

Remedy

Company report

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✓ Inderes Corporate customer

This report is a summary translation of the report “Strategia ja peliprojektit etenevät suunnitellusti” published on 8/16/2021 at 7:40 am

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Strategy and game projects on track as planned

We reiterate our EUR 50.0 target price and Accumulate recommendation for Remedy. Remedy's Q2 figures were mostly in line with our expectations and the company's strategy and game projects are progressing as planned. This generates confidence that the projects under development enable a growth leap for the company after a few years. Given the company's progressing strategy and new Control projects, the visibility to Remedy's growth drivers is again a bit better. Thus, playing the long game with the company's stock valuation is possible with more peace of mind than before.

Q2 result was slightly better than our estimates

Remedy's Q1 revenue grew by 3% to EUR 9.4 million which exceeded our EUR 9.0 million estimate. In Q2, operating profit increased slightly from the comparison period and amounted to EUR 2.3 million (Q2'20: EUR 2.1 million). The good result compared to our estimate (EUR 1.7 million) is mainly explained by higher-than-expected product development activations. As expected, Remedy repeated its guidance that anticipates revenue and EBIT growth and, therefore, the Q2-focused earnings growth outlook remains unchanged.

Control has acquired over 10 million players

After the August release in 2019, significantly more than 2 million copies of Remedy's Control game have been sold. Furthermore, the game has been temporarily available for download on several platforms (e.g. PS Now, Epic Store, Xbox Game Pass). Most recently, the game was released on the Google Stadia platform in July. In addition to increasing revenue, these new platforms improve Control's visibility sizably and Remedy said that Control has reached the milestone of over 10 million players. This large player base decreases the risks related to the release of upcoming Control games (multiplayer project Condor and second larger-budget Control game).

Better visibility to growth drivers of the next few years

Our estimates remain virtually unchanged after the Q2 report, but the new Control projects offer more concreteness to Remedy's growth drivers of the upcoming years. We estimate that Remedy's revenue will grow by 13% in 2021 and operating profit will grow to EUR 15.6 million. EUR 13.2 million). Growth is supported by Epic projects' development fees as both projects will be in full production during H2. 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. The new Control projects may even generate minor development fees already this year. 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 is also expected from the Vanguard project. In 2024, we estimate that the earnings growth continues supported by new Control games.

When considering valuation eyes should be in 2023-2024, when new game projects are released

In our estimate, the release of Remedy's game projects that are currently under development will be in 2023-2024, and we expect a sizable improvement to the company's revenue and operating profit then. In 2024, we estimate Remedy to receive significant income from at least 7 game projects that have been released or are still under development. In our projections, the EV/EBIT ratios that consider Remedy's strong net cash are 19x-16x for 2023-2024. In our opinion, the valuation looks moderate when considering Remedy's strong growth outlook in the long term even with just relatively successful game releases. In addition, the investor gets the option of a hit game that performs better.

Recommendation

Accumulate

(previous Accumulate)

EUR 50.00

(previous EUR 50.00)

Share price:

43.00



Key indicators

	2020	2021e	2022e	2023e
Net sales	41.1	46.3	49.1	68.3
growth %	30%	13%	6%	39%
EBIT adj.	13.2	15.6	14.7	24.8
EBIT % adj.	32.2%	33.8%	29.9%	36.4%
Net profit	10.3	11.6	11.7	19.8
EPS (adj.)	0.86	0.95	0.89	1.51

P/E (adj.)	45.6	45.2	48.2	28.4
P/B	13.3	6.5	5.9	5.0
Dividend yield %	0.4%	0.5%	0.6%	0.7%
EV/EBIT (adj.)	34.0	31.8	33.7	19.2
EV/EBITDA	31.5	29.6	29.1	13.9
EV/Sales	11.0	10.7	10.1	7.0

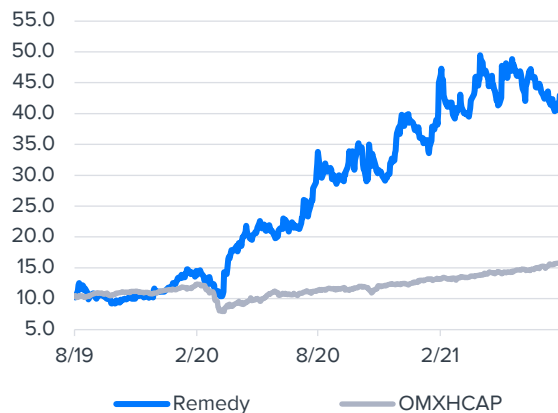
Source: Inderes

Guidance

(Unchanged)

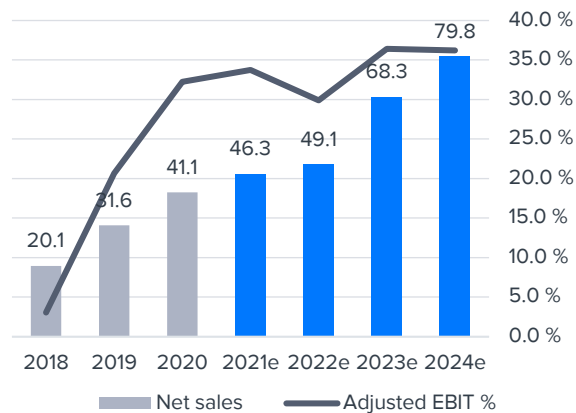
"Remedy expects its revenue and operating profit to increase during 2021. Majority of the revenue and operating profit is expected to materialize during second half-year period."

Share price



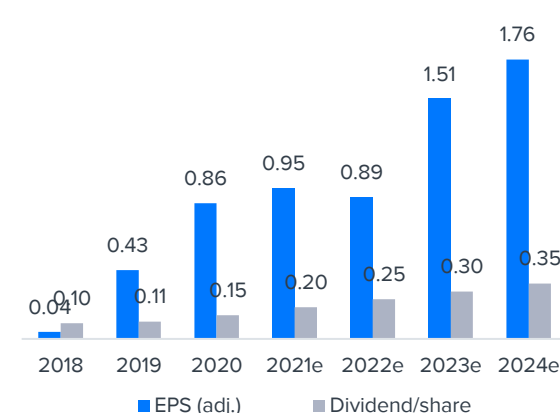
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Attractive position in value chain considering industry trends and consolidation
- Exceptionally favorable conditions of Epic release contract
- 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	2021e	2022e	2023e
Share price	43.0	43.0	43.0
Number of shares, millions	13.1	13.1	13.1
Market cap	562	562	562
EV	497	494	477
P/E (adj.)	45.2	48.2	28.4
P/E	48.6	48.2	28.4
P/FCF	11.8	90.5	28.6
P/B	6.5	5.9	5.0
P/S	12.1	11.5	8.2
EV/Sales	10.7	10.1	7.0
EV/EBITDA	29.6	29.1	13.9
EV/EBIT (adj.)	31.8	33.7	19.2
Payout ratio (%)	22.6 %	28.0 %	19.8 %
Dividend yield-%	0.5 %	0.6 %	0.7 %

Source: Inderes

Strategy progresses as expected 1/2

Q2 result was slightly better than our estimates

Remedy's Q1 revenue grew by 3% to EUR 9.4 million which exceeded our EUR 9.0 million estimate. As expected, revenue consisted of development fees from the publishers of the games under development and sales income from the Control game. The royalty fees from Control increased slightly from the comparison period, whereas development fees decreased.

In Q2, operating profit increased slightly from the comparison period and amounted to EUR 2.3 million (Q2'20: EUR 2.1 million). The good result compared to our estimate (EUR 1.7 million) is mainly explained by higher-than-expected product development activations. Operational cash flow (Q2'21: EUR -1.0 million) was considerably weaker than the result. At a quarterly level, Remedy's result and cash flow can deviate significantly from one another depending on the timing of development fees and royalties and the level of product development cost capitalization. For H1 in total, operational cash flow (EUR 3.0 million) and operating profit (EUR 3.2 million) were almost on the same level.

Remedy's net cash (Q2'21: EUR 60.6 million) is very strong after the directed share issue earlier this year. Strong cash position gives Remedy leeway in its strategy to self-finance and self-publish games, which would also increase Remedy's share of the value that the games generate.

Remedy has carried on with recruitments and by the end of H1, the personnel amounted to 293 (Q4'20: 275). The company has piloted a model, where a part of the new recruitments would be located outside of Finland instead of the Espoo studio. It seems more and more likely that in future Remedy will have a smaller studio or studios elsewhere in Europe too. This would be a logical step given one of their strategic objectives (being Europe's most attractive employer in the game industry).

Control has already acquired over 10 million players

Control was released on the new PlayStation 5 and Xbox Series X/S consoles earlier this year and Remedy has continued with active marketing efforts, which supports the continuous sales in digital channels. Control has clearly surpassed 2 million sold copies. Furthermore, the game has been temporarily

downloadable/playable on several platforms (e.g. PS Now, Epic Store, Xbox Game Pass). Most recently, the game was released on the Google Stadia platform in July. In addition to increasing revenue, these new platforms improve Control's visibility sizably and Remedy said that Control had reached the milestone of over 10 million players. This large player base decreases the risks related to the release of upcoming Control games in comparison to the original release.

In June, Remedy signed a co-release and co-development deal of the new Condor project with 505 Games, with an initial budget of ca. EUR 25 million. Condor is a four player PvE game (player vs. environment) that takes place in the Control universe. The development and marketing investments and net earnings will be evenly split between 505 Games and Remedy. Furthermore, Remedy and 505 Games have agreed upon collaborating on the development of a new larger-budget Control game, which we expect to be a sequel for the original game. In our estimate, the development budget and the release conditions for this game to be in the same ballpark as the Condor project.

Estimates MEUR / EUR	Q2'20	Q2'21	Q2'21e	Q2'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	9.1	9.4	9.0				5%	46.3
EBITDA	2.3	2.6	2.0				29%	16.8
EBIT (adj.)	2.1	2.3	1.7				33%	15.6
EPS (reported)	0.14	0.14	0.10				31%	0.88
Revenue growth-%	-	3.2 %	-1.4 %				4.6 pp	12.8 %
EBIT-% (adj.)	22.9 %	24.5 %	19.3 %				5.2 pp	33.8 %

Source: Inderes

Strategy progresses as expected 2/2

Other projects progressing as planned

The plan is still to launch Smilegate's Crossfire X and Crossfire HD games for which Remedy has developed single-player campaigns this year. The multiplayer mode of Crossfire HD was already released in June for PC in China, and Crossfire X will be released for Xbox later this year.

During Q2, the large Epic project entered full production stage, where the smaller project already was. In the beginning of the year around 100 people were working with these projects and we believe this number has increased. 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.

According to Remedy, the multiplayer project Vanguard's development continues making good progress. In addition to internal game testing, the game is also in closed external testing. Now more than 30 people are working on the project. The game will operate under a "co-op free-to-play" model, which is completely new for Remedy.

New projects give visibility to revenue drivers until 2024

Only small estimate adjustments

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). Most of the growth will be focused on H2. Our estimates remain virtually unaltered after the Q2 report, but the new Control projects offer more concreteness to Remedy's growth drivers for the next few years.

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 to be released. In 2024, we estimate that earnings improvement continues supported by the new Control projects and that Remedy receives significant

income from at least 7 game projects that have been released or are still under development. When the strategy progresses, Remedy has good preconditions to continue growing after this too.

Estimates for the next few years

We estimate that Remedy's revenue will grow by 13% in 2021 and operating profit to increase to EUR 15.6 million. Growth is supported by Epic projects' development fees as both projects will be in full production during H2. We estimate that the 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. The new Control projects may even generate minor development fees already this year.

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 14.7 million) to decrease slightly despite small revenue growth (+6%).

In 2023, we expect considerable improvements in Remedy's revenue (EUR 68.3 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. Then, the new Control projects are also generating gradually increasing development fees. Additionally, we expect 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.

In 2023, we estimate that Remedy will start at least one new game project, which may generate revenue through release contract and development fees. However, this will be properly visible in the figures from 2024 onward.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
	Old	New	%	Old	New	%	Old	New	%
MEUR / EUR									
Revenue	45.9	46.3	1%	48.8	49.1	1%	68.0	68.3	0%
EBITDA	16.5	16.8	2%	17.0	17.0	0%	33.2	34.4	4%
EBIT (exc. NRIs)	15.4	15.6	2%	14.8	14.7	-1%	24.8	24.8	0%
EBIT	15.4	15.6	2%	14.8	14.7	-1%	24.8	24.8	0%
PTP	13.7	14.4	6%	14.7	14.6	-1%	24.7	24.7	0%
EPS (excl. NRIs)	0.93	0.95	2%	0.90	0.89	-1%	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

	2019	2020	2021	2022	2023	2024
Crossfire-subcontracting	Development fees \$\$	Development fees \$\$\$	Development fees + royalties \$\$\$	Development fees + royalties \$\$\$	Development fees + royalties \$\$\$	Royalties \$/\$\$
Control	Release and royalties \$\$\$	DLCs, new platforms \$\$\$	DLCs, new platforms \$\$\$		Sales continues in digital channels \$/\$\$	\$/\$\$
Epic projects	Conceptualization / pre-production	Development fees \$\$\$	Development fees \$\$\$	Publishing of small project \$\$\$	Publishing of large project \$\$\$	Royalties \$\$\$
Vanguard	Conceptualization / pre-production	Conceptualization / pre-production	Release contract or decision to self-publish	Publishing will happen 2022-2023 \$\$/\$\$\$		Royalties \$\$/\$\$\$
Condor			Development fees \$	Development fees \$\$	Publishing will happen 2023-2024 \$\$/\$\$\$	
Control 2			Conceptualization / pre-production	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Release \$\$\$
Next game projects						Development fees \$\$/\$\$\$

Valuation

When considering valuation eyes should be in 2023-2024, when new game projects are released

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 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-48x and EV/EBIT multiples that take into consideration the strong net cash is 32x-34x. 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 estimate, the release of Remedy's game projects that are currently under development will be in 2023-2024, and we expect a significant

improvement to the company's revenue and operating profit then. In 2024, we estimate Remedy to receive significant income from at least 7 game projects that have been released or are still under development. Based on our estimates, Remedy's P/E multiples for 2023-2024 are 28x-24x while the respective EV/EBIT multiples are 19x-16x. 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 valuation levels of the gaming industry remain somewhat high also in future. For Remedy's peer group, the median P/E and EV/EBIT ratios are 38x-27x and 33x-22x for 2021-2022.

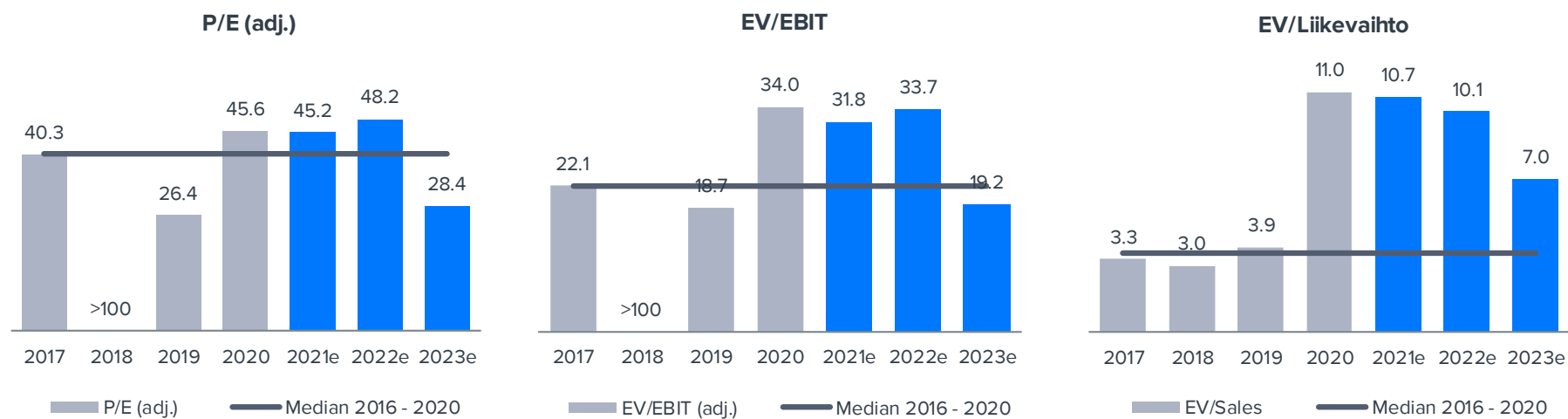
Valuation	2021e	2022e	2023e
Share price	43.0	43.0	43.0
Number of shares, millions	13.1	13.1	13.1
Market cap	562	562	562
EV	497	494	477
P/E (adj.)	45.2	48.2	28.4
P/E	48.6	48.2	28.4
P/FCF	11.8	90.5	28.6
P/B	6.5	5.9	5.0
P/S	12.1	11.5	8.2
EV/Sales	10.7	10.1	7.0
EV/EBITDA	29.6	29.1	13.9
EV/EBIT (adj.)	31.8	33.7	19.2
Payout ratio (%)	22.6 %	28.0 %	19.8 %
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	43.0	43.0	43.0	43.0
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	562	562	562	562
EV	57	61	122	451	497	494	477	455
P/E (adj.)	40.3	>100	26.4	45.6	45.2	48.2	28.4	24.4
P/E	52.9	>100	26.4	45.6	48.6	48.2	28.4	24.4
P/FCF	7.3	neg.	neg.	82.2	11.8	90.5	28.6	21.3
P/B	3.6	3.6	5.2	13.3	6.5	5.9	5.0	4.3
P/S	4.5	4.0	4.4	11.5	12.1	11.5	8.2	7.0
EV/Sales	3.3	3.0	3.9	11.0	10.7	10.1	7.0	5.7
EV/EBITDA	25.8	55.2	16.6	31.5	29.6	29.1	13.9	11.5
EV/EBIT (adj.)	22.1	>100	18.7	34.0	31.8	33.7	19.2	15.7
Payout ratio (%)	0.0 %	226.8 %	25.4 %	19.0 %	22.6 %	28.0 %	19.8 %	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	2580.0	1189	1180	51.8	32.5	27.2	18.5	11.0	7.1	58.5	37.0		
Embracer Group	189.7	8705	7341	326.7		20.3	10.4	7.9	4.6				
CD Projekt SA	168.9	3702	3347	23.3	22.7	20.5	20.5	11.2	11.9	29.7	26.6	3.0	1.9
Paradox Interactive AB (publ)	157.2	1621	1582	25.5	19.5	15.2	11.2	9.0	7.1	34.8	25.3	0.6	0.7
Koei Tecmo Holdings Co Ltd	4805.0	6204	6142	31.8	26.9	31.1	25.3	13.5	11.5	32.2	27.6	1.6	1.8
Sumo Group PLC	485.5	975	987	45.8	38.0	35.2	29.6	8.0	6.7	54.9	47.0		
Team17 Group PLC	790.0	1216	1151	33.2	30.0	29.4	26.6	10.9	10.0	41.3	37.8		
Playway SA	497.2	714	686	18.1	14.3	18.0	14.3	12.9	10.1	25.7	19.2	2.6	3.1
11 Bit Studios SA	467.0	240	223	59.2	27.9	38.6	20.2	17.0	8.1	54.3	28.7		
Enad Global 7	65.1	556	467	9.1	6.6	7.2	5.1	2.2	1.8	15.4	12.4		
Tinybuild Inc	247.5	585	563	50.2	31.9	34.2	29.9	12.9	12.1	50.5	45.1		
Remedy (Inderes)	43.0	562	497	31.8	33.7	29.6	29.1	10.7	10.1	45.2	48.2	0.5	0.6
Average				61.3	25.0	25.2	19.2	10.2	8.1	39.7	30.7	2.0	1.9
Median				33.2	26.9	27.2	20.2	10.9	7.6	38.1	28.1	2.1	1.9
Diff-% to median				-4%	25%	9%	44%	-2%	33%	19%	71%	-78%	-69%

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	Q2'21	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	9.4	12.6	16.2	46.3	49.1	68.3	79.8
EBITDA	1.1	7.4	1.3	2.3	3.7	7.0	14.3	1.1	2.6	5.0	8.0	16.8	17.0	34.4	39.6
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	-2.3	-9.5	-10.7
EBIT (excl. NRI)	0.6	6.5	1.1	2.1	3.4	6.6	13.2	0.9	2.3	4.8	7.7	15.6	14.7	24.8	28.9
EBIT	0.6	6.5	1.1	2.1	3.4	6.6	13.2	0.9	2.3	4.8	7.7	15.6	14.7	24.8	28.9
Net financial items	0.1	0.0	0.0	0.0	-0.1	-0.2	-0.3	-1.0	-0.1	-0.1	-0.1	-1.2	-0.1	-0.1	-0.1
PTP	0.7	6.6	1.1	2.1	3.3	6.5	12.9	-0.2	2.2	4.7	7.7	14.4	14.6	24.7	28.8
Taxes	-0.1	-1.3	-0.2	-0.4	-0.7	-1.3	-2.6	0.0	-0.4	-0.9	-1.5	-2.9	-2.9	-4.9	-5.8
Net earnings	0.5	5.2	0.8	1.7	2.7	5.2	10.3	-0.1	1.8	3.8	6.1	11.6	11.7	19.8	23.0
EPS (adj.)	0.04	0.43	0.07	0.14	0.22	0.43	0.86	0.06	0.14	0.29	0.47	0.95	0.89	1.51	1.76
EPS (rep.)	0.04	0.43	0.07	0.14	0.22	0.43	0.86	-0.01	0.14	0.29	0.47	0.88	0.89	1.51	1.76

Key figures	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	17.3 %	57.1 %					29.8 %	3.4 %	3.2 %	27.1 %	14.1 %	12.8 %	5.9 %	39.1 %	16.9 %
Adjusted EBIT growth-%	-49 %	973 %					103 %	-21 %	10 %	38 %	16 %	18.1 %	-6.2 %	69.4 %	16.4 %
EBITDA-%	5.5 %	23.2 %	16.8 %	25.6 %	37.3 %	49.0 %	34.8 %	13.9 %	27.6 %	40.1 %	49.4 %	36.2 %	34.6 %	50.4 %	49.6 %
Adjusted EBIT-%	3.0 %	20.6 %	13.7 %	22.9 %	34.7 %	46.8 %	32.2 %	10.5 %	24.5 %	37.8 %	47.7 %	33.8 %	29.9 %	36.4 %	36.2 %
Net earnings-%	2.6 %	16.6 %	10.8 %	18.1 %	26.9 %	36.4 %	25.2 %	-1.6 %	18.8 %	29.9 %	37.9 %	24.9 %	23.8 %	29.0 %	28.9 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	5.1	10.4	18.0	24.3	24.0
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	2.8	7.7	15.5	22.6	22.7
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	76.9	78.5	95.5
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	11.2	14.2	9.3	8.3	10.9
Cash and equivalents	19.6	23.7	67.6	70.1	84.6
Balance sheet total	35.9	48.4	94.8	103	120

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	26.4	35.4	86.5	95.5	112
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	12.5	21.5	31.1	40.2	56.7
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	6.5	6.3	7.5
Short term debt	0.0	0.9	0.9	0.9	0.0
Payables	5.8	9.3	5.6	5.4	7.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	35.9	48.4	94.8	103	120

DCF calculation

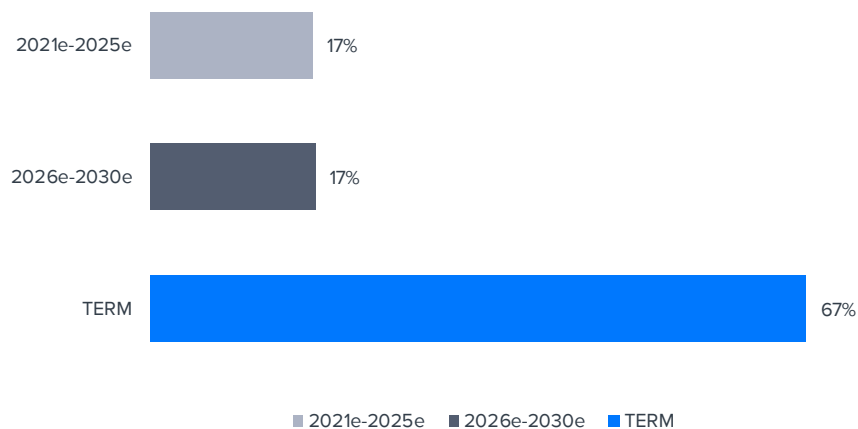
DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	13.2	15.6	14.7	24.8	28.9	35.1	41.5	45.6	47.9	50.3	51.8	
+ Depreciation	1.1	1.1	2.3	9.5	10.7	10.0	9.3	8.9	10.4	9.9	9.7	
- Paid taxes	-2.6	-2.9	-2.9	-4.9	-5.8	-7.0	-8.3	-9.1	-9.6	-10.1	-10.4	
- Tax, financial expenses	-0.1	-0.2	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	1.2	0.8	-0.5	0.2	0.3	0.7	1.0	1.2	0.0	0.0	
Operating cash flow	12.1	14.9	14.8	28.9	34.0	38.5	43.2	46.4	49.9	50.2	51.2	
+ 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	-8.7	-8.6	-9.3	-7.6	-8.6	-8.6	-8.6	-9.6	-9.6	-9.8	
Free operating cash flow	5.7	6.2	6.2	19.6	26.4	29.9	34.6	37.8	40.3	40.6	41.4	
+/- 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	47.7	6.2	19.6	26.4	29.9	34.6	37.8	40.3	40.6	41.4	898
Discounted FCFF		46.4	5.6	16.4	20.6	21.5	23.1	23.5	23.3	21.7	20.6	446
Sum of FCFF present value		669	623	617	600	580	558	535	512	488	467	446
Enterprise value DCF		669										
- Interesting bearing debt		-3.7										
+ Cash and cash equivalents		23.7										
-Minorities		0.0										
-Dividend/capital return		-2.0										
Equity value DCF		687										
Equity value DCF per share		52.6										

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

Cash flow distribution



Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	20.1	31.6	41.1	46.3	49.1	EPS (reported)	0.04	0.43	0.86	0.88	0.89
EBITDA	1.1	7.4	14.3	16.8	17.0	EPS (adj.)	0.04	0.43	0.86	0.95	0.89
EBIT	0.6	6.5	13.2	15.6	14.7	OCF / share	0.19	-0.04	1.00	1.14	1.13
PTP	0.7	6.6	12.9	14.4	14.6	FCF / share	-0.05	-0.25	0.47	3.65	0.48
Net Income	0.5	5.2	10.3	11.6	11.7	Book value / share	1.85	2.19	2.93	6.62	7.31
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	94.8	102.7	Revenue growth-%	17%	57%	30%	13%	6%
Equity capital	22.4	26.4	35.4	86.5	95.5	EBITDA growth-%	-50%	568%	95%	17%	1%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-76%	973%	103%	18%	-6%
Net debt	-20.1	-15.9	-20.0	-64.8	-68.3	EPS (adj.) growth-%	-72%	884%	97%	11%	-6%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	5.5 %	23.2 %	34.8 %	36.2 %	34.6 %
EBITDA	1.1	7.4	14.3	16.8	17.0	EBIT (adj.)-%	3.0 %	20.6 %	32.2 %	33.8 %	29.9 %
Change in working capital	1.3	-6.5	0.4	1.2	0.8	EBIT-%	3.0 %	20.6 %	32.2 %	33.8 %	29.9 %
Operating cash flow	2.3	-0.5	12.1	14.9	14.8	ROE-%	2.4 %	21.5 %	33.5 %	19.0 %	12.8 %
CAPEX	-2.9	-2.5	-6.4	-8.7	-8.6	ROI-%	2.5 %	23.6 %	38.3 %	24.4 %	15.7 %
Free cash flow	-0.7	-3.0	5.7	47.7	6.2	Equity ratio	79.1%	73.5 %	73.2 %	91.2 %	93.0 %
						Gearing	-89.9 %	-60.2 %	-56.6 %	-74.9 %	-71.5 %
Valuation multiples	2018	2019	2020	2021e	2022e						
EV/S	3.0	3.9	11.0	10.7	10.1						
EV/EBITDA (adj.)	55.2	16.6	31.5	29.6	29.1						
EV/EBIT (adj.)	>100	18.7	34.0	31.8	33.7						
P/E (adj.)	>100	26.4	45.6	45.2	48.2						
P/E	3.6	5.2	13.3	6.5	5.9						
Dividend-%	1.5 %	1.0 %	0.4 %	0.5 %	0.6 %						

Source: Inderes

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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
5/30/2017	Accumulate	7.40 €	6.69 €
8/17/2017	Buy	7.50 €	6.31 €
2/19/2017	Buy	7.50 €	5.90 €
6/4/2018	Buy	8.50 €	7.30 €
8/15/2018	Buy	8.50 €	6.75 €
2/13/2019	Accumulate	9.00 €	8.25 €
7/3/2019	Accumulate	10.00 €	9.28 €
8/14/2019	Accumulate	11.50 €	10.65 €
12/5/2019	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 €
4/8/2021	Accumulate	50.00 €	43.75 €
5/12/2021	Accumulate	50.00 €	41.30 €
8/16/2021	Accumulate	50.00 €	43.00 €



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