25 October 2021

Commissioned research: Next Games – Achieving 2021 guidance looks challenging despite the global launch of Stranger Things: Puzzle Tales

Marketing material commissioned by Next Games

Next Games today finally announced the global launch of Stranger Things: Puzzle Tales and also reaffirmed its guidance for at least EUR 40m of revenue (company-collected consensus: EUR 33m) and positive EBITDA (consensus: EUR 0.6m) for 2021. We have been anticipating a guidance downgrade as reaching EUR 40m of revenue with positive EBITDA heavily depends on the success of Stranger Things: Puzzle Tales, which has launched fairly late in H2. For 2021, we currently expect EUR 24m of gross bookings from the existing TWD games (No Man's Land and Our World) and a minor EUR 2m contribution from Blade Runner: Rogue that has yet to launch globally, which means that Stranger Things: Puzzle Tales would have to generate at least EUR 14m of revenues with a break-even EBITDA margin for Next Games to reach its guidance. The company has also agreed on a EUR 3m loan (6% interest rate, maturity of eight years) from its largest shareholder Jari Ovaskainen, which is intended to support the growth and scaling of Stranger Things: Puzzle Tales. In our view, reaching the 2021 guidance still looks unlikely given the launch of Stranger Things: Puzzle Tales so late in the year, but raising new funds to scale up Stranger Things: Puzzle Tales adds confidence in solid KPIs for the game.

NEXT GAMES: OUR ESTIMATES VS. CONSENSUS (EURm AND EUR)

	Nordea estimates				Consensus estimates				Difference %			
EURm	**H2 2021E**	**2021E**	**2022E**	**2023E**	**H2 2021E**	**2021E**	**2022E**	**2023E**	**H2 2021E**	**2021E**	**2022E**	**2023E**
Sales	**21.5**	**33.8**	**73.6**	**80.9**	**20.5**	**32.8**	**62.3**	**70.3**	**5%**	**3%**	**18%**	**15%**
EBITDA	**0.2**	**-0.1**	**4.7**	**8.4**	**0.6**	**0.6**	**3.9**	**7.1**	**-65%**	**-116%**	**19%**	**19%**
EBITDA margin	1.0%	-0.3%	6.4%	10.4%	2.9%	1.7%	6.3%	10.0%	-2.0pp	-2.0pp	0.0pp	0.4pp
EBIT	**-2.3**	**-4.9**	**-0.3**	**2.8**	**-1.7**	**-4.0**	**-0.6**	**1.9**	**-31%**	**-21%**	**46%**	**43%**
EBIT margin	-10.7%	-14.5%	-0.5%	3.4%	-8.5%	-12.3%	-1.0%	2.7%	-2.2pp	-2.2pp	0.5pp	0.7pp
PTP	**-2.3**	**-4.9**	**-0.3**	**2.8**	**-1.8**	**-4.2**	**-0.7**	**1.8**	**-24%**	**-17%**	**53%**	**55%**
EPS	**-0.08**	**-0.16**	**-0.02**	**0.07**	**-0.06**	**-0.13**	**-0.03**	**0.05**	**-49%**	**-24%**	**44%**	**42%**

Source: Nordea estimates and company-collected

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	35	35	27	34	74	81
EBITDA (adj)	-15	-3	-1	0	5	8
EBIT (adj)	-17	-7	-5	-5	0	3
EBIT (adj) margin	-47.6%	-21.5%	-18.4%	-14.5%	-0.5%	3.4%
EPS (adj, EUR)	-0.98	-0.36	-0.20	-0.16	-0.02	0.07
EPS (adj) growth	-216.5%	63.7%	43.7%	19.1%	90.5%	576.8%
DPS (ord, EUR)	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	0.4	0.7	2.1	1.1	0.5	0.4
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	11.6
P/E (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	18.9
P/BV	0.9	1.1	3.0	2.2	2.3	2.0
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease adj	-92.9%	-29.4%	-3.7%	0.3%	9.3%	3.3%
Net debt	-8	-1	-1	-4	-8	-10
Net debt/EBITDA	n.m.	n.m.	n.m.	-38.2	-1.7	-1.2
ROIC after tax	-79.9%	-28.2%	-19.9%	-24.3%	-2.5%	24.3%

Source: Company data and Nordea estimates

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