Nordea
Commissioned Equity Research
Flash comment

11 February 2022

Commissioned research: Rovio – Strong growth outlook for 2022

Marketing material commissioned by Rovio

Rovio's Q4 report offered a 7% beat on revenue and 35% beat on adjusted EBIT relative to Infront consensus. The company guides for strong top-line growth (consensus: +6%) and EBIT lower y/y (consensus: EUR 41m vs EUR 44m 2021) for 2022. UA costs for Q1 were guided for 40% of Games revenue (Nordea: 33%), mainly due to the strong KPIs that the company is witnessing for AB Journey (launched on 20 January), we believe. According to Rovio, AB Journey has scaled up to more than EUR 40m of run-rate annual gross bookings, which compares to our bookings contribution estimate of EUR 35m for 2022. Based on the Q4 outcome and the strong top-line outlook for 2022, we expect consensus revenue estimates to be raised by some 4-6% while EBIT is likely to remain unchanged to due ramped up UA investments to scale up new games.

Q4 2021 outcome

- Q4 revenue was 7% above Infront consensus estimates, growing by 15% y/y (+5% in Q3).
- Revenue from Games was 5% above our estimate, increasing by 19% y/y. Organically, Games revenue grew by 9% y/y (+5% in Q3).
- Revenue from Brand Licencing was 30% below our estimate and down 41% y/y.
- Adjusted EBIT of EUR 13.1m was up 75% y/y and 35% above consensus of EUR 9.7m. Adjusted EBIT margin stood at 16.6% compared to consensus of 13.2%. High margin was a result of a larger share of ad revenues and AB Reloaded (Apple Arcade) revenues offsetting higher UA costs.
- Q4 EBIT of EUR 8.1m included EUR 5.0m of adjustments related to changes in contingent liability for Ruby games acquisition (EUR 2.9m), write-off of expired contracts and game content assets related to the discontinued Hatch gaming service (EUR 1.8m) and restructuring of Brand Licensing China operations (EUR 0.3m).
- EPS was EUR 0.08 compared to consensus at EUR 0.10.
- Dividend proposal was EUR 0.12 per share, compared to consensus of EUR 0.12 and EUR 0.12 a year ago.

Games performance

- Games' gross bookings grew by 14% y/y and by 11% q/q.
- User acquisition (UA) investments at EUR 20.6m were above our estimate of EUR 19.1m, i.e. 27% of Games revenue compared to 26% in Q3 2021 and 25% in Q4 2020.

- AB2, ABDB and AB Friends performed above our expectations. Small Town Murders fell 10% short of our estimate.
- AB Journey generated bookings of EUR 3.1m compared to our estimate of EUR 3.5m. However, the game has scaled up to more than EUR 40m of run-rate annual gross bookings since its global launch on 20 January, which compares to our estimate of EUR 35m for 2022.
- Ruby Games (Hypercasual) brought EUR 4.1m of bookings compared to our estimate of EUR 3.5m.

Guidance for 2022

- For 2022, Rovio guides for strong top-line growth (consensus +6%) and EBIT lower y/y (consensus EUR 41m vs EUR 44m 2021).
- UA costs for Q1 guided for 40% of Games revenue (NDA 33%).

ROVIO: DEVIATION TABLE (EURm AND EUR)

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q4 21**	**Q4 21E**	**vs. actual**		**Q4 21E**	**vs. actual**		**Q3 21**	**q/q**	**Q4 20**	**y/y**
Revenue	**78.9**	**76.0**	**2.9**	**4%**	**73.6**	**5.3**	**7%**	**71.4**	**11%**	**68.5**	**15%**
EBITDA	**13.4**	**13.4**	**(0.0)**	**0%**	**12.8**	**0.6**	**4%**	**16.9**	**-21%**	**12.2**	**10%**
Adj. EBITDA	**16.5**	**13.4**	**3.1**	**23%**	**12.8**	**3.7**	**29%**	**17.2**	**-4%**	**12.2**	**35%**
Adj. EBITDA margin	20.9%	17.7%		3.3pp	17.4%		0.0pp	24.1%	-3.2pp	17.8%	3.1pp
EBIT	**8.1**	**10.6**	**(2.5)**	**-23%**	**9.7**	**(1.6)**	**-17%**	**14.0**	**-42%**	**2.9**	**179%**
Adj. EBIT	**13.1**	**10.6**	**2.5**	**24%**	**9.7**	**3.4**	**35%**	**14.3**	**-9%**	**7.5**	**75%**
Adj. EBIT margin	16.6%	13.9%		2.7pp	13.2%		3.4pp	20.1%	-3.5pp	10.9%	5.7pp
EPS	**0.08**	**0.11**	**(0.03)**	**-30%**	**0.10**	**-0.02**	-21%	**0.16**	-48%	**0.04**	105%
DPS	**0.12**	**0.13**	**(0.01)**	**-8%**	**0.12**	**0.00**	-3%			**0.12**	0%
Games segment											
Revenue	76.5	72.6	4	5%				68.6	12%	64.4	19%
Adjusted EBITDA	18.2	14.4	4	26%				17.6	3%	13.7	33%
Adj. EBITDA margin	23.8%	19.9%		3.9pp				25.7%	-1.9pp	21.3%	2.5pp
UAC	20.6	19.1	1	8%				18.1	14%	16.0	29%
UAC as % of revenue	26.9%	26.4%		0.6pp				26.4%	0.5pp	24.8%	2.1pp
Brand Licensing											
Revenue	2.4	3.4	-1	-30%				2.8	-14%	4.1	-41%
Adjusted EBITDA	1.4	2.4	-1	-40%				2.0	-30%	2.9	-52%
Adj. EBITDA margin	58.3%	69.1%		-10.7pp				71.4%	-13.1pp	70.7%	-12.4pp
Game KPIs											
Gross bookings top 5, EURm	60.9	57.2	4	7%				56.4	8%	55.7	9%
Gross bookings total, EURm	74.0	72.6	1	2%				66.7	11%	64.9	14%
DAU top 5, million	3.2	3.2	0.0	-1%				3.2	0%	3.2	0%
DAU all, million	6.5	7.0	-0.5	-7%				4.9	33%	4.4	48%
MAU top 5, million	18.1	18.2	-0.1	0%				17.9	1%	17.6	3%
MAU all, million	44.8	49.9	-5.1	-10%				32.0	40%	27.3	64%
DAU/MAU top 5, %	17.7%	17.9%		-0.2pp				17.9%	-0.2pp	18.2%	-0.5pp
DAU/MAU all 5, %	14.5%	14.1%		0.4pp				15.3%	-0.8pp	16.1%	-1.6pp
MUP top 5, thousand	420.0	407.7	12.3	3%				402.0	4%	404.0	4%
MUP all, thousand	485.0	734.4	-249.4	-34%				471.0	3%	467.0	4%
ARPDAU top 5, EUR	0.21	0.19	0.02	10%				0.19	11%	0.19	11%
ARPDAU all, EUR	0.12	0.11	0.01	7%				0.15	-20%	0.16	-25%
MARPPU top 5, EUR	41.4	46.7	-5.3	-11%				40.6	2%	39.8	4%
MARPPU all, EUR	40.9	33.0	7.9	24%				40.2	2%	39.9	3%

Source: Company data, Nordea estimates and Infront

ROVIO: GROSS BOOKINGS PER GAME

	Actual	NDA est.	Deviation		Actual		Actual	
EURm	**Q4 21**	**Q4 21**	**vs. actual**		**Q3 21**	**q/q**	**Q4 20**	**y/y**
AB2	29.5	27.7	1.8	6%	26.6	11%	26.2	13%
ABDB	16.2	15.6	0.6	4%	15.0	8%	15.2	7%
AB Friends	9.3	8.7	0.6	7%	8.5	9%	8.0	16%
AB Journey	3.1	3.5	-0.4	-10%	0.0	na	0.0	na
Small Tow n Murders	2.8	3.1	-0.3	-10%	4.1	-32%	3.8	-26%
Hypercasual	4.1	3.5	0.6	16%	1.0	310%	0.0	n.a.
Other	9.1	10.5	-1.4	-13%	11.5	-21%	11.7	-22%

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	281	289	272	283	320	338
EBITDA (adj)	48	33	65	52	60	63
EBIT (adj)	31	18	47	41	50	55
EBIT (adj) margin	11.1%	6.4%	17.3%	14.6%	15.7%	16.4%
EPS (adj, EUR)	0.31	0.17	0.48	0.49	0.55	0.60
EPS (adj) growth	-7.1%	-44.5%	180.7%	2.4%	12.4%	10.2%
DPS (ord, EUR)	0.09	0.09	0.12	0.13	0.14	0.15
EV/Sales	0.7	0.9	1.2	1.3	1.1	1.0
EV/EBIT (adj)	5.9	13.5	7.1	8.7	7.1	5.8
P/E (adj)	12.5	26.1	13.3	14.2	12.6	11.4
P/BV	1.9	2.1	2.8	2.6	2.3	2.0
Dividend yield (ord)	2.4%	2.0%	1.9%	1.9%	2.0%	2.2%
FCF Yield bef A&D, lease adj	13.6%	1.8%	12.6%	8.2%	8.9%	9.3%
Net debt	-120	-110	-129	-149	-150	-183
Net debt/EBITDA	-2.5	-3.4	-2.2	-2.9	-2.5	-2.9
ROIC after tax	53.6%	30.0%	79.7%	82.4%	69.2%	60.5%

Source: Company data and Nordea estimates

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