

Remedy

Company report

2/7/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Alaskirjauksia ja sopimusneuvotteluja” published on 2/7/2024 at 8:45 am EET.

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Write-downs and contract negotiations

We reiterate our Reduce recommendation and lower our target price to EUR 21.0 (previously 29.0 EUR). The clean slate launch of Kestrel and a higher-than-expected cost structure in preliminary Q4 figures resulted in significant negative changes to our earnings forecasts. We speculate that the postponement of the financial statements due to publishing contract negotiations is related to Digital Bros' financial challenges, which may also allow Remedy to realize greater royalty potential by self-publishing Condor/Control 2 and making additional investments. The potential of future games is still heavily priced into the stock and the risk/reward is not sufficient.

All Vanguard development costs will be written off and Kestrel will start from scratch

Remedy announced on Tuesday that it has signed a contract amendment with Tencent for Kestrel, which will see Kestrel (formerly Vanguard) start from scratch. As a result, Remedy will record a write-down of 7.2 MEUR in its Q4 results, covering all of Vanguard's capitalized product development costs. Of course, the write-off has no impact on cash flow, but it does indicate the failure of the game project, which was no real surprise at this point. Presumably, Kestrel will now also be developed on Remedy's Northlight (previously Unreal). Based on preliminary data, Remedy's revenue for 2023 was 33.9 MEUR and EBITDA -17.0 MEUR. Thus, Q4 revenue was approximately 10.3 MEUR and EBITDA -3.9 MEUR. Revenue was higher than our forecast (7.9 MEUR), as we expect royalties from Alan Wake Remastered to surprise positively. There is also no precise visibility on the amount or timing of development fees on a quarterly basis. However, the year-end loss was in line with our expectations, so Remedy's cost structure appears to be higher than our previous estimates due to continued hiring and other investments over the past year. As expected, Remedy's cash position (30.4 MEUR) remained strong at the end of the year.

We speculate that the contract negotiations are related to Condor/Control 2

In the same release, Remedy also postponed the publication of its financial statements until March 20, 2024. According to the company, the postponement is related to ongoing negotiations on a publishing agreement. Remedy said in a press release that these negotiations are another decisive step towards the long-term goals of the company's strategy. Our interpretation is that the negotiations are not about a new game project, but about one of the existing projects. We speculate that Remedy could be negotiating a publishing deal for Condor/Control 2 with 505 Games, whose parent company Digital Bros is currently facing financial challenges. As part of its strategy, Remedy has expressed a willingness to self-finance and publish some of its own game projects at some point in the future. If our speculation is correct, the additional investment in these projects would weigh on Remedy's earnings in the short term, but upon release the royalty potential would be significantly higher than it is today. In terms of risk/reward, we would see Control 2 in particular as an attractive self-publishing project with an already well-known game brand.

Long-term potential still well priced in

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. Our forecast for significant royalty income from AW2 in 2024 has an EV/EBIT of 27x and an EV/EBITDA of 17x, which are quite high. With the average result for 2025-27, EV/EBIT is 17x and EV/EBITDA 10x, which indicate that significant growth expectations are loaded in the valuation. The value of our DCF model, which assumes strong long-term earnings growth, is close to the current share price.

Recommendation

Reduce

(previous Reduce)

EUR 21.00

(previous EUR 29.00)

Share price:

21.60



Key figures

	2022	2023e	2024e	2025e
Revenue	43.6	33.9	67.2	62.2
growth-%	-3%	-22%	98%	-7%
EBIT adj.	-0.6	-28.7	9.9	2.0
EBIT-% adj.	-1.3 %	-84.6 %	14.8 %	3.3 %
Net Income	-1.7	-23.0	8.0	1.5
EPS (adj.)	-0.13	-1.71	0.59	0.11

P/E (adj.)	neg.	neg.	36.6	>100
P/B	3.3	4.5	4.1	4.1
Dividend yield-%	0.5 %	0.5 %	0.5 %	0.5 %
EV/EBIT (adj.)	neg.	neg.	26.6	>100
EV/EBITDA	>100	neg.	17.4	32.9
EV/S	5.5	7.7	3.9	4.3

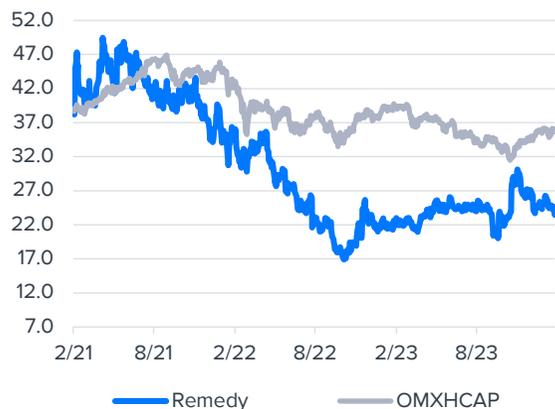
Source: Inderes

Guidance

(Downgraded)

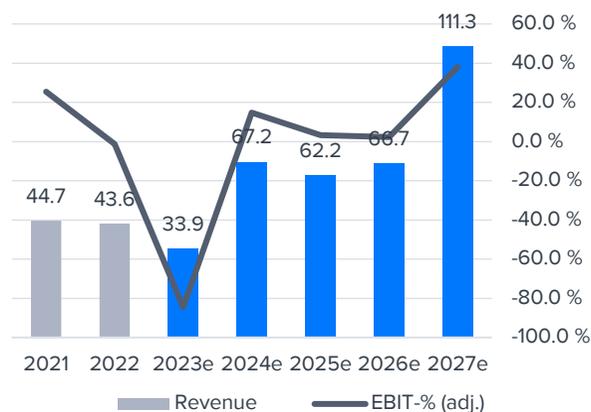
“Based on unaudited preliminary information, Remedy's revenue in 2023 was 33.9 (43.6) MEUR, and EBITDA decreased to -17.0 (1.9) MEUR.”

Share price



Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

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



Risk factors

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

Valuation	2023e	2024e	2025e
Share price	21.6	21.6	21.6
Number of shares, millions	13.5	13.6	13.7
Market cap	291	293	295
EV	262	264	265
P/E (adj.)	neg.	36.6	>100
P/E	neg.	36.6	>100
P/B	4.5	4.1	4.1
P/S	8.6	4.4	4.7
EV/Sales	7.7	3.9	4.3
EV/EBITDA	neg.	17.4	32.9
EV/EBIT (adj.)	neg.	26.6	>100
Payout ratio (%)	neg.	17%	88.3%
Dividend yield-%	0.5%	0.5%	0.5%

Source: Inderes

Estimate revisions

- We have lowered our Kestrel development fee assumptions for the next few years.
- We now assume the release of Kestrel in 2029 (was 2028).
- Based on Q4 preliminary data, Remedy's cost structure appears to be higher than our previous assumptions. Higher cost forecasts were partly reflected in lower earnings forecasts for the coming years.
- We have not made any changes here for other game projects.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	31.5	33.9	8%	70.1	67.2	-4%	65.6	62.2	-5%
EBITDA	-17.2	-17.0	-1%	22.8	15.1	-34%	15.6	8.1	-49%
EBIT (exc. NRIs)	-21.3	-28.7	35%	17.6	9.9	-44%	8.5	2.0	-76%
EBIT	-21.3	-28.7	35%	17.6	9.9	-44%	8.5	2.0	-76%
PTP	-20.9	-28.3	36%	17.7	10.0	-43%	8.4	1.9	-77%
EPS (excl. NRIs)	-1.27	-1.71	35%	1.04	0.59	-43%	0.49	0.11	-77%
DPS	0.10	0.10	0%	0.10	0.10	0%	0.10	0.10	0%

Source: Inderes

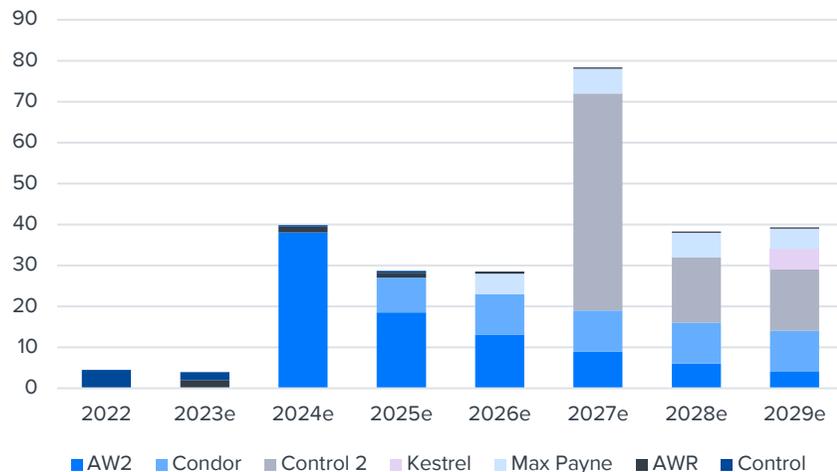
Strategy in light of game projects

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

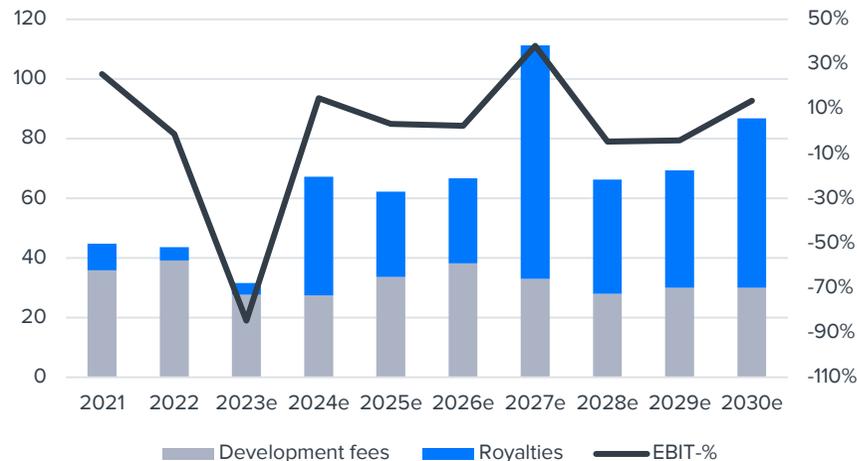
	2022	2023	2024	2025	2026	2027	2028
Crossfire	Development fees \$	Possible small royalty stream from Crossfire HD -/\$					
Control	Royalties \$\$	Royalties \$	Royalties \$	Royalties \$			
Epic projects	Development fees \$\$\$	Alan wake 2 release Little royalties from AWR \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$/\$\$\$	Royalties \$\$/\$\$\$
Condor	Development fees \$\$	Development fees \$/\$\$	Development fees \$\$	Release in H1 \$\$\$	Royalties \$\$\$	Royalties \$\$\$	Royalties \$\$\$
Control 2	Release contract \$\$	Development fees \$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$	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 \$/\$\$	Development fees \$\$/\$\$\$	Development fees \$\$\$	Development fees \$\$\$

Underlying assumptions for revenue estimates

Roalty assumptions per game (MEUR)



Revenue and profitability



AW2 assumptions in the estimate model

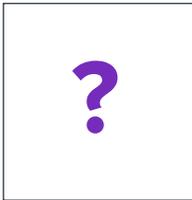
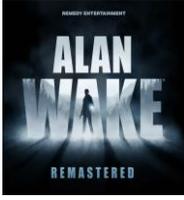
	Q3'23	Q4'23e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	Q1'25e	Q2'25e	Q3'25e	Q4'25e
Average price (€)	60	55	55	55	55	50	45	45	45	40
Sales volume (millions of copies)	0.30	1.60	0.60	0.60	0.52	0.65	0.43	0.30	0.25	0.38
Project income (MEUR)	11	55	21	21	18	20	12	8	7	10
Remedy's royalties (MEUR)	0	0	8.5	10.4	9.0	10.2	6.0	4.2	3.5	4.8
Cumulative copies sold (million)	0.3	1.9	2.5	3.1	3.6	4.3	4.7	5.0	5.3	5.6
Cumulative project income (million (MEUR))	11	66	87	108	126	146	158	167	174	183
Remedy's cumulative royalties (MEUR)		0	8.5	18.8	27.8	38.0	44.1	48.3	51.8	56.6

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

Condor

Control 2

Alan Wake Remastered

Alan Wake II

Max Payne 1&2 remake

Kestrel

Released
Q3'19

Production
readiness

Proof-of-
concept

Released
Q4'21

Released
10/27/2023

Production
readiness

Conceptualization

Budget
~30 MEUR

Budget
~25 MEUR

Budget
~50 MEUR

Budget¹
~7 MEUR

Budget¹
~50 MEUR

Budget¹
~45-50 MEUR

Budget¹
~40-50 MEUR

Remedy's share
of the budget:

45%

50%

50%

0%³

0%

30-50%¹

Remedy's share
of revenue:

45%

50%

50%

50%

20-30%¹

30-50%¹

Recoup² before
the royalties to
Remedy?



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

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

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

Gauging Remedy's long-term potential

Share price in different scenarios

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	24.3	29.6	35.0	40.4	45.7	
30%	28.6	35.0	41.4	47.9	54.3	
35%	32.9	40.4	47.9	55.4	62.9	
40%	37.1	45.7	54.3	62.9	71.4	

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	31.4	38.6	45.7	52.9	60.0	
30%	37.1	45.7	54.3	62.9	71.4	
35%	42.9	52.9	62.9	72.9	82.9	
40%	48.6	60.0	71.4	82.9	94.3	

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	38.6	47.5	56.4	65.4	74.3	
30%	45.7	56.4	67.1	77.9	88.6	
35%	52.9	65.4	77.9	90.4	102.9	
40%	60.0	74.3	88.6	102.9	117.1	

Annual return 2027

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	3%	8%	13%	17%	21%	
30%	7%	13%	18%	23%	27%	
35%	11%	17%	23%	27%	32%	
40%	15%	21%	27%	32%	36%	

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	10%	16%	21%	26%	30%	
30%	15%	21%	27%	32%	36%	
35%	19%	26%	32%	37%	41%	
40%	23%	30%	36%	41%	46%	

		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	16%	22%	28%	33%	37%	
30%	21%	28%	34%	39%	44%	
35%	26%	33%	39%	44%	49%	
40%	30%	37%	44%	49%	54%	

Annual return 2030

		EV/EBIT 12x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	2%	5%	7%	9%	11%	
30%	4%	7%	10%	12%	14%	
35%	6%	9%	12%	15%	17%	
40%	8%	11%	14%	17%	19%	

		EV/EBIT 16x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	6%	9%	11%	14%	16%	
30%	8%	11%	14%	17%	19%	
35%	10%	14%	17%	19%	22%	
40%	12%	16%	19%	22%	24%	

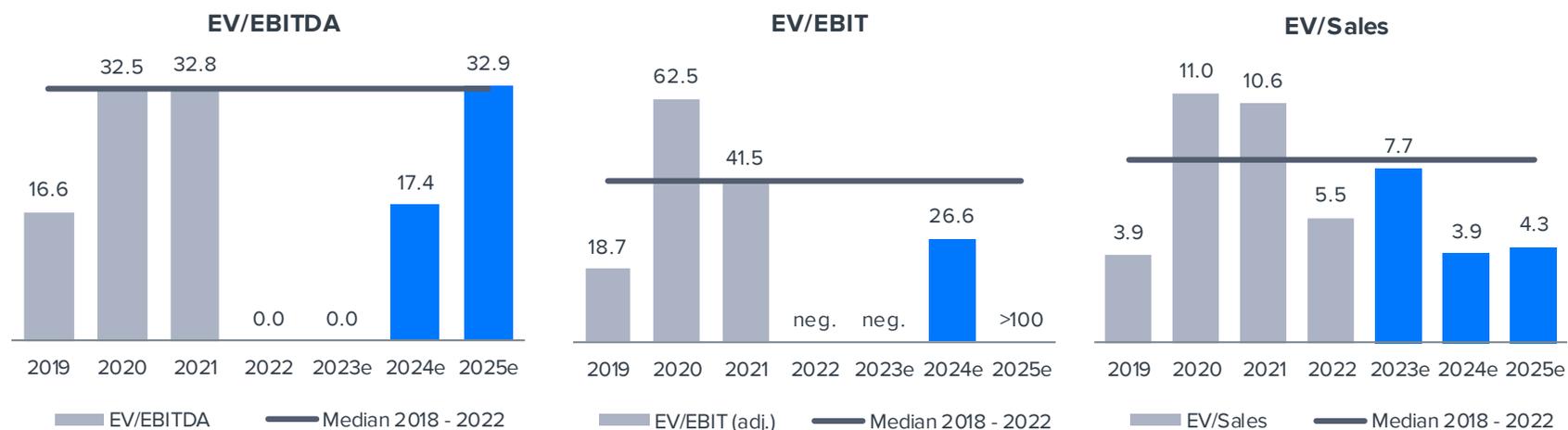
		EV/EBIT 20x				
		Revenue (MEUR)				
EBIT-%	100	125	150	175	200	
25%	9%	12%	15%	17%	20%	
30%	11%	15%	18%	20%	23%	
35%	14%	17%	20%	23%	25%	
40%	16%	20%	23%	25%	28%	

- 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 2027 or 2030.
- With the success of the company's current game projects, we believe revenue and profitability have the potential to reach these levels.
- The scenarios assume Remedy's net cash to be 40 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	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	11.5	39.0	39.7	21.9	21.6	21.6	21.6	21.6
Number of shares, millions	12.1	12.1	13.1	13.4	13.5	13.6	13.7	13.8
Market cap	138	471	528	294	291	293	295	297
EV	122	453	473	241	262	264	265	265
P/E (adj.)	26.4	87.0	59.0	neg.	neg.	36.6	>100	>100
P/E	26.4	87.0	59.0	neg.	neg.	36.6	>100	>100
P/B	5.2	13.0	6.0	3.3	4.5	4.1	4.1	4.2
P/S	4.4	11.5	11.8	6.7	8.6	4.4	4.7	4.5
EV/Sales	3.9	11.0	10.6	5.5	7.7	3.9	4.3	4.0
EV/EBITDA	16.6	32.5	32.8	>100	neg.	17.4	32.9	22.6
EV/EBIT (adj.)	18.7	62.5	41.5	neg.	neg.	26.6	>100	>100
Payout ratio (%)	25.4 %	36.2 %	25.7 %	neg.	neg.	16.9 %	88.3 %	117.9 %
Dividend yield-%	1.0 %	0.4 %	0.4 %	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%	
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Frontier Developments	65	67			2.3	23.0	0.6	0.7	-9%	-17%	-5%	-32%
Embracer	2208	3636	7.3	6.2	4.6	3.8	1.1	1.0	129%	16%	15%	16%
Starbreeze	49	13	0.6		0.3	1.7	0.3	0.8	392%	-59%	41%	-10%
CD Projekt	2508	2339	23.0	42.1	16.2	28.5	8.7	13.0	28%	-33%	38%	31%
Paradox Interactive	1793	1722	27.4	19.2	12.3	10.1	7.8	7.1	27%	11%	29%	37%
Team17	426	378	12.1	8.4	9.6	7.3	2.2	2.1	10%	3%	18%	26%
Playway	493	442	10.2	8.4	10.1	8.3	6.2	5.3	11%	18%	61%	63%
11 Bit Studios	346	331	260.2	7.7	274.6	6.4	23.3	4.3	-17%	442%	9%	56%
Enad Global 7	116	79	1.9	2.8	1.7	1.9	0.4	0.5	15%	-6%	23%	16%
Thunderful Group	26	84	6.4	5.4	2.5	2.5	0.3	0.3	-4%	2%	5%	6%
Tinybuild	35	22			8.6	5.6	0.5	0.5	-26%	6%	-5%	0%
Cl Games	76	90	7.3	16.9	3.6	6.2	1.7	3.5	288%	-51%	23%	21%
Electronic Arts	33841	32700	17.0	15.1	14.7	13.5	4.9	4.6	-5%	6%	29%	31%
Take-Two Interactive	26007	27736	36.3	39.5	32.3	33.3	5.7	5.4	52%	5%	16%	14%
Ubisoft	2597	3782		11.1	4.6	4.1	1.9	1.8	-9%	5%	-21%	17%
Remedy (Inderes)	291	262	-9.1	26.6	-15.4	17.4	7.7	3.9	-22%	98%	-85%	15%
Average			34.1	15.2	26.5	10.4	4.4	3.4	55%	22%	17%	18%
Median			11.1	9.7	8.6	6.4	1.9	2.1	11%	4%	17%	17%
Diff-% to median			-	173%	-	175%	302%	83%				

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	44.7	12.7	9.4	7.9	13.6	43.6	6.9	8.9	7.8	10.3	33.9	67.2	62.2	66.7
Development fees	35.8	11.6	7.4	7.5	12.6	39.1	6.4	7.9	6.7	7.8	28.9	27.4	33.6	38.2
Royalties	8.9	1.0	2.0	0.4	1.1	4.5	0.5	1.0	1.1	2.5	5.0	39.8	28.6	28.5
EBITDA	14.5	3.3	-1.8	-2.4	2.8	1.9	-4.9	-4.0	-4.2	-3.9	-17.0	15.1	8.1	11.7
Depreciation	-3.0	-0.6	-0.6	-0.6	-0.7	-2.5	-0.7	-0.8	-1.3	-8.9	-11.7	-5.2	-6.0	-10.1
EBIT (excl. NRI)	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-4.8	-5.5	-12.8	-28.7	9.9	2.0	1.6
EBIT	11.4	2.8	-2.4	-3.0	2.1	-0.6	-5.6	-4.8	-5.5	-12.8	-28.7	9.9	2.0	1.6
Net financial items	-0.1	-0.1	-0.5	-0.1	0.1	-0.6	0.0	0.4	0.0	0.0	0.4	0.1	-0.1	-0.1
PTP	11.3	2.7	-2.9	-3.2	2.2	-1.2	-5.6	-4.4	-5.5	-12.8	-28.3	10.0	1.9	1.5
Taxes	-2.5	-0.5	0.2	0.5	-0.7	-0.5	0.0	1.7	1.1	2.6	5.3	-2.0	-0.4	-0.3
Net earnings	8.8	2.2	-2.7	-2.7	1.5	-1.7	-5.6	-2.7	-4.4	-10.2	-23.0	8.0	1.5	1.2
EPS (adj.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.33	-0.76	-1.71	0.59	0.11	0.08
EPS (rep.)	0.67	0.16	-0.20	-0.20	0.11	-0.13	-0.42	-0.20	-0.33	-0.76	-1.71	0.59	0.11	0.08
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	8.9 %	55.9 %	-0.2 %	6.9 %	-31.2 %	-2.5 %	-45.4 %	-5.3 %	-1.1 %	-24.6 %	-22.2 %	98.3 %	-7.4 %	7.2 %
EBITDA-%	32.3 %	26.4 %	-19.3 %	-30.4 %	20.4 %	4.4 %	-71.6 %	-44.7 %	-53.4 %	-38.3 %	-50.2 %	22.5 %	12.9 %	17.6 %
Adjusted EBIT-%	25.5 %	21.8 %	-25.6 %	-38.3 %	15.5 %	-1.3 %	-81.0 %	-53.7 %	-70.5 %	-124.4 %	-84.6 %	14.8 %	3.3 %	2.3 %
Net earnings-%	19.7 %	17.1 %	-29.0 %	-33.6 %	10.9 %	-4.0 %	-81.6 %	-30.0 %	-56.7 %	-99.7 %	-67.8 %	11.9 %	2.5 %	1.7 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	12.6	20.2	31.1	27.9	30.1
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	7.6	15.1	23.3	20.7	24.7
Tangible assets	4.3	4.3	5.2	4.6	2.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.7	0.8	0.8	0.8	0.8
Deferred tax assets	0.0	0.0	1.7	1.7	1.7
Current assets	81.1	71.2	43.4	50.3	47.1
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	22.5	15.3	12.9	20.2	15.6
Cash and equivalents	58.5	55.9	30.5	30.1	31.6
Balance sheet total	101	99.6	71.8	82.1	81.6

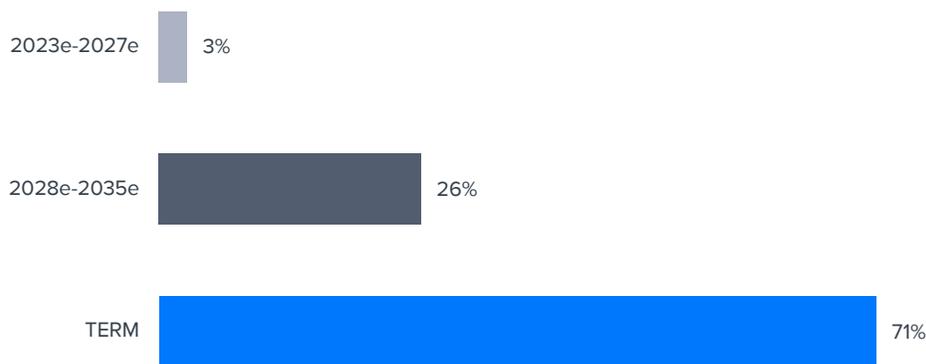
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	87.4	88.4	64.3	71.0	71.1
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	31.5	31.1	6.8	13.5	13.7
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	55.8	57.1	57.4	57.4	57.4
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	2.1	1.1	0.9	0.9	0.9
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	2.1	1.1	0.9	0.9	0.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	11.7	10.1	6.6	10.3	9.5
Interest bearing debt	1.8	1.8	0.2	0.2	0.2
Payables	9.8	8.2	6.4	10.1	9.3
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	101	99.6	71.8	82.1	81.6

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	-2.5 %	-22.2 %	98.3 %	-7.4 %	7.2 %	66.9 %	-40.4 %	4.5 %	25.2 %	23.1 %	-5.0 %	8.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	-1.3 %	-84.6 %	14.8 %	3.3 %	2.3 %	38.2 %	-4.7 %	-4.1 %	13.6 %	31.0 %	31.0 %	31.0 %	30.5 %	30.0 %	30.0 %
EBIT (operating profit)	-0.6	-28.7	9.9	2.0	1.6	42.5	-3.1	-2.8	11.8	33.1	31.5	34.0	35.1	35.6	
+ Depreciation	2.5	11.7	5.2	6.0	10.1	12.7	11.8	13.1	14.2	13.4	13.0	12.8	12.7	12.7	
- Paid taxes	-0.5	3.6	-2.0	-0.4	-0.3	-8.5	0.6	0.6	-2.3	-6.6	-6.3	-6.8	-7.0	-7.1	
- Tax, financial expenses	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	5.6	0.7	-3.6	3.9	1.6	-2.6	3.3	0.2	-0.5	-1.0	0.3	-0.4	-0.3	2.1	
Operating cash flow	6.8	-12.7	9.5	11.5	12.9	44.2	12.6	11.0	23.2	38.9	38.4	39.6	40.5	43.2	
+ 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	-10.8	-10.0	-8.6	-8.6	-9.6	-10.6	-11.6	-12.6	-12.6	-12.6	-12.6	-12.6	-12.6	-12.7	
Free operating cash flow	-4.0	-22.7	0.9	2.9	3.3	33.6	1.0	-1.6	10.6	26.3	25.8	27.0	27.9	30.5	
+/- 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	-4.0	-22.7	0.9	2.9	3.3	33.6	1.0	-1.6	10.6	26.3	25.8	27.0	27.9	30.5	
Discounted FCFF		-22.9	0.8	2.5	2.6	23.7	0.6	-0.9	5.7	13.0	11.7	11.1	10.5	10.5	170
Sum of FCFF present value		239	262	261	259	256	232	232	233	227	214	202	191	181	170
Enterprise value DCF		239													
- Interest bearing debt		-3.0													
+ Cash and cash equivalents		55.9													
-Minorities		0.0													
-Dividend/capital return		-1.3													
Equity value DCF		290													
Equity value DCF per share		21.6													

Cash flow distribution



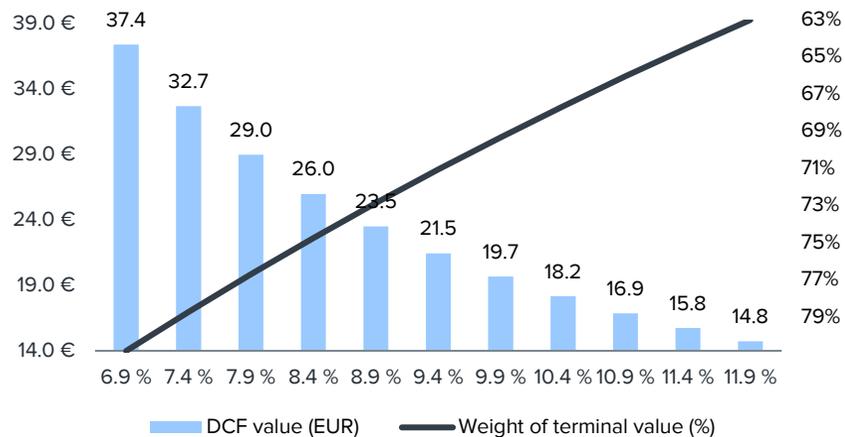
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	9.4 %

Source: Inderes

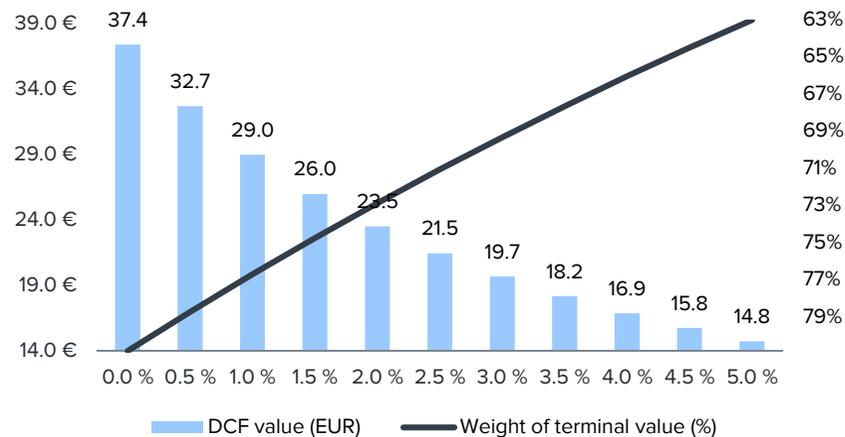
■ 2023e-2027e ■ 2028e-2035e ■ TERM

DCF sensitivity calculations and key assumptions in graphs

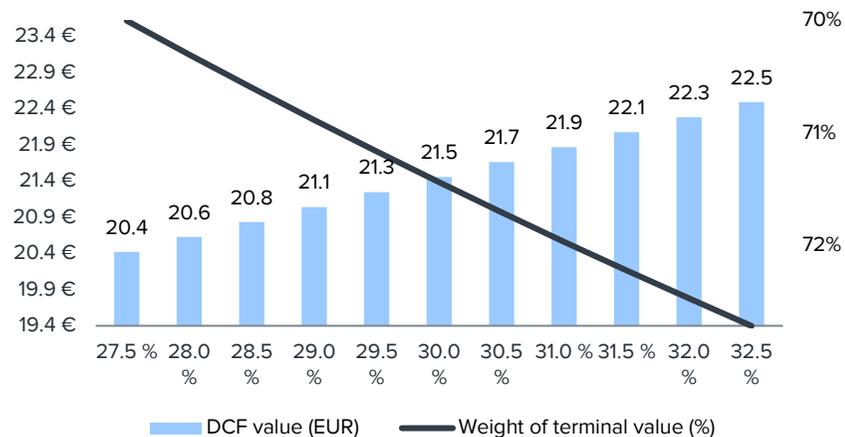
Sensitivity of DCF to changes in the WACC-%



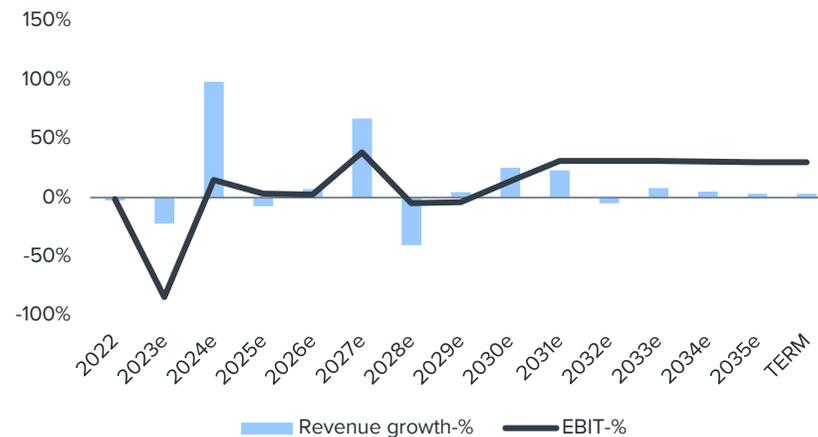
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	41.1	44.7	43.6	33.9	67.2	EPS (reported)	0.45	0.67	-0.13	-1.71	0.59
EBITDA	14.0	14.5	1.9	-17.0	15.1	EPS (adj.)	0.45	0.67	-0.13	-1.71	0.59
EBIT	7.2	11.4	-0.6	-28.7	9.9	OCF / share	1.07	0.30	0.51	-0.94	0.70
PTP	7.0	11.3	-1.2	-28.3	10.0	FCF / share	-0.17	-0.44	-0.29	-1.68	0.07
Net Income	5.4	8.8	-1.7	-23.0	8.0	Book value / share	2.99	6.69	6.57	4.77	5.23
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.10	0.10	0.10
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	51.3	101.1	99.6	71.8	82.1	Revenue growth-%	30%	9%	-3%	-22%	98%
Equity capital	36.1	87.4	88.4	64.3	71.0	EBITDA growth-%	90%	4%	-87%	-994%	-189%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	11%	57%	-105%	4994%	-135%
Net debt	-18.0	-54.7	-52.9	-29.4	-29.0	EPS (adj.) growth-%	3%	50%	-119%	1229%	-135%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	34.0 %	32.3 %	4.4 %	-50.2 %	22.5 %
EBITDA	14.0	14.5	1.9	-17.0	15.1	EBIT (adj.)-%	17.6 %	25.5 %	-1.3 %	-84.6 %	14.8 %
Change in working capital	0.4	-7.7	5.6	0.7	-3.6	EBIT-%	17.6 %	25.5 %	-1.3 %	-84.6 %	14.8 %
Operating cash flow	12.9	4.0	6.8	-12.7	9.5	ROE-%	17.3 %	14.2 %	-2.0 %	-30.1 %	11.8 %
CAPEX	-14.9	-9.8	-10.8	-10.0	-8.6	ROI-%	20.2 %	17.1 %	-0.6 %	-36.6 %	14.5 %
Free cash flow	-2.0	-5.8	-4.0	-22.7	0.9	Equity ratio	70.4 %	86.4 %	88.8 %	89.5 %	86.4 %
						Gearing	-49.8 %	-62.5 %	-59.8 %	-45.7 %	-40.9 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	11.0	10.6	5.5	7.7	3.9						
EV/EBITDA (adj.)	32.5	32.8	>100	neg.	17.4						
EV/EBIT (adj.)	62.5	41.5	neg.	neg.	26.6						
P/E (adj.)	87.0	59.0	neg.	neg.	36.6						
P/B	13.0	6.0	3.3	4.5	4.1						
Dividend-%	0.4 %	0.4 %	0.5 %	0.5 %	0.5 %						

Source: Inderes

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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	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 €



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