



# Business Review JANUARY-SEPTEMBER 2024





Remedy Entertainment Plc | Stock exchange release | November 1, 2024, at 09:00 a.m. EET

Remedy Entertainment Plc | Business Review January–September 2024

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## **Remedy moves to self-publishing with Control franchise supported by a strong strategic partnership and financing**

### **Higher revenue and improved profitability versus the comparison period**

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

#### **Highlights from July–September 2024**

- Revenue increased by 128.6% to EUR 17.9 (7.8) million.
- EBITDA increased to EUR 6.6 (-4.2) million.
- Operating profit (EBIT) was EUR 2.4 (-5.5) million, and the operating profit margin was 13.4% (-70.0%) of revenue.
- Cash flow from operations was EUR 6.6 (-5.1) million.
- In August, Remedy and Annapurna announced a strategic partnership agreement where Annapurna will finance 50% of the development budget for the upcoming Control 2 video game and gain the rights to expand the award-winning Control and Alan Wake franchises into film and television.
- In September, Remedy announced it entered into a EUR 15 million unsecured convertible loan agreement with Tencent. An Extraordinary General Meeting of Remedy was held on October 24, 2024, and it approved the material terms of the loan.
- After the review period in October the Board of Directors of Remedy decided on a new option plan 2024.
- After the review period in October Remedy announced The Lake House expansion to Alan Wake 2 and the physical edition became available.

- After the review period in October Remedy announced FBC: Firebreak (previously known as codename Condor), a three-player cooperative multiplayer first-person shooter set in the mysterious world of Control that will be self-published in 2025.

## Highlights from January–September 2024

- Revenue increased by 65.1% to EUR 39.0 (23.6) million.
- EBITDA was EUR 3.1 (-13.1) million.
- Operating profit (EBIT) was EUR -2.9 (-15.9) million, and the operating profit margin was -7.4% (-67.1%) of revenue.
- Cash flow from operations was EUR 13.5 (-16.1) million.
- In February 2024, Remedy acquired full rights to the Control franchise from 505 Games. Through the transaction, all rights to Control, codename Condor, Control 2, and all future Control products reverted to Remedy.

## Key Figures

MEUR, IFRS, Group, unaudited	7–9/2024	7–9/2023	1–9/2024	1–9/2023	1–12/2023
Revenue	17.9	7.8	39.0	23.6	33.9
Growth in revenue, %	128.6%	-1.1%	65.1%	-21.1%	-22.2%
EBITDA	6.6	-4.2	3.1	-13.1	-17.0
Operating profit (EBIT)	2.4	-5.5	-2.9	-15.9	-28.6
Operating profit, % of revenue	13.4%	-70.0%	-7.4%	-67.1%	-84.4%
Result for review period	1.9	-4.4	-2.3	-12.7	-22.7
Result for review period, % of revenue	10.5%	-56.3%	-6.0%	-53.8%	-66.8%
Balance sheet total	87.2	89.0	87.2	89.0	79.0
Cash flow from operations	6.6	-5.1	13.5	-16.1	-16.0
Net cash	24.4	23.8	24.4	23.8	23.8
Cash position	21.2	21.7	21.2	21.7	20.1
Net gearing, %	-36.1%	-31.0%	-36.1%	-31.0%	-35.1%
Equity ratio, %	77.6%	86.4%	77.6%	86.4%	85.5%
Capital expenditures	1.9	2.0	24.9*	6.6	10.0
Average number of personnel during review period (FTE)	354	338	350	333	334
Headcount at the end of period	363	348	363	348	352
Earnings per share, €	0.14	-0.33	-0.17	-0.94	-1.68

Earnings per share, € (diluted)	0.14	-0.32	-0.17	-0.91	-1.66
Number of shares at the end of period	13,569,151	13,490,151	13,569,151	13,490,151	13,490,151

\*Contains 16.9 million invested in publishing rights of Control franchise

## Comments by CEO Tero Virtala

In the third quarter of 2024, revenue increased 129% from a year ago to EUR 17.9 million. Development fees increased, primarily driven by *Control 2* related one-time payment from Annapurna as well as higher development fees from *Max Payne 1&2 Remake* and *Control 2*. Royalties decreased slightly and consisted mainly of game sales of *Control* and older Alan Wake titles. *Alan Wake 2* did not yet generate royalties. In the third quarter the operating profit was EUR 2.4 million, improving by EUR 7.9 million from the comparison period.

### Games portfolio – steady progress and preparing to self-publish in 2025

Our games in development progressed as planned during the quarter. In August, we made a strategic partnership agreement with Annapurna, which ensures we can develop *Control 2* into a great game. It also allows us to move into self-publishing and expand our game franchises to other mediums such as television and film.

After the end of the quarter, in October, we were thrilled to announce *FBC: Firebreak* (previously known as *codename Condor*), a three-player cooperative multiplayer first-person shooter, set in the mysterious world of *Control*. The game reveal was positively received by players and media. We will self-publish the mid-priced game ourselves and release it in 2025 for PC via Steam and Epic Games Store, Xbox Series X|S, and PlayStation 5. *FBC: Firebreak* will launch day one on PC Game Pass and Game Pass Ultimate, as well as in the PlayStation Plus Game Catalog for Extra and Premium members.

At the end of the quarter, *Alan Wake 2* had recouped most of its development and marketing expenses. After the end of the quarter, the second expansion of *Alan Wake 2*, *The Lake House*, was released on October 22 alongside the Physical Deluxe Edition of the game.

*FBC: Firebreak*, previously *codename Condor*, continues in full production with a focus on iterating on the core loop and implementing more of the UI (user interface) for more player clarity based on playtesting feedback.

*Control 2* has progressed well in the production readiness stage and is on track to start full production during 2025. Many of the critical features of the game have been implemented to mitigate production risk, and workflows and pipelines are being tested in preparation for full production.

*Max Payne 1&2 Remake* is making steady progress in full production. The development team continues their work, gradually reaching important milestones.

### **Strategic partnership and financing enable self-publishing**

Since acquiring the Control rights in February 2024, we have been building readiness towards self-publishing and more regular game releases. In August, we announced a strategic partnership with Annapurna. They will finance 50% of the development budget of *Control 2* and gain the rights to expand Control and Alan Wake franchises into film and television. In September, we also made a EUR 15 million convertible loan agreement with Tencent to strengthen our position in the value chain and to have more control over how our games are commercialized.

We look forward to discussing our plans for the upcoming years as well as our updated strategy with more detail in our Capital Markets Day on November 19, 2024.

### **2024 outlook (unchanged)**

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

As we have announced earlier, the revenue growth rate and EBIT improvement in 2024 are meaningfully dependent on the choice between different publishing models. With the decision to self-publish both *Control 2* and *FBC: Firebreak*, these projects will generate less development fees in the short-term but bring greater value in the long-term.

Therefore, in 2024 our revenue will increase, and EBIT improve but remain negative.

### **Long-term business prospects**

We have two established own franchises, Control and Alan Wake, which are linked through the Remedy Connected Universe. Growing and expanding these franchises will be a key part of our future. In addition, we work with a partner franchise Max Payne that was originally created by Remedy.

### **Events after the end of the reporting period**

On October 4, 2024, the Board of Directors of Remedy decided on a new option plan 2024.

On October 24, 2024, Remedy held an Extraordinary General Meeting. The Extraordinary General Meeting decided, in accordance with the Board of Directors' proposal, to approve the material terms and conditions of convertible loan and authorize the Board of Directors to decide on the issuance of special rights entitling to shares.

On October 24, 2024, The Board of Directors of Remedy decided on issuance of 811,100 special rights to Tencent.

## Webcast and conference call

Remedy will host a webcast and conference call in English on its financial results for investors, analysts and media on November 1, 2024, at 2:00 p.m. EET. Remedy's financial results will be presented by CEO Tero Virtala and CFO Santtu Kallionpää.

The report 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/86248094530?pwd=tIWjPHxaAGVgLOF1mAUeHCjeJLLEn4.1>

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/u/kbZXDFBZgc>.

Finland: +358 9 7252 2471

Sweden: +46 850 539 728

United Kingdom: +44 330 088 5830

United States: +1 646 558 8656

Webinar ID: 862 4809 4530

Passcode: 487991

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

### More information

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## 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 its games.

[www.remedygames.com](http://www.remedygames.com)

## Notes to the Business review January–September 2024

### Revenue breakdown per quarter

EUR thousand	7–9/2024	4–6/2024	1–3/2024	10–12/2023	7–9/2023
Development fees	17,028	9,436	8,961	7,648	6,714
Royalties	839	912	1,834	2,655	1,102
<b>Total</b>	<b>17,866</b>	<b>10,349</b>	<b>10,795</b>	<b>10,302</b>	<b>7,816</b>

### 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, November 1, 2024  
Remedy Entertainment Plc  
Board of Directors

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.