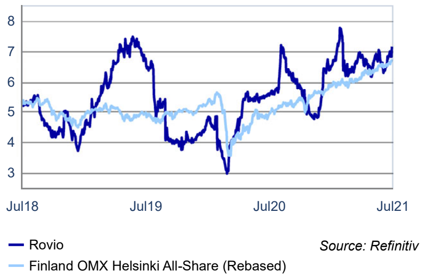
Rovio

Telecom Equipment and IT
Finland

KEY DATA

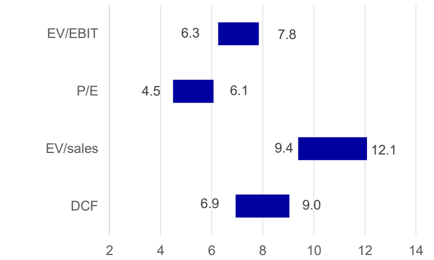
Stock country	Finland
Bloomberg	ROVIO FH
Reuters	ROVIO.HE
Share price (close)	EUR 7.18
Free Float	50%
Market cap. (bn)	EUR 0.53/EUR 0.53
Website	http://www.rovio.com/
Next report date	12 Aug 2021

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	-1%	0%	1%
EBIT (adj)	-2%	1%	3%

Source: Nordea estimates

Nordea Markets - Analysts
Sami Sarkamies
Director

Pauli Lohi
Analyst

We expect solid performance from Angry Birds

Rovio's Q2 report will likely be a double-edged sword, but could be a minor positive trigger for the share. On the positive side, the company has been able to grow its existing Angry Birds titles, owing to improvements made to those games recently and increased user acquisition investments. On the other hand, Darkfire Heroes, published in April, has not yet achieved a significant sales run-rate, in our view. We make minor changes to our estimates. We are 12% above Refinitiv consensus on Q2 2021E EBIT and 3% above for 2021E. We decrease our fair value range to EUR 6.8-8.8 (6.9-8.9), mainly due to decreased valuations for the peer group.

Games' revenue developed well in Q2

Based on Reflection.io and Rovio's mid-quarter call, we estimate that revenues for Rovio's existing Angry Birds games improved slightly during Q2. The positive development in the games' key metrics have allowed the company to slightly increase user acquisition investments. Rovio sees potential to improve retention rates for its older games and extend their lifetime values. The new game Darkfire Heroes, however, is growing more slowly than expected. The user acquisition ramp-up will be executed cautiously in order to reduce the payback risk for the marketing budget.

We are 3% ahead of consensus adjusted EBIT for 2021E

We reduce adjusted EBIT by 2% for 2021E, owing to a slower-than-expected kick-off for Darkfire Heroes. We keep adjusted EBIT unchanged for 2022E, however, and lift 2023E by 3%, due to the improved performance of AB2 in Q2. We find ourselves 3% ahead of Refinitiv consensus on adjusted EBIT for 2021E and 12% ahead for Q2 2021E.

Valuation range decreased to EUR 6.8-8.8 per share

We derive a fair value range of EUR 6.8-8.8 (6.9-8.9) per share, based on an average of four separate valuation methods, comprising EV/EBIT, P/E, EV/sales, and a discounted cash flow method (DCF). We apply a 40% discount to the median multiples for western mobile gaming peers due to Rovio's weaker growth profile.

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	297	281	289	272	279	309	317
EBITDA (adj)	65	48	33	65	44	50	50
EBIT (adj)	36	31	18	47	36	44	45
EBIT (adj) margin	12.1%	11.1%	6.4%	17.3%	12.9%	14.1%	14.2%
EPS (adj, EUR)	0.33	0.31	0.17	0.48	0.39	0.47	0.49
EPS (adj) growth	129.9%	-7.1%	-44.5%	180.7%	-17.9%	21.5%	3.0%
DPS (ord, EUR)	0.06	0.09	0.09	0.12	0.13	0.14	0.15
EV/Sales	2.1	0.7	0.9	1.2	1.3	1.1	1.0
EV/EBIT (adj)	17.5	5.9	13.5	7.1	10.4	8.0	7.2
P/E (adj)	27.5	12.5	26.1	13.3	18.4	15.1	14.7
P/BV	5.1	1.9	2.1	2.8	2.9	2.5	2.2
Dividend yield (ord)	0.7%	2.4%	2.0%	1.9%	1.8%	1.9%	2.1%
FCF Yield bef A&D, lease	8.3%	13.6%	1.8%	12.6%	6.2%	6.9%	6.8%
Net debt	-88	-120	-110	-129	-153	-180	-206
Net debt/EBITDA	-1.5	-2.5	-3.4	-2.2	-3.5	-3.6	-4.1
ROIC after tax	43.9%	53.6%	30.0%	79.7%	83.4%	n.m.	n.m.

Source: Company data and Nordea estimates

Estimate revisions

Revisions

We decrease adjusted EBIT by 2% for 2021E owing to a slower-than-expected kick-off for Darkfire Heroes. However, we keep it unchanged for 2022E and increase our estimate by 3% for 2023, due to the improved performance in AB2 in Q2.

ESTIMATE REVISIONS (EPS and DPS in EUR)

	New estimates				Old estimates				Difference %			
EURm	**Q2 21E**	**2021E**	**2022E**	**2023E**	**Q2 21E**	**2021E**	**2022E**	**2023E**	**Q2 21E**	**2021E**	**2022E**	**2023E**
Sales												
Games	66	269	301	311	67	271	302	310	-1%	-1%	0%	1%
Brand Licensing	2	11	8	6	2	11	8	6	0%	0%	0%	0%
Other	0	0	0	0	0	0	0	0	n.m	n.m	n.m	n.m
Total	**69**	**279**	**309**	**317**	**69**	**281**	**309**	**315**	**-1%**	**-1%**	**0%**	**1%**
Adj. EBIT												
Games	10	46	53	54	11	47	52	53	-11%	-1%	1%	3%
Brand Licensing	0	2	2	2	0	2	2	2	0%	0%	0%	0%
Other	-2	-12	-11	-11	-2	-12	-11	-11	0%	0%	0%	0%
Total	**8**	**36**	**44**	**45**	**9**	**37**	**43**	**44**	**-13%**	**-2%**	**1%**	**3%**
Adj. EBIT ex Hatch	**9**	**39**	**46**	**47**	**11**	**40**	**45**	**46**	**-11%**	**-2%**	**1%**	**3%**
Adj. EBIT margin												
Games	15.3%	17.1%	17.4%	17.4%	17.0%	17.2%	17.3%	17.0%	-1.7pp	-0.1pp	0.2pp	0.3pp
Brand Licensing	21.2%	20.5%	23.5%	28.6%	21.2%	20.5%	23.5%	28.6%	0.0pp	0.0pp	0.0pp	0.0pp
Other	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m
Total	**11.9%**	**12.9%**	**14.1%**	**14.2%**	**13.6%**	**13.0%**	**13.9%**	**13.8%**	**-1.7pp**	**-0.1pp**	**0.1pp**	**0.3pp**
Margin ex. Hatch	**13.8%**	**14.0%**	**14.7%**	**14.8%**	**15.5%**	**14.1%**	**14.6%**	**14.5%**	**-1.7pp**	**-0.1pp**	**0.2pp**	**0.3pp**
EPS	0.09	0.38	0.47	0.48	0.10	0.39	0.47	0.47	-13%	-2%	1%	3%
DPS	n.m	0.13	0.14	0.15	n.m	0.13	0.14	0.15	n.m	0%	0%	0%

Source: Nordea estimates

Our estimates versus consensus

We find ourselves 3% ahead of Refinitiv consensus on adjusted EBIT for 2021E and 14-16% above for 2022E-23E. For Q2, we are 12% above consensus on adjusted EBIT.

ROVIO ENTERTAINMENT: OUR ESTIMATES VERSUS CONSENSUS (EPS and DPS in EUR)

	Nordea estimates				Consensus estimates				Difference			
EURm	**Q2 21E**	**2021E**	**2022E**	**2023E**	**Q2 21E**	**2021E**	**2022E**	**2023E**	**Q2 21E**	**2021E**	**2022E**	**2023E**
Sales	**68.6**	**278.8**	**309.0**	**317.0**	**68.2**	**276.5**	**291.0**	**304.0**	**1%**	**1%**	**6%**	**4%**
EBITDA	**9.7**	**43.3**	**49.9**	**50.3**	**10.0**	**44.5**	**45.0**	**46.0**	**-3%**	**-3%**	**11%**	**9%**
EBITDA margin	14.1%	15.5%	16.1%	15.9%	14.7%	16.1%	15.5%	15.1%	-0.6pp	-0.5pp	0.7pp	0.7pp
Adj. EBIT	**8.2**	**35.9**	**43.6**	**44.9**	**7.3**	**35.0**	**37.7**	**39.3**	**12%**	**3%**	**16%**	**14%**
Adj. EBIT margin	11.9%	12.9%	14.1%	14.2%	10.7%	12.7%	12.9%	12.9%	1.2pp	0.2pp	1.2pp	1.2pp
PTP	**8.2**	**36.2**	**43.6**	**44.9**	**7.2**	**34.0**	**41.0**	**39.0**	**14%**	**7%**	**6%**	**n.a**
EPS	**0.09**	**0.38**	**0.47**	**0.48**	**0.08**	**0.37**	**0.39**	**0.39**	**17%**	**4%**	**20%**	**24%**
Adj. EPS	**0.09**	**0.38**	**0.47**	**0.48**	**0.08**	**0.37**	**0.39**	**0.39**	**17%**	**4%**	**20%**	**24%**
DPS		**0.13**	**0.14**	**0.15**		**0.12**	**0.12**	**0.14**		**10%**	**13%**	**9%**

Source: Refinitiv and Nordea estimates

Detailed estimates

REPORTED ANNUAL NUMBERS AND ESTIMATES (EURm, EUR AND %)

Company	2017	2018	2019	2020	2021E	2022E	2023E	2024E	CAGR 19-22E	CAGR 22E-24E
Revenue	297	281	289	272	279	309	317	329	2%	3%
Materials and services	82	80	77	75	77	86	89	93	4%	4%
Employee benefits expense	52	43	42	49	49	48	49	50	5%	2%
Other operating expenses	104	112	138	89	110	125	129	128	-3%	1%
EBITDA	60	48	32	60	43	50	50	59	15%	9%
Adj. EBITDA	65	48	33	60	44	50	50	59	15%	9%
EBIT	31	32	18	43	35	44	45	54	34%	11%
Adj. EBIT	36	31	18	47	36	44	45	54	33%	11%
Adj. EBIT (excl. Hatch)	36	39	29	50	39	46	47	54	16%	8%
PTP	27	32	18	41	36	44	45	54	35%	11%
Net Profit	21	25	13	32	28	35	36	43	38%	11%
EPS, diluted	0.27	0.31	0.16	0.42	0.38	0.47	0.48	0.58	43%	11%
DPS	0.06	0.09	0.09	0.12	0.13	0.14	0.15	0.16	16%	7%
Revenue growth (y/y)		-5%	3%	-6%	2%	11%	3%	4%		
Revenue growth (q/q)										
Payout ratio	22%	29%	56%	28%	34%	30%	31%	28%		
Adj. EBITDA margin	21.7%	16.9%	11.3%	22.1%	15.8%	16.1%	15.9%	17.8%		
Adj. EBIT margin	12.1%	11.1%	6.4%	17.3%	12.9%	14.1%	14.2%	16.3%		
Adj. EBIT margin (excl. Hatch)	12.1%	13.8%	10.0%	18.3%	14.0%	14.7%	14.8%	16.3%		
Net debt	-88	-120	-110	-129	-153	-180	-206	-237		
Net gearing	-63%	-75%	-66%	-78%	-83%	-86%	-87%	-89%		
ROE	18%	16%	8%	19%	16%	18%	16%	17%		

Source: Company data and Nordea estimates

REPORTED QUARTERLY NUMBERS AND ESTIMATES (EURm, EUR AND %)

Company	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
Revenue	71	72	75	72	67	69	68	69	67	69	70	73
Materials and services	20	19	19	20	18	20	19	18	18	19	19	20
Employee benefits expense	9	13	10	10	11	12	11	14	12	12	11	14
Other operating expenses	31	31	37	40	22	22	22	24	25	28	27	29
EBITDA	11	10	10	3	16	16	16	12	12	10	12	10
Adj. EBITDA	11	10	10	3	16	16	16	12	12	10	12	10
EBIT	8	5	5	0	13	14	13	3	10	8	10	8
Adj. EBIT	8	5	5	0	13	14	13	8	10	8	10	8
Adj. EBIT (excl. Hatch)	9	8	9	3	16	16	14	9	11	9	11	8
PTP	8	5	6	-1	12	15	12	2	11	8	10	8
Net Profit	6	3	5	-1	9	11	9	3	8	7	8	6
EPS, diluted	0.07	0.04	0.06	-0.01	0.11	0.15	0.12	0.04	0.10	0.09	0.11	0.08
DPS												
Revenue growth (y/y)	8%	0%	5%	-2%	-6%	-4%	-9%	-4%	1%	-1%	3%	6%
Revenue growth (q/q)	-2%	1%	4%	-4%	-7%	4%	-2%	1%	-2%	2%	2%	4%
Payout ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Adj. EBITDA margin	15.0%	13.4%	12.8%	4.1%	24.2%	23.0%	23.4%	17.8%	18.5%	14.1%	17.4%	13.2%
Adj. EBIT margin	10.7%	7.4%	7.2%	0.2%	19.5%	19.9%	18.9%	10.9%	15.2%	11.9%	14.3%	10.3%
Adj. EBIT margin (excl. Hatch)	13.3%	11.3%	11.4%	4.4%	23.4%	22.5%	20.9%	13.3%	16.2%	13.8%	15.0%	11.0%

Source: Company data and Nordea estimates

REPORTED ANNUAL NUMBERS AND ESTIMATES BY SEGMENT (EURm AND %)

Games	2017	2018	2019	2020	2021E	2022E	2023E	2024E	CAGR 19-22E	CAGR 22E-24E
Games' revenue	248	250	265	258	269	301	311	325	4%	4%
UAC, EURm	70	79	100	59	77	91	94	92	-3%	1%
EBITDA	43	41	36	65	49	55	57	66	15%	10%
Adj. EBITDA	43	41	36	65	49	55	57	66	15%	10%
EBIT	38	38	31	57	46	53	54	63	19%	9%
Adj. EBIT	39	39	31	61	46	53	54	63	19%	9%
UAC as % of revenue	28.1%	31.4%	37.6%	22.8%	28.5%	30.2%	30.3%	28.4%		
Adj. EBITDA margin	17.4%	16.3%	13.4%	25.3%	18.1%	18.2%	18.2%	20.3%		
Adj. EBIT margin	15.5%	15.5%	11.8%	23.7%	17.1%	17.4%	17.4%	19.4%		
Contribution to group EBITDA	72%	85%	110%	109%	112%	110%	113%	112%		
Revenue growth (y/y)	56%	1%	6%	-2%	4%	12%	3%	4%		
Revenue growth (q/q)										
UAC growth (y/y)		13%	27%	-41%	30%	19%	4%	-2%		
Adj. EBITDA growth		-6%	-13%	83%	-26%	13%	4%	16%		
Adj. EBIT growth		1%	-19%	96%	-25%	14%	3%	16%		

Brand Licensing	2017	2018	2019	2020	2021E	2022E	2023E	2024E	CAGR 19-22E	CAGR 22E-24E
Revenue	49	31	24	14	11	8	6	4	-32%	-25%
EBITDA	30	21	14	9	7	5	3	3	-29%	-26%
Adj. EBITDA	32	21	14	9	7	5	3	3	-29%	-26%
EBIT	6	7	4	1	2	2	2	1	-25%	-11%
Adj. EBIT	8	7	5	1	2	2	2	1	-27%	-11%
Adj. EBITDA margin	65.2%	67.5%	57.6%	63.3%	62.5%	63.8%	61.8%	61.8%		
Adj. EBIT margin	13.0%	23.1%	17.7%	4.3%	20.5%	23.5%	28.6%	33.6%		
Contribution to group EBITDA	50.2%	43.4%	42.6%	14.3%	15.8%	9.9%	6.8%	4.5%		
Revenue growth (y/y)		-37%	-21%	-43%	-21%	-29%	-29%	-21%		
Revenue growth (q/q)										
Adj. EBITDA growth		-35%	-33%	-37%	-22%	-28%	-31%	-21%		
Adj. EBIT growth		-14%	-35%	-83%	181%	-19%	-13%	-8%		

Others	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Revenue	0	0	0	0	0	0	0	0
EBITDA	-13	-13	-17	-15	-12	-10	-10	-10
Adj. EBITDA	-11	-14	-17	-15	-11	-10	-10	-10
EBIT	-14	-14	-18	-15	-12	-11	-11	-11
Adj. EBIT	-11	-15	-18	-15	-12	-11	-11	-11
CAPEX	0.4	1	1.4	1.1	1.2	1.2	1.2	1.2
Contribution to group EBITDA	-18%	-29%	-52%	-24%	-26%	-20%	-20%	-17%

Source: Company data and Nordea estimates

REPORTED QUARTERLY NUMBERS AND ESTIMATES BY SEGMENT (EURm AND %)

Games	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
Games' revenue	66	65	66	67	63	67	64	64	65	66	68	70
UAC, EURm	24	21	27	28	14	14	15	16	17	20	19	20
EBITDA	11	11	8	6	18	18	16	14	14	11	13	12
Adj. EBITDA	11	11	8	6	18	18	16	14	14	11	13	12
EBIT	10	9	7	5	17	17	15	8	13	10	12	11
Adj. EBIT	10	9	7	5	17	17	15	13	13	10	12	11
UAC as % of revenue	35.7%	32.6%	40.8%	41.2%	21.5%	20.9%	23.8%	24.8%	26.7%	30.5%	28.0%	28.8%
Adj. EBITDA margin	17.0%	16.1%	12.5%	8.4%	28.4%	27.1%	25.2%	21.3%	21.3%	16.0%	19.2%	16.5%
Adj. EBIT margin	15.5%	14.4%	10.8%	6.7%	26.5%	25.4%	24.0%	19.7%	19.7%	15.3%	18.5%	15.8%
Contribution to group EBITDA	107%	109%	86%	215%	113%	112%	102%	112%	117%	110%	106%	120%
Revenue growth (y/y)	17%	0%	5%	2%	-5%	2%	-3%	-3%	4%	-1%	5%	9%
Revenue growth (q/q)	2%	-1%	2%	0%	-6%	7%	-4%	0%	1%	2%	2%	4%
UAC growth (y/y)	62%	-7%	52%	18%	-43%	-34%	-44%	-42%	28%	44%	24%	26%
Adj. EBITDA growth	36%	-7%	-21%	-33%	218%	2%	-10%	-15%	1%	-23%	22%	-11%
Adj. EBIT growth	32%	-8%	-24%	-37%	269%	2%	-9%	-18%	1%	-21%	23%	-11%

Brand Licensing	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
Revenue	5	6	8	5	4	2	4	4	2	2	3	3
EBITDA	3	4	6	2	2	1	3	3	1	1	2	2
Adj. EBITDA	3	4	6	2	3	1	3	3	1	1	2	2
EBIT	1	1	3	0	1	0	1	-1	0	0	0	0
Adj. EBIT	1	1	3	0	1	0	1	-1	0	0	0	0
Adj. EBITDA margin	54.3%	57.8%	71.4%	36.7%	66.7%	43.5%	67.6%	70.7%	54.5%	55.6%	59.7%	64.3%
Adj. EBIT margin	13.0%	9.4%	35.7%	6.1%	20.5%	8.7%	13.5%	-17.1%	9.1%	21.2%	6.7%	15.5%
Contribution to group EBITDA	23.6%	38.5%	62.5%	57.7%	15.2%	6.2%	15.7%	23.8%	10.2%	13.3%	13.1%	18.8%
Revenue growth (y/y)	-48%	-2%	6%	-35%	-15%	-64%	-56%	-16%	-44%	0%	-27%	-31%
Revenue growth (q/q)	-39%	39%	31%	-42%	-20%	-41%	61%	11%	-46%	5%	17%	5%
Adj. EBITDA growth	-50%	48%	62%	-70%	44%	-62%	150%	16%	-59%	7%	25%	13%
Adj. EBIT growth	-74%	0%	400%	-90%	167%	-75%	150%	-240%	-129%	144%	-63%	143%

Others	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
Revenue	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA	-3	-5	-5	-5	-4	-3	-3	-4	-3	-2	-2	-4
Adj. EBITDA	-3	-5	-5	-5	-4	-3	-3	-4	-3	-2	-2	-4
EBIT	-3	-5	-5	-5	-5	-3	-3	-5	-3	-2	-3	-4
Adj. EBIT	-3	-5	-5	-5	-4	-3	-3	-5	-3	-2	-3	-4
CAPEX	0.5	0.3	0.2	0.3	0.1	0.3	0.2	0.5	0.3	0.3	0.3	0.3
Contribution to group EBITDA	-30%	-48%	-49%	-177%	-27%	-20%	-18%	-36%	-23%	-23%	-19%	-39%

Source: Company data and Nordea estimates

ESTIMATED KPIs FOR ROVIO'S CURRENT TOP FIVE GAMES (MILLIONS AND %), ANNUAL

GAME KPIs	2017	2018	2019	2020	2021E	2022E	2023E	2024E
AB2								
Gross bookings	78.7	117.3	108.4	106.5	107.6	108.9	96.2	88.8
MAU	9.4	10.7	8.9	9.0	7.8	7.6	6.4	5.7
DAU/MAU	19%	19%	20%	18%	19%	19%	19%	19%
DAU	1.8	2.0	1.8	1.6	1.5	1.4	1.2	1.1
ARPDAU (EUR)	0.12	0.16	0.17	0.18	0.20	0.21	0.22	0.23
AB Friends								
Gross bookings	32.7	31.3	25.9	28.1	33.9	32.9	30.8	29.7
MAU	3.9	2.9	2.1	2.4	2.5	2.3	2.1	1.9
DAU/MAU	0%	0%	0%	0%	0%	0%	0%	0%
DAU	0.8	0.5	0.4	0.4	0.5	0.4	0.4	0.4
ARPDAU	0.12	0.16	0.17	0.18	0.20	0.21	0.22	0.23
AB Dream Blast								
Gross bookings	0.0	0.5	57.5	63.2	62.6	56.5	50.7	45.7
MAU	0.0	0.2	4.8	5.4	4.5	4.1	3.6	3.3
DAU/MAU	0%	19%	20%	18%	19%	19%	19%	19%
DAU	0.0	0.0	0.9	1.0	0.8	0.8	0.7	0.6
ARPDAU (EUR)	0.00	0.18	0.17	0.18	0.20	0.20	0.20	0.20
AB Match								
Gross bookings	10.1	26.2	24.4	13.4	8.2	5.4	3.5	2.3
MAU	2.1	2.4	2.0	1.1	0.6	0.4	0.3	0.2
DAU/MAU	20%	19%	20%	18%	18%	18%	18%	18%
DAU	0.4	0.5	0.4	0.2	0.1	0.1	0.0	0.0
ARPDAU (EUR)	0.13	0.16	0.17	0.18	0.20	0.20	0.20	0.20
Small Town Murders								
Gross bookings	0.0	0.0	0.0	7.8	16.2	13.1	9.0	6.2
MAU	0.0	0.0	0.0	1.0	1.2	1.0	0.6	0.4
DAU/MAU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DAU	0.0	0.0	0.0	0.2	0.2	0.2	0.1	0.1
ARPDAU (EUR)	0.00	0.00	0.00	0.19	0.20	0.21	0.22	0.23

Source: Company data and Nordea estimates

ESTIMATED KPIs FOR ROVIO'S CURRENT TOP FIVE GAMES (MILLIONS AND %), QUARTERLY

GAME KPIs	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
AB2												
Gross bookings	32.0	26.5	25.0	24.9	25.0	28.8	26.5	26.2	25.2	26.6	27.7	28.0
MAU	9.8	7.6	9.0	9.1	9.2	9.9	8.7	8.3	7.6	7.8	7.9	7.9
DAU/MAU	20%	21%	18%	20%	19%	18%	18%	18%	19%	19%	19%	19%
DAU	2.0	1.6	1.7	1.8	1.7	1.8	1.5	1.5	1.4	1.4	1.5	1.5
ARPDAU (EUR)	0.18	0.18	0.16	0.15	0.16	0.17	0.19	0.19	0.20	0.20	0.20	0.21
AB Friends												
Gross bookings	7.2	6.6	6.2	5.9	5.6	7.3	7.2	8.0	8.1	8.6	8.6	8.7
MAU	2.2	1.9	2.2	2.2	2.1	2.5	2.4	2.5	2.4	2.5	2.4	2.4
DAU/MAU	20%	21%	18%	20%	19%	18%	18%	18%	19%	19%	19%	19%
DAU	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
ARPDAU	0.18	0.18	0.16	0.15	0.16	0.17	0.19	0.19	0.20	0.20	0.20	0.21
AB Dream Blast												
Gross bookings	6.9	14.0	17.8	18.8	16.1	16.4	15.5	15.2	15.4	16.0	15.8	15.5
MAU	2.1	4.0	6.4	6.9	5.9	5.6	5.1	4.8	4.6	4.6	4.5	4.4
DAU/MAU	20%	21%	18%	20%	19%	18%	18%	18%	19%	19%	19%	19%
DAU	0.4	0.8	1.2	1.3	1.1	1.0	0.9	0.9	0.9	0.9	0.8	0.8
ARPDAU (EUR)	0.18	0.18	0.16	0.15	0.16	0.17	0.19	0.19	0.20	0.20	0.20	0.20
AB Match												
Gross bookings	6.8	6.6	5.7	5.3	4.4	3.6	2.9	2.5	2.4	2.1	1.9	1.7
MAU	2.1	1.9	2.1	1.9	1.6	1.2	1.0	0.8	0.7	0.7	0.6	0.5
DAU/MAU	20%	21%	18%	20%	19%	18%	18%	18%	19%	18%	18%	18%
DAU	0.4	0.4	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1
ARPDAU (EUR)	0.18	0.18	0.16	0.15	0.16	0.17	0.19	0.19	0.20	0.20	0.20	0.20
Small Town Murders												
Gross bookings						1.0	3.0	3.8	3.9	4.2	4.1	3.9
MAU						0.8	1.0	1.2	1.2	1.3	1.2	1.2
DAU/MAU						0.2	0.2	0.2	0.2	0.2	0.2	0.2
DAU						0.1	0.2	0.2	0.2	0.2	0.2	0.2
ARPDAU (EUR)						0.18	0.19	0.19	0.20	0.20	0.20	0.20

Source: Company data and Nordea estimates

Valuation

We derive a DCF-based fair value range of EUR 6.9-9.0 per share by applying a WACC range of 8.5-12.5%. We also include a relative valuation by applying a 15% range to the average P/E, EV/EBIT and EV/sales multiples of Western mobile gaming peers. We apply a 40% discount to the median multiples, as Rovio's growth profile is weaker and its game portfolio more concentrated than that of the peer group. The average of these valuation approaches yields a fair value range of EUR 6.8-8.8 per share (6.9-8.9 previously).

DCF valuation

We base our DCF valuation on a bottom-up approach, where we forecast current and upcoming quarterly revenue on a game-by-game basis for 2021-24. We model user acquisition and marketing costs using the same approach for the corresponding period. When valuing the Brand Licensing business, we take a similar bottom-up approach, where we forecast quarterly revenue, profitability and capex for the business unit. We apply a 10.1% WACC to our DCF valuation.

DCF VALUATION (EURm AND EUR PER SHARE)

DCF value	Value	Per share
NPV FCFF	438	6.0
(Net debt)	129	1.8
Market value of associates	0	0.0
(Market value of minorities)	0	0.0
Surplus values	0	0.0
(Market value preference shares)	0	0.0
Share based adjustments	0	0.0
Other adjustments	0	0.0
Time value	30	0.4
DCF Value	**598**	**8.1**

Source: Company data and Nordea estimates

WACC COMPONENTS

WACC components	
Risk-free interest rate	2.0%
Market risk premium	4.5%
Forward looking asset beta	nm
Beta debt	0.20
Forward looking equity beta	1.80
Cost of equity	10.10%
Cost of debt	3.0%
Tax-rate used in WACC	20.0%
Equity weight	100.0%
WACC	**10.1%**

Source: Company data and Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2021-26	2027-31	2032-36	2037-41	2042-46	2047-51	Sust.
Sales growth, CAGR	5.71%	3.0%	3.0%	2.5%	2.5%	2.5%	
EBIT-margin, excluding associa	15.3%	14.0%	12.0%	10.0%	10.0%	0.9%	
Capex/depreciation, x	0.9	1.10	1.10	1.10	1.10	1.10	
Capex/sales	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	
NWC/sales	-0.7%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	
FCFF, CAGR	9.1%	0.3%	-0.2%	-1.2%	2.5%	-44.0%	2.5%

Source: Company data and Nordea estimates

Relative valuation complements our DCF model

Our peer group for relative valuation consists of Western mobile gaming companies. In terms of benchmarking, we regard enterprise value (EV)-based multiples, such as EV/EBIT and EV/sales, as the most relevant multiples for the gaming sector. EV/sales is especially interesting thanks to its stability – from time to time, other multiples can be inflated as a result of timing effects in revenue recognition and game releases.

EV/sales, although also volatile, varies far less. In addition, EV multiples are preferable because many companies in the mobile gaming business have net cash positions, and EV multiples are neutral to a company's financial gearing, thus giving a better comparison point. Finally, we add the traditional P/E multiple to complement our EV-based relative valuation framework.

WESTERN MOBILE GAMING COMPANIES

			P/E		EV/EBIT		EV/EBITDA		EV/SALES	
Name	**Country**	**Mcap EURm**	**21E**	**22E**	**21E**	**22E**	**21E**	**22E**	**21E**	**22E**
G5 Entertainment	Sweden	404	16.6	13.7	13.8	11.6	9.1	7.9	2.6	2.4
MAG Interactive	Sweden	112	228.5	58.8	184.3	42.5	20.9	15.4	3.9	3.0
Next Games	Finland	51				16.9	33.8	8.4	1.2	0.7
Zynga	U.S.	9759	25.3	21.4	18.0	15.1	17.3	14.5	3.9	3.6
Glu Mobile	U.S.	1819								
Stillfront Group	Sweden	2391	19.7	16.1	20.3	15.0	12.2	10.1	4.7	3.9
Rovio Entertainment (NDA)	**Finland**	**494**	**17.6**	**14.5**	**9.5**	**7.8**	**7.8**	**6.8**	**1.2**	**1.1**
Rovio Entertainment (TR)	Finland	479	19.6	16.3	11.2	10.4	8.8	8.7	1.4	1.3
Average		2423	72.5	27.5	59.1	20.2	18.7	11.3	3.3	2.7
Median		**1112**	**22.5**	**18.8**	**19.2**	**15.1**	**17.3**	**10.1**	**3.9**	**3.0**
Min		51	16.6	13.7	13.8	11.6	9.1	7.9	1.2	0.7
Max		9759	228.5	58.8	184.3	42.5	33.8	15.4	4.7	3.9
Dicount/premium to median (NDA)			**-22%**	**-23%**	**-50%**	**-48%**	**-55%**	**-32%**	**-68%**	**-64%**
Dicount/premium to median (TR)			-13%	-13%	-42%	-31%	-49%	-14%	-63%	-56%

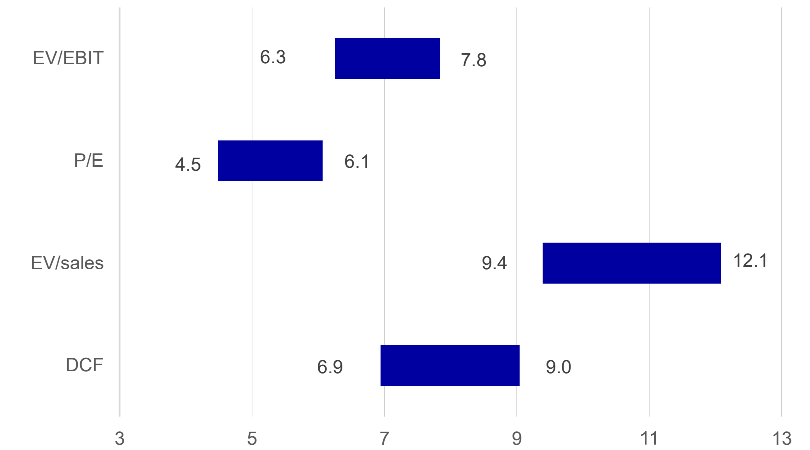
Source: Refinitiv and Nordea estimates

DCF and peer multiples imply an average valuation range of EUR 6.8-8.8

We derive a DCF-based fair value range of EUR 6.9-9.0 per share by applying a WACC range of 8.5-12.5%. We also include a relative valuation by applying a 15% range to the median EV/EBIT, P/E and EV/sales multiples of Western mobile gaming peers. We apply a 40% discount to the median multiples, as Rovio's growth profile is weaker than that of the peer group.

The average of these valuation approaches yields a fair value range of EUR 6.8-8.8 per share. The share could be set for a rerating if top-line growth and game portfolio diversification are achieved through a successful game launch or M&A.

VALUATION APPROACHES (EUR PER SHARE)



Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	**n.a.**	**158**	**142**	**192**	**297**	**281**	**289**	**272**	**279**	**309**	**317**
Revenue growth	n.a.	n.a.	-10.3%	34.9%	55.0%	-5.4%	2.8%	-5.8%	2.4%	10.8%	2.6%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0	17	-6	35	60	48	32	60	43	50	50
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0	0
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	0	17	-6	35	60	48	32	60	43	50	50
Amortisation and impairments	0	-7	-15	-18	-29	-16	-14	-18	-8	-6	-5
EBIT	n.a.	10	-22	17	31	32	18	43	35	44	45
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	1	1	-1	-5	1	0	-2	1	0	0
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**0**	**11**	**-21**	**16**	**27**	**32**	**18**	**41**	**36**	**44**	**45**
Reported taxes	0	-3	3	-5	-6	-8	-5	-9	-8	-9	-9
Net profit from continued operations	0	8	-18	11	21	25	13	32	28	35	36
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	0	8	-18	11	21	25	13	32	28	35	36
EPS, EUR	**n.a.**	**0.11**	**-0.24**	**0.14**	**0.27**	**0.31**	**0.17**	**0.42**	**0.38**	**0.47**	**0.49**
DPS, EUR	0.00	0.04	0.00	0.06	0.06	0.09	0.09	0.12	0.13	0.14	0.15
of which ordinary	0.00	0.04	0.00	0.06	0.06	0.09	0.09	0.12	0.13	0.14	0.15
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	n.a.	10.8%	-4.5%	18.5%	20.2%	17.0%	11.2%	22.0%	15.5%	16.1%	15.9%
EBITA	n.a.	10.8%	-4.5%	18.5%	20.2%	17.0%	11.2%	22.0%	15.5%	16.1%	15.9%
EBIT	n.a.	6.3%	-15.2%	8.8%	10.6%	11.2%	6.3%	15.6%	12.7%	14.1%	14.2%
Adjusted earnings											
EBITDA (adj)	0	17	-6	35	65	48	33	65	44	50	50
EBITA (adj)	0	17	-6	35	65	48	33	65	44	50	50
EBIT (adj)	0	10	-22	17	36	31	18	47	36	44	45
EPS (adj, EUR)	n.a.	0.11	-0.24	0.14	0.33	0.31	0.17	0.48	0.39	0.47	0.49
Adjusted profit margins in percent											
EBITDA (adj)	n.a.	10.8%	-4.5%	18.5%	21.7%	16.9%	11.3%	23.8%	15.8%	16.1%	15.9%
EBITA (adj)	n.a.	10.8%	-4.5%	18.5%	21.7%	16.9%	11.3%	23.8%	15.8%	16.1%	15.9%
EBIT (adj)	n.a.	6.3%	-15.2%	8.8%	12.1%	11.1%	6.4%	17.3%	12.9%	14.1%	14.2%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.8%	13.9%	7.8%	0.8%	2.4%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	13.7%	n.m.	4.1%	-3.6%	1.0%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.7%	n.m.	15.9%	6.8%	7.3%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.0%	n.m.	21.8%	12.0%	9.6%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	17.6%	n.m.	16.7%	18.5%	10.8%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	6.4%	6.4%	10.5%	11.2%	12.0%	12.6%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	14.4%	14.1%	17.7%	17.2%	16.3%	16.1%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	27.5	12.5	26.1	13.3	18.4	15.1	14.7
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	9.7	3.9	7.6	5.2	8.5	7.0	6.4
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	9.7	3.9	7.6	5.2	8.5	7.0	6.4
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	17.5	5.9	13.5	7.1	10.4	8.0	7.2

VALUATION RATIOS - REPORTED EARNINGS

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E	n.a.	n.a.	n.a.	n.a.	33.5	12.4	26.6	15.2	18.8	15.1	14.7
EV/Sales	n.a.	n.a.	n.a.	n.a.	2.11	0.65	0.86	1.23	1.34	1.12	1.01
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	10.4	3.8	7.7	5.6	8.6	7.0	6.4
EV/EBITA	n.a.	n.a.	n.a.	n.a.	10.4	3.8	7.7	5.6	8.6	7.0	6.4
EV/EBIT	n.a.	n.a.	n.a.	n.a.	20.0	5.8	13.7	7.9	10.6	8.0	7.2
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	0.7%	2.4%	2.0%	1.9%	1.8%	1.9%	2.1%
FCF yield	n.a.	n.a.	n.a.	n.a.	7.2%	13.6%	1.8%	12.7%	6.2%	6.9%	6.8%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	8.3%	13.6%	1.8%	12.6%	6.2%	6.9%	6.8%
Payout ratio	n.a.	37.1%	0.0%	42.0%	22.2%	29.1%	54.3%	28.9%	34.0%	29.5%	30.7%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	0	39	69	74	53	39	29	19	14	13	13
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	39	69	74	53	39	29	19	14	13	13
of which goodwill	0	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	2	1	1	1	1	9	10	10	10	10
of which leased assets	0	0	0	0	0	0	8	8	8	8	8
Shares associates	0	0	0	0	0	0	1	2	2	2	2
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	6	1	3	5	6	8	8	8	8
Other non-IB non-current assets	0	1	2	1	1	1	1	1	1	1	1
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	0	42	77	77	57	45	45	39	34	33	33
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	25	19	28	29	23	33	21	22	24	25
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	17	13	16	13	11	15	10	10	11	11
Cash and bank	0	54	34	29	91	124	125	139	163	190	215
Total current assets	0	95	66	73	133	158	172	170	194	225	251
Assets held for sale	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**0**	**138**	**143**	**150**	**190**	**203**	**217**	**208**	**228**	**258**	**284**
Shareholders equity	0	94	74	87	140	160	168	165	185	210	236
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	0	94	74	87	140	160	168	165	185	210	236
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	0	16	3	3	3	2	1	1	1	1
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	6	6	9	9	9
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	0	17	3	3	4	8	7	10	10	10
Short-term provisions	0	1	3	1	1	1	0	1	1	1	1
Accounts payable	0	6	8	8	9	11	15	7	8	8	9
Current lease debt	0	0	0	0	0	0	2	3	0	0	0
Other current liabilities	0	37	33	35	37	29	20	25	26	29	30
Short term interest bearing debt	0	0	8	17	0	0	4	0	0	0	0
Total current liabilities	0	44	53	60	47	40	42	36	34	38	39
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**0**	**138**	**143**	**150**	**190**	**203**	**217**	**208**	**228**	**258**	**284**
Balance sheet and debt metrics											
Net debt	0	-54	-10	-10	-88	-120	-110	-129	-153	-180	-206
of which lease debt	0	0	0	0	0	0	8	9	9	9	9
Working capital	0	-1	-10	1	-4	-5	13	-2	-2	-2	-2
Invested capital	0	41	68	78	53	40	58	37	32	31	31
Capital employed	0	94	99	106	143	163	182	175	194	219	245
ROE	n.m.	17.3%	-21.5%	13.3%	18.3%	16.3%	8.1%	19.3%	16.1%	17.7%	16.1%
ROIC	n.m.	38.7%	-31.6%	18.5%	43.9%	53.6%	30.0%	79.7%	83.4%	n.m.	n.m.
ROCE	n.m.	24.4%	-21.5%	16.5%	28.9%	21.1%	11.1%	26.1%	20.0%	21.1%	19.3%
Net debt/EBITDA	n.m.	-3.1	n.m.	-0.3	-1.5	-2.5	-3.4	-2.2	-3.5	-3.6	-4.1
Interest coverage	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	68.0%	51.8%	58.0%	73.8%	78.5%	77.3%	79.4%	80.8%	81.5%	82.9%
Net gearing	n.m.	-57.4%	-13.3%	-11.4%	-62.9%	-75.3%	-65.7%	-78.2%	-82.9%	-85.8%	-87.3%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
EURm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBITDA (adj) for associates	**0**	**17**	**-6**	**35**	**60**	**48**	**32**	**60**	**43**	**50**	**50**
Paid taxes	0	-9	1	0	-1	-11	-10	-6	-8	-9	-9
Net financials	0	0	-1	-2	-1	0	-1	-1	1	0	0
Change in provisions	0	1	2	-2	0	0	0	1	0	0	0
Change in other LT non-IB	0	-2	-6	5	-1	-2	-1	-2	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	0	0	5	-1	4	4	3	10	0	0	0
Funds from operations (FFO)	**0**	**7**	**-5**	**35**	**60**	**39**	**24**	**62**	**36**	**41**	**41**
Change in NWC	0	10	6	-13	-1	3	-13	1	0	0	0
Cash flow from operations (CFO)	**0**	**17**	**1**	**23**	**60**	**43**	**11**	**64**	**36**	**41**	**41**
Capital expenditure	0	0	0	0	0	-1	-4	-5	-4	-5	-5
Free cash flow before A&D	**0**	**17**	**1**	**23**	**60**	**41**	**7**	**59**	**33**	**37**	**36**
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	-38	-44	-23	-9	0	0	0	0	0	0
Free cash flow	0	-21	-42	0	51	41	7	59	33	37	36
Free cash flow bef A&D, lease adj	0	17	1	23	60	41	7	59	33	37	36
Dividends paid	0	-3	0	-5	-5	-7	-7	-7	-9	-10	-10
Equity issues / buybacks	0	0	0	0	36	1	0	-31	0	0	0
Net change in debt	0	0	25	-6	-17	0	3	-4	0	0	0
Other financing adjustments	0	0	0	0	-1	-3	0	0	0	0	0
Other non-cash adjustments	0	78	-2	5	-3	1	-1	-3	0	0	0
Change in cash	0	54	-19	-6	62	33	1	14	24	27	26
Cash flow metrics											
Capex/D&A	n.m.	0.0%	0.0%	0.0%	0.0%	7.9%	27.3%	29.1%	45.0%	77.9%	n.m.
Capex/Sales	n.a.	0.0%	0.0%	0.0%	0.0%	0.5%	1.3%	1.9%	1.3%	1.6%	1.7%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	9	4	4	6	7	7	7
Market cap.	n.a.	n.a.	n.a.	n.a.	715	303	359	463	527	527	527
Enterprise value	n.a.	n.a.	n.a.	n.a.	627	183	248	334	374	347	321
Diluted no. of shares, year-end (m)	0.0	74.9	74.9	74.9	79.2	79.4	81.3	73.4	73.4	73.4	73.4

Source: Company data and Nordea estimates

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