

# Remedy

## Company report

02/13/2023



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✓ Inderes corporate customer

This report is a summary translation of the report “Kohti AW2:n julkaisua varovaisen myönteisissä tunnelmissa” published on 02/13/2023 at 08:00 am

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# Towards the AW2 release in a cautiously positive mood

We reiterate our Accumulate recommendation and EUR 25.0 target price for Remedy. There were no major surprises in the company's Q4 figures and, as expected, the outlook for 2023 is still weak in light of the figures. This year, Remedy is still clearly in an investment phase as the company builds its strategy for the next growth leap with 5 major gaming projects under development. However, the company's investment story is already entering an interesting phase at the end of the year with the release of Alan Wake 2, which will also be a key short-term driver for the stock. At the current share valuation, we are moving towards the release of the game in a cautiously positive mood.

## No major surprises in Q4 figures and outlook foresees investment accelerating this year as expected

Remedy's Q4 revenue decreased by 31% to EUR 13.6 million and EBIT was EUR 2.1 million, slightly above our estimates (13.2 MEUR and 1.1 MEUR). For the full year, EBIT fell to a loss of EUR -0.6 million (2021: 11.4 MEUR), reflecting Remedy's significantly increased investments in game projects under development. Investment in game projects will only increase this year, with more and more projects increasing team sizes. Thus, Remedy's outlook for 2023 foresees a decline in revenue and a loss-making operating result, as expected.

## Success of multiplayer projects the biggest question mark in royalty expectations for 2025-2027

As far as the company's game projects are concerned, Alan Wake 2 is starting to be complete in terms of content, and our target release date of late Q3'23 for the game still looks realistic. Development of Control 2 is well underway, and the game moved from conceptualization to proof-of-concept in January. The Max Payne project is also making good progress in conceptualization. The Condor and Vanguard multiplayer projects are still in the proof-of-concept phase and Remedy continues to patiently develop them. Multiplayer projects are a completely new type of project for Remedy, and the company hasn't been able to cope with them entirely without growth pains. Both projects are still moving forward, and it's also worth remembering that the proof-of-concept phase for service-based games is typically longer than the usual AAA game due to the need to plan the post-release live operation in advance. Overall, we are particularly confident in the success of the traditional AAA game projects in development. However, multiplayer projects are still the biggest question mark at this point, although their potential is significant in a good scenario. Based on the Q4 report, we pushed back our assumptions on the release schedule for multiplayer projects by a notch, which means that our royalty expectations are more weighted towards 2026-2027 instead of 2025-2026.

## Earnings growth potential of current game projects is attractive at current valuation, but patience is needed

In our estimates, Remedy's royalty income from existing game projects is significantly weighted towards the years 2026-2027, when we expect the company's revenue (94.5 and 86.3 MEUR) and earnings (EBIT: 26.1-19.1 MEUR) to take a significant step upward. With our estimates of reasonably successful game releases, the share's EV/EBIT ratios will be 9.5x-11x and corresponding EV/EBITDA ratios of around 7x. We consider these levels to be moderate, as we expect Remedy's growth prospects to be good beyond that point if the game releases are successful. In addition, the investor gets the option of a hit game that strikes gold. However, estimates for the next few years don't provide material support for Remedy's valuation, and the changed market environment over the past year or so has reduced investors' patience to look several years into the future.

## Recommendation

**Accumulate**

(previous Accumulate)

**EUR 25.00**

(previous EUR 25.00)

**Share price:**

22.70



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	43.6	35.6	62.1	66.1
<b>growth-%</b>	-3%	-18%	74%	6%
<b>EBIT adj.</b>	-0.6	-11.4	6.7	8.6
<b>EBIT-% adj.</b>	-1.3 %	-32.0 %	10.7 %	13.0 %
<b>Net Income</b>	-1.7	-9.2	5.2	6.8
<b>EPS (adj.)</b>	-0.13	-0.68	0.38	0.49

<b>P/E (adj.)</b>	neg.	neg.	59.0	45.9
<b>P/B</b>	3.3	4.0	3.8	3.6
<b>Dividend yield-%</b>	0.5 %	0.4 %	0.7 %	0.7 %
<b>EV/EBIT (adj.)</b>	neg.	neg.	40.5	31.1
<b>EV/EBITDA</b>	>100	neg.	19.3	16.4
<b>EV/S</b>	5.5	7.6	4.3	4.0

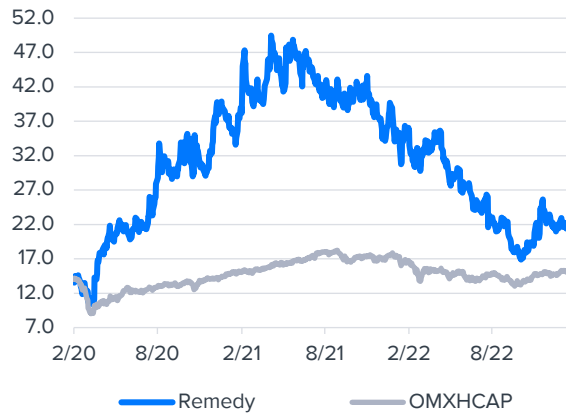
Source: Inderes

## Guidance

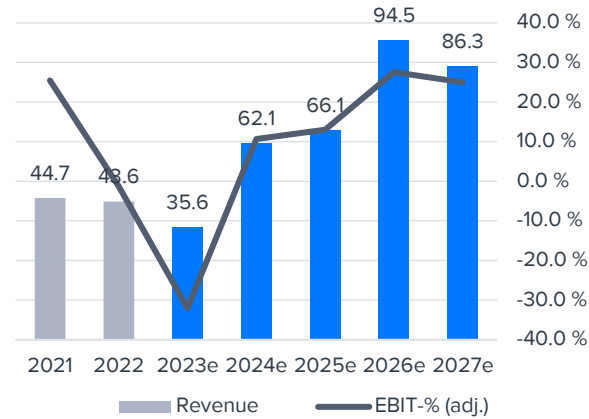
(New guidance)

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

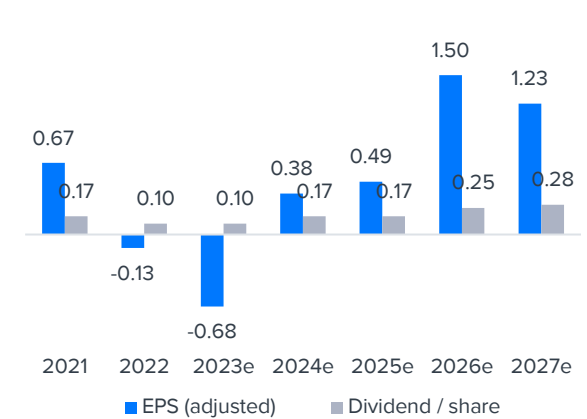
## Share price



## 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	2023e	2024e	2025e
Share price	22.7	22.7	22.7
Number of shares, millions	13.5	13.6	13.7
Market cap	307	310	312
EV	270	270	267
P/E (adj.)	neg.	59.0	45.9
P/E	neg.	59.0	45.9
P/FCF	neg.	88.5	45.0
P/B	4.0	3.8	3.6
P/S	8.6	5.0	4.7
EV/Sales	7.6	4.3	4.0
EV/EBITDA	neg.	19.3	16.4
EV/EBIT (adj.)	neg.	40.5	31.1
Payout ratio (%)	neg.	44%	34.4 %
Dividend yield-%	0.4 %	0.7 %	0.7 %

Source: Inderes

# No real surprises in Q4 figures

## Q4 revenue down sharply year-on-year, as expected

Remedy's Q4 revenue decreased by 31% to EUR 13.6 million and slightly exceeded our estimate of EUR 13.2 million. The comparison period was exceptionally good, with the development, licensing and distribution agreement with Tencent for the Vanguard project providing a significant boost to revenue growth. Now, the development and publishing agreement with 505 Games for Control 2 resulted in retroactive revenue for Q4. We estimate that Alan Wake 2 which is in full production also generated significant development fees in the quarter, with some development fees also coming from Vanguard, Condor and Max Payne. Overall, development fees accounted for 92% of revenue in the quarter.

Royalty income for the quarter was EUR 1.1 million, which exceeded our estimate of EUR 0.4 million. Alan Wake Remastered didn't generate royalties yet in Q4, so revenue is still coming in from old games

(especially Control).

As expected, neither Crossfire HD (released in November 2021) nor CrossfireX (February 2022) for Xbox, brought in royalties in the quarter. Remedy has developed the single-player content of these Smilegate games on a subcontracting model. Smilegate recently announced the closure of Crossfire X, which is no surprise after the poor reception the game received. Remedy doesn't expect any royalty income from these projects in the coming years. With this update, we also removed our royalty assumptions from Crossfire games that were marginally low in the big picture.

## Q4 result a notch better than expected

In Q4, Remedy's operating profit was EUR 2.1 million (Q4'21: 10.3 MEUR) while we forecast EUR 1.1 million. For the full year, EBIT decreased to a loss of EUR -0.6 million. The years 2022-2023 will still be clear investment years for Remedy, when the company's results are not expected to be miraculous due to low

royalty income, increasing recruitment, external game development and rising other costs. Profitability in Q4 was supported by the retrospective development fees from Control 2, which had the same effect on an even larger scale in the comparison period for Vanguard.

Remedy's board proposes a small dividend of EUR 0.10 per share, compared to our estimate of EUR 0.17 which was also the level last year. The importance of dividends in Remedy's investment profile is currently very limited.

Remedy's balance sheet position is very strong, which makes it well positioned for accelerated investment in the game projects this year. Cash and financial securities totaled EUR 55.9 million at the end of Q4, and the company has virtually no interest-bearing debt, excluding the small Business Finland product development loan or IFRS16 lease liabilities.

Estimates	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	19.8	13.6	13.2				3%	43.6
EBITDA	10.9	2.8	1.7				64%	1.9
EBIT (adj.)	10.3	2.1	1.1				93%	-0.6
EPS (reported)	0.61	0.11	0.06				76%	-0.13
DPS	0.17	0.10	0.17				-41%	0.10
Revenue growth-%	39.4 %	-31.2 %	-33.3 %				2.2 pp	-2.5 %
EBIT-% (adj.)	52.3 %	15.6 %	8.3 %				7.2 pp	-1.3 %

Source: Inderes

# Royalty expectations for current gaming projects are weighted towards 2025-2027

## Still in the investment phase this year

As expected, Remedy's outlook for 2023 foresees a decline in revenue and a loss-making operating result. Based on the Q4 report, we reviewed our estimates and also outlined game-specific developments up to 2027. We decided to postpone the release of Condor until the first half of 2025 (was the end of 2024) and the launch of Vanguard to the first half of 2026 (was the end of H1'25). With these changes, royalty revenues were shifted forward somewhat, which affected the 2025-2027 earnings forecasts. The big picture is unchanged, and Remedy's earnings potential will be properly examined once the current projects have been released. With royalties now mostly scheduled for 2025-2027, investors will need to be patient while waiting for the results. Of course, the potential of projects can be judged a little faster than that, based on how they are received by players and critics immediately after release.

## Estimates for 2023-2027

We have outlined Remedy's revenue drivers and game-specific expectations for the coming years on the following pages. The development fees of the

games currently under development create a solid base for revenue estimates, but the visibility to royalty forecasts is weak. Overall, our estimates expect Remedy to do reasonably well with its upcoming games. We also see potential for the games to perform significantly better in a good scenario, but overall, the range of final outcomes at project level is wide.

In 2023, we now forecast revenue to fall by 18% and with low royalty revenues, increasing recruitment, external game development and rising other costs, we expect EBIT to fall to a loss of -EUR 11.4 million. We expect that Alan Wake 2 to be released in late 2023 will not start generating royalties until 2024 once the production and marketing budget financed by Epic has been covered. We expect the staff freed up from AW2 to gradually move to Remedy's other game projects towards the end of the year, at which point the development fees for these projects will also start to increase.

In 2024, we estimate that Remedy's revenue will grow by 74% to EUR 62.1 million and EBIT to be EUR 6.7 million mainly driven by royalties from Alan Wake 2. At this point, we also estimate that development

fees from all projects under development will increase as the projects progress.

In 2025 (revenue 66.1 MEUR and EBIT 8.6 MEUR), we expect royalties from Condor in H1 and Control 2 in H2, in addition to AW2. At that time, we also expect the company to launch new game projects, which could start generating revenue in the form of publishing contracts and development fees. The company may also finance some of its future projects entirely itself, which means there are no development fees, but the royalty potential is greater.

In 2026, we expect Vanguard to be released in H1 and Max Payne Remake in H2, with revenue otherwise coming from the same sources as the previous year. By 2027, all previously released projects will be generating a royalty stream and new projects are likely to be in development. In our estimates Remedy's 2026-2027 revenue rises to EUR 94.5-86.3 million and EBIT to EUR 26.1-19.1 million, corresponding to EBIT margins of 28 % and 22 %.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	43.2	43.6	1%	38.2	35.6	-7%	62.9	62.1	-1%
EBITDA	0.8	1.9	132%	-8.1	-8.8	9%	13.6	13.9	2%
EBIT (exc. NRIs)	-1.6	-0.6	-64%	-10.7	-11.4	7%	6.8	6.7	-2%
EBIT	-1.6	-0.6	-64%	-10.7	-11.4	7%	6.8	6.7	-2%
PTP	-2.3	-1.2	-49%	-10.8	-11.5	7%	6.7	6.6	-2%
EPS (excl. NRIs)	-0.18	-0.13	-27%	-0.64	-0.68	7%	0.39	0.38	-2%
DPS	0.17	0.10	-41%	0.17	0.10	-41%	0.17	0.17	0%

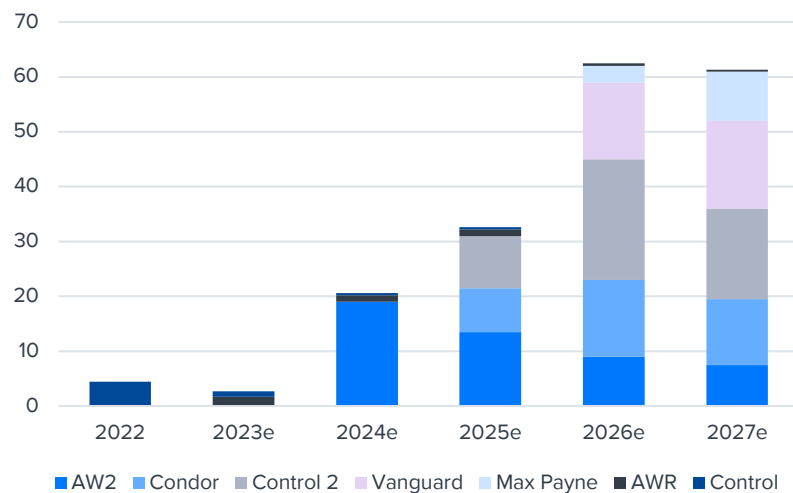
# Strategy in light of game projects

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

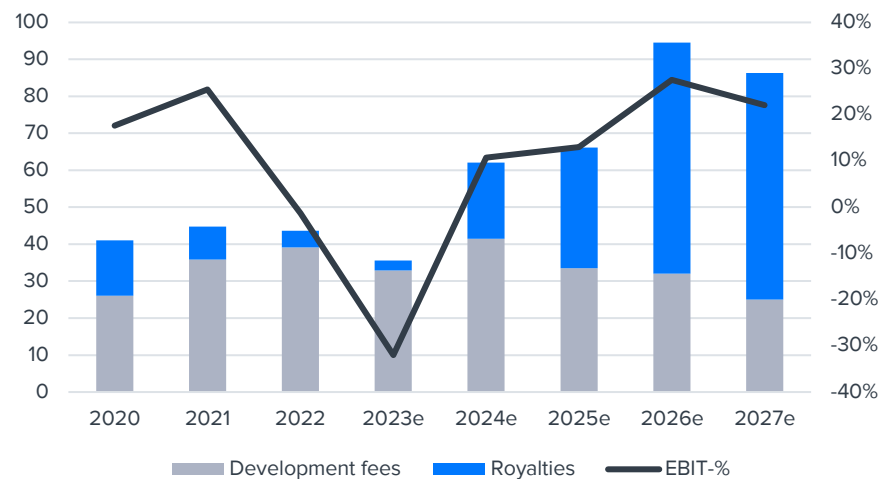
	2021	2022	2023	2024	2025	2026	2027
<b>Crossfire</b>	Development fees \$\$\$	Development fees \$	Possible small royalty stream from Crossfire HD -/\$ -/\$ -/\$				
<b>Control</b>	Royalties \$\$\$	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$		
<b>Epic projects</b>	Development fees and AWR release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

# Underlying assumptions for revenue estimates

Roalty assumptions per game (MEUR)



Net sales and profitability



# 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%

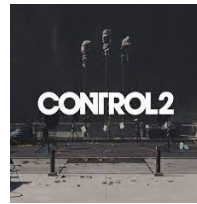


**Condor**

Proof-of-  
concept

Budget  
~25 MEUR

50%  
50%



**Control 2**

Proof-of-  
concept

Budget  
~50 MEUR

50%  
50%

**505  
GAMES**



**Alan Wake  
Remastered**

Released  
Q4'21

Budget\*\*  
~7 MEUR

0 %  
50 %



**Alan Wake II**

Production

Budget\*\*  
~50 MEUR

0 %  
50 %



**Vanguard**

Proof-of-  
concept

Budget\*\*  
~45 MEUR

30%\*\*  
>50%\*\*  
(Western market)

**Tencent**



**Max Payne  
1&2 remake**

Conceptualization

Budget\*\*  
~45 MEUR

0%  
20-30%\*\*



**Rockstar Games**



# Valuation

## Remedy's long-term potential is attractive

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 developer 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 risk/return 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. We have outlined the long-term potential of Remedy in different scenarios on the next page.

## Earnings growth potential of current game projects is attractive with current valuation

We don't expect Remedy's share to be materially supported by earnings multiples in the coming years, as investments in game projects under development will continue to depress earnings in the coming years, although royalty income from the first new projects will be seen in 2024-2025. In the short term, we believe that the tight valuation currently limits the upside for the stock, as rising interest rates and the changed market environment over the past year or so have reduced investors' patience to look several years

ahead for story stocks.

In our estimates, royalties from currently ongoing game projects take largely place in 2026-2027, when we expect the company's revenue and earnings go up a significant step. We forecast the stock's EV/EBIT multiples (9.5x-11x) and EV/EBITDA multiples (around 7x) to fall to very attractive levels at that time, as we expect Remedy's growth prospects to be good after that, if the game releases are successful. We are particularly confident in the success of the traditional AAA game projects under development, whereas the multiplayer projects Condor and Vanguard are the biggest question marks at this point.

As Remedy's strategy continues to progress and game projects move up the production pipeline closer to release, we believe that at some point the company's share price will also begin to more strongly anticipate the earnings potential of current projects. The exact timing of this is of course challenging, but in the short term a key driver will be the release of Alan Wake 2 later this year. We'd like to remind that with Remedy, investors should continue to be prepared to tolerate large price swings, as changes in expectations for future games can cause significant volatility in the stock in the short term.

Valuation	2023e	2024e	2025e
Share price	22.7	22.7	22.7
Number of shares, millions	13.5	13.6	13.7
Market cap	307	310	312
EV	270	270	267
P/E (adj.)	neg.	59.0	45.9
P/E	neg.	59.0	45.9
P/FCF	neg.	88.5	45.0
P/B	4.0	3.8	3.6
P/S	8.6	5.0	4.7
EV/Sales	7.6	4.3	4.0
EV/EBITDA	neg.	19.3	16.4
EV/EBIT (adj.)	neg.	40.5	31.1
Payout ratio (%)	neg.	44%	34.4 %
Dividend yield-%	0.4 %	0.7 %	0.7 %

Source: Inderes

# Gauging Remedy's long-term potential

## Share price in different scenarios

EV/EBIT 12x					
Revenue (MEUR)					
EBIT-%	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

EV/EBIT 16x					
Revenue (MEUR)					
EBIT-%	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

EV/EBIT 20x					
Revenue (MEUR)					
EBIT-%	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 2026

EV/EBIT 12x					
Revenue (MEUR)					
EBIT-%	100	125	150	175	200
25%	3%	8%	12%	16%	20%
30%	7%	12%	17%	22%	26%
35%	11%	16%	22%	26%	30%
40%	14%	20%	26%	30%	35%

EV/EBIT 16x					
Revenue (MEUR)					
EBIT-%	100	125	150	175	200
25%	9%	15%	20%	25%	29%
30%	14%	20%	26%	30%	35%
35%	18%	25%	30%	35%	40%
40%	22%	29%	35%	40%	45%

EV/EBIT 20x					
Revenue (MEUR)					
EBIT-%	100	125	150	175	200
25%	15%	21%	27%	32%	36%
30%	20%	27%	33%	38%	42%
35%	25%	32%	38%	43%	48%
40%	29%	36%	42%	48%	53%

## Annual return 2028

EV/EBIT 12x					
Revenue (MEUR)					
EBIT-%	100	125	150	175	200
25%	2%	5%	8%	11%	13%
30%	4%	8%	11%	14%	16%
35%	7%	11%	14%	17%	19%
40%	9%	13%	16%	19%	22%

EV/EBIT 16x					
Revenue (MEUR)					
EBIT-%	100	125	150	175	200
25%	6%	10%	13%	16%	18%
30%	9%	13%	16%	19%	22%
35%	12%	16%	19%	22%	25%
40%	14%	18%	22%	25%	28%

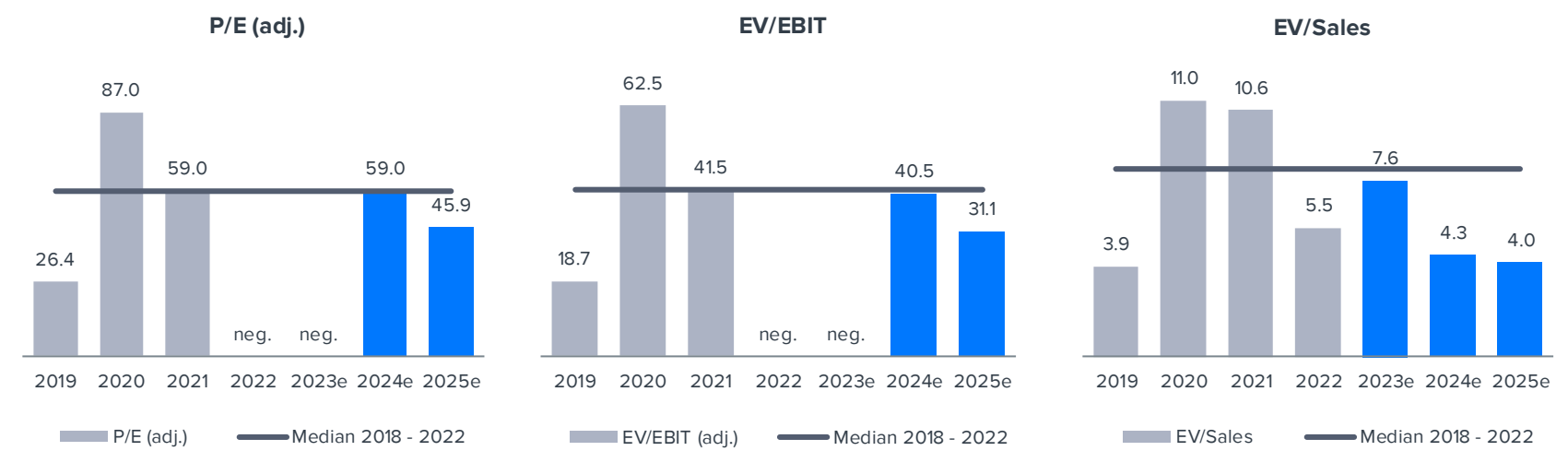
EV/EBIT 20x					
Revenue (MEUR)					
EBIT-%	100	125	150	175	200
25%	10%	14%	17%	20%	23%
30%	13%	17%	20%	23%	26%
35%	16%	20%	23%	27%	29%
40%	18%	23%	26%	29%	32%

- 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 2026-2028.
- 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	22.7	22.7	22.7	22.7
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	307	310	312	314
EV	122	453	473	241	270	270	267	249
P/E (adj.)	26.4	87.0	59.0	neg.	neg.	59.0	45.9	15.1
P/E	26.4	87.0	59.0	neg.	neg.	59.0	45.9	15.1
P/FCF	neg.	neg.	14.8	neg.	neg.	88.5	45.0	13.4
P/B	5.2	13.0	6.0	3.3	4.0	3.8	3.6	3.0
P/S	4.4	11.5	11.8	6.7	8.6	5.0	4.7	3.3
EV/Sales	3.9	11.0	10.6	5.5	7.6	4.3	4.0	2.6
EV/EBITDA	16.6	32.5	32.8	>100	neg.	19.3	16.4	6.7
EV/EBIT (adj.)	18.7	62.5	41.5	neg.	neg.	40.5	31.1	9.5
Payout ratio (%)	25.4 %	36.2 %	25.7 %	neg.	neg.	44.2 %	34.4 %	16.6 %
Dividend yield-%	1.0 %	0.4 %	0.4 %	0.5 %	0.4 %	0.7 %	0.7 %	1.1 %

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	220	194	19.1	14.2	5.6	4.8	1.6	1.5	-6%	9%	8%	10%
Embracer	5658	6811	12.6	8.7	7.3	5.4	2.0	1.8	132%	15%	16%	20%
CD Projekt	3004	2828	35.0	55.1	25.8	38.2	13.3	16.5	12%	-19%	38%	30%
Paradox Interactive	1941	1886	20.9	18.7	12.6	11.5	8.8	8.0	21%	10%	42%	43%
Team17	724	670	13.8	12.7	12.2	11.3	4.3	4.0	4%	7%	31%	32%
Playway	556	509	10.3	12.1	10.3	12.0	7.7	8.5	22%	-9%	75%	70%
11 Bit Studios	308	288	9.2	8.8	8.3	6.8	6.1	4.6	216%	32%	67%	53%
Enad Global 7	273	251	10.8	10.9	6.3	6.1	1.5	1.4	4%	5%	13%	13%
Tinybuild	139	100	4.3	3.9	3.8	3.5	1.5	1.4	7%	9%	35%	36%
<b>Remedy (Inderes)</b>	<b>307</b>	<b>270</b>	<b>-23.7</b>	<b>40.5</b>	<b>-30.6</b>	<b>19.3</b>	<b>7.6</b>	<b>4.3</b>	<b>-18%</b>	<b>74%</b>	<b>-32%</b>	<b>11%</b>
<b>Average</b>			<b>14.0</b>	<b>20.0</b>	<b>9.5</b>	<b>10.7</b>	<b>4.8</b>	<b>4.9</b>	<b>110%</b>	<b>4%</b>	<b>36%</b>	<b>31%</b>
<b>Median</b>			<b>11.7</b>	<b>12.4</b>	<b>7.8</b>	<b>7.0</b>	<b>3.1</b>	<b>2.9</b>	<b>17%</b>	<b>8%</b>	<b>33%</b>	<b>31%</b>
<b>Diff-% to median</b>			<b>-</b>	<b>227%</b>	<b>-</b>	<b>177%</b>	<b>142%</b>	<b>51%</b>				

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

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	44.7	12.7	9.4	7.9	13.6	43.6	8.0	8.0	9.2	10.4	35.6	62.1	66.1	94.5
Kehitysmaksut	35.8	11.6	7.4	7.5	12.6	39.1	7.7	7.7	8.5	9.0	32.9	41.5	33.5	32.0
Rojaltit	8.9	1.0	2.0	0.4	1.1	4.5	0.3	0.3	0.7	1.4	2.7	20.6	32.6	62.5
EBITDA	14.5	3.3	-1.8	-2.4	2.8	1.9	-3.2	-3.1	-1.5	-1.0	-8.8	13.9	16.3	37.2
Depreciation	-3.0	-0.6	-0.6	-0.6	-0.7	-2.5	-0.7	-0.7	-0.7	-0.7	-2.6	-7.3	-7.7	-11.1
EBIT (excl. NRI)	11.4	2.8	-2.4	-3.0	2.1	-0.6	-3.9	-3.8	-2.2	-1.7	-11.4	6.7	8.6	26.1
EBIT	11.4	2.8	-2.4	-3.0	2.1	-0.6	-3.9	-3.8	-2.2	-1.7	-11.4	6.7	8.6	26.1
Net financial items	-0.1	-0.1	-0.5	-0.1	0.1	-0.6	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
PTP	11.3	2.7	-2.9	-3.2	2.2	-1.2	-3.9	-3.8	-2.2	-1.7	-11.5	6.6	8.5	26.0
Taxes	-2.5	-0.5	0.2	0.5	-0.7	-0.5	0.8	0.8	0.4	0.3	2.3	-1.3	-1.7	-5.2
Net earnings	8.8	2.2	-2.7	-2.7	1.5	-1.7	-3.1	-3.0	-1.7	-1.3	-9.2	5.2	6.8	20.8
EPS (adj.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.23	-0.22	-0.13	-0.10	-0.68	0.38	0.49	1.50
EPS (rep.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.23	-0.22	-0.13	-0.10	-0.68	0.38	0.49	1.50

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	8.9 %	55.9 %	-0.2 %	6.9 %	-31.2 %	-2.5 %	-36.8 %	-14.9 %	16.3 %	-23.6 %	-18.3 %	74.4 %	6.4 %	43.0 %
Adjusted EBIT growth-%	57%	-1474%	-263%	1329%	-80%	-105%	-239%	56%	-29%	-178%	-	-	29.0 %	203.3 %
EBITDA-%	32.3 %	26.4 %	-19.3 %	-30.4 %	20.4 %	4.4 %	-40.0 %	-38.8 %	-16.3 %	-9.6 %	-24.7 %	22.5 %	24.7 %	39.3 %
Adjusted EBIT-%	25.5 %	21.8 %	-25.6 %	-38.3 %	15.5 %	-1.3 %	-48.1 %	-46.9 %	-23.4 %	-15.9 %	-32.0 %	10.7 %	13.0 %	27.6 %
Net earnings-%	19.7 %	17.1 %	-29.0 %	-33.6 %	10.9 %	-4.0 %	-38.8 %	-37.8 %	-18.9 %	-12.9 %	-25.8 %	8.4 %	10.3 %	22.0 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>12.6</b>	<b>20.2</b>	<b>28.0</b>	<b>33.0</b>	<b>35.0</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.3	29.7	32.3
Tangible assets	4.3	4.3	3.9	2.5	1.9
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	0.0	0.0	0.0
<b>Current assets</b>	<b>81.1</b>	<b>71.2</b>	<b>51.3</b>	<b>56.4</b>	<b>60.6</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	22.5	15.3	12.5	15.5	15.2
Cash and equivalents	58.5	55.9	38.8	40.9	45.4
<b>Balance sheet total</b>	<b>101</b>	<b>99.6</b>	<b>85.7</b>	<b>92.1</b>	<b>97.2</b>

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>87.4</b>	<b>88.4</b>	<b>77.8</b>	<b>81.7</b>	<b>86.2</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.5	31.1	20.6	24.5	29.0
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	57.1	57.1	57.1
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>2.1</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
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	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
<b>Current liabilities</b>	<b>11.7</b>	<b>10.1</b>	<b>7.0</b>	<b>9.5</b>	<b>10.1</b>
Short term debt	1.8	1.8	0.2	0.2	0.2
Payables	9.8	8.2	6.8	9.3	9.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>101</b>	<b>99.6</b>	<b>85.7</b>	<b>92.1</b>	<b>97.2</b>

# DCF calculation

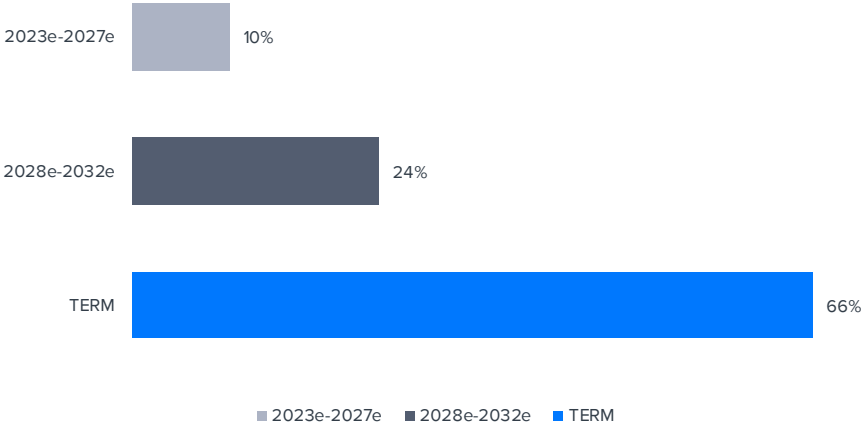
DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-2.5 %	-18.3 %	74.4 %	6.4 %	43.0 %	-8.7 %	11.0 %	7.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	-1.3 %	-32.0 %	10.7 %	13.0 %	27.6 %	25.0 %	28.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %
<b>EBIT (operating profit)</b>	<b>-0.6</b>	<b>-11.4</b>	<b>6.7</b>	<b>8.6</b>	<b>26.1</b>	<b>21.6</b>	<b>26.8</b>	<b>30.7</b>	<b>32.3</b>	<b>33.9</b>	<b>34.9</b>	
+ Depreciation	2.5	2.6	7.3	7.7	11.1	13.6	13.4	12.9	12.3	10.8	9.1	
- Paid taxes	-0.5	2.3	-1.3	-1.7	-5.2	-4.3	-5.3	-6.1	-6.4	-6.8	-7.0	
- Tax, financial expenses	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	5.6	1.4	-0.5	0.9	0.6	2.6	1.2	0.4	0.5	0.0	0.0	
<b>Operating cash flow</b>	<b>6.8</b>	<b>-5.1</b>	<b>12.1</b>	<b>15.5</b>	<b>32.5</b>	<b>33.5</b>	<b>36.1</b>	<b>38.0</b>	<b>38.7</b>	<b>38.0</b>	<b>37.0</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	-10.8	-8.6	-8.6	-8.6	-9.1	-9.6	-9.6	-9.6	-9.6	-9.6	-9.7	
<b>Free operating cash flow</b>	<b>-4.0</b>	<b>-13.7</b>	<b>3.5</b>	<b>6.9</b>	<b>23.4</b>	<b>23.9</b>	<b>26.5</b>	<b>28.4</b>	<b>29.1</b>	<b>28.4</b>	<b>27.3</b>	
+/- 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	-13.7	3.5	6.9	23.4	23.9	26.5	28.4	29.1	28.4	27.3	460
<b>Discounted FCFF</b>		<b>-12.7</b>	<b>3.0</b>	<b>5.4</b>	<b>16.7</b>	<b>15.6</b>	<b>15.8</b>	<b>15.6</b>	<b>14.6</b>	<b>13.1</b>	<b>11.5</b>	<b>194</b>
Sum of FCFF present value		293	305	302	297	280	265	249	233	219	206	194
<b>Enterprise value DCF</b>		<b>293</b>										
- Interesting bearing debt		-3.0										
+ Cash and cash equivalents		55.9										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>345</b>										
<b>Equity value DCF per share</b>		<b>25.5</b>										

## 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 %
<b>Cost of equity</b>	<b>9.1 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.1 %</b>

Source: Inderes

## Cash flow distribution



# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	41.1	44.7	43.6	35.6	62.1	EPS (reported)	0.45	0.67	-0.13	-0.68	0.38
EBITDA	14.0	14.5	1.9	-8.8	13.9	EPS (adj.)	0.45	0.67	-0.13	-0.68	0.38
EBIT	7.2	11.4	-0.6	-11.4	6.7	OCF / share	1.07	0.30	0.51	-0.38	0.89
PTP	7.0	11.3	-1.2	-11.5	6.6	FCF / share	-0.17	2.73	-0.29	-1.01	0.26
Net Income	5.4	8.8	-1.7	-9.2	5.2	Book value / share	2.99	6.69	6.57	5.75	5.99
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.10	0.10	0.17
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	51.3	101.1	99.6	85.7	92.1	Revenue growth-%	30%	9%	-3%	-18%	74%
Equity capital	36.1	87.4	88.4	77.8	81.7	EBITDA growth-%	90%	4%	-87%	-562%	-258%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	11%	57%	-105%	1925%	-158%
Net debt	-18.0	-54.7	-52.9	-37.7	-39.8	EPS (adj.) growth-%	3%	50%	-119%	429%	-157%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.0 %	32.3 %	4.4 %	-24.7 %	22.5 %
EBITDA	14.0	14.5	1.9	-8.8	13.9	EBIT (adj.)-%	17.6 %	25.5 %	-1.3 %	-32.0 %	10.7 %
Change in working capital	0.4	-7.7	5.6	1.4	-0.5	EBIT-%	17.6 %	25.5 %	-1.3 %	-32.0 %	10.7 %
Operating cash flow	12.9	4.0	6.8	-5.1	12.1	ROE-%	17.3 %	14.2 %	-2.0 %	-11.1 %	6.6 %
CAPEX	-14.9	-9.8	-10.8	-8.6	-8.6	ROI-%	20.2 %	17.1 %	-0.6 %	-13.4 %	8.2 %
Free cash flow	-2.0	35.7	-4.0	-13.7	3.5	Equity ratio	70.4 %	86.4 %	88.8 %	90.8 %	88.7 %
						Gearing	-49.8 %	-62.5 %	-59.8 %	-48.5 %	-48.7 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	11.0	10.6	5.5	7.6	4.3						
EV/EBITDA (adj.)	32.5	32.8	>100	neg.	19.3						
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	40.5						
P/E (adj.)	87.0	59.0	neg.	neg.	59.0						
P/E	13.0	6.0	3.3	4.0	3.8						
Dividend-%	0.4 %	0.4 %	0.5 %	0.4 %	0.7 %						

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
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.	

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Date	Recommendation	Target price	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 €



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Atte Riikola  
2020

**Analyysi kuuluu  
kaikille.**