

Remedy

Company report

3/21/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Merkittävän strategisen valinnan edessä” published on 3/21/2024 at 8:05 EET.

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Major strategic decision ahead

We reiterate our Accumulate recommendation and EUR 19.0 target price for Remedy. After a flurry of news over the past few months, the Q4 report offered little of substance. The outlook for improvement was also of limited informative value, as the decision to choose a publishing partner or to self-publish Condor and Control 2 will have a material impact on Remedy's near-term figures. This is an important long-term strategic decision that will shape the company's direction for the next decade. Given the potential of the Control franchise, we believe that the company will work towards self-publishing both or one of the projects, which will also require additional funding. Remedy's long-term potential is very attractive and at the current valuation we see the risk/reward ratio as a reason to stay long with the stock.

Key information in the Q4 report was provided in advance

Remedy's Q4 revenue decreased by 24% to 10.3 MEUR and EBITDA was -3.9 MEUR, in line with preliminary data. In its outlook, the company expects net sales to increase (2023: 33.9 MEUR) and EBIT to improve (-28.6 MEUR). After a year of heavy investments and the Vanguard impairment, this does not yet provide material information on the development of earnings. There was no new update on Alan Wake 2 sales (over 1.3 million copies by early February), but Remedy expects the game to start generating a royalty stream for the company this year (our assumption is Q3'24). For Max Payne, the company said the development budget is in line with AW2 (>50 MEUR) and the project is on track to enter production in Q2. The Condor multiplayer project will also go into production in the coming weeks, and due to the different development process compared to a traditional AAA game, we see the game being ready for release in 2025. Control 2 is also moving towards production in Q2, so the wheels of the multi-project model now seem to be turning as planned after the release of AW2.

Remedy's revenue potential from Control games will increase in the future

In February, Remedy [acquired](#) all rights to the Control games brand from 505 Games for a very good price. For Condor and Control 2, the level of development fees over the next few years will now be significantly affected by the publishing agreements under negotiation or the decision to self-publish these projects. The more risk Remedy wants to take, the less development fees will be generated. Correspondingly, this translates into higher royalty potential in the long term. Remedy does not have the resources to self-publish both projects on its current balance sheet, so a new partner for one or both projects is a possible option. Self-publishing both projects will require significant additional funding, which we believe is an attractive option given the potential of the Control franchise.

We are cautiously playing the long game at current valuation

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. We forecast a loss in 2024 and the EV/S ratio (4.3x) is quite high. Averaged over 2025-28, EV/EBIT is 25x and EV/EBITDA is 11x, indicating that the stock is loaded with clear growth expectations. The value of our DCF model, which assumes strong long-term earnings growth, is EUR 19.3. 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.

Recommendation

Accumulate

(previous Accumulate)

EUR 19.00

(previous EUR 19.00)

Share price:

16.70



Key figures

	2023	2024e	2025e	2026e
Revenue	33.9	50.4	59.5	68.2
growth-%	-22%	49%	18%	15%
EBIT adj.	-28.6	-12.6	-4.3	0.6
EBIT-% adj.	-84.4 %	-25.0 %	-7.2 %	0.9 %
Net Income	-22.7	-9.7	-3.4	0.5
EPS (adj.)	-1.68	-0.72	-0.25	0.04

P/E (adj.)	neg.	neg.	neg.	>100
P/B	5.1	3.7	3.8	3.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	>100
EV/EBITDA	neg.	neg.	>100	32.3
EV/S	9.3	4.3	3.8	3.3

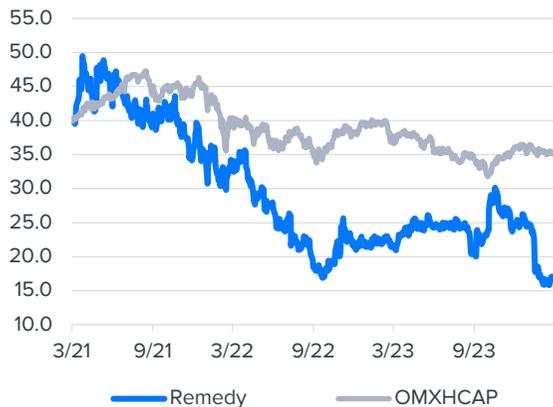
Source: Inderes

Guidance

(New guidance)

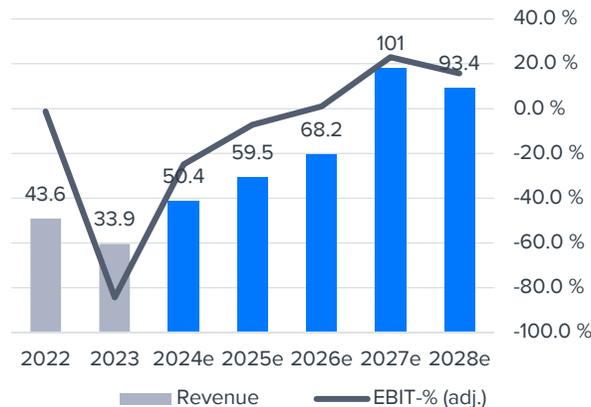
“Remedy expects its revenue to increase from the previous year and operating profit (EBIT) to improve.”

Share price



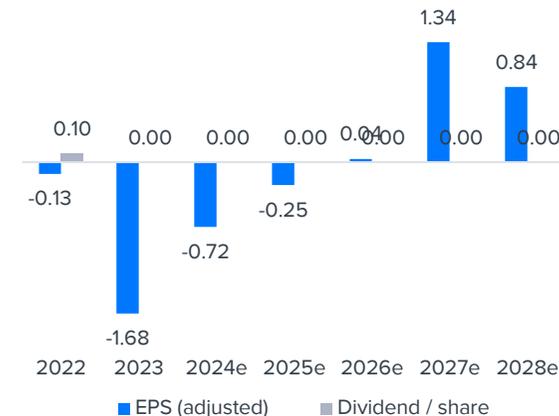
Source: Millstream Market Data AB

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	16.7	16.7	16.7
Number of shares, millions	13.6	13.7	13.8
Market cap	227	228	230
EV	218	226	227
P/E (adj.)	neg.	neg.	>100
P/E	neg.	neg.	>100
P/B	3.7	3.8	3.6
P/S	4.5	3.8	3.4
EV/Sales	4.3	3.8	3.3
EV/EBITDA	neg.	>100	32.3
EV/EBIT (adj.)	neg.	neg.	>100
Payout ratio (%)	0.0 %	0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Q4 figures were already known with preliminary data

Revenue down due to lower development fees

Remedy's Q4 revenue decreased by 24% to 10.3 MEUR, in line with preliminary data. Development fees (Q4'23: 7.6 MEUR, -39%) were significantly down year-on-year, as expected. With the release of Alan Wake 2 (October 27), the development fees accrued for it were naturally significantly down year-on-year. In addition, the Control 2 publishing contract supported the comparison period's revenue. Remedy also had to keep staff on AW2 longer than planned last year, which contributed to delays in other projects, but ensured the top quality of AW2. The largest development fees came from the Max Payne project and Kestrel (former Vanguard). Starting the rest of the Kestrel year with a clean slate means very low development fees for this project in the coming quarters.

Quarterly royalty income increased by 150% year-on-year to 2.7 MEUR. This shows the royalties from Alan Wake Remastered. The game recouped its production and marketing budget during Q3, and towards the end of the year the excellent reception

and marketing of AW2 also supported AWR sales. Remedy said the game has sold more than 1.5 million copies so far.

Last year's sharply negative result reflects the investment phase

Remedy's EBITDA for Q4 was -3.9 MEUR and for the full year -17.0 MEUR, in line with preliminary data. In line with its 2023 strategy, Remedy increased its investment in game projects under development as they progress through the production pipeline. The royalties that remained low, increased recruitment, increased external game development and increased other costs are reflected in last year's big losses, which were further deepened by the 7.2 MEUR write-down in Vanguard.

Strong balance sheet at the turn of the year, but not sufficient for both Control 2 and Condor self-publishing

Remedy's balance sheet was strong at the turn of the year. The equity ratio was 85.5% and cash and financial securities amounted to 30.4 MEUR. Over the

next 12 months, however, the acquisition of Control rights from 505 Games will take some of the cash. The maximum purchase price of the transaction is approximately 17 MEUR, which corresponds to the amount paid by 505 Games for the development of Condor and Control 2, including a small premium. Remedy is entitled to set off certain receivables from the purchase price and, therefore, the cash flow effect from the transaction will be clearly less than the purchase price (our assumption is at 12 MEUR).

Given Remedy's current cash position and the Control arrangement, the company's capacity to self-publish both Condor and Control 2 is far from sufficient. Of course, raising capital is an option, and according to the company's comments, various financing solutions are also on the table. In view of future financing needs, the board proposes to pay no dividend for the past year.

Estimates	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	13.6	10.3	10.3				0%	33.9
EBITDA	2.8	-3.9	-3.9				-2%	-17.0
EBIT (adj.)	2.1	-12.7	-12.8				0%	-28.6
EPS (reported)	0.11	-0.74	-0.76				-3%	-1.68
DPS	0.10	0.00	0.10				-100%	0.00
Revenue growth-%	-31.2 %	-24.4 %	-24.6 %				0.2 pp	-2.5 %
EBIT-% (adj.)	15.5 %	-123.6 %	-124.4 %				0.9 pp	-84.4 %

Source: Inderes

Choice of publishing partner / self-publishing for Control games will change forecasts

The guidance did not yet provide information value

In its outlook, Remedy expects its revenue to increase from the previous year and EBIT to improve. Based on the very weak figures for 2023, the guidance does not yet provide much information value. For Condor and Control 2, the level of development fees for the current year and the coming years is uncertain due to the publishing agreements under negotiation. The more risk Remedy wants to take on these projects, the less development fees will be generated. Correspondingly, this translates into higher royalty potential for Remedy. The company said it will clarify its outlook for 2024 once a decision has been made on the business model and potential arrangements for Control 2 and Condor.

We will also revisit our estimates once the decisions on these games have been made. At that time, we downgraded our forecasts for the next few years, partly based on the cost structure in Q4 and partly based on our assumption of increased risk appetite in the Control projects. At the same time, however, this raised our long-term assumptions.

Estimates for 2024

Based on AW2's strong critical reception and sales, we believe the game is poised for strong commercial success in the coming years. AW2 sold one million copies by the end of December 2023 and 1.3 million copies by the beginning of February 2024. The game's retail price has remained high, and it has already recouped a significant portion of its development and marketing costs, after which Epic Games and Remedy will split the net proceeds. We believe 'a significant portion' refers to a 50-80% recoup, and in our forecasts, we expect royalties to begin accumulating from Q3'24.

At the same time, we expect the cost structure to continue to rise, reflecting the cost structure seen towards the end of the year. Driven by Alan Wake 2, we forecast revenue growth of 49% to 50.4 MEUR in 2024, but EBITDA will still be 6.6 MEUR in the red.

Medium-term assumptions

We have outlined Remedy's revenue drivers and game-specific assumptions on the following pages. Overall, our forecasts expect good success for

upcoming games, but there is also potential for a much better performance. All in all, the range of final outcomes at project level is wide.

In 2025, in addition to AW2, we expect royalties in our forecasts from Condor, which will be released at the end of H1, but for which the royalty assumptions are significantly lower than for AW2.

In 2026, we expect a successful release of Max Payne in H1, but due to the outsourcing model, it will bring more limited royalties to Remedy. At that time, we estimate that the company may also launch new game projects that could generate revenue in the form of publishing contracts and development fees.

In 2027, we expect Control 2 to be released on H1, which we expect to be a very successful game. Furthermore, all previously released projects will be generating a royalty stream, and new projects are likely to be in development. Control 2 royalties are also a significant contributor to our 2028 revenue forecast.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	33.9	33.9	0%	51.1	50.4	-1%	62.5	59.5	-5%
EBITDA	-17.0	-17.0	0%	-1.0	-6.6	568%	8.3	1.3	-85%
EBIT (exc. NRIs)	-28.7	-28.6	0%	-6.2	-12.6	103%	2.3	-4.3	-288%
EBIT	-28.7	-28.6	0%	-6.2	-12.6	103%	2.3	-4.3	-288%
PTP	-28.3	-27.5	-3%	-6.1	-12.2	100%	2.2	-4.3	-297%
EPS (excl. NRIs)	-1.71	-1.68	-2%	-0.36	-0.72	99%	0.13	-0.25	-296%
DPS	0.10	0.00	-100%	0.10	0.00	-100%	0.10	0.00	-100%

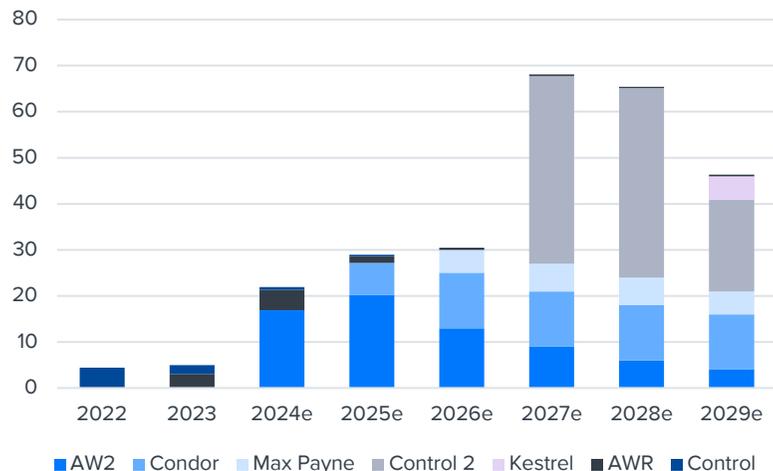
Strategy in light of game projects

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

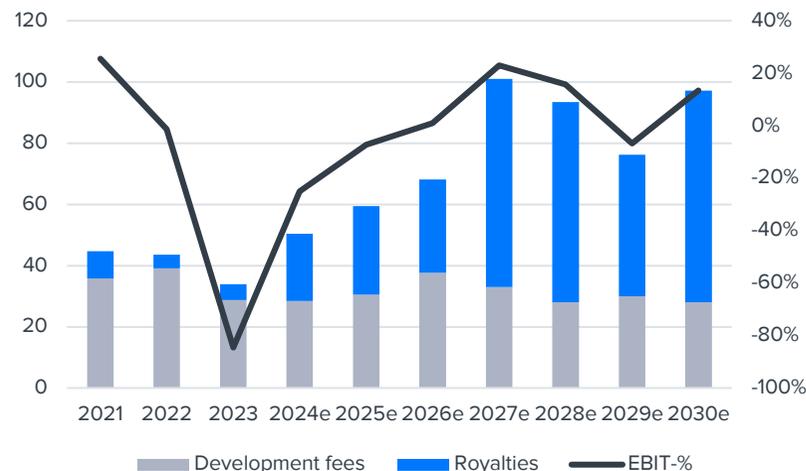
	2022	2023	2024	2025	2026	2027	2028
Control	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$			
Epic projects	Development fees \$\$\$	Alan wake 2 release Little royalties from AWR \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$/\$\$\$
Condor	Development fees \$\$	Development fees \$/\$\$	Development fees or self-publishing ?/\$\$	Release in Q2/Q3 \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$\$
Control 2	Release contract \$\$	Development fees \$\$	Development fees or self-publishing ?/\$\$\$	Development fees or self-publishing ?/\$\$\$	Development fees or self-publishing ?/\$\$\$	Release in H1 \$\$\$	Royalties \$\$\$
Max Payne	Release contract \$\$	Development fees \$\$	Development fees \$\$\$	Development fees \$\$\$	Release in H1 \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$/\$\$\$
Kestrel	Development fees \$\$	Development fees \$\$	Development fees \$	Development fees \$\$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$	Development fees \$\$/\$\$\$
Next game projects					Development fees or self-publishing ?/\$\$\$	Development fees or self-publishing ?/\$\$\$	Development fees or self-publishing ?/\$\$\$

Underlying assumptions for revenue estimates

Assumptions on royalties per game (EUR)



Revenue and profitability



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	0.50	0.50	0.50	0.65	0.43	0.35	0.30	0.40
Project income (MEUR)	11	24	17	17	16	18	12	10	8	10
Remedy's royalties (MEUR)	0	0	0	0	7.8	9.1	6.0	4.9	4.2	5.0
Cumulative copies sold (million)	0.3	1.0	1.5	2.0	2.5	3.2	3.6	3.9	4.2	4.6
Cumulative project income (MEUR)	11	35	53	70	86	104	116	126	134	144
Remedy's cumulative royalties (MEUR)	0	0	0	0	7.8	16.9	23.0	27.9	32.1	37.1

Underlying assumptions for the calculation

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

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

Remedy's game projects and partners



Control

Released
Q3'19

Budget
~30 MEUR

Remedy's share
of the budget:

45 %⁴

Remedy's share
of revenue:

45%⁴

Recoup² before
the royalties to
Remedy?



Condor

Production
readiness

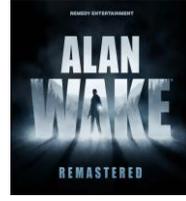
Budget
~ 25 MEUR⁴



Control 2

Proof-of-
concept

Budget
~ 50 MEUR⁴



**Alan Wake
Remastered**

Released
Q4'21

Budget
~ 8 MEUR¹



Alan Wake II

Released
10/27/2023

Budget
~ 50-60 MEUR¹

0%³

50%



**Max Payne
1&2 remake**

Production
readiness

Budget
~ 50-60 MEUR¹

0%

20-30%¹



Kestrel

Conceptualization

Budget
~ 40-50 MEUR¹

30-50%¹

30-50%¹



Remedy acquired all rights to the Control franchise from 505 Games on 2/2/2024 and is currently negotiating with new partners for Condor and Control 2. Self-publishing games is also an option on the table.



Rockstar Games

Tencent

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

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

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

⁴Old publishing agreement and budgets with 505 Games

Valuation

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/reward ratio of the company's business model. We believe the likelihood of complete failures in game projects is low, but a future project can become an actual hit game. The royalty potential of a single game from Remedy's perspective ranges from tens of millions to hundreds of millions of euros, depending on the publishing deal, so the range of possible outcomes is wide. With the successful ramp-up of the multi-project model, the pace of game releases will quicken and the number of "success options" will rise in the future. We estimate that even with only relatively well succeeding games, Remedy's growth outlook is good far into the future.

Remedy now has two well-established game brands (Control and Alan Wake) on which to build long-term growth. The company is currently in the process of updating its strategy, in which the expansion and development of these two game brands will play a key role. Remedy currently estimates the revenue potential of games like Control and Alan Wake 2 at around 100-200 MEUR over a 3-year period. Successfully expanding the target audience and better exploiting technology synergies to release more games in a faster cycle could even double or triple the revenue potential of a single game brand. Remedy's minimum target for each gaming project is at least 100% return on invested capital.

We are cautiously playing the long game at current valuation

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. We forecast a loss in 2024 and the EV/S ratio (4.3x) is quite high. Averaged over 2025-28, EV/EBIT is 25x and EV/EBITDA is 11x, indicating that the stock is loaded with clear growth expectations.

The value of our DCF model, which assumes strong long-term earnings growth, is EUR 19.3. 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.

We believe in Remedy's ability to create more quality and successful games over the long term, and at the current share valuation we see the risk/reward ratio as cautiously attractive. We'd like to remind that investors should continue to be prepared to tolerate large price swings, as changes in expectations for future games can cause significant volatility in the share

At its current valuation, Remedy would also be a very attractive acquisition target for many parties in an industry consolidation. However, we do not believe a takeover bid is likely in the near term given the company's independent strategy and ownership structure.

Valuation	2024e	2025e	2026e
Share price	16.7	16.7	16.7
Number of shares, millions	13.6	13.7	13.8
Market cap	227	228	230
EV	218	226	227
P/E (adj.)	neg.	neg.	>100
P/E	neg.	neg.	>100
P/B	3.7	3.8	3.6
P/S	4.5	3.8	3.4
EV/Sales	4.3	3.8	3.3
EV/EBITDA	neg.	>100	32.3
EV/EBIT (adj.)	neg.	neg.	>100
Payout ratio (%)	0.0 %	0%	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

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%		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 return 2028

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		7%	12%	16%	20%	23%
30%		11%	16%	20%	24%	28%
35%		15%	20%	24%	28%	32%
40%		18%	23%	28%	32%	35%

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		17%	24%	30%	35%	40%
30%		23%	30%	36%	42%	46%
35%		28%	35%	42%	47%	52%
40%		32%	40%	46%	52%	58%

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		24%	31%	38%	43%	48%
30%		30%	38%	44%	50%	55%
35%		35%	43%	50%	56%	61%
40%		40%	48%	55%	61%	67%

Annual 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%	19%	21%
40%		12%	16%	19%	21%	24%

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		9%	13%	16%	18%	21%
30%		12%	16%	19%	21%	24%
35%		15%	18%	21%	24%	26%
40%		17%	21%	24%	26%	29%

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%		100	125	150	175	200
25%		13%	16%	19%	22%	24%
30%		16%	19%	23%	25%	28%
35%		18%	22%	25%	28%	31%
40%		21%	24%	28%	31%	33%

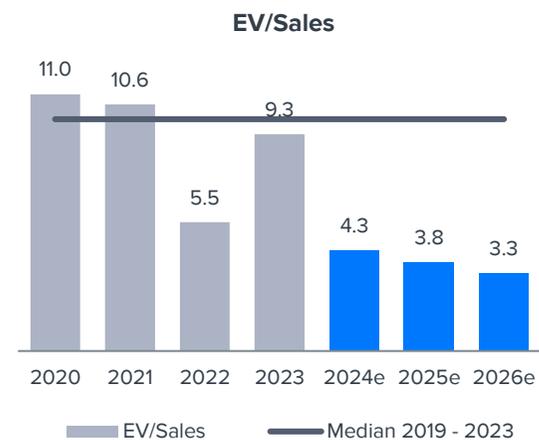
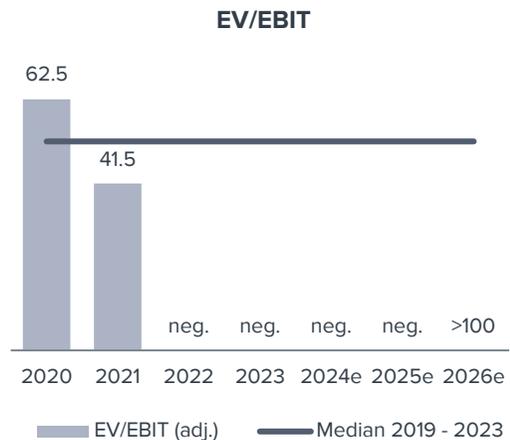
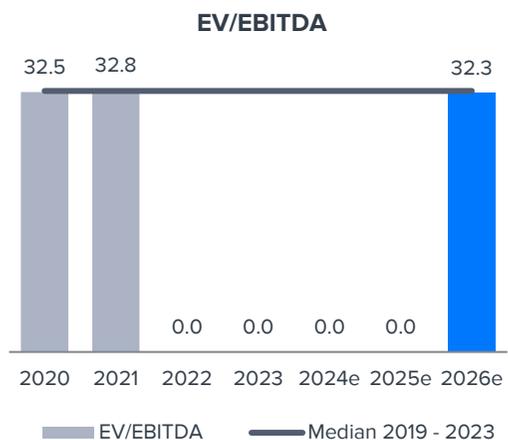
- The scenarios aim to illustrate the expected return on Remedy's share if the company achieves a sustainable revenue of 100-200 MEUR with an EBIT margin of 25-40% in 2028 or 2030.
- If the company's current game projects perform very well, we see the revenue and profitability potential to reach these 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.

Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Share price	39.0	39.7	21.9	25.4	16.7	16.7	16.7	16.7	16.7
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	227	228	230	232	233
EV	453	473	241	316	218	226	227	205	190
P/E (adj.)	87.0	59.0	neg.	neg.	neg.	neg.	>100	12.5	19.9
P/E	87.0	59.0	neg.	neg.	neg.	neg.	>100	12.5	19.9
P/B	13.0	6.0	3.3	5.1	3.7	3.8	3.6	2.7	2.4
P/S	11.5	11.8	6.7	10.1	4.5	3.8	3.4	2.3	2.5
EV/Sales	11.0	10.6	5.5	9.3	4.3	3.8	3.3	2.0	2.0
EV/EBITDA	32.5	32.8	>100	neg.	neg.	>100	32.3	5.4	6.8
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	neg.	neg.	>100	8.8	12.9
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	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%		
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	
Frontier Developments	59	61					2.5	0.6	0.6	-19%	7%	-32%	-8%
Embracer	1918	3487	5.6	5.8	3.6	3.3	0.9	0.9	16%	4%	16%	15%	
Starbreeze	29	9			1.8	9.5	0.6	2.1	-75%	-22%	-55%	-36%	
CD Projekt	2570	2400	43.4	73.7	28.0	41.1	13.2	15.9	-33%	-17%	30%	22%	
Paradox Interactive	1718	1614	19.1	15.6	9.5	8.9	6.6	6.2	11%	6%	34%	40%	
Team17	376	328	7.7	7.1	6.8	6.2	1.9	1.8	2%	4%	24%	25%	
Playway	416	365	6.9	5.8	6.8	5.7	4.3	3.8	18%	14%	63%	66%	
11 Bit Studios	291	276	6.4	6.8	5.3	5.4	3.6	3.5	442%	2%	56%	52%	
Enad Global 7	111	76	2.8	2.6	2.1	1.6	0.5	0.4	-13%	17%	17%	16%	
Thunderful Group	22	58	10.0	4.5	2.2	1.8	0.3	0.2	-11%	6%	2%	5%	
Tinybuild	36	23		12.3	6.3	4.5	0.5	0.5	6%	8%	0%	4%	
Cl Games	68	82	15.3	39.4	5.6	11.1	3.1	4.9	-51%	-36%	21%	13%	
Electronic Arts	32736	31609	14.8	13.8	13.2	12.5	4.5	4.4	6%	3%	31%	32%	
Take-Two Interactive	22810	24629	47.6	19.2	39.3	17.4	5.1	3.8	1%	33%	11%	20%	
Ubisoft	2405	3590	10.2	8.5	3.8	3.4	1.7	1.5	10%	7%	16%	18%	
Remedy (Inderes)	227	218	-17.3	-52.5	-33.0	175.8	4.3	3.8	49%	18%	-25%	-7%	
Average			15.8	16.5	9.6	9.0	3.2	3.4	19%	2%	15%	18%	
Median			10.1	8.5	5.9	5.7	1.9	2.1	2%	5%	17%	17%	
Diff-% to median			-	-	-	-	133%	83%					

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	43.6	6.9	8.9	7.8	10.3	33.9	7.7	8.6	16.5	17.6	50.4	59.5	68.2	101
Development fees	39.1	6.4	7.9	6.7	7.6	28.8	5.6	7.3	7.8	7.8	28.5	30.5	37.7	33.0
Royalties	4.5	0.5	1.0	1.1	2.7	5.2	2.1	1.3	8.7	9.8	21.9	29.0	30.5	68.1
EBITDA	1.9	-4.9	-4.0	-4.2	-3.9	-17.0	-6.4	-5.8	2.7	2.9	-6.6	1.3	7.0	37.9
Depreciation	-2.5	-0.7	-0.8	-1.3	-8.9	-11.7	-1.5	-1.5	-1.5	-1.5	-6.0	-5.6	-6.4	-14.7
EBIT (excl. NRI)	-0.6	-5.6	-4.8	-5.5	-12.7	-28.6	-7.9	-7.3	1.2	1.4	-12.6	-4.3	0.6	23.3
EBIT	-0.6	-5.6	-4.8	-5.5	-12.7	-28.6	-7.9	-7.3	1.2	1.4	-12.6	-4.3	0.6	23.3
Net financial items	-0.6	0.0	0.4	0.0	0.7	1.1	0.1	0.1	0.1	0.1	0.4	0.0	0.0	-0.1
PTP	-1.2	-5.6	-4.4	-5.5	-12.0	-27.5	-7.8	-7.2	1.3	1.5	-12.2	-4.3	0.6	23.2
Taxes	-0.5	0.0	1.7	1.1	2.1	4.9	1.6	1.4	-0.3	-0.3	2.4	0.9	-0.1	-4.6
Net earnings	-1.7	-5.6	-2.7	-4.4	-9.9	-22.7	-6.2	-5.8	1.0	1.2	-9.7	-3.4	0.5	18.5
EPS (adj.)	-0.13	-0.42	-0.20	-0.33	-0.74	-1.68	-0.46	-0.42	0.08	0.09	-0.72	-0.25	0.04	1.34
EPS (rep.)	-0.13	-0.42	-0.20	-0.33	-0.74	-1.68	-0.46	-0.42	0.08	0.09	-0.72	-0.25	0.04	1.34
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	-2.5 %	-45.4 %	-5.3 %	-1.1 %	-24.4 %	-22.2 %	11.4 %	-3.4 %	110.7 %	71.3 %	48.6 %	18.0 %	14.6 %	48.2 %
EBITDA-%	4.4 %	-71.6 %	-44.7 %	-53.4 %	-37.4 %	-50.0 %	-83.1 %	-67.4 %	16.2 %	16.7 %	-13.1 %	2.2 %	10.3 %	37.5 %
Adjusted EBIT-%	-1.3 %	-81.0 %	-53.7 %	-70.5 %	-123.6 %	-84.4 %	-102.6 %	-84.9 %	7.1 %	8.2 %	-25.0 %	-7.2 %	0.9 %	23.0 %
Net earnings-%	-4.0 %	-81.6 %	-30.0 %	-56.7 %	-96.3 %	-66.8 %	-81.0 %	-67.0 %	6.2 %	7.0 %	-19.3 %	-5.8 %	0.8 %	18.3 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	28.4	31.9	43.9	51.3	54.9
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	23.3	19.3	32.3	40.8	45.6
Tangible assets	4.3	6.5	5.5	4.4	3.2
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.8	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	27.3	21.4	21.8
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	15.1	15.5	15.0
Cash and equivalents	55.9	30.4	12.1	5.9	6.8
Balance sheet total	99.6	79.3	71.1	72.7	76.7

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	88.4	67.8	60.7	59.9	63.1
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.1	9.8	2.8	2.0	5.2
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	7.8	10.8	11.6
Interest bearing debt	1.8	2.2	0.2	1.9	2.1
Payables	8.2	7.8	7.6	8.9	9.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	99.6	79.3	71.1	72.7	76.7

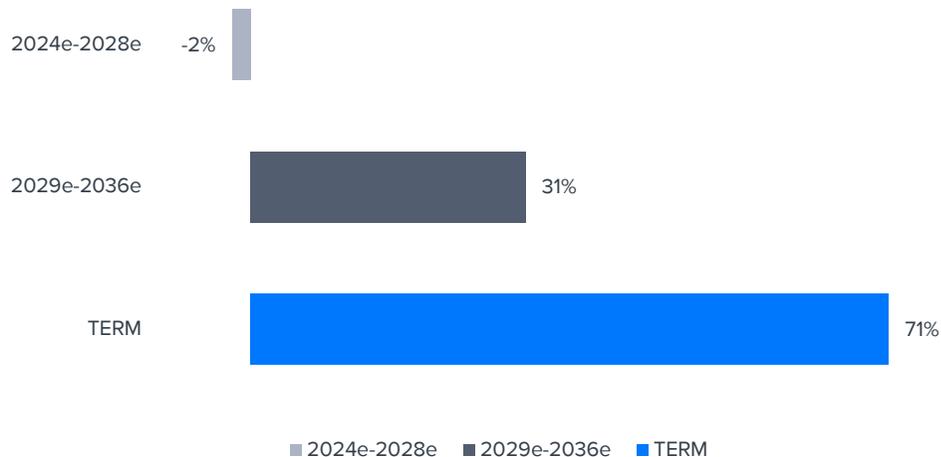
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	TERM
Revenue growth-%	-22.2 %	48.6 %	18.0 %	14.6 %	48.2 %	-7.6 %	-18.3 %	27.4 %	23.1 %	-5.0 %	9.0 %	5.0 %	3.0 %	3.0 %	3.0 %
EBIT-%	-84.4 %	-25.0 %	-7.2 %	0.9 %	23.0 %	15.8 %	-6.8 %	13.4 %	27.3 %	24.0 %	27.5 %	28.7 %	29.0 %	29.0 %	29.0 %
EBIT (operating profit)	-28.6	-12.6	-4.3	0.6	23.3	14.7	-5.2	13.1	32.7	27.3	34.1	37.3	38.9	40.0	
+ Depreciation	11.7	6.0	5.6	6.4	14.7	13.1	14.1	15.0	14.0	13.5	13.2	13.1	13.1	13.0	
- Paid taxes	0.0	2.3	0.9	-0.1	-4.6	-2.9	1.1	-2.6	-6.5	-5.4	-6.8	-7.4	-7.8	-8.0	
- 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	1.6	1.0	1.1	-1.1	1.0	1.4	-0.7	-1.1	0.3	-0.5	-0.3	-0.2	0.5	
Operating cash flow	-18.9	-2.5	3.2	8.0	32.2	25.9	11.4	24.8	39.0	35.6	40.0	42.7	44.0	45.5	
+ 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	-18.0	-13.0	-10.0	-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	-20.5	-9.8	-2.0	21.2	13.9	-1.6	11.8	26.0	22.6	27.0	29.7	31.0	32.5	
+/- Other	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	
FCFF	-29.0	-20.5	-9.8	-2.0	21.2	13.9	-1.6	11.8	26.0	22.6	27.0	29.7	31.0	32.5	
Discounted FCFF		-19.1	-8.4	-1.6	15.1	9.1	-1.0	6.4	13.0	10.3	11.3	11.3	10.8	10.4	168
Sum of FCFF present value		235	254	263	264	249	240	241	235	222	212	200	189	178	168
Enterprise value DCF		235													
- Interest bearing debt		-3.7													
+ Cash and cash equivalents		30.4													
-Minorities		0.0													
-Dividend/capital return		0.0													
Equity value DCF		262													
Equity value DCF per share		19.3													

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	9.4 %

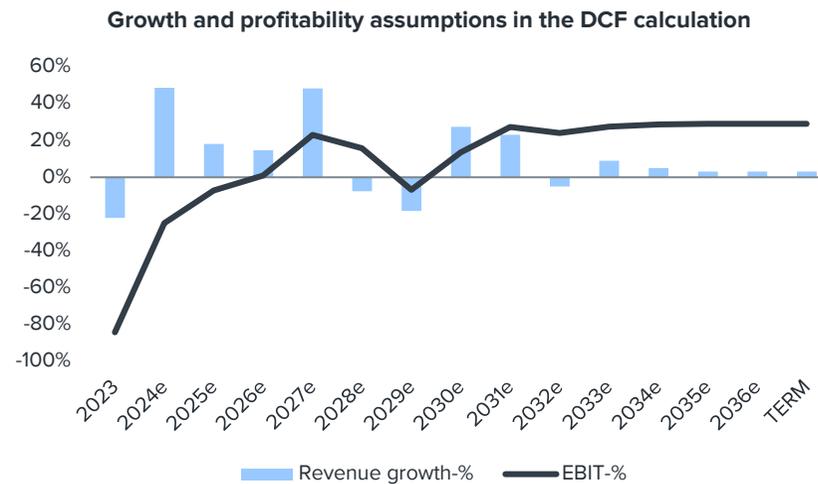
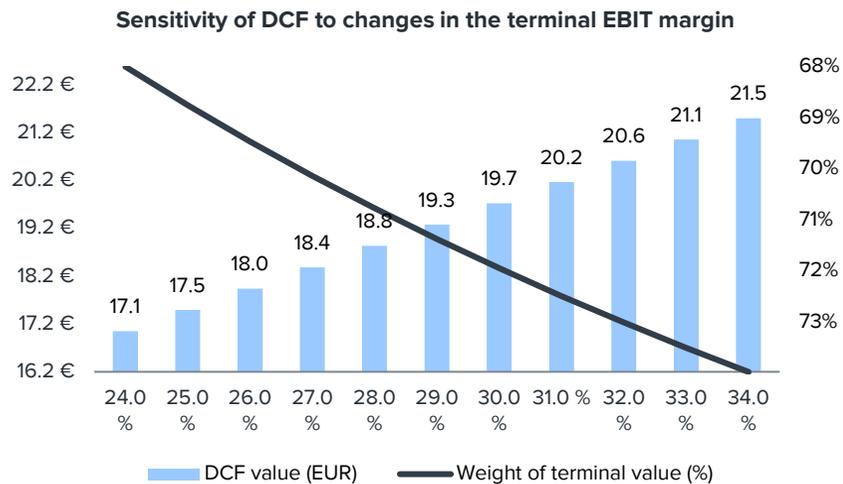
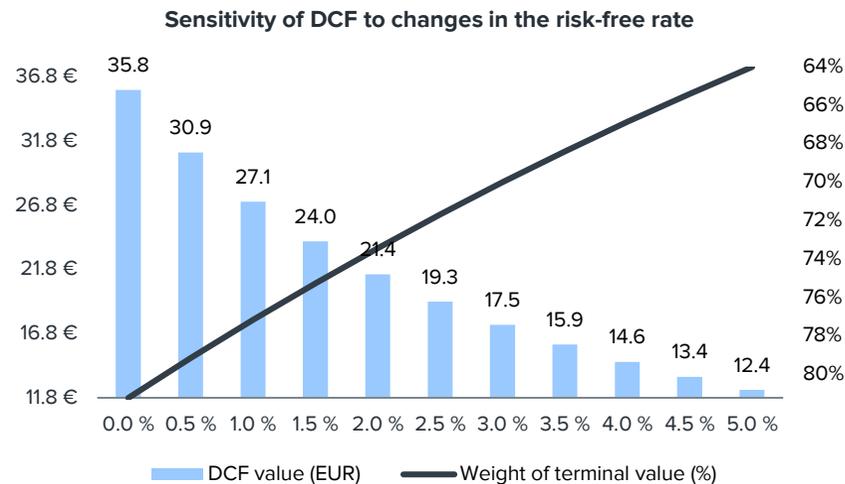
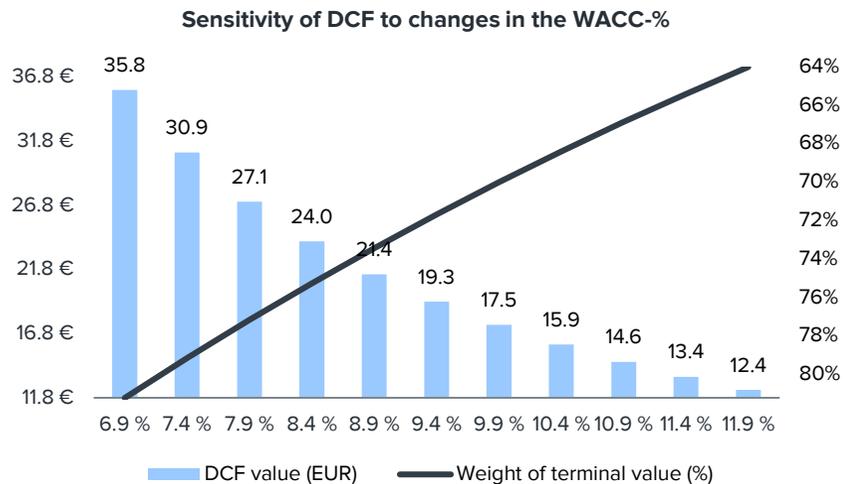
Source: Inderes

Cash flow distribution



■ 2024e-2028e ■ 2029e-2036e ■ TERM

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	50.4	59.5	EPS (reported)	0.67	-0.13	-1.68	-0.72	-0.25
EBITDA	14.5	1.9	-17.0	-6.6	1.3	EPS (adj.)	0.67	-0.13	-1.68	-0.72	-0.25
EBIT	11.4	-0.6	-28.6	-12.6	-4.3	OCF / share	0.30	0.51	-1.40	-0.19	0.23
PTP	11.3	-1.2	-27.5	-12.2	-4.3	FCF / share	-0.44	-0.29	-2.15	-1.51	-0.72
Net Income	8.8	-1.7	-22.7	-9.7	-3.4	Book value / share	6.69	6.57	5.02	4.47	4.38
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	71.1	72.7	Revenue growth-%	9%	-3%	-22%	49%	18%
Equity capital	87.4	88.4	67.8	60.7	59.9	EBITDA growth-%	4%	-87%	-990%	-61%	-120%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	57%	-105%	4985%	-56%	-66%
Net debt	-54.7	-52.9	-26.8	-9.2	-2.1	EPS (adj.) growth-%	50%	-119%	1209%	-57%	-65%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	32.3 %	4.4 %	-50.0 %	-13.1 %	2.2 %
EBITDA	14.5	1.9	-17.0	-6.6	1.3	EBIT (adj.)-%	25.5 %	-1.3 %	-84.4 %	-25.0 %	-7.2 %
Change in working capital	-7.7	5.6	-2.1	1.6	1.0	EBIT-%	25.5 %	-1.3 %	-84.4 %	-25.0 %	-7.2 %
Operating cash flow	4.0	6.8	-18.9	-2.5	3.2	ROE-%	14.2 %	-2.0 %	-29.0 %	-15.2 %	-5.7 %
CAPEX	-9.8	-10.8	-10.1	-18.0	-13.0	ROI-%	17.1 %	-0.6 %	-35.2 %	-18.6 %	-6.8 %
Free cash flow	-5.8	-4.0	-29.0	-20.5	-9.8	Equity ratio	86.4 %	88.8 %	85.5 %	85.3 %	82.4 %
						Gearing	-62.5 %	-59.8 %	-39.5 %	-15.2 %	-3.5 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	10.6	5.5	9.3	4.3	3.8						
EV/EBITDA (adj.)	32.8	>100	neg.	neg.	>100						
EV/EBIT (adj.)	41.5	neg.	neg.	neg.	neg.						
P/E (adj.)	59.0	neg.	neg.	neg.	neg.						
P/B	6.0	3.3	5.1	3.7	3.8						
Dividend-%	0.4 %	0.5 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/30/2017	Accumulate	7.40 €	6.69 €
8/17/2017	Buy	7.50 €	6.31 €
2/19/2018	Buy	7.50 €	5.90 €
6/4/2018	Buy	8.50 €	7.30 €
8/15/2018	Buy	8.50 €	6.75 €
2/13/2019	Accumulate	9.00 €	8.25 €
7/3/2019	Accumulate	10.00 €	9.28 €
8/14/2019	Accumulate	11.50 €	10.65 €
12/5/2019	Accumulate	11.50 €	10.15 €
2/16/2020	Accumulate	15.50 €	13.80 €
3/31/2020	Buy	18.00 €	14.80 €
4/21/2020	Accumulate	20.00 €	18.55 €
8/16/2020	Reduce	33.00 €	33.80 €
10/27/2020	Accumulate	33.00 €	29.00 €
12/10/2020	Accumulate	38.00 €	34.00 €
2/14/2021	Accumulate	50.00 €	45.00 €
4/8/2021	Accumulate	50.00 €	43.75 €
5/12/2021	Accumulate	50.00 €	41.30 €
8/16/2021	Accumulate	50.00 €	43.00 €
9/14/2021	Buy	50.00 €	40.00 €
11/15/2021	Buy	50.00 €	40.75 €
2/14/2022	Buy	50.00 €	33.50 €
5/16/2022	Buy	42.00 €	29.30 €
6/2/2022	Accumulate	34.00 €	29.85 €
8/15/2022	Accumulate	25.00 €	22.15 €
10/31/2022	Buy	26.00 €	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 €



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**STARMINE
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Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



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