>36.5</b>
Taxes	-1.6	0.0	-0.3	-0.2	-2.1	-2.5	-0.5	0.0	-0.3	-0.4	-1.3	-2.2	-5.6	-7.3
<b>Net earnings</b>	<b>5.4</b>	<b>0.0</b>	<b>1.0</b>	<b>-0.4</b>	<b>8.2</b>	<b>8.8</b>	<b>2.2</b>	<b>0.0</b>	<b>1.3</b>	<b>1.6</b>	<b>5.2</b>	<b>8.8</b>	<b>22.5</b>	<b>29.2</b>
<b>EPS (adj.)</b>	<b>0.45</b>	<b>0.00</b>	<b>0.08</b>	<b>-0.03</b>	<b>0.61</b>	<b>0.67</b>	<b>0.16</b>	<b>0.00</b>	<b>0.10</b>	<b>0.12</b>	<b>0.39</b>	<b>0.66</b>	<b>1.66</b>	<b>2.13</b>
<b>EPS (rep.)</b>	<b>0.45</b>	<b>0.00</b>	<b>0.08</b>	<b>-0.03</b>	<b>0.61</b>	<b>0.67</b>	<b>0.16</b>	<b>0.00</b>	<b>0.10</b>	<b>0.12</b>	<b>0.39</b>	<b>0.66</b>	<b>1.66</b>	<b>2.13</b>
<b>Key figures</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21</b>	<b>Q4'21</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22e</b>	<b>Q3'22e</b>	<b>Q4'22e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Revenue growth-%</b>	29.8 %	3.4 %	3.2 %	-25.4 %	39.4 %	8.9 %	55.9 %	10.4 %	62.2 %	-34.3 %	7.4 %	30.3 %	36.7 %	17.4 %
<b>Adjusted EBIT growth-%</b>	11%	-119%	-29%	-106%	1506%	57%	-1474%	-93%	-911%	-80%	-41.3 %	66.4 %	153.1 %	29.6 %
<b>EBITDA-%</b>	34.0 %	10.7 %	24.7 %	5.0 %	55.0 %	32.3 %	26.4 %	5.8 %	18.4 %	20.0 %	18.2 %	33.9 %	48.0 %	50.2 %
<b>Adjusted EBIT-%</b>	17.6 %	-2.5 %	15.7 %	-2.9 %	52.3 %	25.5 %	21.8 %	1.1 %	14.3 %	16.2 %	13.9 %	17.8 %	33.0 %	36.4 %
<b>Net earnings-%</b>	13.2 %	-0.4 %	10.7 %	-4.8 %	41.3 %	19.7 %	17.1 %	0.5 %	11.1 %	12.7 %	10.8 %	14.1 %	26.3 %	29.0 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>13.4</b>	<b>23.1</b>	<b>30.8</b>	<b>31.4</b>	<b>29.1</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.3	25.1	23.6
Tangible assets	5.2	4.3	3.9	2.5	1.9
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
<b>Current assets</b>	<b>37.9</b>	<b>78.1</b>	<b>66.6</b>	<b>73.6</b>	<b>97.8</b>
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	16.8	18.2	21.4
Cash and equivalents	23.7	55.5	49.8	55.4	76.4
<b>Balance sheet total</b>	<b>51.3</b>	<b>101</b>	<b>97.4</b>	<b>105</b>	<b>127</b>

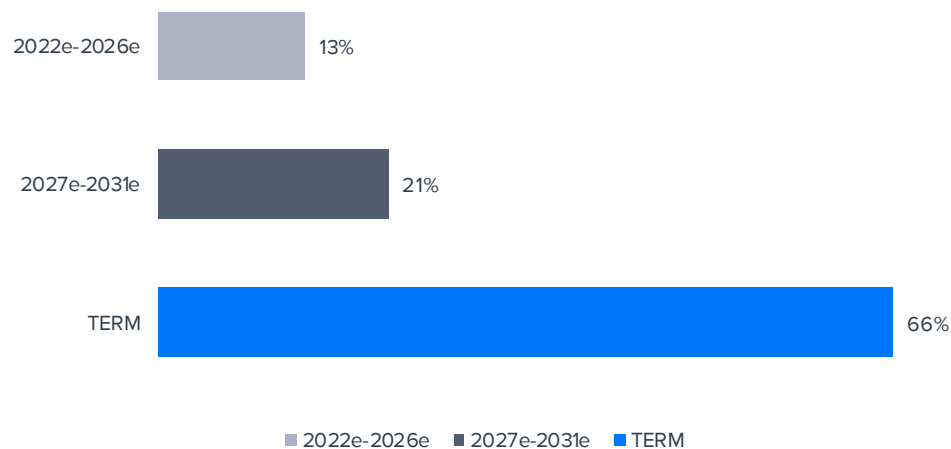
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>36.1</b>	<b>87.4</b>	<b>90.4</b>	<b>96.9</b>	<b>116</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.2	31.5	34.5	41.0	60.6
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
<b>Non-current liabilities</b>	<b>4.0</b>	<b>2.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
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
<b>Current liabilities</b>	<b>11.1</b>	<b>11.7</b>	<b>6.2</b>	<b>7.1</b>	<b>9.6</b>
Short term debt	1.8	1.8	0.9	0.2	0.2
Payables	9.3	9.8	5.3	6.9	9.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>51.3</b>	<b>101</b>	<b>97.4</b>	<b>105</b>	<b>127</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>11.4</b>	<b>6.7</b>	<b>11.1</b>	<b>28.2</b>	<b>36.6</b>	<b>40.1</b>	<b>46.1</b>	<b>49.3</b>	<b>54.3</b>	<b>57.6</b>	<b>57.8</b>	
+ Depreciation	3.0	2.0	10.1	12.8	13.9	11.1	10.9	13.1	12.0	11.7	11.6	
- Paid taxes	-2.7	-1.3	-2.2	-5.6	-7.3	-8.0	-9.2	-9.8	-10.8	-11.5	-11.6	
- 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	1.1	0.3	-0.7	0.9	2.6	2.4	2.2	1.0	1.3	0.0	
<b>Operating cash flow</b>	<b>4.0</b>	<b>8.6</b>	<b>19.3</b>	<b>34.7</b>	<b>44.1</b>	<b>45.8</b>	<b>50.2</b>	<b>54.7</b>	<b>56.5</b>	<b>59.1</b>	<b>57.8</b>	
+ 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	-9.8	-10.6	-10.6	-10.6	-10.8	-11.1	-11.3	-11.4	-11.5	-11.7	
<b>Free operating cash flow</b>	<b>-8.8</b>	<b>-1.2</b>	<b>8.7</b>	<b>24.1</b>	<b>33.5</b>	<b>35.0</b>	<b>39.1</b>	<b>43.4</b>	<b>45.1</b>	<b>47.6</b>	<b>46.1</b>	
+/- 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	-1.2	8.7	24.1	33.5	35.0	39.1	43.4	45.1	47.6	46.1	832
<b>Discounted FCFF</b>		<b>-1.2</b>	<b>7.6</b>	<b>19.3</b>	<b>24.7</b>	<b>23.8</b>	<b>24.5</b>	<b>25.0</b>	<b>23.9</b>	<b>23.2</b>	<b>20.6</b>	<b>373</b>
Sum of FCFF present value		564	565	558	538	514	490	466	441	417	393	373
<b>Enterprise value DCF</b>		<b>564</b>										
- Interesting bearing debt		-3.9										
+ Cash and cash equivalents		55.5										
-Minorities		0.0										
-Dividend/capital return		-2.3										
<b>Equity value DCF</b>		<b>614</b>										
<b>Equity value DCF per share</b>		<b>45.8</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.7 %</b>

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	<b>48.1</b>	<b>62.6</b>	EPS (reported)	0.43	0.45	0.67	<b>0.39</b>	<b>0.66</b>
EBITDA	7.4	14.0	14.5	<b>8.7</b>	<b>21.2</b>	EPS (adj.)	0.43	0.45	0.67	<b>0.39</b>	<b>0.66</b>
EBIT	6.5	7.2	11.4	<b>6.7</b>	<b>11.1</b>	OCF / share	-0.04	1.07	0.30	<b>0.64</b>	<b>1.43</b>
PTP	6.6	7.0	11.3	<b>6.5</b>	<b>11.0</b>	FCF / share	-0.25	-0.17	2.50	<b>-0.09</b>	<b>0.64</b>
Net Income	5.2	5.4	8.8	<b>5.2</b>	<b>8.8</b>	Book value / share	2.19	2.99	6.69	<b>6.75</b>	<b>7.19</b>
Extraordinary items	0.0	0.0	0.0	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.11	0.15	0.17	<b>0.17</b>	<b>0.22</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	35.9	51.3	101.1	<b>97.4</b>	<b>104.9</b>	Revenue growth-%	57%	30%	9%	<b>7%</b>	<b>30%</b>
Equity capital	26.4	36.1	87.4	<b>90.4</b>	<b>96.9</b>	EBITDA growth-%	568%	90%	4%	<b>-39%</b>	<b>143%</b>
Goodwill	0.0	0.0	0.0	<b>0.0</b>	<b>0.0</b>	EBIT (adj.) growth-%	973%	11%	57%	<b>-41%</b>	<b>66%</b>
Net debt	-15.9	-18.0	-51.7	<b>-48.0</b>	<b>-54.3</b>	EPS (adj.) growth-%	884%	3%	50%	<b>-42%</b>	<b>69%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	23.2 %	34.0 %	32.3 %	<b>18.2 %</b>	<b>33.9 %</b>
EBITDA	7.4	14.0	14.5	<b>8.7</b>	<b>21.2</b>	EBIT (adj.)-%	20.6 %	17.6 %	25.5 %	<b>13.9 %</b>	<b>17.8 %</b>
Change in working capital	-6.5	0.4	-7.7	<b>1.1</b>	<b>0.3</b>	EBIT-%	20.6 %	17.6 %	25.5 %	<b>13.9 %</b>	<b>17.8 %</b>
Operating cash flow	-0.5	12.9	4.0	<b>8.6</b>	<b>19.3</b>	ROE-%	21.5 %	17.3 %	14.2 %	<b>5.9 %</b>	<b>9.4 %</b>
CAPEX	-2.5	-14.9	-12.8	<b>-9.8</b>	<b>-10.6</b>	ROI-%	23.6 %	20.2 %	17.1 %	<b>7.3 %</b>	<b>11.7 %</b>
Free cash flow	-3.0	-2.0	32.7	<b>-1.2</b>	<b>8.7</b>	Equity ratio	73.5 %	70.4 %	86.4 %	<b>92.7 %</b>	<b>92.4 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	-60.2 %	-49.8 %	-59.1 %	<b>-53.1 %</b>	<b>-56.0 %</b>
EV/S	3.9	11.0	10.6	<b>7.2</b>	<b>5.4</b>						
EV/EBITDA (adj.)	16.6	32.5	33.0	<b>39.4</b>	<b>15.9</b>						
EV/EBIT (adj.)	18.7	62.5	41.8	<b>51.4</b>	<b>30.3</b>						
P/E (adj.)	26.4	87.0	59.0	<b>75.4</b>	<b>44.7</b>						
P/E	5.2	13.0	6.0	<b>4.3</b>	<b>4.0</b>						
Dividend-%	1.0 %	0.4 %	0.4 %	<b>0.6 %</b>	<b>0.8 %</b>						

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
30.5.2017	Accumulate	7,40 €	6,69 €
17.8.2017	Buy	7,50 €	6,31 €
19.2.2017	Buy	7,50 €	5,90 €
4.6.2018	Buy	8,50 €	7,30 €
15.8.2018	Buy	8,50 €	6,75 €
13.2.2019	Accumulate	9,00 €	8,25 €
3.7.2019	Accumulate	10,00 €	9,28 €
14.8.2019	Accumulate	11,50 €	10,65 €
5.12.2019	Accumulate	11,50 €	10,15 €
16.2.2020	Accumulate	15,50 €	13,80 €
31.3.2020	Buy	18,00 €	14,80 €
21.4.2020	Accumulate	20,00 €	18,55 €
16.8.2020	Reduce	33,00 €	33,80 €
27.10.2020	Accumulate	33,00 €	29,00 €
10.12.2020	Accumulate	38,00 €	34,00 €
14.2.2021	Accumulate	50,00 €	45,00 €
8.4.2021	Accumulate	50,00 €	43,75 €
12.5.2021	Accumulate	50,00 €	41,30 €
16.8.2021	Accumulate	50,00 €	43,00 €
14.9.2021	Buy	50,00 €	40,00 €
15.11.2021	Buy	50,00 €	40,75 €
14.2.2022	Buy	50,00 €	33,50 €
16.5.2022	Buy	42,00 €	29,30 €



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