

Remedy

Company report

9/5/2024



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

✓ Inderes corporate customer

This report is a summary translation of the report “Ennusteet päivitetty Control 2:n osalta” published on 9/5/2024 at 7:52 am EEST

inde
res.

Forecasts updated for Control 2

We have updated our forecast to include the [strategic partnership agreement](#) signed last week with Annapurna for Control 2. We had previously assumed that Remedy would fund the game entirely on its own and raise additional funds to do so. This agreement is more balanced from a risk perspective and has eliminated the need for additional funding that we had anticipated. At the same time, the deal offers good royalty potential and a low-risk opportunity to reach new audiences through movies and TV series. Overall, we think the deal is good for Remedy, and it is likely that we will hear about decisions regarding Condor soon as well. We reiterate our Accumulate recommendation for Remedy and revise our target price to EUR 21.00 (was EUR 20.00).

A balanced deal from a risk/reward perspective

Under the terms of the agreement, Annapurna will fund 50% of the development budget for Control 2 (we estimate 50 MEUR) and will have the rights to extend the Control and Alan Wake franchises into film and television. Remedy and Annapurna will split the game's revenue equally until the game's production budget is recouped. Remedy will then receive a larger share of game sales, since as the publisher of the game, the company is also responsible for marketing costs (at least 10-30% of the production budget for a typical AAA game). Thus, Remedy's share after recouping the development budget could be estimated at around 60-75% of sales revenues. In return, Annapurna will receive a greater share of audiovisual productions in which Remedy does not have to invest capital. We expect the contract to result in development fees of 7 MEUR for Q3, retroactively, in proportion to the development done so far on Control 2. Considering this and future development fees, Remedy's cash position (Q2'24: 26.1 MEUR) appears to be sufficient to finance the next projects and to pay the two remaining installments for the Control rights to 505 Games.

Annapurna deal provides development fees for the next few years, but takes a cut of Control 2 royalties

As a result of the agreement, Remedy will receive 25 MEUR of development fees from the development of Control 2 between 2024 and 2027, which has increased the revenue and profit forecasts for the coming years. If the payments we expect from the Condor contract are realized at the end of the year, we forecast that the operating result for the current year will turn positive at 5.4 MEUR. In turn, Control 2 royalty forecasts have been lowered (expected release H1'27). After recouping the development budget, we now assume that Annapurna's share of sales revenues will be 30%. We will update our forecasts again once the negotiations on Condor are completed. At that time, Remedy should also provide a revised outlook for this year.

The long game remains interesting

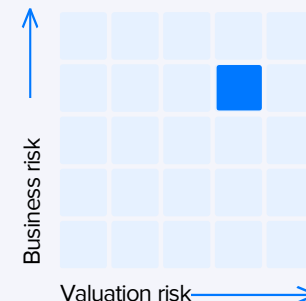
Due to the timing of game releases, Remedy's earnings development, and therefore valuation multiples, will continue to fluctuate on an annual basis for a long time in our estimates, and the more consistent strong earnings performance enabled by the multi-project model will not materialize until the 2030s. Based on our projections, earnings multiples for the coming years do not support the valuation and EV/S multiples (2024e-2025e ~4x) are quite high. The value of our DCF model, which assumes successful game releases in the long term, is now EUR 22.6. Naturally, the model is very sensitive to key assumptions, and in Remedy's case, a single game can generate a big surprise in both directions. Overall, Remedy's steps toward taking greater responsibility for its game projects increase the long-term potential, compared to which the current valuation of the stock appears interesting.

Recommendation

Accumulate
(was Accumulate)

21.00 EUR
(was 20.00 EUR)

Share price:
17.50



Key figures

	2023	2024e	2025e	2026e
Revenue	33.9	60.8	57.6	60.7
growth-%	-22%	79%	-5%	5%
EBIT adj.	-28.6	5.4	-3.4	-5.5
EBIT-% adj.	-84.4 %	8.8 %	-5.8 %	-9.1 %
Net Income	-22.7	4.5	-2.7	-4.4
EPS (adj.)	-1.68	0.33	-0.20	-0.32

P/E (adj.)	neg.	53.1	neg.	neg.
P/B	5.1	3.2	3.2	3.3
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	41.7	neg.	neg.
EV/EBITDA	neg.	24.6	>100	>100
EV/S	9.3	3.7	4.0	3.9

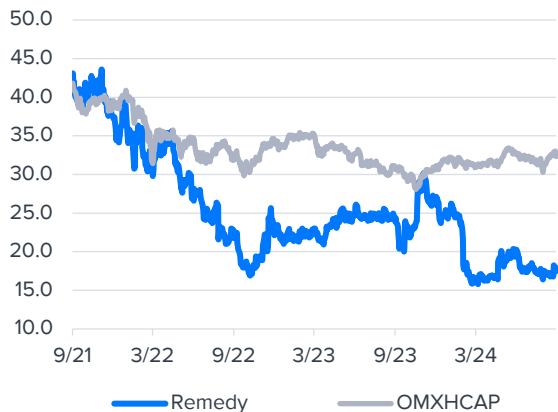
Source: Inderes

Guidance

(Unchanged)

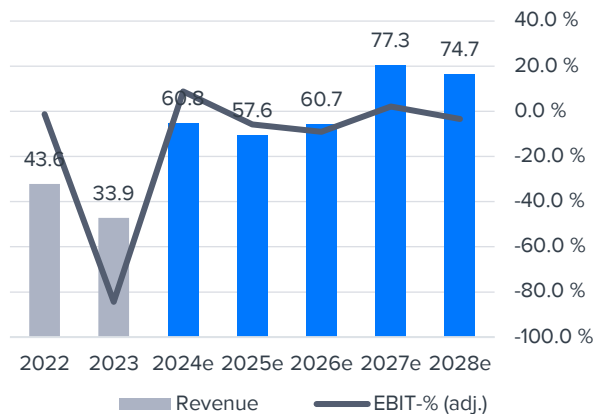
“Remedy expects its revenue to increase from the previous year and operating profit (EBIT) to improve.”

Share price



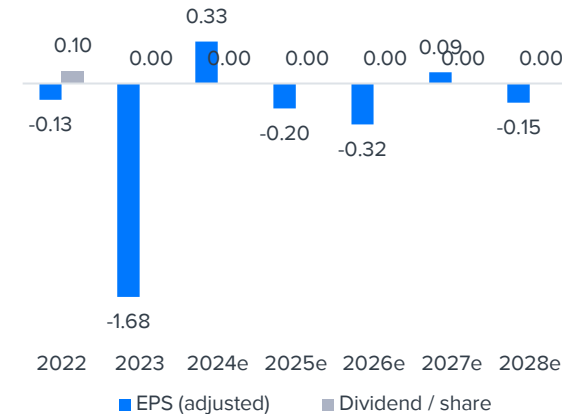
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Alan Wake 2 sales development
- Attractive position in value chain considering industry trends and consolidation
- Self-owned game brands (Alan Wake and Control)
- 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 and players' time and money in the games industry
- Technology and market trends
- Changes in expectations for future games can cause significant volatility in the stock

Valuation	2024e	2025e	2026e
Share price	17.5	17.5	17.5
Number of shares, millions	13.6	13.7	13.8
Market cap	238	239	241
EV	224	233	238
P/E (adj.)	53.1	neg.	neg.
P/E	53.1	neg.	neg.
P/B	3.2	3.2	3.3
P/S	3.9	4.2	4.0
EV/Sales	3.7	4.0	3.9
EV/EBITDA	24.6	>100	>100
EV/EBIT (adj.)	41.7	neg.	neg.
Payout ratio (%)	0.0 %	0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Estimates revised for Control 2

Estimate revisions

- We had earlier assumed that Remedy would fund Control 2 entirely on its own and raise additional funds to do so. This agreement with Annapurna is more balanced from a risk perspective and has eliminated the need for additional funding that we had anticipated.
- As a result of the agreement, Remedy will receive 25 MEUR of development fees from the development of Control 2 between 2024 and 2027, which has increased the revenue forecasts for the coming years. We anticipate 7 MEUR of retroactive development fees for Q3'24 in proportion to the development already done on the game.
- In turn, Control 2 royalty forecasts have been lowered. After recouping the development budget, we now assume that Annapurna's share of sales revenues will be 30%.
- For the other projects, our assumptions are unchanged and we will update our assumptions as soon as decisions are made on Condor as well. We currently expect Remedy to take on a partner to fund half of Condor. With this in mind, we expect the signing of the Condor agreement to generate development fees of around 10 MEUR in Q4'24, with which the new partner will “buy in” to the project. An interesting option regarding Condor, we think, would be to work with Sony or Microsoft. In this case, Condor could be immediately introduced to the masses on subscription services for these platforms (Playstation Plus / Game Pass), Remedy would receive some compensation for this and Condor would potentially get a flying start in terms of player numbers.
- At this point, we have not included any revenue from possible future Control and Alan Wake TV series or movies in our projections.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	52.8	60.8	15%	52.1	57.6	11%	51.7	60.7	17%
EBITDA	1.1	9.1	729%	-3.9	1.6	140%	-8.0	1.9	124%
EBIT (exc. NRIs)	-2.6	5.4	304%	-8.9	-3.4	62%	-15.4	-5.5	64%
EBIT	-2.6	5.4	304%	-8.9	-3.4	62%	-15.4	-5.5	64%
PTP	-2.1	5.9	390%	-8.9	-3.4	62%	-15.4	-5.5	64%
EPS (excl. NRIs)	-0.14	0.33	332%	-0.52	-0.20	62%	-0.90	-0.32	64%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Strategy in light of game projects

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031
Control	Royalties \$	\$	\$	\$					
Alan Wake Remastered	Royalties \$	\$	\$	\$	\$	\$			
Alan Wake 2	Development fees \$\$\$	Royalties \$\$\$	\$\$\$	\$\$\$	\$\$/\$\$\$	\$\$	\$	\$	\$
Condor	Development fees \$/\$\$	Development fees \$\$\$	Release in Q3 \$\$\$	Royalties \$\$\$	\$\$\$	\$\$\$	\$\$/\$\$\$	\$/\$\$	\$/\$\$
Control 2	Development fees \$\$	Development fees \$\$\$	Development fees \$\$\$	Development fees \$\$\$	Release in H1 \$\$\$	Royalties \$\$\$	\$\$\$	\$\$/\$\$\$	\$/\$\$
Max Payne	Development fees \$\$	Development fees \$\$\$	Development fees \$\$\$	Release in H1 \$\$\$	Royalties \$\$/\$\$\$	\$\$/\$\$\$	\$\$/\$\$\$	\$/\$\$	\$
Next game projects*					Development fees or self-publishing ?/\$\$\$?/\$\$\$?/\$\$\$	"Alan Wake 3" publication \$\$\$	Royalties \$\$\$
						Development fees or self-publishing ?/\$\$\$?/\$\$\$?/\$\$\$	"Control 3" publication \$\$\$
							Development fees or self-publishing ?/\$\$\$?/\$\$\$?/\$\$\$

Source: Inderes, *Inderes' estimates of future projects

Underlying assumptions for revenue estimates 1/2

AW2 assumptions in the estimate model

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Average price (€)	60	55	55	55	50	45	45	45	45	40
Sales volume (millions of copies)	0.30	0.70	0.40	0.35	0.30	0.55	0.40	0.35	0.30	0.40
Project income (MEUR)	11	24	14	12	9	15	11	10	8	10
Remedy's royalties (MEUR)	0	0	0	0	0.3	7.7	5.6	4.9	4.2	5.0
Cumulative copies sold (million)	0.3	1.0	1.4	1.8	2.1	2.6	3.0	3.4	3.7	4.1
Cumulative project income (MEUR)	11	35	49	61	71	86	97	107	116	126
Remedy's cumulative royalties (MEUR)		0	0	0	0.3	8.1	13.7	18.6	22.8	27.8

Current projects under development

Control 2 (self-publication, 50% funded by Annapurna)

Marketing budget 15 MEUR
Production budget 50 MEUR

	2027	2028	2029
Sales volume (millions of copies)	1.8	2.2	1.0
Average price (€)	60	50	45

Max Payne 1&2 (subcontracting)

Marketing budget 25 MEUR
Production budget 60 MEUR
Remedy's share of royalties 15%

	26-27	2028	2029
Sales volume (millions of copies)	4.1	1.5	1.2
Average price (€)	60	50	45

Condor (self-publication, 50% funded by partner)

Marketing budget 30% of development budget (25 MEUR)
Assumption: The game generates around 2x the capital invested in the project during the first 3 years

Remedy's share of royalties 50%
Source: Inderes

Assumptions of future game projects

"Alan Wake 3" (self-publication)

Marketing budget 25 MEUR

	2030	2031	2032
Sales volume (millions of copies)	1.7	2.2	1.3
Average price (€)	70	60	50

"Control 3" (self-publication)

Marketing budget 25 MEUR

	2031	2032	2033
Sales volume (millions of copies)	1.7	2.2	1.3
Average price (€)	70	60	50

Underlying assumptions for the calculation

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

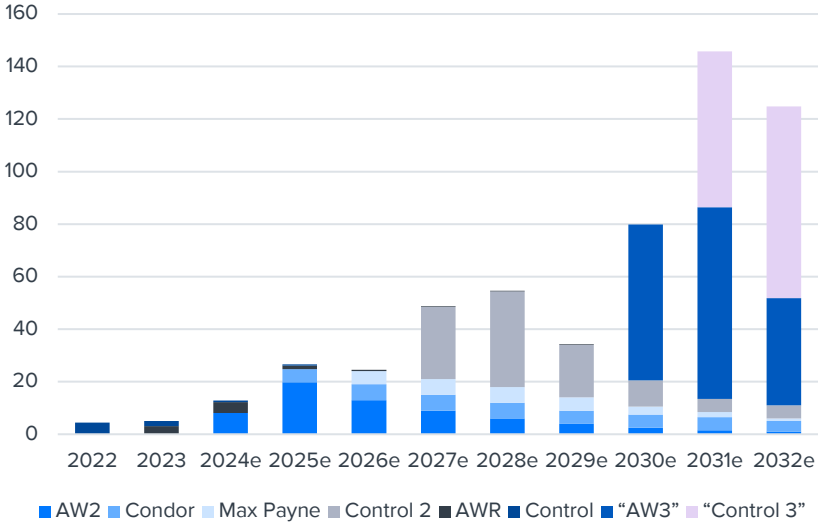
→ AW2 needs to sell around 2 million copies under these assumptions to cover the production and marketing costs funded by Epic and to start generating royalties for Remedy.

Underlying assumptions for the calculation

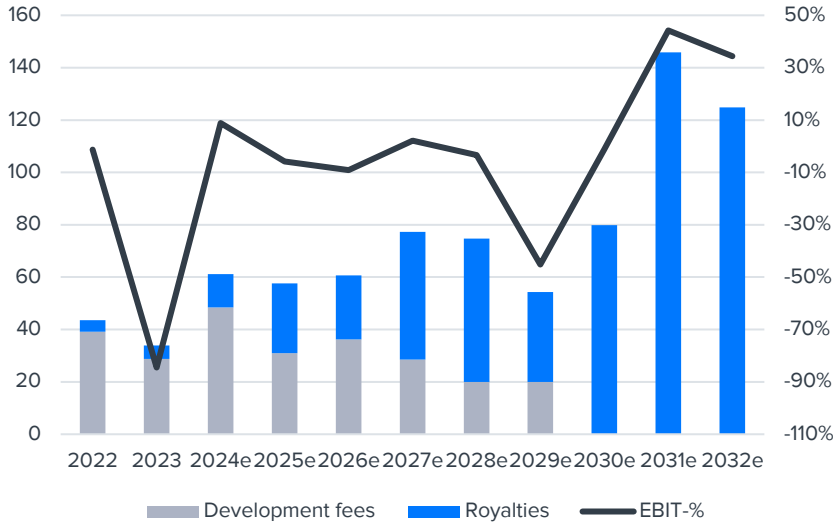
- Value added tax 20%
- Distribution cost 25%
- Marketing costs deducted from the sales of the game before calculating royalties
- We expect Remedy to be able with its current organization (with assumed increase in costs) to start and self-publish the next game projects

Underlying assumptions for revenue estimates 2/2

Assumptions on royalties per game (EUR)




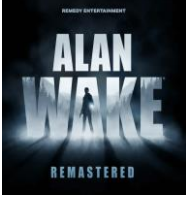








Revenue and profitability



Source: Inderes

Remedy's game projects and partners

						
	Control	Condor	Control 2	Alan Wake Remastered	Alan Wake 2	Max Payne 1&2 remake
	Released Q3'19	Production	Production readiness	Released Q4'21	Released Q3'23	Production
	Budget ~30 MEUR	Budget ~25 MEUR	Budget ~50 MEUR	Budget ~ 8 MEUR ¹	Budget ~ 60 MEUR ¹	Budget ~60 MEUR ¹
Remedy's share of the production budget:	45% ⁴	?	50%		0% ³	0%
Remedy's share of revenue:	45% ⁴		60-75% ⁵		50%	10-30% ¹
Recoup ² before the royalties to Remedy?				✓	✓	✓
		?				

Source: Inderes, ¹Inderes' rough estimates of the production budgets and profit splits.

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

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

⁴ Old publishing agreement with 505 Games.

⁵ Remedy will be the publisher of the game and will be responsible for marketing costs, thus getting a bigger share of the game sales. The game's revenue will be split equally until the game's production bu

Gauging Remedy's long-term potential

Share price in different scenarios

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		23.6	28.9	34.3	39.6	45.0
30%		27.9	34.3	40.7	47.1	53.6
35%		32.1	39.6	47.1	54.6	62.1
40%		36.4	45.0	53.6	62.1	70.7

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		30.7	37.9	45.0	52.1	59.3
30%		36.4	45.0	53.6	62.1	70.7
35%		42.1	52.1	62.1	72.1	82.1
40%		47.9	59.3	70.7	82.1	93.6

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		37.9	46.8	55.7	64.6	73.6
30%		45.0	55.7	66.4	77.1	87.9
35%		52.1	64.6	77.1	89.6	102.1
40%		59.3	73.6	87.9	102.1	116.4

Annual expected return 2030

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		5%	8%	11%	14%	16%
30%		8%	11%	14%	17%	19%
35%		10%	14%	17%	20%	22%
40%		12%	16%	19%	22%	25%

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		9%	13%	16%	19%	21%
30%		12%	16%	19%	22%	25%
35%		15%	19%	22%	25%	28%
40%		17%	21%	25%	28%	30%

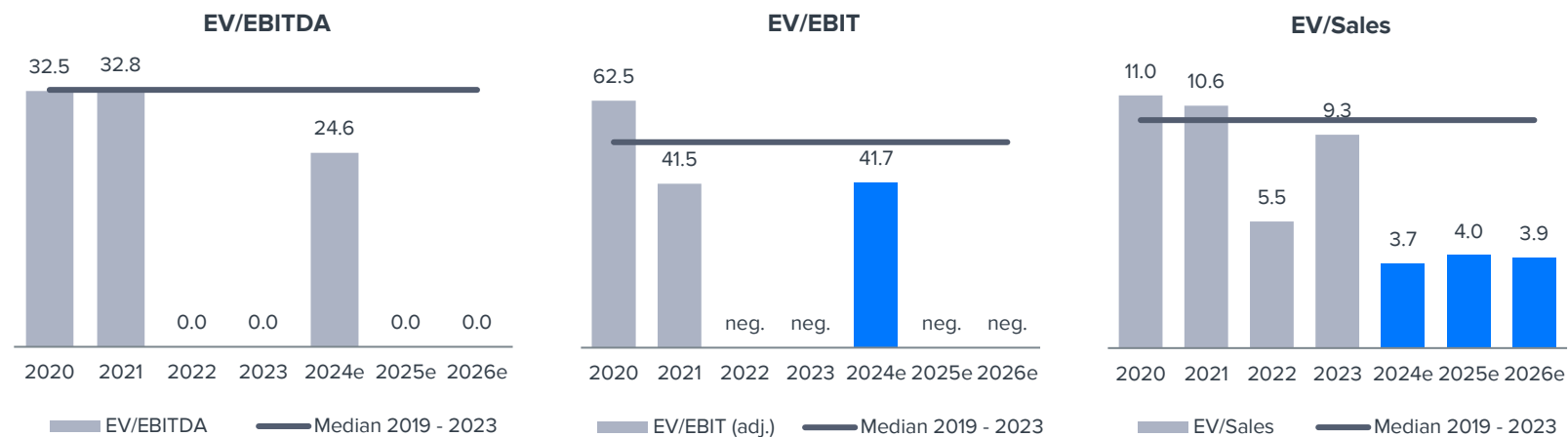
		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		13%	17%	20%	23%	25%
30%		16%	20%	23%	26%	29%
35%		19%	23%	26%	29%	32%
40%		21%	25%	29%	32%	35%

- 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% by 2030.
- If the company's game projects perform very well, we see the revenue and profitability potential to reach these levels.
- The scenarios assume Remedy's net cash to be 30 MEUR 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	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Share price	39.0	39.7	21.9	25.4	17.5	17.5	17.5	17.5	17.5
Number of shares, millions	12.1	13.1	13.4	13.5	13.6	13.7	13.8	13.9	14.0
Market cap	471	528	294	343	238	239	241	243	245
EV	453	473	241	316	224	233	238	232	228
P/E (adj.)	87.0	59.0	neg.	neg.	53.1	neg.	neg.	>100	neg.
P/E	87.0	59.0	neg.	neg.	53.1	neg.	neg.	>100	neg.
P/B	13.0	6.0	3.3	5.1	3.2	3.2	3.3	3.2	3.2
P/S	11.5	11.8	6.7	10.1	3.9	4.2	4.0	3.1	3.3
EV/Sales	11.0	10.6	5.5	9.3	3.7	4.0	3.9	3.0	3.1
EV/EBITDA	32.5	32.8	>100	neg.	24.6	>100	>100	13.6	17.5
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	41.7	neg.	neg.	>100	neg.
Payout ratio (%)	36.2 %	25.7 %	neg.	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.4 %	0.4 %	0.5 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		Revenue growth-%		EBIT-%	
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Frontier Developments	118	120			4.0	3.3	1.1	1.1	-14%	2%	-29%	-7%
Embracer	2638	4017	6.4	8.5	4.2	4.4	1.1	1.2	15%	-8%	17%	14%
Starbreeze	31	12			1.9	26.5	0.8	2.8	-71%	-28%	-128%	-60%
CD Projekt	4114	3898	67.8	106.0	45.3	81.0	20.1	24.5	-29%	-18%	30%	23%
Paradox Interactive	1362	1268	23.2	16.2	10.1	8.1	6.3	5.4	-9%	17%	27%	33%
Team17	445	399	9.7	9.0	8.1	7.7	2.1	2.0	9%	4%	22%	22%
Playway	450	400	11.4	12.8	11.3	12.6	5.9	6.1	-5%	-3%	52%	47%
11 Bit Studios	354	345	7.6	8.7	6.7	7.2	5.0	5.3	384%	-7%	65%	61%
Enad Global 7	113	92	6.9	5.9	2.8	2.0	0.6	0.5	-14%	15%	8%	9%
Thunderful Group	10	1			0.2	0.2	0.0	0.0	-85%	12%	-59%	-15%
Tinybuild	28	26				79.0	0.7	0.6	-7%	9%	-15%	-6%
CI Games	68	72	15.3	7.3	4.4	3.4	1.8	2.0	-28%	-9%	12%	28%
Electronic Arts	35190	34390	16.4	15.6	14.7	14.3	5.0	5.0	6%	1%	31%	32%
Take-Two Interactive	24747	26785	52.6	49.1	43.2	37.6	5.6	5.3	1%	6%	11%	11%
Ubisoft	1990	3296	9.2	8.8	3.7	3.2	1.5	1.3	11%	12%	16%	15%
Remedy (Inderes)	238	224	41.7	-69.3	24.6	148.8	3.7	4.0	79%	-5%	9%	-6%
Average			20.6	22.5	11.5	19.4	3.8	4.2	10%	0%	4%	13%
Median			11.4	9.0	5.6	7.7	1.8	2.0	-6%	2%	14%	15%
Diff-% to median			265%	-	344%	-	101%	101%				

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	43.6	6.9	8.9	7.8	10.3	33.9	10.8	10.3	14.2	25.4	60.8	57.6	60.7	77.3
Development fees	39.1	6.4	7.9	6.7	7.6	28.8	9.0	9.4	13.0	17.0	48.4	31.0	36.2	28.5
Royalties	4.5	0.5	1.0	1.1	2.7	5.2	1.8	0.9	1.2	8.4	12.4	26.6	24.5	48.8
EBITDA	1.9	-4.9	-4.0	-4.2	-3.9	-17.0	-1.2	-2.4	1.2	11.4	9.1	1.6	1.9	17.0
Depreciation	-2.5	-0.7	-0.8	-1.3	-8.9	-11.7	-0.9	-0.9	-1.0	-1.0	-3.7	-4.9	-7.5	-15.4
EBIT (excl. NRI)	-0.6	-5.6	-4.8	-5.5	-12.7	-28.6	-2.1	-3.2	0.2	10.4	5.4	-3.4	-5.5	1.6
EBIT	-0.6	-5.6	-4.8	-5.5	-12.7	-28.6	-2.1	-3.2	0.2	10.4	5.4	-3.4	-5.5	1.6
Net financial items	-0.6	0.0	0.4	0.0	0.7	1.1	0.1	0.3	0.1	0.1	0.6	0.0	0.0	-0.1
PTP	-1.2	-5.6	-4.4	-5.5	-12.0	-27.5	-2.0	-2.9	0.3	10.5	5.9	-3.4	-5.5	1.5
Taxes	-0.5	0.0	1.7	1.1	2.1	4.9	0.0	0.7	-0.1	-2.1	-1.5	0.7	1.1	-0.3
Net earnings	-1.7	-5.6	-2.7	-4.4	-9.9	-22.7	-2.0	-2.2	0.3	8.4	4.5	-2.7	-4.4	1.2
EPS (adj.)	-0.13	-0.42	-0.20	-0.33	-0.74	-1.68	-0.15	-0.16	0.02	0.62	0.33	-0.20	-0.32	0.09
EPS (rep.)	-0.13	-0.42	-0.20	-0.33	-0.74	-1.68	-0.15	-0.16	0.02	0.62	0.33	-0.20	-0.32	0.09
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	-2.5 %	-45.4 %	-5.3 %	-1.1 %	-24.4 %	-22.2 %	56.2 %	16.2 %	81.9 %	147.0 %	79.2 %	-5.3 %	5.4 %	27.4 %
EBITDA-%	4.4 %	-71.6 %	-44.7 %	-53.4 %	-37.4 %	-50.0 %	-11.2 %	-22.7 %	8.6 %	45.0 %	15.0 %	2.7 %	3.2 %	22.1 %
Adjusted EBIT-%	-1.3 %	-81.0 %	-53.7 %	-70.5 %	-123.6 %	-84.4 %	-19.3 %	-31.0 %	1.6 %	41.0 %	8.8 %	-5.8 %	-9.1 %	2.1 %
Net earnings-%	-4.0 %	-81.6 %	-30.0 %	-56.7 %	-96.3 %	-66.8 %	-18.5 %	-21.4 %	1.8 %	33.1 %	7.4 %	-4.7 %	-7.3 %	1.6 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	28.4	31.9	56.0	62.1	65.6
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	23.3	19.3	44.2	51.5	56.3
Tangible assets	4.3	6.5	5.8	4.6	3.3
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	0.8	1.0	1.0	1.0	1.0
Deferred tax assets	0.0	5.0	5.0	5.0	5.0
Current assets	71.2	47.4	34.9	23.6	19.4
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	15.3	17.0	18.2	15.0	13.4
Cash and equivalents	55.9	30.4	16.6	8.6	6.1
Balance sheet total	99.6	79.3	90.9	85.7	85.1

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	88.4	67.8	74.9	74.9	73.2
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.1	9.8	17.0	17.0	15.2
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	57.1	57.8	57.8	57.8	57.8
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	1.1	1.5	2.7	2.0	2.0
Deferred tax liabilities	0.0	0.1	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	1.1	1.4	2.7	2.0	2.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	10.1	10.0	13.3	8.8	9.9
Interest bearing debt	1.8	2.2	0.2	0.2	1.1
Payables	8.2	7.8	9.1	8.6	8.8
Other current liabilities	0.0	0.0	4.0	0.0	0.0
Balance sheet total	99.6	79.3	90.9	85.7	85.1

DCF calculation

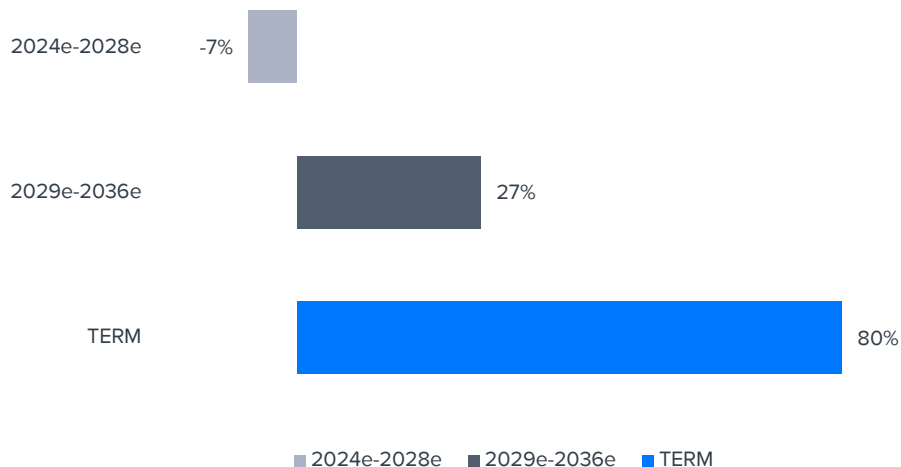
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	TERM
Revenue growth-%	-22.2 %	79.2 %	-5.3 %	5.4 %	27.4 %	-3.4 %	-27.3 %	47.1 %	82.6 %	-14.4 %	9.0 %	15.0 %	3.0 %	3.0 %	3.0 %
EBIT-%	-84.4 %	8.8 %	-5.8 %	-9.1 %	2.1 %	-3.4 %	-45.2 %	-1.2 %	27.3 %	24.0 %	27.5 %	32.0 %	33.0 %	33.0 %	33.0 %
EBIT (operating profit)	-28.6	5.4	-3.4	-5.5	1.6	-2.5	-24.5	-1.0	39.8	29.9	37.4	50.1	53.2	54.8	
+ Depreciation	11.7	3.7	4.9	7.5	15.4	15.6	15.7	16.0	14.5	13.7	13.4	13.2	13.1	13.0	
- Paid taxes	0.0	-1.6	0.7	1.1	-0.3	0.5	4.9	0.2	-7.9	-6.0	-7.5	-10.0	-10.6	-10.9	
- Tax, financial expenses	0.2	0.1	0.0	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	0.0	0.0	0.0	
- Change in working capital	-2.1	4.1	-1.2	1.8	-0.1	0.9	1.3	-0.8	-3.4	0.3	-0.6	-1.0	-0.2	0.6	
Operating cash flow	-18.9	11.8	1.0	4.8	16.6	14.4	-2.6	14.5	43.0	38.0	42.7	52.2	55.4	57.4	
+ 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	0.0	0.0	0.0	
- Gross CAPEX	-10.1	-27.9	-11.0	-11.0	-11.0	-12.0	-13.0	-13.0	-13.0	-13.0	-13.0	-13.0	-13.0	-13.0	
Free operating cash flow	-29.0	-16.1	-10.0	-6.2	5.6	2.4	-15.6	1.5	30.0	25.0	29.7	39.2	42.4	44.4	
+/- Other	0.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-29.0	-12.1	-10.0	-6.2	5.6	2.4	-15.6	1.5	30.0	25.0	29.7	39.2	42.4	44.4	
Discounted FCFF		-11.8	-8.8	-5.0	4.2	1.6	-9.6	0.8	15.3	11.7	12.7	15.2	15.0	14.4	224
Sum of FCFF present value		280	292	301	306	301	300	309	308	293	281	269	254	239	224
Enterprise value DCF		280													
- Interest bearing debt		-3.7													
+ Cash and cash equivalents		30.4													
-Minorities		0.0													
-Dividend/capital return		0.0													
Equity value DCF		307													
Equity value DCF per share		22.6													

WACC

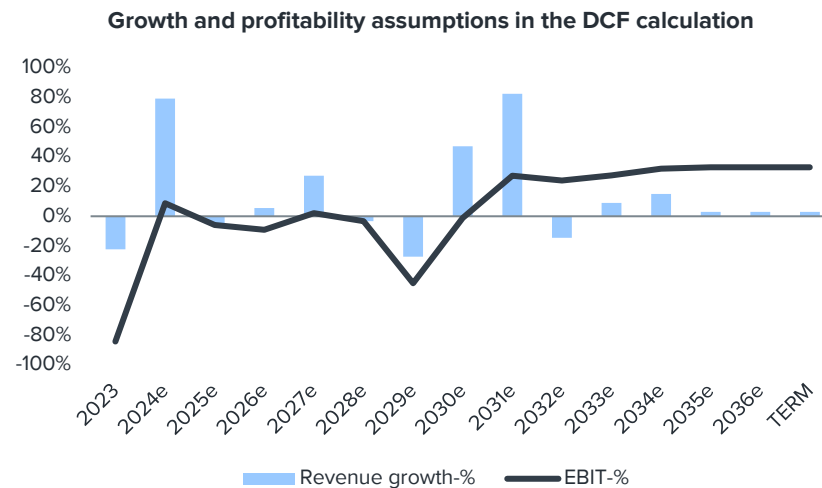
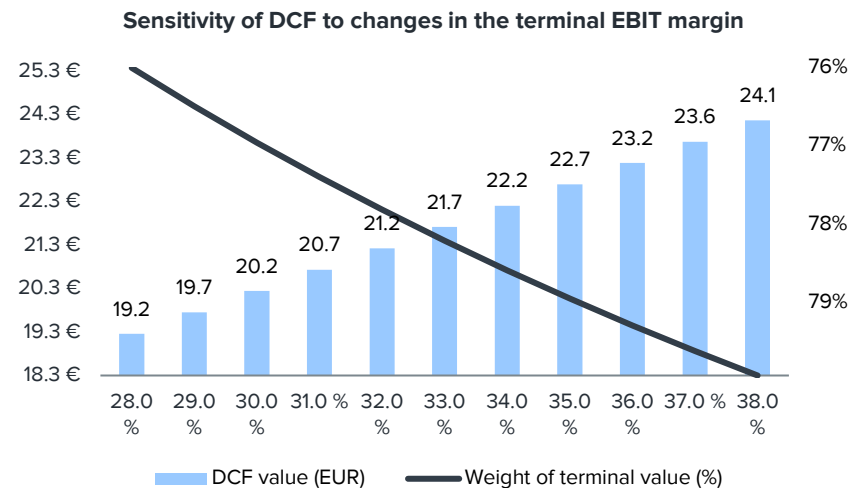
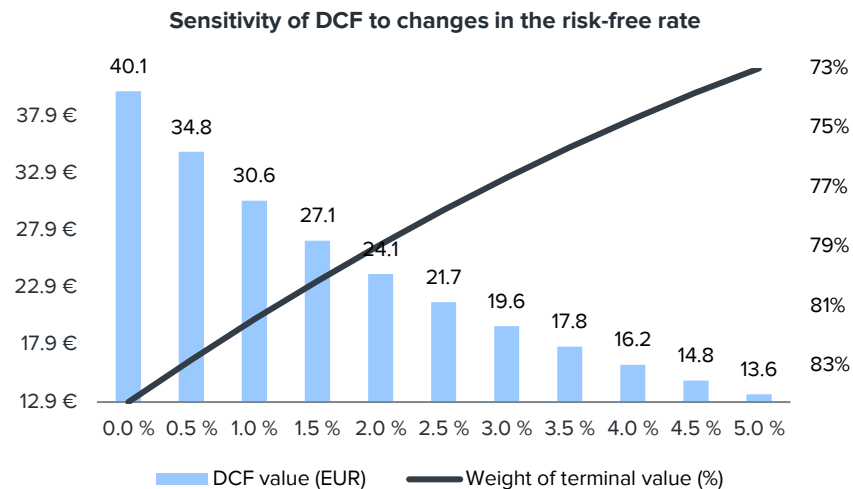
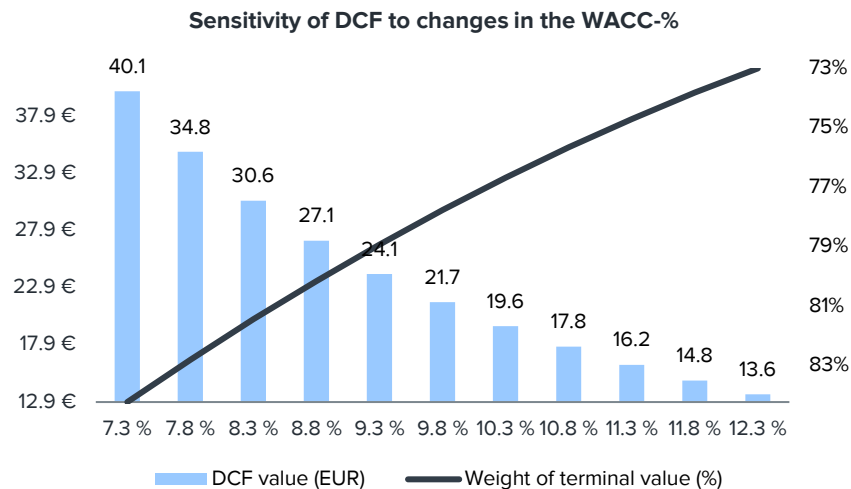
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	9.6 %
Weighted average cost of capital (WACC)	9.6 %

Source: Inderes

Cash flow distribution



DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	44.7	43.6	33.9	60.8	57.6	EPS (reported)	0.67	-0.13	-1.68	0.33	-0.20
EBITDA	14.5	1.9	-17.0	9.1	1.6	EPS (adj.)	0.67	-0.13	-1.68	0.33	-0.20
EBIT	11.4	-0.6	-28.6	5.4	-3.4	OCF / share	0.30	0.51	-1.40	0.87	0.07
PTP	11.3	-1.2	-27.5	5.9	-3.4	FCF / share	-0.44	-0.29	-2.15	-0.89	-0.73
Net Income	8.8	-1.7	-22.7	4.5	-2.7	Book value / share	6.69	6.57	5.02	5.51	5.48
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.17	0.10	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	101.1	99.6	79.3	90.9	85.7	Revenue growth-%	9%	-3%	-22%	79%	-5%
Equity capital	87.4	88.4	67.8	74.9	74.9	EBITDA growth-%	4%	-87%	-990%	-154%	-83%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	57%	-105%	4985%	-119%	-163%
Net debt	-54.7	-52.9	-26.8	-13.7	-6.4	EPS (adj.) growth-%	50%	-119%	1209%	-120%	-160%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	32.3 %	4.4 %	-50.0 %	15.0 %	2.7 %
EBITDA	14.5	1.9	-17.0	9.1	1.6	EBIT (adj.)-%	25.5 %	-1.3 %	-84.4 %	8.8 %	-5.8 %
Change in working capital	-7.7	5.6	-2.1	4.1	-1.2	EBIT-%	25.5 %	-1.3 %	-84.4 %	8.8 %	-5.8 %
Operating cash flow	4.0	6.8	-18.9	11.8	1.0	ROE-%	14.2 %	-2.0 %	-29.0 %	6.3 %	-3.6 %
CAPEX	-9.8	-10.8	-10.1	-27.9	-11.0	ROI-%	17.1 %	-0.6 %	-35.2 %	7.2 %	-4.3 %
Free cash flow	-5.8	-4.0	-29.0	-12.1	-10.0	Equity ratio	86.4 %	88.8 %	85.5 %	82.4 %	87.4 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	-62.5 %	-59.8 %	-39.5 %	-18.3 %	-8.6 %
EV/S	10.6	5.5	9.3	3.7	4.0						
EV/EBITDA	32.8	>100	neg.	24.6	>100						
EV/EBIT (adj.)	41.5	neg.	neg.	41.7	neg.						
P/E (adj.)	59.0	neg.	neg.	53.1	neg.						
P/B	6.0	3.3	5.1	3.2	3.2						
Dividend-%	0.4 %	0.5 %	0.0 %	0.0 %	0.0 %						

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.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
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 €
11/1/2023	Accumulate	30.00 €	27.95 €
11/16/2023	Reduce	29.00 €	28.85 €
2/7/2024	Reduce	21.00 €	21.60 €
2/13/2024	Accumulate	21.00 €	17.62 €
2/19/2024	Accumulate	19.00 €	17.02 €
3/21/2024	Accumulate	19.00 €	16.70 €
4/30/2024	Accumulate	20.00 €	19.20 €
8/12/2024	Accumulate	20.00 €	17.20 €
9/5/2024	Accumulate	21.00 €	17.50 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the 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

**Connecting investors
and listed companies.**