

Remedy

Company report

10/27/2023



Atte Riikola
+358 44 593 4500
atte.riikola@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Alan Wake 2 räjäytti arvostelupankin” published on 10/27/2023 at 7:37 am EEST.

inde
res.

Alan Wake 2 strikes gold with critic reviews

The critic reviews for Alan Wake 2 released on Thursday were very positive and suggest AW2 is shaping up to be Remedy's best game yet. High review scores will almost certainly boost sales of a game right from the get-go, and a very high quality product is likely to sell well for many years after release. We have raised our expectations for AW2's royalties and as a result we expect the company to deliver a strong result as early as next year. A quality game release strengthens Remedy's long-term prospects in many ways, while the positive momentum around AW2 also creates a clear short-term driver for the stock. We raise Remedy's recommendation to Accumulate (was Reduce) and the target price to EUR 30.0 (was 24.0 EUR).

Alan Wake 2 is Remedy's best game yet in terms of critic scores

Based on reviews received by Thursday evening, Alan Wake 2 had a Metacritic rating of 92/100 on PC (24 reviews) and 88/100 on PS5 (34 reviews). The OpenCritic score out of 46 reviews was 89/100. These figures are indicative of a top-quality game, as only a handful of games get a 90+ Metascore score each year. Of Remedy's previous games, Control scored 84/100 across platforms and the original Alan Wake scored 83/100, and even these games were already dubbed critical successes.

Long-term outlook strengthens

With the success of Alan Wake 2, Remedy now owns two quality game brands (Control and Alan Wake) that will allow the company to develop new games and additional content in the future. A ready-made fan base for games significantly lowers the risks associated with publishing, while simultaneously scaling game development by not having to develop, e.g., all the characters, stories and worlds from scratch. The release of a top-quality game will also further strengthen Remedy's reputation, which may help encourage new players to try the company's next game releases. At the same time, AW2 is an excellent reference for publishing partners and strengthens Remedy's position as a potential acquisition target. The financial success of the game will also strengthen Remedy's ability to publish some of its future game projects if it wishes to do so.

Increased royalty assumptions flow in practice directly into earnings

We raised our expectations for AW2 sales and expect the game to sell well over 5 million copies by the end of 2025. In addition, royalty projections went up on the increased assumptions on the average selling price of the game for the coming years. We now expect the game to sell strongly in the coming years, driven by the critical acclaim, even without significant discount campaigns. We now forecast Remedy's revenue to grow 111% next year to EUR 75.5 million (previously 55.1 MEUR) and EBIT to jump to EUR 22.5 million (previously 2.4 MEUR).

Alan Wake 2's success supports share valuation

With our updated estimates, Alan Wake 2 will bring in significantly more royalties than we previously expected for Remedy next year. As a result, the previously very high short-term valuation is already supported by earnings multiples (2024e EV/EBIT 14x). In our forecast, royalties from other gaming projects under development are increasingly concentrated in the years 2026-2027. With our forecasts expecting successful game releases, the EV/EBIT multiples (12x) look reasonable, and the EV/EBITDA multiples (around 8x) look moderate. On top of this, the investor gets an option on hit games that perform better than our estimates, although the uncertainty associated with multiplayer projects partly pushes the risk/return ratio in the other direction. Alan Wake 2 may still have surprise upside potential in a good scenario, but naturally there are a lot of variables around game sales at this point.

Recommendation

Accumulate

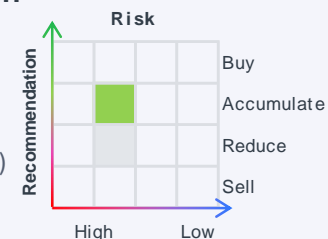
(previous Reduce)

EUR 30.00

(previous EUR 24.00)

Share price:

27.00



Key figures

	2022	2023e	2024e	2025e
Revenue	43.6	35.7	75.5	68.1
growth-%	-3%	-18%	111%	-10%
EBIT adj.	-0.6	-14.3	22.5	11.6
EBIT-% adj.	-1.3 %	-40.0 %	29.9 %	17.0 %
Net Income	-1.7	-11.5	17.9	9.2
EPS (adj.)	-0.13	-0.85	1.32	0.67
P/E (adj.)	neg.	neg.	20.4	40.2
P/B	3.3	4.8	4.0	3.7
Dividend yield-%	0.5 %	0.4 %	0.4 %	0.4 %
EV/EBIT (adj.)	neg.	neg.	14.4	27.4
EV/EBITDA	>100	neg.	11.6	17.3
EV/S	5.5	9.4	4.3	4.7

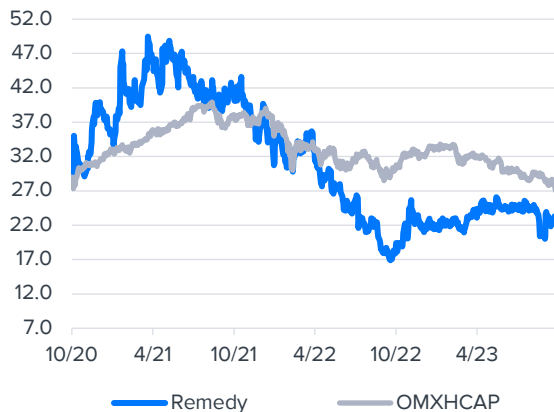
Source: Inderes

Guidance

(Unchanged)

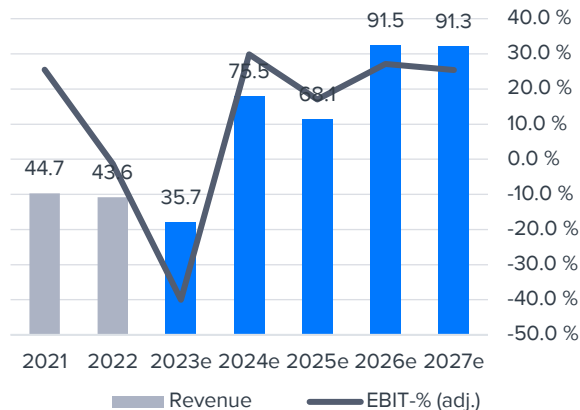
"Remedy expects its revenue to decline from the previous year and its operating result to be negative."

Share price



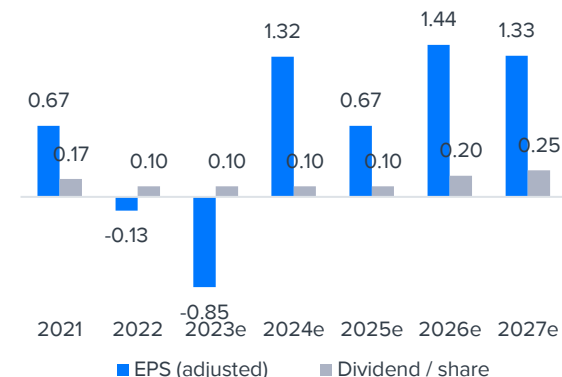
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Alan Wake 2's strong sales boosted by top reviews
- Attractive position in value chain considering industry trends and consolidation
- 4 major game projects are being developed with strong partners
- Multi-project model creates continuity and disperses risks
- Strong track record of developing successful games
- Own game engine and game development tools create scalability and a competitive advantage



Risk factors

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

Valuation	2023e	2024e	2025e
Share price	27.0	27.0	27.0
Number of shares, million:	13.5	13.6	13.7
Market cap	364	366	369
EV	334	325	317
P/E (adj.)	neg.	20.4	40.2
P/E	neg.	20.4	40.2
P/B	4.8	4.0	3.7
P/S	10.2	4.9	5.4
EV/Sales	9.4	4.3	4.7
EV/EBITDA	neg.	11.6	17.3
EV/EBIT (adj.)	neg.	14.4	27.4
Payout ratio (%)	neg.	8%	14.9%
Dividend yield-%	0.4%	0.4%	0.4%

Source: Inderes

Increased royalty assumptions flow in practice directly into earnings

- We now assume that the average selling price of the AW2 next year will be EUR 55 (was EUR 40-50) and in 2025 EUR 45 (was EUR 40).
- We now expect the game to cumulatively sell 5.6 million copies by the end of 2025 (was 4.6 million).
- We increased our assumption for the game's production and marketing budget to EUR 70 million (was 66 MEUR)
- With our revised estimates, Remedy will start earning royalties from the game from Q1'24 onwards (was Q2'24)

Estimate revisions MEUR / EUR	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	35.7	35.7	0%	55.1	75.5	37%	63.1	68.1	8%
EBITDA	-11.0	-11.0	0%	7.9	28.1	253%	13.8	18.3	33%
EBIT (exc. NRIs)	-14.3	-14.3	0%	2.4	22.5	830%	7.1	11.6	64%
EBIT	-14.3	-14.3	0%	2.4	22.5	830%	7.1	11.6	64%
PTP	-13.9	-13.9	0%	2.3	22.4	866%	7.0	11.5	65%
EPS (excl. NRIs)	-0.85	-0.85	0%	0.14	1.32	866%	0.41	0.67	65%
DPS	0.10	0.10	0%	0.10	0.10	0%	0.10	0.10	0%

Source: Inderes

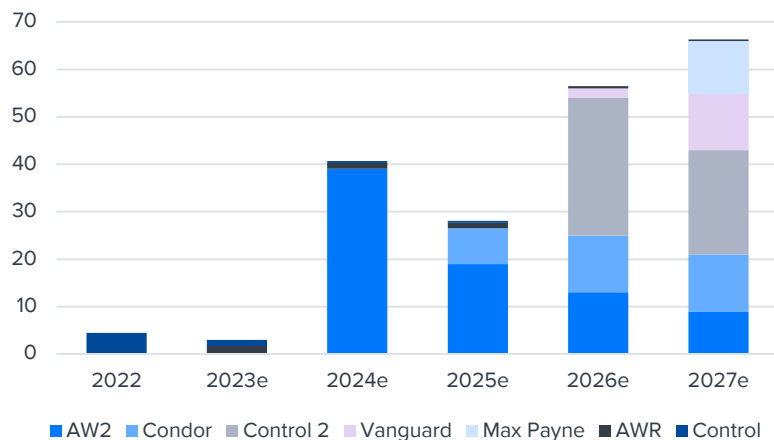
Strategy in light of game projects

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

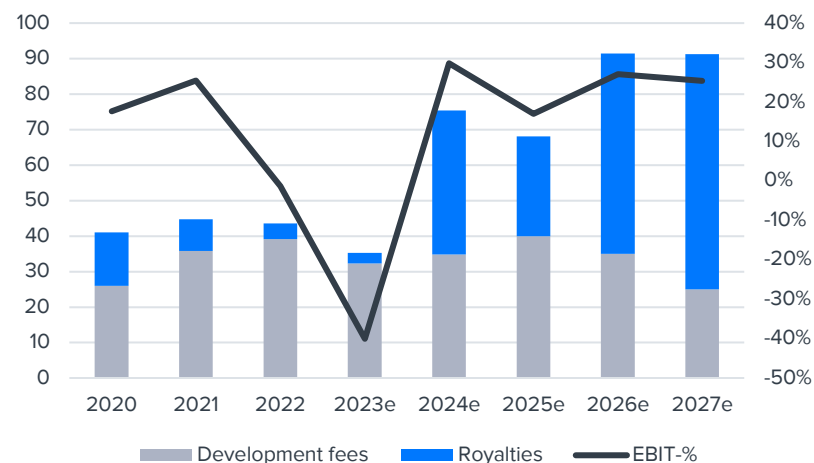
	2021	2022	2023	2024	2025	2026	2027
Crossfire	Development fees \$\$\$	Development fees \$	Possible small royalty stream from Crossfire HD				
			-\$	-\$	-\$		
Control	Royalties \$\$\$	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$		
Epic projects	Development fees and AWR release \$\$\$	Development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

Underlying assumptions for revenue estimates

Royalty assumptions per game (EUR)



Revenue and profitability



AW2 assumptions in the estimate model

	Q3'23e	Q4'23e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	Q1'25e	Q2'25e	Q3'25e	Q4'25e
Average price (€)	60	55	55	55	55	55	45	45	45	45
Sales volume (millions of copies)	0.30	1.60	0.60	0.60	0.52	0.65	0.40	0.35	0.30	0.30
Project income (MEUR)	11	55	21	21	18	22	11	10	8	8
Remedy's royalties (MEUR)	0	0	8.5	10.4	9.0	11.2	5.6	4.9	4.2	4.2
Cumulative copies sold (million)	0.3	1.9	2.5	3.1	3.6	4.3	4.7	5.0	5.3	5.6
Cumulative project income (million EUR)	11	66	87	108	126	148	159	169	178	186
Remedy's cumulative royalties (MEUR)	0	0	8.5	18.8	27.8	39.1	44.7	49.6	53.8	58.0

Source: Inderes

Underlying assumptions for the calculation

- Value added tax 20%
- Distribution cost 25%
- Budget (production+marketing) 70 MEUR

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

Remedy's game projects and partners



Control

Released
Q3'19

Budget
~30 MEUR

Remedy's share
of the budget:

45%

Remedy's share
of net sales:

45%

Recoup² before
the royalties to
Remedy?



Condor

Proof-of-
concept

Budget
~25 MEUR

50%

50%



Control 2

Proof-of-
concept

Budget
~50 MEUR

50%

50%



**Alan Wake
Remastered**

Released
Q4'21

Budget¹
~7 MEUR



Alan Wake II

Release
10/27/2023

Budget¹
~50 MEUR

0%³

50%



Vanguard

Proof-of-
concept

Budget¹
~45 MEUR

30%¹

>50%¹
(Western market)



**Max Payne
1&2 remake**

Proof-of-
concept

Budget¹
~45 MEUR

0%

20-30%¹



Source: Inderes, ¹ Inderes' rough estimates of project production budgets and allocation ratios

²The production and marketing budget financed by the distributor must be recouped in whole or in part before royalties accrue to Remedy

³Remedy also provided some funding for Alan Wake 2 towards the end of production to ensure the game's high quality.

Gauging Remedy's long-term potential

Share price in different scenarios

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

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

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

Annual return 2027

EBIT-%	EV/EBIT 12x				
	Revenue (MEUR)				
	100	125	150	175	200
25%	-2%	3%	7%	11%	14%
30%	2%	7%	11%	15%	19%
35%	5%	11%	15%	19%	23%
40%	8%	14%	19%	23%	26%

EBIT-%	EV/EBIT 16x				
	Revenue (MEUR)				
	100	125	150	175	200
25%	4%	9%	14%	18%	21%
30%	8%	14%	19%	23%	26%
35%	12%	18%	23%	27%	31%
40%	15%	21%	26%	31%	35%

EBIT-%	EV/EBIT 20x				
	Revenue (MEUR)				
	100	125	150	175	200
25%	9%	15%	20%	24%	28%
30%	14%	20%	25%	29%	33%
35%	18%	24%	29%	34%	38%
40%	21%	28%	33%	38%	42%

Annual return 2028

EBIT-%	EV/EBIT 12x				
	Revenue (MEUR)				
	100	125	150	175	200
25%	-1%	2%	6%	8%	11%
30%	2%	6%	9%	12%	15%
35%	4%	8%	12%	15%	18%
40%	7%	11%	15%	18%	21%

EBIT-%	EV/EBIT 16x				
	Revenue (MEUR)				
	100	125	150	175	200
25%	3%	8%	11%	14%	17%
30%	7%	11%	15%	18%	21%
35%	10%	14%	18%	21%	24%
40%	12%	17%	21%	24%	27%

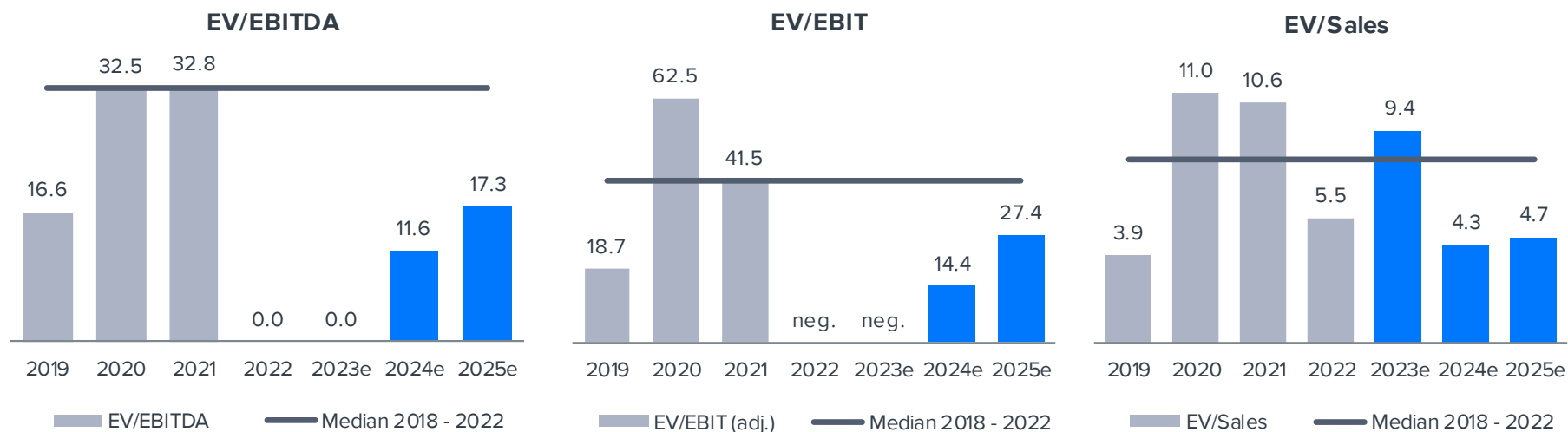
EBIT-%	EV/EBIT 20x				
	Revenue (MEUR)				
	100	125	150	175	200
25%	8%	12%	16%	19%	22%
30%	11%	16%	19%	23%	26%
35%	14%	19%	23%	26%	30%
40%	17%	22%	26%	30%	33%

- The scenarios aim to illustrate the expected return on Remedy's share if the company achieves a revenue of EUR 100-200 million with an EBIT margin of 25-40% in 2027-2028.
- With the success of the company's current game projects, we believe revenue and profitability have the potential to reach these levels.
- The scenarios assume Remedy's net cash to be EUR 50 million (not fully accounting for future cash flows) and number of shares to be 14 million (accounting for the dilution of stock option schemes).
- In terms of valuation multiples, we believe that an EV/EBIT multiple of 12x would reflect a scenario where Remedy's future growth outlook would be weak, good at 16x and excellent at 20x.

Valuation table

Valuation	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	11.5	39.0	39.7	21.9	27.0	27.0	27.0	27.0
Number of shares, millions	12.1	12.1	13.1	13.4	13.5	13.6	13.7	13.8
Market cap	138	471	528	294	364	366	369	371
EV	122	453	473	241	334	325	317	298
P/E (adj.)	26.4	87.0	59.0	neg.	neg.	20.4	40.2	18.8
P/E	26.4	87.0	59.0	neg.	neg.	20.4	40.2	18.8
P/B	5.2	13.0	6.0	3.3	4.8	4.0	3.7	3.1
P/S	4.4	11.5	11.8	6.7	10.2	4.9	5.4	4.1
EV/Sales	3.9	11.0	10.6	5.5	9.4	4.3	4.7	3.3
EV/EBITDA	16.6	32.5	32.8	>100	neg.	11.6	17.3	8.1
EV/EBIT (adj.)	18.7	62.5	41.5	neg.	neg.	14.4	27.4	12.0
Payout ratio (%)	25.4 %	36.2 %	25.7 %	neg.	neg.	7.6 %	14.9 %	13.9 %
Dividend yield-%	1.0 %	0.4 %	0.4 %	0.5 %	0.4 %	0.4 %	0.4 %	0.7 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%	
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Frontier Developments	113	103			3.7	5.6	0.9	0.8	-9%	3%	-5%	-12%
Embracer	1944	3515	7.3	6.8	4.6	4.0	1.1	1.0	129%	16%	15%	14%
Starbreeze	44	5	0.2		0.1	0.4	0.1	0.3	380%	-56%	60%	-7%
CD Projekt	2358	2204	23.7	41.2	17.3	28.3	9.0	12.6	21%	-28%	38%	31%
Paradox Interactive	1695	1634	20.4	17.2	11.3	9.2	7.6	6.6	29%	14%	37%	39%
Team17	443	397	8.2	7.4	6.9	6.4	2.4	2.3	7%	7%	30%	31%
Playway	533	483	9.4	8.2	9.4	8.2	5.9	5.1	33%	15%	62%	62%
11 Bit Studios	338	325	63.8	7.3	48.8	6.1	13.3	4.3	48%	208%	21%	59%
Enad Global 7	136	101	2.6	3.3	2.2	2.4	0.6	0.6	19%	0%	21%	17%
Thunderful Group	36	79	6.2	4.5	2.5	2.2	0.3	0.3	4%	4%	5%	6%
Tinybuild	19	7	2.3	2.3	1.4	1.2	0.1	0.1	-27%	6%	6%	6%
Cl Games	130	141	4.9	14.0	3.0	8.5	2.3	5.1	354%	-55%	48%	37%
Electronic Arts	32172	31509	16.2	15.3	14.0	13.0	4.7	4.4	-5%	6%	29%	29%
Take-Two Interactive	21989	23699	30.6	32.8	27.2	27.6	4.8	4.6	52%	6%	16%	14%
Ubisoft	3300	4273		12.7	5.2	4.9	2.2	2.0	-9%	8%	-21%	16%
Remedy (Inderes)	364	334	-23.4	14.4	-30.3	11.6	9.4	4.3	-18%	111%	-40%	30%
Average			15.1	13.3	10.5	8.5	3.7	3.3	64%	10%	23%	21%
Median			8.2	8.2	5.2	6.1	2.3	2.3	20%	6%	21%	17%
Diff-% to median			-	75%	-	91%	301%	89%				

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	44.7	12.7	9.4	7.9	13.6	43.6	6.9	8.9	9.7	10.2	35.7	75.5	68.1	91.5
Development fees	35.8	11.6	7.4	7.5	12.6	39.1	6.4	7.9	9.0	8.8	32.2	34.8	40.0	35.0
Royalties	8.9	1.0	2.0	0.4	1.1	4.5	0.5	1.0	0.7	1.4	3.5	40.7	28.1	56.5
EBITDA	14.5	3.3	-1.8	-2.4	2.8	1.9	-4.9	-4.0	-1.2	-0.9	-11.0	28.1	18.3	37.0
Depreciation	-3.0	-0.6	-0.6	-0.6	-0.7	-2.5	-0.7	-0.8	-0.8	-1.1	-3.3	-5.5	-6.7	-12.2
EBIT (excl. NRI)	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-4.8	-2.0	-2.0	-14.3	22.5	11.6	24.8
EBIT	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-4.8	-2.0	-2.0	-14.3	22.5	11.6	24.8
Net financial items	-0.1	-0.1	-0.5	-0.1	0.1	-0.6	0.0	0.4	0.0	0.0	0.4	-0.1	-0.1	-0.1
PTP	11.3	2.7	-2.9	-3.2	2.2	-1.2	-5.6	-4.4	-2.0	-2.0	-13.9	22.4	11.5	24.7
Taxes	-2.5	-0.5	0.2	0.5	-0.7	-0.5	0.0	1.7	0.4	0.4	2.5	-4.5	-2.3	-4.9
Net earnings	8.8	2.2	-2.7	-2.7	1.5	-1.7	-5.6	-2.7	-1.6	-1.6	-11.5	17.9	9.2	19.8
EPS (adj.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.12	-0.12	-0.85	1.32	0.67	1.44
EPS (rep.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.12	-0.12	-0.85	1.32	0.67	1.44
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	8.9 %	55.9 %	-0.2 %	6.9 %	-31.2 %	-2.5 %	-45.4 %	-5.3 %	22.6 %	-25.1 %	-18.1 %	111.3 %	-9.8 %	34.4 %
Adjusted EBIT growth-%	57%	-1474%	-263%	1329%	-80%	-105%	-303%	-	-	-192%	-	-	-48.6 %	114.1 %
EBITDA-%	32.3 %	26.4 %	-19.3 %	-30.4 %	20.4 %	4.4 %	-71.6 %	-44.7 %	-12.4 %	-8.8 %	-30.9 %	37.2 %	26.9 %	40.4 %
Adjusted EBIT-%	25.5 %	21.8 %	-25.6 %	-38.3 %	15.5 %	-1.3 %	-81.0 %	-53.7 %	-20.1 %	-19.1 %	-40.0 %	29.9 %	17.0 %	27.1 %
Net earnings-%	19.7 %	17.1 %	-29.0 %	-33.6 %	10.9 %	-4.0 %	-81.6 %	-30.0 %	-16.3 %	-15.5 %	-32.1 %	23.8 %	13.5 %	21.6 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	12.6	20.2	31.1	34.8	38.9
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.3	29.1	34.1
Tangible assets	4.3	4.3	5.2	3.2	2.2
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.7	0.8	0.8	0.8	0.8
Deferred tax assets	0.0	0.0	1.7	1.7	1.7
Current assets	81.1	71.2	46.8	64.9	69.7
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	22.5	15.3	16.1	22.6	17.0
Cash and equivalents	58.5	55.9	30.8	42.3	52.7
Balance sheet total	101	99.6	83.7	105	112

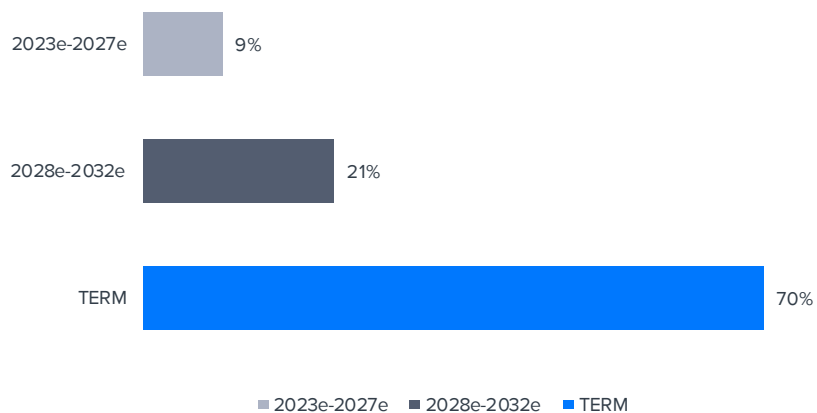
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	87.4	88.4	75.8	92.4	100
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.5	31.1	18.3	34.9	42.7
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	55.8	57.1	57.4	57.4	57.4
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	2.1	1.1	0.9	0.9	0.9
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	2.1	1.1	0.9	0.9	0.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	11.7	10.1	7.0	11.5	10.4
Interest bearing debt	1.8	1.8	0.2	0.2	0.2
Payables	9.8	8.2	6.8	11.3	10.2
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	101	99.6	83.7	105	112

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-2.5 %	-18.1 %	111.3 %	-9.8 %	34.4 %	-0.2 %	-6.0 %	19.0 %	11.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	-1.3 %	-40.0 %	29.9 %	17.0 %	27.1 %	25.4 %	25.2 %	30.1 %	32.0 %	33.0 %	33.0 %	33.0 %
EBIT (operating profit)	-0.6	-14.3	22.5	11.6	24.8	23.2	21.6	30.7	36.3	39.3	40.5	
+ Depreciation	2.5	3.3	5.5	6.7	12.2	13.1	13.8	14.4	15.1	13.8	13.2	
- Paid taxes	-0.5	0.7	-4.5	-2.3	-4.9	-4.6	-4.3	-6.1	-7.2	-7.8	-8.1	
- Tax, financial expenses	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	5.6	-2.2	-2.0	4.5	0.4	0.5	0.8	-0.5	-0.1	1.5	0.4	
Operating cash flow	6.8	-12.4	21.5	20.5	32.5	32.1	31.9	38.6	44.0	46.8	45.9	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-10.8	-10.0	-8.6	-8.6	-9.6	-10.6	-11.6	-12.6	-12.6	-12.6	-13.2	
Free operating cash flow	-4.0	-22.4	12.9	11.9	22.9	21.5	20.3	26.0	31.4	34.2	32.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-4.0	-22.4	12.9	11.9	22.9	21.5	20.3	26.0	31.4	34.2	32.7	551
Discounted FCFF		-22.1	11.6	9.8	17.3	14.9	12.9	15.1	16.8	16.7	14.7	247
Sum of FCFF present value		355	377	365	355	338	323	310	295	278	262	247
Enterprise value DCF		355										
- Interest bearing debt		-3.0										
+ Cash and cash equivalents		55.9										
-Minorities		0.0										
-Dividend/capital return		-1.3										
Equity value DCF		406										
Equity value DCF per share		30.2										

Cash flow distribution



WACC

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

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	41.1	44.7	43.6	35.7	75.5	EPS (reported)	0.45	0.67	-0.13	-0.85	1.32
EBITDA	14.0	14.5	1.9	-11.0	28.1	EPS (adj.)	0.45	0.67	-0.13	-0.85	1.32
EBIT	7.2	11.4	-0.6	-14.3	22.5	OCF / share	1.07	0.30	0.51	-0.92	1.59
PTP	7.0	11.3	-1.2	-13.9	22.4	FCF / share	-0.17	-0.44	-0.29	-1.66	0.95
Net Income	5.4	8.8	-1.7	-11.5	17.9	Book value / share	2.99	6.69	6.57	5.63	6.81
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.10	0.10	0.10
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	51.3	101.1	99.6	83.7	104.8	Revenue growth-%	30%	9%	-3%	-18%	111%
Equity capital	36.1	87.4	88.4	75.8	92.4	EBITDA growth-%	90%	4%	-87%	-679%	-354%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	11%	57%	-105%	2437%	-258%
Net debt	-18.0	-54.7	-52.9	-29.7	-41.2	EPS (adj.) growth-%	3%	50%	-119%	563%	-255%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.0 %	32.3 %	4.4 %	-30.9 %	37.2 %
EBITDA	14.0	14.5	1.9	-11.0	28.1	EBIT (adj.)-%	17.6 %	25.5 %	-1.3 %	-40.0 %	29.9 %
Change in working capital	0.4	-7.7	5.6	-2.2	-2.0	EBIT-%	17.6 %	25.5 %	-1.3 %	-40.0 %	29.9 %
Operating cash flow	12.9	4.0	6.8	-12.4	21.5	ROE-%	17.3 %	14.2 %	-2.0 %	-14.0 %	21.3 %
CAPEX	-14.9	-9.8	-10.8	-10.0	-8.6	ROI-%	20.2 %	17.1 %	-0.6 %	-17.0 %	26.4 %
Free cash flow	-2.0	-5.8	-4.0	-22.4	12.9	Equity ratio	70.4 %	86.4 %	88.8 %	90.6 %	88.2 %
						Gearing	-49.8 %	-62.5 %	-59.8 %	-39.1 %	-44.5 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	11.0	10.6	5.5	9.4	4.3						
EV/EBITDA (adj.)	32.5	32.8	>100	neg.	11.6						
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	14.4						
P/E (adj.)	87.0	59.0	neg.	neg.	20.4						
P/B	13.0	6.0	3.3	4.8	4.0						
Dividend-%	0.4 %	0.4 %	0.5 %	0.4 %	0.4 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

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

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

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/30/2017	Accumulate	7.40 €	6.69 €
8/17/2017	Buy	7.50 €	6.31 €
2/19/2018	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 €
9/14/2021	Buy	50.00 €	40.00 €
11/15/2021	Buy	50.00 €	40.75 €
2/14/2022	Buy	50.00 €	33.50 €
5/16/2022	Buy	42.00 €	29.30 €
6/2/2022	Accumulate	34.00 €	29.85 €
8/15/2022	Accumulate	26.00 €	22.15 €
10/31/2022	Buy	25.00 €	18.14 €
12/27/2022	Accumulate	25.00 €	21.50 €
2/13/2023	Accumulate	25.00 €	22.70 €
4/19/2023	Accumulate	25.00 €	24.20 €
4/27/2023	Accumulate	25.00 €	23.10 €
6/12/2023	Reduce	25.00 €	26.10 €
8/14/2023	Reduce	25.00 €	25.55 €
9/14/2023	Reduce	24.00 €	22.50 €
10/27/2023	Accumulate	30.00 €	27.00 €



Connecting investors and companies

Inderes connects investors and listed companies. We help over 400 Nordic listed companies to better serve their shareholders. Our community is home to over 70 000 active investors. Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen

2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen

2014, 2016, 2017, 2019



Sauli Vilén

2012, 2016, 2018, 2019, 2020



Antti Viljakainen

2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen

2020



Joni Grönqvist

2019, 2020



Erkki Vesola

2018, 2020



Petri Gostowski

2020



Atte Riikola

2020

**Research belongs
to everyone.**