



Business Review JANUARY-SEPTEMBER 2023





Remedy Entertainment Plc | Stock exchange release | October 31, 2023 at 09:00 a.m.
EET

Remedy Entertainment Plc | Business Review January–September 2023

Alan Wake 2 launched with a great reception – laying the foundation for future

Higher share of own investments in game projects decreased profitability

The Business Review is unaudited. Figures in parentheses refer to the comparison period in the previous year, unless otherwise stated.

Highlights from July–September 2023

- Revenue decreased by 1.1% to EUR 7.8 (7.9) million.
- EBITDA decreased to EUR -4.2 (-2.4) million.
- Operating profit (EBIT) was EUR -5.5 (-3.0) million, and the operating profit margin was -70.0% (-38.4%) of revenue.
- Cash flow from operations was EUR -5.1 (4.7) million.
- In September, the Board of Directors of Remedy decided on a new option plan 2023.
- *Alan Wake 2* was being finalized for its October 27, 2023 launch.
- In August, the *Alan Wake 2* Dark Place trailer debuted at Gamescom, and in September, an *Alan Wake 2* briefing and an exclusive hands-on demo session was held for a select group of global media and influencers.

Highlights from January–September 2023

- Revenue decreased by 21.1% to EUR 23.6 (30.0) million.
- EBITDA was EUR -13.1 (-0.9) million.
- Operating profit (EBIT) was EUR -15.9 (-2.7) million, and the operating profit margin was -67.1% (-9.0%) of revenue.
- Cash flow from operations was EUR -16.1 (14.9) million.

Key Figures

| MEUR, IFRS, Group, unaudited | 7–9/2023 | 7–9/2022 | 1–9/2023 | 1–9/2022 | 1–12/2022 |
|--|------------|------------|------------|------------|------------|
| Revenue | 7.8 | 7.9 | 23.6 | 30.0 | 43.6 |
| Growth in revenue, % | -1.1% | 6.8% | -21.1% | 20.2% | -2.5% |
| EBITDA | -4.2 | -2.4 | -13.1 | -0.9 | 1.9 |
| Operating profit (EBIT) | -5.5 | -3.0 | -15.9 | -2.7 | -0.6 |
| Operating profit, % of revenue | -70.0% | -38.4% | -67.1% | -9.0% | -1.3% |
| Result for review period | -4.4 | -2.6 | -12.7 | -3.2 | -1.7 |
| Result for review period, % of revenue | -56.3% | -33.5% | -53.8% | -10.7% | -4.0% |
| Balance sheet total | 89.0 | 98.9 | 89.0 | 98.9 | 99.6 |
| Cash flow from operations | -5.1 | 4.7 | -16.1 | 14.9 | 11.1 |
| Net cash | 23.8 | 56.1 | 23.8 | 56.1 | 49.9 |
| Cash position | 21.7 | 56.5 | 21.7 | 56.5 | 49.0 |
| Net gearing, % | -31.0% | -65.3% | -31.0% | -65.3% | -56.4% |
| Equity ratio, % | 86.4% | 86.9% | 86.4% | 86.9% | 88.8% |
| Capital expenditures | 2.0 | 2.8 | 6.6 | 8.1 | 10.6 |
| Average number of personnel during review period (FTE) | 338 | 316 | 333 | 302 | 307 |
| Headcount at the end of period | 348 | 330 | 348 | 330 | 334 |
| Earnings per share, € | -0.33 | -0.20 | -0.94 | -0.24 | -0.13 |
| Earnings per share, € (diluted) | -0.32 | -0.19 | -0.91 | -0.23 | -0.13 |
| Number of shares at the end of period | 13,490,151 | 13,448,600 | 13,490,151 | 13,448,600 | 13,448,600 |

Comments by CEO Tero Virtala

Alan Wake is now officially back as *Alan Wake 2* was launched on October 27, 2023. The fans, Remedians and our partners at Epic have all been eagerly anticipating this cherished project to see the light of the day. The critical reception has been amazing. *Alan Wake 2* has been praised for its intriguing storytelling, rich atmosphere, stunning visuals, and impressive technical and artistic achievements. The game is a distinctive and unique take on the survival horror genre, and we are truly honored and humbled by the reception. As the game launched only four days ago, it is too early to draw conclusions on the game's commercial success. It is clear, however, that fans and critics have appreciated it giving the game a strong basis for good long-term sales.

Looking specifically at the third quarter of 2023, revenue was at a similar level as it was in the comparison period. Development fees were somewhat lower than a year ago, which was mainly due to lower development fees from *Alan Wake 2* as the project was nearing its launch. Royalties grew year-on-year driven by *Alan Wake Remastered*, which recouped its development and marketing investments during the third quarter.

Operating loss was significantly higher than in the comparison period. As communicated earlier, we have been investing more in our ongoing game projects than ever before. In the short term, this has a negative impact on revenue, profitability and cash position.

Control 2 continues in the proof-of-concept stage. The plans for this sequel are ambitious, and we have seen good progress both in the designs and in the game build. We will continue at this stage for the next few quarters. We focus on proving the identified key elements before moving to the next stage and scaling up the team.

Condor, a co-operative multiplayer game, has progressed from the proof-of-concept to the production readiness stage. We have acquired valuable insights into developing service-based games and are now in a better position to create a game players can engage with for years.

In *Codename Vanguard* we are defining the next stages of the project with our publishing partner. At the same time the project is aiming towards completing the proof-of-concept stage by the end of the year.

Max Payne 1&2 remake progressed into the production readiness stage. We have gained clarity on the style and scope of the game, and we have an exceptionally well-organized team working on it. With these accomplishments, we are excited about the project and its future success.

I want to thank all Remedians for their dedication and effort during this quarter. Now that *Alan Wake 2* has been launched, the sight is set on advancing our other game projects. All these four projects will benefit from the additional talent transferring from *Alan Wake 2* as it will enable the teams to take the necessary steps towards the next stages of development. In addition, we continue enhancing *Alan Wake 2* with new updates and developing the two announced expansions to the game. *Alan Wake 2* marks the first of many great new game launches enabled by our multi-project model, which we have built over the years.

2023 outlook (unchanged)

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

Long-term business prospects

We have several games in development, each with a world-class partner and agreed long-term development fees. These development fees form a strong and predictable revenue basis for many years. On top of these revenues, we have the less predictable but highly scalable revenue streams arising from game royalties.

Our assumptions for individual game royalties are inherently conservative, due to the amount and nature of the variables impacting game sales. However, each high-quality game that stands out in the market has the potential to succeed in a bigger way, which would drive significant revenue and operating profit growth. Our games and brands are transforming into longer-lasting experiences that typically continue to sell for years.

In relation to our longer-term game roadmap, we now have four game projects in development and will have major game launches starting from 2023. The timing of individual game launches and new game development agreements may cause variation from quarter to quarter and year to year. With several games out in the market accruing royalties and several new ones in development, this variation is expected to decrease in the coming years.

Events after the end of the reporting period

Alan Wake 2 was launched on October 27, 2023.

Webcast and conference call

Remedy will host a webcast and conference call in English on its financial results for investors, analysts and media on October 31, 2023, at 2:00 p.m. EET. Remedy's financial results will be presented by CEO Tero Virtala and CFO Terhi Kauppi.

The Business review will be available after publication on Remedy's Investor website: <https://investors.remedygames.com/financials-and-reports/financial-reports/>.

Webcast details:

Register in advance for the webcast:

<https://remedy.zoom.us/j/87294788511?pwd=Q2dvMFhMOEYzRkkzOHo1KzRDZG4zQT09>

After registering, you will receive a confirmation email containing information about joining the webcast.

Conference call details:

Dial in by calling your local phone number a few minutes before the briefing begins. International numbers are available at: <https://remedy.zoom.us/j/kdZ9HN2NPU>.

Finland: +358 9 7252 2471

Sweden: +46 850 539 728

United Kingdom: +44 330 088 5830

United States: +1 646 558 8656

Webinar ID: 872 9478 8511

Passcode: 487991

A recording of the webcast will be available afterwards on Remedy's Investor website: <https://investors.remedygames.com/financials-and-reports/webcasts-and-presentations/>.

Notes to the Business review January–September 2023

Revenue breakdown per quarter

| EUR thousand | 7–9/2023 | 4–6/2023 | 1–3/2023 | 10–12/2022 | 7–9/2022 | 4–6/2022 |
|------------------|--------------|--------------|--------------|---------------|--------------|--------------|
| Development fees | 6,714 | 7,948 | 6,440 | 12,564 | 7,500 | 7,443 |
| Royalties | 1,102 | 955 | 471 | 1,063 | 404 | 1,958 |
| Total | 7,816 | 8,903 | 6,911 | 13,627 | 7,904 | 9,401 |

Calculation formulas used for the indicators

EBITDA: Operating profit (EBIT) + depreciation and amortization

Operating profit (EBIT): Profit (loss) before taxes and financial items

Operating profit, % of revenue: Operating profit (EBIT) / revenue

Net cash: Cash in hand and banks + liquid investments* - interest-bearing liabilities

Net gearing, %: (Interest-bearing liabilities - cash in hand and at banks – liquid investments*) / shareholders' equity

Equity ratio: Shareholders' equity / (balance sheet total - advances received)

Capital Expenditures: Change in tangible and intangible assets added by depreciation of these assets

*Liquid investments include Remedy's liquid investments to equity funds. The indicators from comparison periods have also been corrected according to this principle.

Espoo, October 31, 2023
Remedy Entertainment Plc
Board of Directors

More information

Veli-Pekka Puolakanaho, Head of Corporate Development and IR
Phone: +358 50 430 0936
Email: veli-pekka.puolakanaho@remedygames.com

Remedy in brief

Remedy Entertainment Plc is a pioneering, globally renowned video game company founded in 1995 and headquartered in Finland with an office in Stockholm, Sweden. Known for its story-driven and visually stunning action games, Remedy has created multiple successful, critically acclaimed franchises such as Control, Alan Wake and Max Payne. Remedy also develops its own Northlight® game engine and tools technology that powers many of its games.

The company employs over 370 game industry professionals from 34 different countries. Remedy's shares are listed on Nasdaq Helsinki's main list.

www.remedygames.com

This is not an interim report as defined in IAS 34. Remedy follows the half-year reporting schedule according to Finnish Securities Market Act and publishes business reviews covering the first three and nine months of the fiscal year. These business reviews will include the most important information regarding the company's financial performance. The financial figures presented in this business review are unaudited.