

Remedy

Company report

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

✓ Inderes corporate customer

This report is a summary translation of the report “Potentiaali ennallaan lyhyen aikavälin tøyssyistä huolimatta” published on 08/15/2022 at 07:40 am.

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Potential unchanged despite short-term bumps on the road

The key takeaway from Remedy's Q2 report was that the extra time taken for Vanguard was not due to problems with the project, but a conscious decision by Remedy to try to maximize the game's long-term potential for success. At the same time, the company's recruitment and investments in external game development have progressed faster than expected, which is reflected in our lower earnings forecasts for the next few years. Despite the short-term bumps, we still believe that Remedy's stock will at some point begin to more strongly anticipate the earnings potential of current projects, against which the valuation of the stock is moderate. We reiterate our Accumulate recommendation but lower our target price to EUR 26.0 (was 34.0 EUR).

Progress in recruitment and investments in external development, which will burden the result in the short term

Remedy's Q2 revenue was at the level of the comparison period at EUR 9.4 million and operating profit deteriorated to EUR -2.4 million, below our expectations (10.4 MEUR and 0.1 MEUR). However, the faster-than-expected decline in results shows that Remedy has been very successful in recruiting and leveraging external game development in the early part of the year. This indicates that the 5 major game projects under development are progressing, although the Vanguard project ended up taking more time in the proof-of-concept phase, which led to a profit warning from Remedy in early August.

Extra time for Vanguard is the right call for the long game

Remedy's decision to give Vanguard more time and postpone expanding the project team until the middle of next year will postpone development fees from the project into the future and reduce the current year's revenue. According to Remedy, the game has made good progress this year, but certain core pillars of the game still need more development time, on which the whole game will be built later in the production phase. According to the company, the skills of the Vanguard team have grown significantly this year, so the extra time added to the project will improve the game's long-term chances of success. We also believe that the extra time taken for the project is absolutely the right decision, as making changes in the full production phase and the resulting delays would be much more expensive. In a highly competitive market, cutting the quality of the game is also not an option.

Result potential of the strategy starts to materialize in 2025-2026

In the next few years, the progress of Remedy's games in the production pipeline will require increased investment in recruitment and external development, which will weigh down the company's profitability significantly. Based on the Q2 report, cost levels in the coming years will be even higher than our previous expectations, leading us to lower our forecasts. In our estimates, with the releases of Alan Wake 2 (2023), Condor (2024), Vanguard (2024/25), and Heron (2025), and Max Payne Remake (2026), Remedy's earnings growth will be strong in the medium term, supported by growing royalty revenue.

Remedy's long-term potential remains attractive

In our estimates, royalties from Remedy's current game projects take largely place in 2025-2026, when we expect the company's revenue (81.1-89.5 MEUR) and earnings (EBIT: 18.9-21.4 MEUR) take a significant step upward. With our estimates, the share's EV/EBIT ratios (2025e-2026e: 14-12x) go down to an attractive level even with moderately successful game releases. In addition, the investor gets the option of a hit game that strikes gold. However, forecasts for 2022-2024 do not provide material support for Remedy's valuation, and in a significantly weakened stock market sentiment this year, investors' patience see out the development of story stocks for several years out has waned.

Recommendation

Accumulate

(previous Accumulate)

EUR 26.00

(previous EUR 34.00)

Share price:

22.50



Key figures

	2021	2022e	2023e	2024e
Revenue	44.7	43.7	46.2	62.9
growth-%	9%	-2%	6%	36%
EBIT adj.	11.4	-1.4	-2.5	6.3
EBIT-% adj.	25.5 %	-3.3 %	-5.5 %	10.0 %
Net Income	8.8	-2.1	-2.1	5.0
EPS (adj.)	0.67	-0.15	-0.16	0.36

P/E (adj.)	59.0	neg.	neg.	61.7
P/B	6.0	3.6	3.9	3.8
Dividend yield-%	0.4 %	0.8 %	0.8 %	0.8 %
EV/EBIT (adj.)	41.8	neg.	neg.	43.7
EV/EBITDA	33.0	>100	>100	20.2
EV/S	10.6	5.8	5.8	4.4

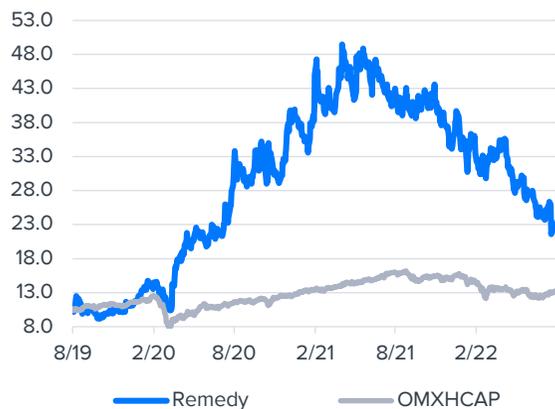
Source: Inderes

Guidance

(Unchanged)

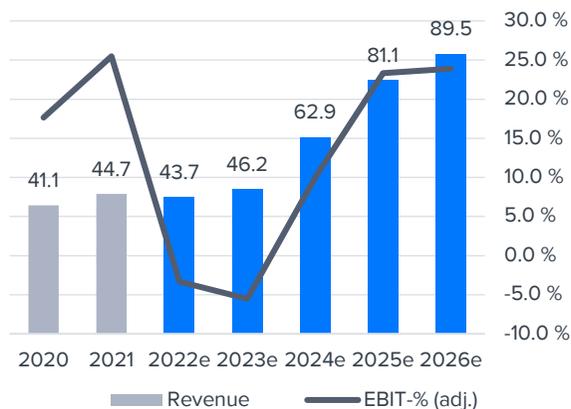
"Remedy company expects its revenue to remain at the previous year's level and its operating result to decline significantly compared to the year 2021."

Share price



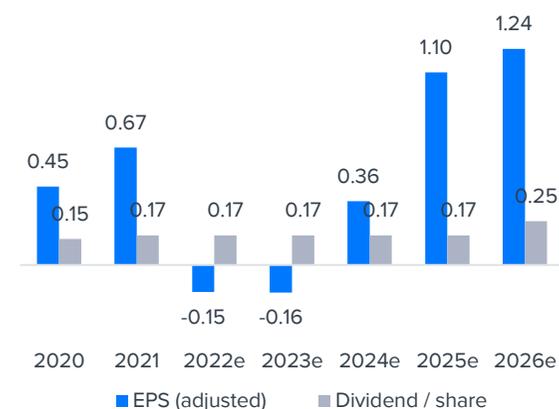
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Attractive position in value chain considering industry trends and consolidation
- 5 major game projects are being developed with strong partners
- Multi-project model creates continuity and disperses risks
- Strong track record of developing successful games
- Own game engine and game development tools create scalability and a competitive advantage



Risk factors

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

Valuation	2022e	2023e	2024e
Share price	22.5	22.5	22.5
Number of shares, millions	13.4	13.5	13.6
Market cap	301	303	306
EV	255	270	275
P/E (adj.)	neg.	neg.	61.7
P/E	neg.	neg.	61.7
P/FCF	neg.	neg.	neg.
P/B	3.6	3.9	3.8
P/S	6.9	6.6	4.9
EV/Sales	5.8	5.8	4.4
EV/EBITDA	>100	>100	20.2
EV/EBIT (adj.)	neg.	neg.	43.7
Payout ratio (%)	neg.	neg.	46.6 %
Dividend yield-%	0.8 %	0.8 %	0.8 %

Source: Inderes

Progress in recruitment and investments in external development

Revenue at the previous year's level

Remedy's Q2 revenue remained at the level of the comparison period at EUR 9.4 million, below our forecast of 10.4 MEUR. Revenue consisted mainly of development fees, most of which came from Alan Wake 2, which is in full production. In addition, development fees were received from the Vanguard, Condor and Max Payne projects. Overall, development fees (Q2'22 7.4 MEUR) represented about 79% of revenue in the quarter.

As expected, royalty revenue (Q2'22 2.0 MEUR) came in only from Control, but the volume of royalties in Q2 exceeded our forecast. Remedy did not elaborate on whether there were certain B2B deals supporting royalties in the quarter or whether the increase in royalties from Q1 (1.0 MEUR) was due to good sales. In the big picture, Control is getting quite far along in its life cycle and presumably the royalty stream generated by the game will continue to decline.

As expected, Alan Wake Remastered, released in October, had still not covered its production and marketing budget. According to Remedy, sales have so far fallen short of expectations. Remedy still sees

the project as well positioned to be a profitable project as a standalone product, with the marketing and release of Alan Wake 2 creating momentum around the brand. Remedy and Epic Games split the profits of Alan Wake games evenly once development and marketing costs financed by Epic have been recouped. With our estimated EUR 8 million budget for AWR, roughly half a million copies must be sold to recoup the costs. We expect AWR to start producing a bit of royalty revenue for Remedy later this year already.

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

Q2 result below our expectations

Remedy's Q2 operating profit was EUR -2.4 million, well below our forecast of EUR 0.1 million. The lower

profitability was due to higher external development costs and increased recruitment. In particular, external development costs were well above our forecast. However, this is positive in the longer term, as Remedy's ability to leverage external development resources has improved, which is vital to ensuring scalability as the multi-project model grows. Remedy has also been very successful in recruiting and during H1'22 as many employees as in the whole of last year have started at Remedy. In the coming years, more and more projects in the company's pipeline will move towards production, which means increased recruitment and external development efforts also in the future. The fruits of these investments will be reaped when the games now in development are launched.

Remedy's cash position is very strong thanks to the directed share issue in early 2021 (which, in retrospect, was well-timed from a share valuation perspective). At the end of Q2, cash and financial securities amounted to EUR 60.4 million. The strong balance sheet gives the company considerable room for maneuver in the investment phase of the coming years.

Estimates MEUR / EUR	Q2'21	Q2'22	Q2'22e	Q2'22e	Consensus		Difference (%)	2022e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	9.4	9.4	10.4				-10%	43.7
EBITDA	2.3	-1.8	0.6				-402%	0.9
EBIT (adj.)	1.5	-2.4	0.1				-2292%	-1.4
EPS (reported)	0.08	-0.19	0.00				-5401%	-0.15
Revenue growth-%	3.2 %	-0.2 %	10.4 %				-10.6 pp	-2.4 %
EBIT-% (adj.)	15.7 %	-25.6 %	1.1 %				-26.7 pp	-3.3 %

Source: Inderes

Result potential of the strategy starts to materialize in 2025-2026

Estimates cuts due to the profit warning and higher-than-expected cost level

Remedy lowered its outlook for the current year in early August due to lower-than-expected royalty rates and the additional time needed for the Vanguard project, which will result in fewer development fees this year than previously planned. The outlook was naturally reconfirmed in the Q2 report. Remedy's lowered guidance expects 2022 revenue to remain at the level of the previous year (2021: 44.7 MEUR) and operating profit (2021: 11.4 MEUR) to decrease significantly from the previous year.

We have now updated our estimates to take into account the profit warning, and based on Q2 cost levels, we have raised our cost estimates for the coming years. In particular, investments in external game development appear to be higher than we had previously expected. For the game-specific revenue estimates, we revised our assumption of the release of Vanguard. As a result, the 2025 royalty estimate and hence the profit estimate decreased.

We also revised our long-term growth and profitability assumptions to be more conservative,

which naturally had a clear impact on the value given by our DCF calculation. We now expect Remedy to achieve an operating margin of around 30% in the long term (was 33%). As the company's strategy progresses, the levels we assumed earlier are possible for the company, but the potential profitability range is wide, reflecting the nature of Remedy's business model.

Estimates for the coming years

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.

We now expect Remedy's revenue to decline by 2% this year to EUR 43.7 million. With low royalty income, increasing recruitment, external game development and rising other costs, we expect EBIT to turn into a

loss of EUR -1.4 million. In 2023, we forecast revenue growth of 6%, but Alan Wake 2 will not start generating royalties until 2024. As Remedy's cost structure continues to rise, we expect 2023 EBIT to deteriorate to EUR -2.5 million. In 2024, mainly driven by royalties from Alan Wake 2, we forecast Remedy's revenue to grow by 36% and operating profit to reach EUR 6.3 million. Then, a significant amount of development fees will be recorded from the Max Payne project.

We forecast Condor and Vanguard to start generating royalties for Remedy in 2025. We also expect the release of the Heron project (Control 2) to be scheduled for H1'25 and in total Remedy to generate revenue from at least 9 game projects released or in development. In 2024-2025 we estimate that Remedy will start new game projects, which may generate revenue through release contracts and development fees. In 2026, we expect Max Payne Remake to be released and revenue to come from the same sources as the previous year. We forecast Remedy's revenue for 2025-2026 to increase to EUR 81.1-89.5 million and EBIT to EUR 18.9-21.4 million, corresponding to an EBIT margin of 23-24%.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	48.1	43.7	-9%	46.6	46.2	-1%	61.7	62.9	2%
EBITDA	8.7	0.9	-89%	3.5	0.1	-99%	16.2	13.7	-15%
EBIT (exc. NRIs)	6.7	-1.4	-121%	0.6	-2.5	-502%	8.8	6.3	-28%
EBIT	6.7	-1.4	-121%	0.6	-2.5	-502%	8.8	6.3	-28%
PTP	6.5	-2.1	-133%	0.5	-2.6	-595%	8.7	6.2	-29%
EPS (excl. NRIs)	0.39	-0.15	-140%	0.03	-0.16	-595%	0.51	0.36	-29%
DPS	0.17	0.17	0%	0.17	0.17	0%	0.17	0.17	0%

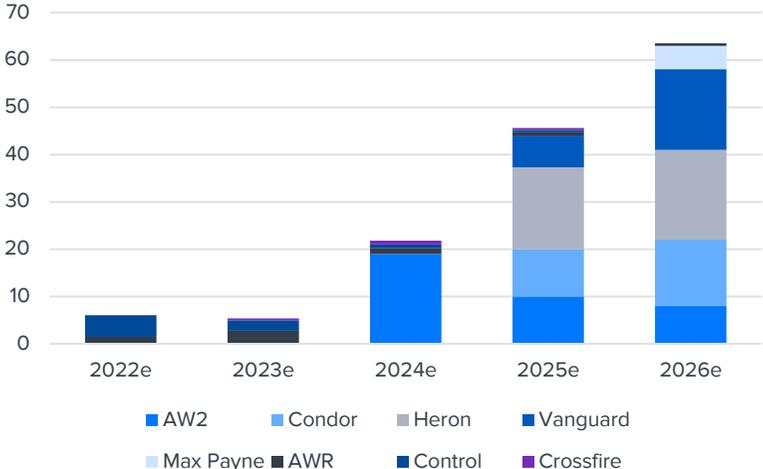
Strategy in light of game projects

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

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

Underlying assumptions for revenue estimates

Roalty assumptions per game (MEUR)



Revenue and profitability



Source: Inderes

Remedy's game projects and partners



Control

Published
Q3'19

Budget
~30 MEUR



Condor

Moving
to production
readiness

Budget
~25 MEUR



**Heron
(Control 2*)**

Concept

Budget
~40 MEUR



**Crossfire HD
Crossfire X**

Published
Q4'21/ Q1'22

Budget
~30 MEUR



**Alan Wake
Remastered**

Published
Q4'21

Budget**
~7 MEUR



Alan Wake II

Production

Budget**
~ 50 MEUR



Vanguard

Proof-of-
concept

Budget**
~45 MEUR

40%**

>60%**
(Western market)



**Max Payne
Remake**

Concept

Budget**
~45 MEUR

0%

20-30%**

Remedy's share of
the budget: 45 %
Remedy's share
of net sales: 45 %



**Smilegate
Entertainment**



Tencent



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 return/risk ratio of the company's business model. We believe the likelihood of complete failures in game projects is extremely low but one of future projects can become an actual hit game. The revenue potential of a single game varies from tens of millions to well over hundreds of million euros, so the range of possible outcomes is wide. With successful ramp-up of the multi-project model, the release rate of games also quickens and the number of "success options" increases. We estimate that even with only relatively well succeeding games, Remedy's growth outlook is good far into the future.

In the short term, tight valuation and bumps in the growth story limit the share upside potential

We don't expect Remedy's share price to be materially supported by earnings multiples for 2022-2024, as investments in game projects under development will continue to weigh on earnings in the coming years. With our estimates for 2022-2023, the result will be negative, and the royalties from Alan Wake 2 alone won't be enough to make the earnings level and thus valuation reasonable in 2024 (EV/EBIT 44x). However, the level of earnings in the coming years does not yet in any way reflect the full royalty potential of Remedy's future game projects, which is why we believe the valuation should be viewed in

light of the company's long-term growth prospects. However, we believe that the tight valuation limits the upside to the stock in the short term, as the lower outlook and postponing the release of Vanguard put a small dent in the company's growth story. In a weakened stock market sentiment this year, investors' patience to look several years ahead at the development of story stocks has also waned.

In our estimates, royalties from Remedy's presently ongoing game projects take largely place in 2025-2026, when we expect the company's revenue and earnings go up a significant step. With our estimates, the share's EV/EBIT ratios (2025e-2026e: 14x-12x) go down to an attractive level, as we expect Remedy's growth outlook to remain strong after that too.

Despite the short-term bumps, we still believe that Remedy's share price will at some point begin to more strongly anticipate the earnings potential of current projects. The exact timing of this is obviously challenging, but one of the key drivers will be the launch of Alan Wake 2 next year. In the case of Remedy, investors should continue to be prepared to tolerate high price volatility, as in the short term, changes in expectations for future games can cause significant volatility in the stock

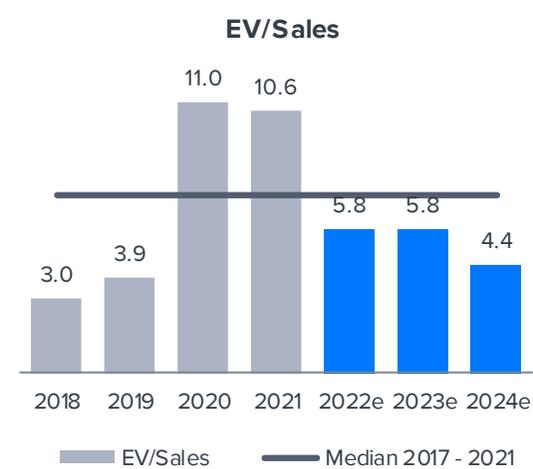
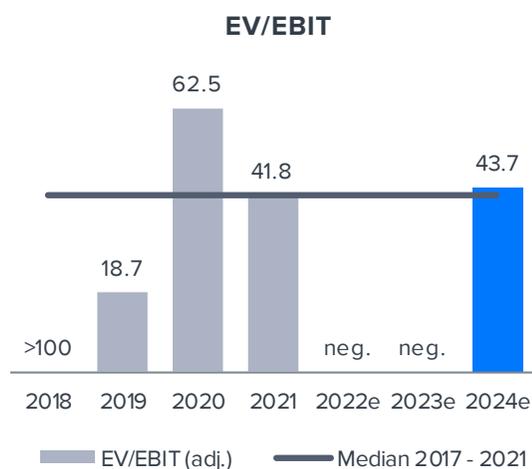
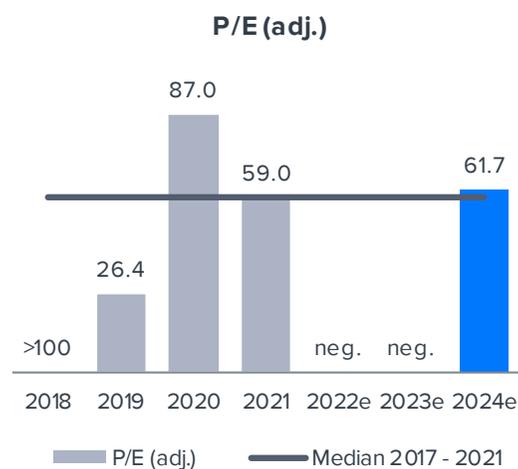
Valuation	2022e	2023e	2024e
Share price	22.5	22.5	22.5
Number of shares, millions	13.4	13.5	13.6
Market cap	301	303	306
EV	255	270	275
P/E (adj.)	neg.	neg.	61.7
P/E	neg.	neg.	61.7
P/FCF	neg.	neg.	neg.
P/B	3.6	3.9	3.8
P/S	6.9	6.6	4.9
EV/Sales	5.8	5.8	4.4
EV/EBITDA	>100	>100	20.2
EV/EBIT (adj.)	neg.	neg.	43.7
Payout ratio (%)	neg.	neg.	46.6 %
Dividend yield-%	0.8 %	0.8 %	0.8 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	6.70	11.5	39.0	39.7	22.5	22.5	22.5	22.5
Number of shares, millions	12.1	12.1	12.1	13.1	13.4	13.5	13.6	13.7
Market cap	81	138	471	528	301	303	306	308
EV	61	122	453	476	255	270	275	263
P/E (adj.)	>100	26.4	87.0	59.0	neg.	neg.	61.7	20.4
P/E	>100	26.4	87.0	59.0	neg.	neg.	61.7	20.4
P/FCF	neg.	neg.	neg.	16.1	neg.	neg.	neg.	18.5
P/B	3.6	5.2	13.0	6.0	3.6	3.9	3.8	3.3
P/S	4.0	4.4	11.5	11.8	6.9	6.6	4.9	3.8
EV/Sales	3.0	3.9	11.0	10.6	5.8	5.8	4.4	3.2
EV/EBITDA	55.2	16.6	32.5	33.0	>100	>100	20.2	9.7
EV/EBIT (adj.)	>100	18.7	62.5	41.8	neg.	neg.	43.7	13.9
Payout ratio (%)	226.8 %	25.4 %	36.2 %	25.7 %	neg.	neg.	46.6 %	15.4 %
Dividend yield-%	1.5 %	1.0 %	0.4 %	0.4 %	0.8 %	0.8 %	0.8 %	0.8 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E	
			2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Frontier Developments	747	733	88.2	31.9	17.8	13.1	5.5	4.6	82.2	35.3
Embracer	8825	10232			15.8	8.3	6.6	2.8	12.4	10.6
CD Projekt	2029	1806	27.6	23.4	21.2	17.2	9.7	8.8	31.6	27.9
Paradox Interactive	1739	1697	23.7	21.3	14.3	12.2	9.3	8.1	31.0	28.0
Team17	792	730	16.0	14.0	14.3	12.7	4.9	4.5	20.6	19.2
Playway	463	417	14.0	14.3	13.9	14.2	8.5	8.6	21.4	16.3
11 Bit Studios	260	239	84.4	8.3	48.5	7.3	19.6	5.2	128.1	9.6
Enad Global 7	147	145		7.6	3.8	3.4	0.9	0.9		13.2
Tinybuild	282	240	10.6	9.4	9.6	8.5	3.8	3.5	15.9	14.0
Remedy (Inderes)	301	255	-177.3	-106.0	272.1	5313.5	5.8	5.8	-145.8	-143.2
Average			35.5	14.7	16.0	10.8	7.4	4.8	38.3	19.3
Median			21.7	14.0	14.3	12.2	6.0	4.6	21.4	16.3
Diff- % to median			-	-	-	-	-3%	28%	-	-

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

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	41.1	8.1	9.4	7.4	19.8	44.7	12.7	9.4	10.5	11.1	43.7	46.2	62.9	81.1
Development fees	26.0	6.1	6.1	5.3	18.3	35.8	11.6	7.4	9.2	9.3	37.6	40.8	41.1	35.5
Royalties	15.0	2.0	3.3	2.1	1.5	8.9	1.0	2.0	1.3	1.8	6.1	5.4	21.8	45.6
EBITDA	14.0	0.9	2.3	0.4	10.9	14.5	3.3	-1.8	-0.4	-0.2	0.9	0.1	13.7	27.2
Depreciation	-6.7	-1.1	-0.8	-0.6	-0.5	-3.0	-0.6	-0.6	-0.6	-0.6	-2.4	-2.6	-7.4	-8.3
EBIT (excl. NRI)	7.2	-0.2	1.5	-0.2	10.3	11.4	2.8	-2.4	-1.0	-0.8	-1.4	-2.5	6.3	18.9
EBIT	7.2	-0.2	1.5	-0.2	10.3	11.4	2.8	-2.4	-1.0	-0.8	-1.4	-2.5	6.3	18.9
Net financial items	-0.2	0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.5	-0.1	-0.1	-0.7	-0.1	-0.1	-0.1
PTP	7.0	0.0	1.3	-0.2	10.3	11.3	2.7	-2.9	-1.0	-0.9	-2.1	-2.6	6.2	18.8
Taxes	-1.6	0.0	-0.3	-0.2	-2.1	-2.5	-0.5	0.2	0.2	0.2	0.1	0.5	-1.2	-3.8
Net earnings	5.4	0.0	1.0	-0.4	8.2	8.8	2.2	-2.7	-0.8	-0.7	-2.1	-2.1	5.0	15.1
EPS (adj.)	0.45	0.00	0.08	-0.03	0.61	0.67	0.16	-0.20	-0.06	-0.05	-0.15	-0.16	0.36	1.10
EPS (rep.)	0.45	0.00	0.08	-0.03	0.61	0.67	0.16	-0.20	-0.06	-0.05	-0.15	-0.16	0.36	1.10
Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	29.8 %	3.4 %	3.2 %	-25.4 %	39.4 %	8.9 %	55.9 %	-0.2 %	41.9 %	-43.9 %	-2.4 %	5.8 %	36.1 %	28.9 %
Adjusted EBIT growth-%	11%	-119%	-29%	-106%	1506%	57%	-1474%	-263%	367%	-108%	-112.6 %	-	-	200.8 %
EBITDA-%	34.0 %	10.7 %	24.7 %	5.0 %	55.0 %	32.3 %	26.4 %	-19.3 %	-3.7 %	-1.8 %	2.1 %	0.1 %	21.7 %	33.6 %
Adjusted EBIT-%	17.6 %	-2.5 %	15.7 %	-2.9 %	52.3 %	25.5 %	21.8 %	-25.6 %	-9.4 %	-7.2 %	-3.3 %	-5.5 %	10.0 %	23.3 %
Net earnings-%	13.2 %	-0.4 %	10.7 %	-4.8 %	41.3 %	19.7 %	17.1 %	-29.0 %	-7.9 %	-6.1 %	-4.7 %	-4.6 %	7.9 %	18.6 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	13.4	23.1	30.5	38.5	41.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	22.9	31.3	35.7
Tangible assets	5.2	4.3	3.9	3.5	2.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	3.0	3.0	3.0	3.0
Other non-current assets	0.6	0.7	0.7	0.7	0.7
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	37.9	78.1	63.1	50.5	50.2
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	14.2	22.5	15.3	16.2	18.9
Cash and equivalents	23.7	55.5	47.9	34.4	31.3
Balance sheet total	51.3	101	93.6	89.0	91.9

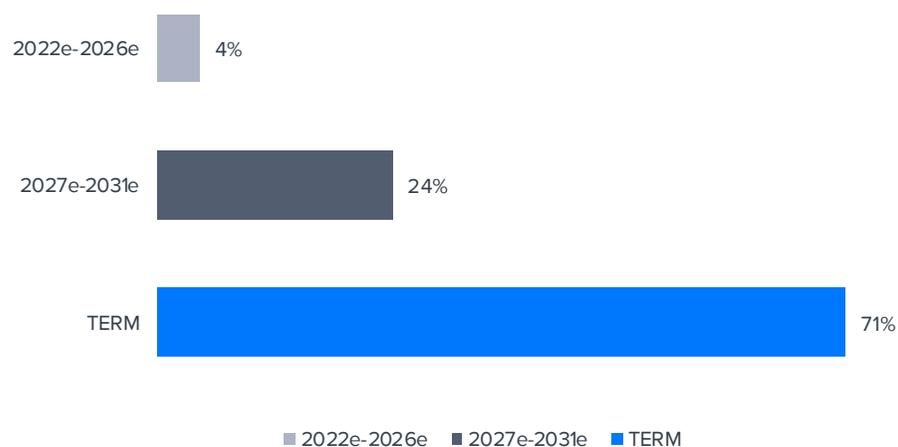
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	36.1	87.4	83.1	78.7	81.4
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.2	31.5	27.2	22.8	25.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	13.7	55.8	55.8	55.8	55.8
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	4.0	2.1	0.9	0.9	0.9
Deferred tax liabilities	0.2	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	3.9	2.1	0.9	0.9	0.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	11.1	11.7	9.6	9.4	9.6
Short term debt	1.8	1.8	0.9	0.2	0.2
Payables	9.3	9.8	8.7	9.2	9.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	51.3	101	93.6	89.0	91.9

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	11.4	-1.4	-2.5	6.3	18.9	21.4	23.0	28.4	31.9	33.5	34.5	
+ Depreciation	3.0	2.4	2.6	7.4	8.3	12.4	15.6	15.4	15.0	15.7	11.1	
- Paid taxes	-2.7	0.1	0.5	-1.2	-3.8	-4.3	-4.6	-5.7	-6.4	-6.7	-6.9	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-7.7	6.1	-0.4	-2.5	3.8	1.2	2.2	1.3	0.5	0.5	0.0	
Operating cash flow	4.0	7.1	0.2	9.9	27.2	30.8	36.2	39.4	41.0	43.1	38.7	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-12.8	-9.8	-10.6	-10.6	-10.6	-10.8	-11.1	-11.3	-11.4	-11.5	-11.7	
Free operating cash flow	-8.8	-2.7	-10.4	-0.7	16.6	20.0	25.1	28.1	29.6	31.6	27.0	
+/- Other	41.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	32.7	-2.7	-10.4	-0.7	16.6	20.0	25.1	28.1	29.6	31.6	27.0	488
Discounted FCFF		-2.6	-9.3	-0.6	12.5	13.9	16.0	16.5	16.0	15.7	12.4	223
Sum of FCFF present value		314	317	326	326	314	300	284	267	251	236	223
Enterprise value DCF		314										
- Interesting bearing debt		-3.9										
+ Cash and cash equivalents		55.5										
-Minorities		0.0										
-Dividend/capital return		-2.3										
Equity value DCF		363										
Equity value DCF per share		27.1										

Cash flow distribution



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

Source: Inderes

Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	31.6	41.1	44.7	43.7	46.2	EPS (reported)	0.43	0.45	0.67	-0.15	-0.16
EBITDA	7.4	14.0	14.5	0.9	0.1	EPS (adj.)	0.43	0.45	0.67	-0.15	-0.16
EBIT	6.5	7.2	11.4	-1.4	-2.5	OCF / share	-0.04	1.07	0.30	0.53	0.01
PTP	6.6	7.0	11.3	-2.1	-2.6	FCF / share	-0.25	-0.17	2.50	-0.20	-0.77
Net Income	5.2	5.4	8.8	-2.1	-2.1	Book value / share	2.19	2.99	6.69	6.20	5.84
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.11	0.15	0.17	0.17	0.17
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	35.9	51.3	101.1	93.6	89.0	Revenue growth-%	57%	30%	9%	-2%	6%
Equity capital	26.4	36.1	87.4	83.1	78.7	EBITDA growth-%	568%	90%	4%	-94%	-95%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	973%	11%	57%	-113%	77%
Net debt	-15.9	-18.0	-51.7	-46.1	-33.3	EPS (adj.) growth-%	884%	3%	50%	-123%	2%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	23.2 %	34.0 %	32.3 %	2.1 %	0.1 %
EBITDA	7.4	14.0	14.5	0.9	0.1	EBIT (adj.)-%	20.6 %	17.6 %	25.5 %	-3.3 %	-5.5 %
Change in working capital	-6.5	0.4	-7.7	6.1	-0.4	EBIT-%	20.6 %	17.6 %	25.5 %	-3.3 %	-5.5 %
Operating cash flow	-0.5	12.9	4.0	7.1	0.2	ROE-%	21.5 %	17.3 %	14.2 %	-2.4 %	-2.6 %
CAPEX	-2.5	-14.9	-12.8	-9.8	-10.6	ROI-%	23.6 %	20.2 %	17.1 %	-1.6 %	-3.1 %
Free cash flow	-3.0	-2.0	32.7	-2.7	-10.4	Equity ratio	73.5 %	70.4 %	86.4 %	88.8 %	88.4 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	-60.2 %	-49.8 %	-59.1 %	-55.4 %	-42.3 %
EV/S	3.9	11.0	10.6	5.8	5.8						
EV/EBITDA (adj.)	16.6	32.5	33.0	>100	>100						
EV/EBIT (adj.)	18.7	62.5	41.8	neg.	neg.						
P/E (adj.)	26.4	87.0	59.0	neg.	neg.						
P/E	5.2	13.0	6.0	3.6	3.9						
Dividend-%	1.0 %	0.4 %	0.4 %	0.8 %	0.8 %						

Source: Inderes

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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 €
2/19/2018	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 €



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Itämerentori 2

FI-00180 Helsinki, Finland

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