

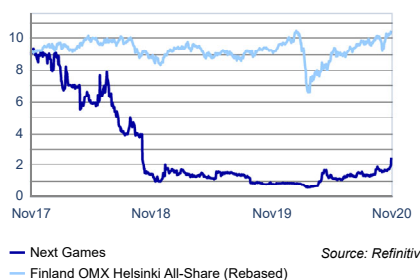
Next Games

Telecom Equipment and IT
Finland

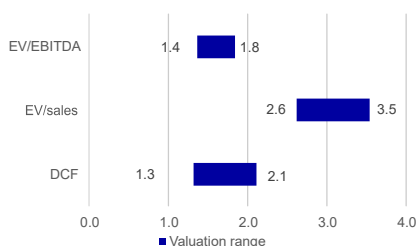
KEY DATA

Stock country	Finland
Bloomberg	NXTGMS.FH
Reuters	NXTGMS.HE
Share price (close)	EUR 2.52
Free Float	100%
Market cap. (bn)	EUR 0.07/EUR 0.07
Website	s://www.nextgames.com/
Next report date	

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	-6%	9%	9%
EBIT (adj)	1%	-6%	-2%

Source: Nordea estimates

Nordea Markets - Analysts

Sami Sarkamies
Senior AnalystVeikkopekka Silvasti
Analyst

Targets seem too ambitious amid low visibility

Next Games hosted a CMD yesterday (25 November), at which it announced very ambitious financial targets. In the medium term (three to five years), it aims to reach sales of EUR 250m, with an EBITDA margin target of 23%. We take a more conservative stance until we gain more visibility on the KPIs for upcoming game launches, and model revenue of EUR ~92m for 2025 with an EBITDA margin of 13%. We believe Next Games could be a target for an industry consolidator which could provide fuel for scaling up the upcoming games. Again, we would stress the high-risk nature of the share, as Next Games' 2021E-22E earnings and balance sheet resilience is highly dependent on the performance of the Stranger Things title. We raise our fair value range to EUR 1.8-2.5 (1.3-2.0 previously) per share after making estimate revisions.

Stranger Things and Blade Runner to be scaled up during 2021

Five members of the management team, of which three are new, gave presentations at the CMD on topics ranging from the tech platform to the company culture. In our view, the main points, in addition to the new financial targets, were the confirmation of the Stranger Things launch for December and the Blade Runner launch for Q1 2021. Moreover, Next Games has three games in development, with a different IP owner for each project. We have the impression that the Stranger Things game will obtain some marketing support from Netflix, but no confirmation of this was given.

Sales estimates upgraded slightly on management confidence

We raise our sales estimates by 9% for 2021-22 in view of management's confidence in Stranger Things' potential. As we expect Next Games to spend most of its revenue on acquiring users in 2021-22, our EBIT estimates remain fairly unchanged.

Fair valuation range increased to EUR 1.8-2.5 per share

We derive a DCF-based fair value range of EUR 1.3-2.1 per share by applying a WACC of 11-15%, which reflects the high-risk nature of Next Games' future earnings. We complement our valuation methodology with a relative valuation, applying a 30% range to the median 2021E EV/sales and EV/EBITDA multiples of Western mobile gaming peers. Due to its low cash position and dependence on only two games, we apply an average discount of 20% to the Western peers' multiples. The average of these valuation approaches yields our fair value range of EUR 1.8-2.5.

SUMMARY TABLE - KEY FIGURES

EURm	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	31	32	35	35	27	66	76
EBITDA (adj)	-3	-3	-15	-3	0	3	6
EBIT (adj)	-3	-4	-17	-7	-4	-1	2
EBIT (adj) margin	-9.9%	-12.6%	-47.6%	-21.5%	-13.8%	-1.0%	2.8%
EPS (adj, EUR)	-0.06	-0.31	-0.98	-0.36	-0.15	-0.04	0.03
EPS (adj) growth	97.1%	-431.4%	-216.5%	63.7%	57.8%	70.2%	162.9%
DPS (ord, EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	n.a.	-0.8	0.4	0.7	2.6	1.1	0.9
EV/EBIT (adj)	n.a.	7.5	n.m.	n.m.	n.m.	n.m.	32.6
P/E (adj)	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	89.4
P/BV	n.a.	0.0	0.9	1.1	3.7	4.0	3.8
Dividend yield (ord)	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	n.a.	n.m.	-92.9%	-29.4%	-3.1%	0.4%	1.6%
Net debt	-4	-27	-8	-1	1	1	0
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	2.1	0.3	0.0
ROIC after tax	-96.5%	-40.7%	-79.9%	-28.2%	-14.8%	-2.9%	9.8%

Source: Company data and Nordea estimates

CMD highlights

Below, we highlight our main takeaways from yesterday's CMD.

Extremely ambitious medium-term financial targets (three to five years)

The company aims to reach sales of EUR 250m, an EBITDA margin of over 23% and an EBIT margin of over 18% in the medium term (three to five years). This implies a sales CAGR of ~56% for 2020E-25E and EBITDA of close to EUR 58m.

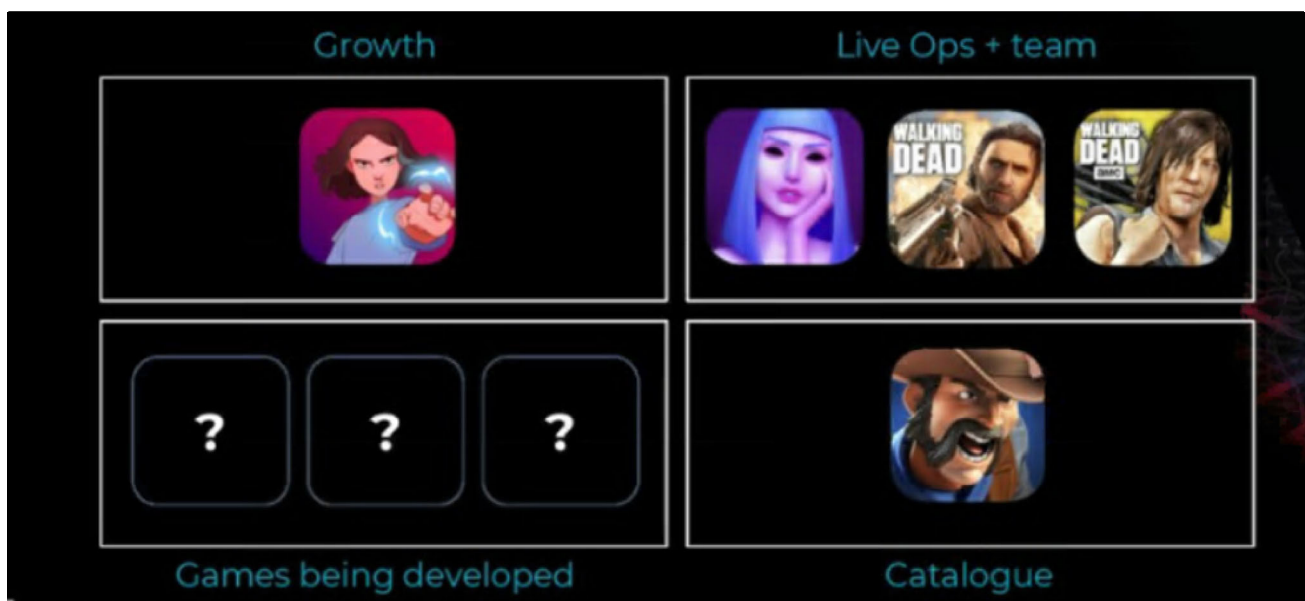
Due to low visibility into the success of future game launches, we take a more conservative view and model a sales CAGR of 27% for 2020-25 and a 2025 EBITDA margin of 13%. However, should Next Games succeed in reaching its targets, there is considerable upside in the share, we believe.

2021 games portfolio and development pipeline

Management confirmed the launch of the Stranger Things game for December 2020 and the launch of Blade Runner for Q1 2021. We find the launch of Blade Runner a slightly positive surprise, as the game has been in soft launch since 2018. However, our expectations for the game's performance are fairly conservative: we expect the game to generate some EUR 8m in revenue in 2021, as we believe the Stranger Things IP will gain most of the user acquisition capacity. Also, Blade Runner is being moved straight to the live ops + team category (skipping the growth phase) in Next Games' games portfolio, probably reflecting the company's ambitions regarding the title.

Furthermore, management announced that it has three games in development, with a different IP owner for each project, giving some visibility into future growth initiatives.

GAME PORTFOLIO FOR 2021 AND DEVELOPMENT PIPELINE



Source: Company data

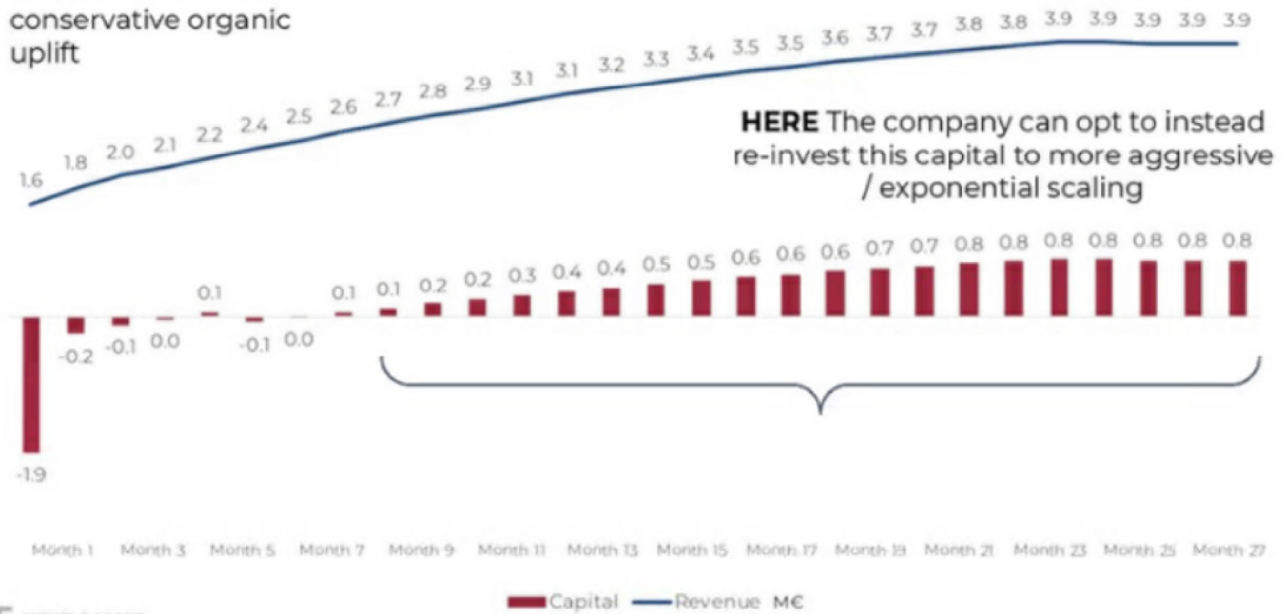
How to scale up Stranger Things with low cash balance

Management highlighted that it aims to scale the Stranger Things game up using "moderate" scaling. This means that no large upfront capital will be needed to scale the game up; instead, the aim is to use the revenue coming in from the acquired and organic users to further grow the game's user base.

The chart below illustrates a scenario where the company starts accumulating capital instead of striving for aggressive growth.

ILLUSTRATIVE SCALE-UP SCENARIO WITH MODERATE STRATEGY (CONSERVATIVE SCALING AND CAPITAL ACCUMULATION)

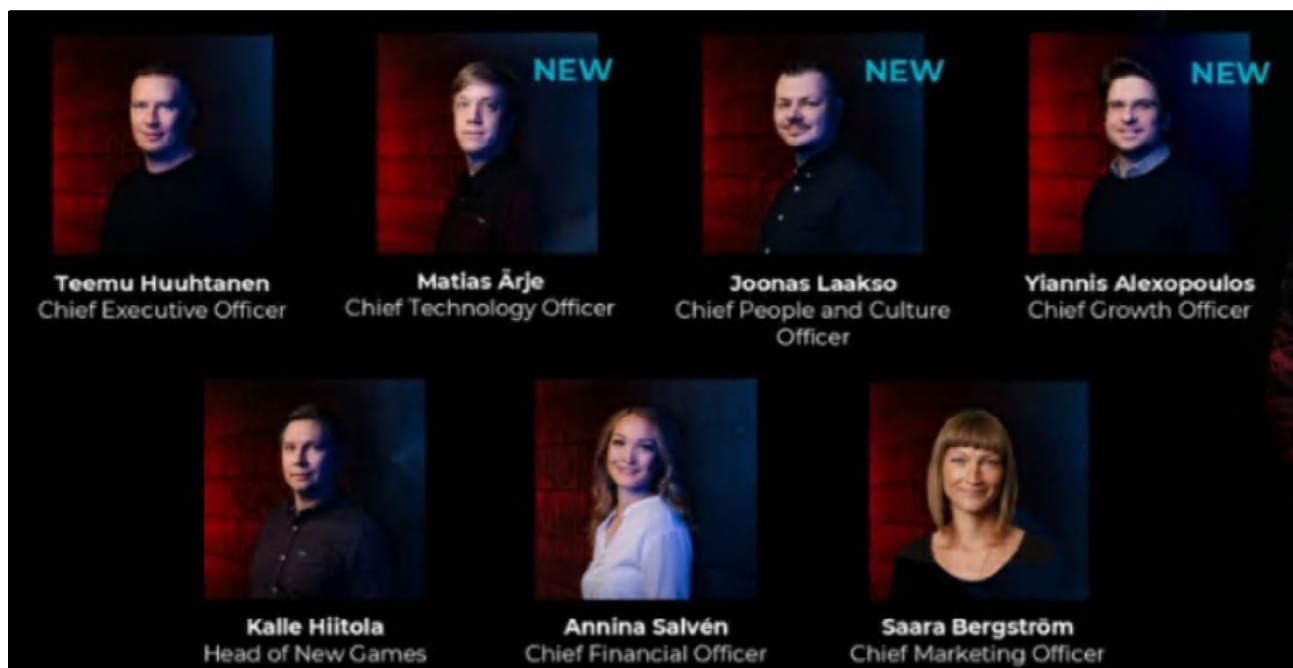
This model assumes conservative organic uplift



Management team changes

The company also announced multiple changes to its management team yesterday, with all new members coming from within the company.

NEW MANAGEMENT TEAM



Source: Company data

Detailed estimates and estimate revisions

Sales estimates upgraded slightly based on management's confidence

We raise our sales estimates by 9% for 2021-22 on the back of management's confidence in Stranger Things' potential. As we expect Next Games to spend most of its revenue on acquiring users in 2021-22, our EBIT estimates remain fairly unchanged.

NEXT GAMES: ESTIMATE REVISIONS

EURm	New estimates				Old estimates				Difference %			
	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E
Sales	13.0	27.4	65.9	75.8	14.9	29.3	60.5	69.6	-13%	-6%	9%	9%
EBITDA	0.3	0.7	3.4	6.4	0.2	0.6	3.5	6.5	22%	7%	-2%	-1%
EBITDA margin	2%	2%	5%	9%	1%	2%	6%	9%	0.5pp	0.3pp	-0.6pp	-0.9pp
Adj. EBITDA	0.3	0.7	3.4	6.4	0.2	0.6	3.5	6.5	22%	7%	-2%	-1%
Adj. EBITDA margin	2%	2%	5%	9%	1%	2%	6%	9%	0.5pp	0.3pp	-0.6pp	-0.9pp
EBIT	-1.8	-3.4	-0.7	2.2	-1.8	-3.4	-0.6	2.2	2%	1%	-6%	-2%
EBIT margin	-14%	-12%	-1%	3%	-12%	-12%	-1%	3%	-1.5pp	-0.6pp	0.0pp	-0.3pp
Adj. EBIT	0.0	0.2	3.0	6.0	0.0	0.1	3.0	6.1	147%	34%	-2%	-1%
Adj. EBIT margin	0%	1%	5%	8%	0%	0%	5%	9%	0.3pp	0.2pp	-0.5pp	-0.8pp
Net income	-2.0	-3.8	-1.3	0.8	-2.0	-3.8	-1.1	1.0	2%	1%	-13%	-24%
EPS	-0.07	-0.14	-0.04	0.03	-0.07	-0.14	-0.04	0.04	2%	1%	-13%	-24%

Source: Nordea estimates

NEXT GAMES: OUR ESTIMATES VS POST-H1 INFRONT CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E	H2 2020E	2020E	2021E	2022E
Sales	13.0	27.4	65.9	75.8	16.5	31.0	57.2	69.1	-21%	-11%	15%	10%
EBITDA	0.3	0.7	3.4	6.4	0.2	0.5	3.6	6.3	25%	30%	-4%	2%
EBITDA margin	1.9%	2.4%	5.2%	8.5%	1.2%	1.6%	6.3%	9.1%	0.7pp	0.8pp	-1.1pp	-0.6pp
EBIT	-1.8	-3.4	-0.7	2.2	-1.6	-3.4	-0.2	2.1	-12%	-1%	-350%	5%
EBIT margin	-13.8%	-12.4%	-1.0%	2.8%	-9.7%	-10.8%	-0.3%	3.0%	-4.1pp	-1.6pp	-0.8pp	-0.1pp
PTP	-2.0	-3.9	-1.1	1.8		-3.5	-0.6	1.6	n.m	-11%	-79%	10%
EPS	-0.07	-0.14	-0.04	0.03	-0.08	-0.17	-0.02	0.06	10%	20%	-124%	-53%
DPS	0.00	0.00	0.00	0.00		0.00	0.00	0.00	n.m	n.m	n.m	n.m

Source: Nordea estimates and Infront

NEXT GAMES: REPORTED QUARTERLY NUMBERS AND ESTIMATES (EURm, EUR AND %)

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20E	Q4 20E	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Revenue	9.8	9.4	7.8	7.7	7.3	7.1	6.3	6.8	10.8	16.7	18.6	19.7
Gross profit	5.6	5.7	4.3	4.1	3.8	3.8	3.3	3.6	5.7	8.9	10.1	10.6
Gross margin	57%	60%	56%	53%	51%	53%	53%	53%	53%	53%	54%	54%
Operating Expenses	7.4	7.4	6.2	6.2	5.1	4.5	3.9	4.8	6.6	9.8	9.8	9.8
R&D	1.6	1.6	1.6	1.6	1.3	1.3	1.2	1.2	1.3	1.3	1.3	1.4
Sales & Marketing	4.9	4.9	3.9	3.9	2.8	2.2	2.0	2.9	4.3	7.5	7.5	7.5
Admin	0.8	0.8	0.7	0.7	1.0	1.0	0.7	0.7	1.0	1.0	1.0	1.0
EBITDA	-1.4	-0.1	-1.1	-0.8	-0.2	0.5	0.4	-0.1	0.2	0.1	1.3	1.8
EBITDA margin	-14%	-1%	-14%	-11%	-3%	7%	6%	-2%	2%	1%	7%	9%
Adj. EBITDA	-1.4	-0.1	-1.1	-0.8	-0.2	0.5	0.4	-0.1	0.2	0.1	1.3	1.8
Adj. EBITDA margin	-14%	-1%	-14%	-11%	-3%	7%	6%	-2%	2%	1%	7%	9%
EBIT	-2.4	-1.1	-2.1	-1.8	-1.2	-0.5	-0.6	-1.2	-0.9	-0.9	0.3	0.8
EBIT margin	-24%	-12%	-27%	-24%	-16%	-6%	-10%	-18%	-8%	-5%	1%	4%
Adj. EBIT (Nordea)	-2.4	-1.1	-2.1	-1.8	-1.2	-0.5	-0.6	-1.2	-0.9	-0.9	0.3	0.8
Adj. EBIT margin	-24%	-12%	-27%	-24%	-16%	-6%	-10%	-18%	-8%	-5%	1%	4%
Adj. EBIT (comparable)	-1.3	-0.5	-1.2	-1.0	-0.3	0.4	0.3	-0.3	0.1	0.0	1.2	1.7
Adj. EBIT margin	-13%	-5%	-15%	-13%	-4%	6%	4%	-4%	1%	0%	6%	9%
Net financials	-0.1	-0.1	-0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
PTP	-2.5	-1.3	-2.2	-1.8	-1.3	-0.6	-0.7	-1.3	-1.0	-1.0	0.2	0.7
Net profit	-2.6	-1.4	-2.3	-1.9	-1.3	-0.6	-0.7	-1.3	-1.0	-1.0	0.1	0.6
Adj. net profit	-2.6	-1.4	-2.3	-1.9	-1.3	-0.6	-0.7	-1.3	-1.0	-1.0	0.1	0.6
EPS (diluted)	-0.14	-0.07	-0.12	-0.08	-0.04	-0.02	-0.03	-0.05	-0.03	-0.04	0.00	0.02
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data and Nordea estimates

NEXT GAMES: REPORTED ANNUAL NUMBERS AND ESTIMATES (EURm, EUR AND %)

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	CAGR '20E-'25E
Revenue	32.5	35.2	34.7	27.4	65.9	75.8	83.3	87.5	91.9	27%
Gross profit	19.3	21.3	19.7	14.4	35.3	41.3	46.7	49.0	51.4	29%
Gross margin	59%	60%	57%	53%	54%	55%	56%	56%	56%	1%
Operating Expenses	24.4	38.3	27.1	18.2	36.0	39.1	41.0	42.7	44.6	20%
R&D	7.0	7.5	6.6	4.9	5.3	5.7	6.0	6.1	6.3	5%
Sales & Marketing	12.7	26.8	17.6	9.9	26.8	29.5	31.0	32.5	34.1	28%
Admin	4.7	4.0	3.0	3.3	3.8	3.9	4.0	4.1	4.2	5%
EBITDA	-4.4	-14.8	-3.5	0.7	3.4	6.4	10.2	10.9	11.7	102%
EBITDA margin	-14%	-42%	-10%	2%	5%	9%	12%	12%	13%	
Adj. EBITDA	-3.4	-14.5	-3.5	0.7	3.4	6.4	10.2	10.9	11.7	102%
Adj. EBITDA margin	-10%	-41%	-10%	2%	5%	9%	12%	12%	13%	
EBIT	-5.1	-16.9	-7.4	-3.4	-0.7	2.2	5.7	6.3	6.8	n.a.
EBIT margin	-16%	-48%	-21%	-12%	-1%	3%	7%	7%	7%	
Adj. EBIT (Nordea)	-4.0	-16.7	-7.4	-3.4	-0.7	2.2	5.7	6.3	6.8	n.a.
Adj. EBIT margin	-12%	-47%	-21%	-12%	-1%	3%	7%	7%	7%	
Adj. EBIT (comparable)	-4.4	-13.8	-4.0	0.2	3.0	6.0	9.7	10.4	11.4	177%
Adj. EBIT margin	-14%	-39%	-11%	1%	5%	8%	12%	12%	12%	
Net financials	-0.5	0.1	-0.2	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-6%
PTP	-6.0	-16.9	-7.8	-3.9	-1.1	1.8	5.3	5.9	6.5	n.a.
Net profit	-6.1	-18.0	-8.3	-3.8	-1.3	0.8	4.2	4.7	4.8	n.a.
Adj. net profit	-5.1	-17.8	-8.3	-3.8	-1.3	0.8	4.2	4.7	4.8	n.a.
EPS (diluted)	-0.37	-0.99	-0.36	-0.14	-0.04	0.03	0.15	0.17	0.17	n.a.
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a.

Source: Company data and Nordea estimates

NEXT GAMES: ESTIMATED KPIs FOR GAME PORTFOLIO

TWD - NML	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20E	Q4 20E	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Gross Bookings	4.5	3.8	3.4	4.2	3.9	4.0	3.6	3.8	3.3	3.0	2.8	2.5
DAU	0.23	0.19	0.16	0.18	0.16	0.16	0.14	0.15	0.13	0.12	0.11	0.10
MAU	0.67	0.54	0.48	0.65	0.48	0.46	0.43	0.45	0.40	0.36	0.33	0.29
DAU/MAU	34%	35%	34%	28%	34%	34%	33%	33%	33%	33%	33%	33%
ARPDau €	0.22	0.22	0.21	0.25	0.27	0.28	0.28	0.28	0.28	0.28	0.28	0.28
TWD - OW	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20E	Q4 20E	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Gross Bookings	5.0	5.2	4.5	3.9	3.4	2.9	2.6	2.6	2.2	2.0	1.8	1.6
DAU	0.21	0.15	0.13	0.11	0.08	0.07	0.06	0.06	0.05	0.05	0.04	0.04
MAU	0.98	0.60	0.53	0.59	0.31	0.25	0.23	0.23	0.20	0.18	0.16	0.14
DAU/MAU	21%	26%	24%	19%	27%	29%	27%	27%	27%	27%	27%	27%
ARPDau €	0.26	0.37	0.36	0.38	0.45	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Stranger Things IP	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20E	Q4 20E	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Gross Bookings								0.4	4.7	9.7	9.9	9.9
DAU								0.10	0.25	0.50	0.50	0.50
MAU								0.30	0.75	1.50	1.50	1.50
DAU/MAU								33%	33%	33%	33%	33%
ARPDau €								0.21	0.21	0.22	0.22	0.22
Blade Runner	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20E	Q4 20E	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Gross Bookings									0.6	1.9	2.9	2.8
DAU									0.07	0.11	0.16	0.15
MAU									0.20	0.32	0.48	0.46
DAU/MAU									33%	33%	33%	33%
ARPDau €									0.20	0.20	0.20	0.20
2/2021 Game	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20E	Q4 20E	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Gross Bookings											1.3	2.9
DAU											0.13	0.15
MAU											0.40	0.46
DAU/MAU											33%	33%
ARPDau €											0.21	0.21

Source: Company data and Nordea estimates

NEXT GAMES: ESTIMATED KPIs FOR GAME PORTFOLIO, ANNUAL

TWD - NML	2017	2018	2019	2020E	2021E
Gross Bookings		21.4	15.9	15.3	11.7
DAU		0.28	0.19	0.15	0.11
MAU		0.85	0.58	0.45	0.35
DAU/MAU		33%	33%	33%	33%
ARPDau €		0.22	0.23	0.28	0.28
TWD - OW	2017	2018	2019	2020E	2021E
Gross Bookings		14.0	18.5	11.5	7.7
DAU		0.30	0.15	0.07	0.05
MAU		1.43	0.68	0.25	0.17
DAU/MAU		21%	22%	27%	27%
ARPDau €		0.26	0.34	0.46	0.46
Stranger Things IP	2017	2018	2019	2020E	2021E
Gross Bookings				0.4	34.1
DAU				0.10	0.43
MAU				0.30	1.31
DAU/MAU				33%	33%
ARPDau €				0.21	0.21
Blade Runner	2017	2018	2019	2020E	2021E
Gross Bookings					8.2
DAU					0.12
MAU					0.36
DAU/MAU					33%
ARPDau €					0.20
2/2021 Game	2017	2018	2019	2020E	2021E
Gross Bookings					4.2
DAU					0.14
MAU					0.43
DAU/MAU					33%
ARPDau €					0.21

Source: Company data and Nordea estimates

Risk factors

Below, we list the main risk factors that we find relevant for Next Games. The purpose of this is not to provide a comprehensive list of all of the risks that the company may face, but instead to highlight those that we find most relevant. In our view, the main risks relate to low cash balance and ability to publish new games in the extremely competitive mobile gaming market.

Short-term risk factors

Overly high expectations on the back of medium-term financial targets

Management announced new medium-term (three to five years) financial targets on 25 November 2020. It targets revenue of EUR 250m and an EBITDA margin of over 23% in the medium term. These targets could prove to be too ambitious, thus falling short of the increased expectations in the market.

Low cash balance means a further capital injection could be needed

Next Games' cash balance was EUR 6.5m at the end of H1 2020, after the EUR 8m capital injection that took place in Q4 2019. If the company cannot maintain cash flow neutrality during 2020, we see an increasing risk of a need for further capital injection.

Success of the Stranger Things title

Next Games' 2021 earnings depend highly on the success of the Stranger Things title. We believe consensus expects the game to generate some EUR 30m in revenue during 2021. If the game cannot attract the expected user base, estimate downgrades could be material.

Change in the access to IDFA

Apple announced changes to its upcoming iOS 14 update scheduled for early 2021. One of these changes will be new privacy settings, where Apple users will see a new privacy screen when installing an app. This privacy screen will ask permission for the app to track the user across other apps and websites. This question will determine whether the app has access to the device identifier for advertisers (IDFA).

This identifier is heavily used by the ad networks that the mobile gaming companies use in their user acquisition. As the change in the access to IDFA could come into place in early 2021, it is still uncertain how this will affect mobile gaming companies' user acquisition methodologies. Thus, this puts the efficiency of mobile gaming companies' user acquisitions at risk. Next Games' strategy to utilise well-known IPs in its games mitigates this risk to some extent, we believe.

Faster-than-expected decline of The Walking Dead titles

Currently, Next Games depends on the success of its two The Walking Dead (TWD) titles. We expect that the revenues generated by the TWD games will decrease gradually in the coming years. However, it is possible that they will decline faster if, for example, the TWD IP loses its fan base or Next Games cannot create new and interesting content for the players of the game.

Inability to launch new games on schedule

The most recent launch of TWD: Our World did not go as planned, and now the Blade Runner Nexus game, which was in soft launch for a prolonged period of time (since July 2018), was moved back to the production phase. Now, Next Games has announced game launches for December 2020 and Q1 2021. If the company is not able to keep to its announced game launch schedule, estimate revisions could be large.

Outflow of key specialists

A weakened financial situation might lead to the departure of some key specialists or executives. The risk is elevated by the apparent chronic shortage of game developers in Finland, which is making the recruitment of top-tier developers difficult.

Long-term risk factors

Ability to attract and retain top talent

Given the global and highly competitive nature of the mobile gaming market, success depends heavily on attracting and retaining top international specialists and executives. Prolonged organisational or financial headwinds could raise the risk of a brain drain and complicate recruitment.

Ability to develop games with lucrative feature sets

According to a study by GameRefinery, 50% of a game's success is explained by its feature set. Mobile gaming is still a nascent industry, which means that a winning feature set is a constantly moving target, making success extremely hard to replicate in subsequent games.

Ability to accumulate and retain adequate cash position

Gaming companies require solid cash balances to withstand occasional hardships, to retain strategic leeway in game development, and to market their games. Failure to retain a credible cash balance will, in the long term, increase the risk of departure by all relevant stakeholders in the company.

Ability to acquire interesting third-party intellectual property

The company might be unable to acquire intellectual property of the calibre of *The Walking Dead* and *Stranger Things* due to increased competition. An inability to acquire the desired IP would harm the company's strategy and its effectiveness.

Regulation

The mobile gaming industry is facing increasing regulation, especially in China. The trend towards tighter regulation of mobile game monetisation could hamper the financial performance of Next Games in the long run.

Reported numbers and forecasts

INCOME STATEMENT

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	n.a.	0	0	10	31	32	35	35	27	66	76
Revenue growth	n.a.	n.a.	n.a.	n.m.	220.5%	4.4%	8.6%	-1.5%	-20.9%	140.0%	15.0%
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	0	-4	-6	-2	-4	-15	-3	1	3	6
Depreciation and impairments PPE	0	0	0	0	0	-1	-1	-2	-2	-2	-2
of which leased assets	0	0	0	0	0	0	0	-1	-1	-1	-1
EBITA	0	0	-4	-7	-2	-5	-16	-5	-1	2	5
Amortisation and impairments	0	0	0	0	0	0	-1	-2	-2	-2	-2
EBIT	n.a.	0	-4	-7	-2	-5	-17	-7	-3	-1	2
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	0	0	0	0	-1	0	0	0	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	0	-4	-7	-2	-6	-17	-8	-4	-1	2
Reported taxes	0	0	0	0	2	0	-1	-1	0	0	-1
Net profit from continued operations	0	0	-4	-7	0	-6	-18	-8	-4	-1	1
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	0	-4	-7	0	-6	-18	-8	-4	-1	1
EPS, EUR	n.a.	n.a.	-1.57	-2.00	0.01	-0.37	-0.99	-0.36	-0.14	-0.04	0.03
DPS, EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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.	n.m.	n.m.	-66.2%	-5.5%	-13.6%	-41.8%	-10.0%	2.4%	5.2%	8.5%
EBITA	n.a.	n.m.	n.m.	-70.2%	-7.0%	-15.6%	-44.5%	-14.8%	-4.6%	2.5%	6.1%
EBIT	n.a.	n.m.	n.m.	-70.2%	-7.0%	-15.6%	-48.0%	-21.4%	-12.4%	-1.0%	2.8%

Adjusted earnings

EBITDA (adj)	0	0	-4	-6	-3	-3	-15	-3	0	3	6
EBITA (adj)	0	0	-4	-7	-3	-4	-16	-5	-2	2	5
EBIT (adj)	0	0	-4	-7	-3	-4	-17	-7	-4	-1	2
EPS (adj, EUR)	n.a.	n.a.	-1.57	-2.00	-0.06	-0.31	-0.98	-0.36	-0.15	-0.04	0.03

Adjusted profit margins in percent

EBITDA (adj)	n.a.	n.m.	n.m.	-66.2%	-8.4%	-10.6%	-41.4%	-10.0%	0.9%	5.2%	8.5%
EBITA (adj)	n.a.	n.m.	n.m.	-70.2%	-9.9%	-12.6%	-44.0%	-14.8%	-6.0%	2.5%	6.1%
EBIT (adj)	n.a.	n.m.	n.m.	-70.2%	-9.9%	-12.6%	-47.6%	-21.5%	-13.8%	-1.0%	2.8%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	513.7%	23.1%	16.2%	18.5%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	-25.2%	-32.2%	-26.8%	-21.8%	-17.1%	-11.0%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	-23.0%	-28.8%	-21.5%	-14.7%	-9.5%	-3.2%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	89.4
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	7.9	n.m.	n.m.	286.5	20.8	10.9
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	6.7	n.m.	n.m.	n.m.	43.7	15.2
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	7.5	n.m.	n.m.	n.m.	n.m.	32.6

VALUATION RATIOS - REPORTED EARNINGS

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	89.4
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	-0.84	0.35	0.70	2.62	1.09	0.93
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	6.9	n.m.	n.m.	95.8	20.8	10.9
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	5.9	n.m.	n.m.	n.m.	43.7	15.2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	5.9	n.m.	n.m.	n.m.	n.m.	32.6
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	-92.9%	-25.3%	-1.6%	1.9%	3.0%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	-92.9%	-29.4%	-3.1%	0.4%	1.6%
Payout ratio	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	0	0	0	1	3	10	14	14	15	16	17
of which R&D	0	0	0	1	1	7	10	11	11	12	13
of which other intangibles	0	0	0	0	0	0	0	0	0	0	0
of which goodwill	0	0	0	0	2	3	3	3	3	3	3
Tangible assets	0	0	0	0	1	0	7	5	3	3	2
of which leased assets	0	0	0	0	0	0	0	4	3	3	3
Shares associates	0	0	1	0	1	1	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	1	0	1	0	0	0
Deferred tax assets	0	0	0	0	2	3	2	1	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	0	0	1	1	7	14	23	22	18	18	18
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	0	0	1	3	6	5	6	5	4	10	11
Short-term leased assets	0	0	0	0	0	0	0	0	1	1	1
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	0	0	2	5	4	26	7	8	7	7	8
Total current assets	0	0	2	8	10	31	14	13	12	18	20
Assets held for sale	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	0	0	3	9	17	46	36	35	30	36	39
Shareholders equity	0	0	2	5	7	39	23	23	19	18	19
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	0	2	5	7	39	23	23	19	18	19
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	0	0	0	0	0	0	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	0	3	3	3	3
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	0	0	1	1	5	4	4	4	4
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	1	4	9	6	9	4	3	10	12
Current lease debt	0	0	0	0	0	0	0	1	1	1	1
Other current liabilities	0	0	0	0	0	0	0	0	0	0	0
Short term interest bearing debt	0	0	0	0	0	0	0	3	3	3	3
Total current liabilities	0	0	1	4	9	6	9	8	7	15	17
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	0	3	9	17	46	36	35	30	36	39
Balance sheet and debt metrics											
Net debt	0	0	-2	-5	-4	-27	-8	-1	1	1	0
of which lease debt	0	0	0	0	0	0	0	4	4	4	4
Working capital	0	0	0	0	-3	-1	-3	1	1	0	-1
Invested capital	0	0	1	1	5	14	20	23	19	18	17
Capital employed	0	0	2	5	7	39	23	31	27	26	27
ROE	n.m.	n.m.	n.m.	n.m.	1.5%	-26.2%	-58.0%	-36.3%	-18.1%	-6.8%	4.3%
ROIC	n.m.	n.m.	n.m.	n.m.	-96.5%	-40.7%	-79.9%	-28.2%	-14.8%	-2.9%	9.8%
ROCE	n.m.	n.m.	n.m.	n.m.	-52.0%	-19.3%	-51.8%	-27.9%	-13.5%	-2.6%	8.2%
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2.1	0.3	0.0
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.	-66.3%	72.3%	55.3%	43.5%	86.1%	62.7%	65.9%	63.7%	49.3%	47.8%
Net gearing	n.m.	95.6%	-70.5%	-94.9%	-52.9%	-69.1%	-33.7%	-3.3%	7.3%	6.1%	-0.3%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA (adj) for associates	0	0	-4	-6	-2	-4	-15	-3	1	3	6
Paid taxes	0	0	0	0	0	0	0	0	0	0	-1
Net financials	0	0	0	0	0	0	0	0	0	0	0
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	-2	0	5	-4	1	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	4	6	3	1	-3	4	0	0	0
Funds from operations (FFO)	0	0	0	0	0	-3	-13	-4	2	3	5
Change in NWC	0	0	0	0	0	-1	1	0	0	2	0
Cash flow from operations (CFO)	0	0	0	0	0	-4	-12	-4	2	4	6
Capital expenditure	0	0	0	0	-1	-2	-7	-3	-3	-3	-3
Free cash flow before A&D	0	0	0	0	-1	-7	-19	-6	-1	1	2
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Free cash flow	0	0	0	0	-1	-7	-19	-6	-1	1	2
Free cash flow bef A&D, lease adj	0	0	0	0	-1	-7	-19	-7	-2	0	1
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	0	0	0	0	0	30	0	8	0	0	0
Net change in debt	0	0	0	0	0	0	0	-2	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	0	-1	-1
Other non-cash adjustments	0	0	2	3	0	-1	0	1	0	0	0
Change in cash	0	0	2	3	-1	23	-19	0	-1	0	1
Cash flow metrics											
Capex/D&A	n.m.	n.m.	0.0%	n.m.	n.m.	n.m.	n.m.	68.9%	73.2%	77.4%	79.8%
Capex/Sales	n.a.	n.m.	0.0%	0.0%	1.9%	7.7%	19.1%	7.9%	10.8%	4.8%	4.5%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	9	1	1	3	3	3
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	0	20	25	71	71	71
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	-27	12	24	72	72	70
Diluted no. of shares, year-end (m)	0.0	0.0	0.0	0.0	0.0	0.0	19.0	28.0	28.0	28.0	28.0

Source: Company data and Nordea estimates

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