28 October 2021

Commissioned research: Rovio - Q3 2021 numbers above expectations, Darkfire Heroes move into maintenance mode

Marketing material commissioned by Rovio

Rovio's Q3 revenue and adjusted EBIT beat Infront consensus estimates by 2% and 40% respectively. Games revenue grew above our expectations by +5% y/y organically (+6% in Q2) and UA costs were in line with our estimate of EUR 18.1m at 26% of Games revenue after 32% in Q2 21 and 24% in Q3 20. Rovio kept its outlook unchanged, continuing to provide no numerical guidance. Despite good Q3 numbers, we believe that consensus revenue estimates could see low-single-digit downgrades given that Darkfire Heroes (launched in April 2021) has been moved into maintenance mode following its unsatisfactory performance. On an adjusted EBIT level, the Q3 beat itself represents 12% upside to consensus 2021 figures, but 2022-23 estimates are likely to move up by a more limited extent.

Q3 2021 numbers above expectations

- Q3 revenue was 2% above Infront consensus estimates, growing by 5% y/y (-1% in Q2).
- Revenue from Games was 1% above our estimate, increasing by 7% y/y. Organically, Games revenue grew by 5% y/y (+6% in Q2).
- Revenue from Brand Licencing was 17% above our estimate and down 24% y/y.
- Adjusted EBIT of EUR 14.3m was up 12% y/y and 40% above consensus of EUR 10.2m. Adjusted EBIT margin stood at 20.0% compared to consensus of 14.6%. High margin was driven by larger share of advertising revenues and Angry Birds Reloaded (Apple Arcade) revenues.
- EPS was EUR 0.16 compared to consensus at EUR 0.10.

Games performance

- Games' gross bookings grew by 3% y/y and by 0% q/q.
- User acquisition (UA) investments were bang in line with our estimate of EUR 18.1m, i.e. 26% of Games revenue compared to 32% in Q2 2021 and 24% in Q3 2020.
- AB2, ABDB and AB Friends performed broadly in line with our expectations, whereas AB Match exceeded our bookings estimate by 7%. Small Town Murders fell 10% short of our estimate.

- Darkfire Heroes bookings of EUR 0.6m fell short of our estimate of EUR 1.0m. Given the limited size of the game, Rovio has decided to move it into maintenance mode and assigned the game team to more promising and wide-appeal projects.

- Ruby Games was consolidated since beginning of September and brought EUR 1.0m of bookings compared to our estimate of EUR 1.2m.

- The first Moomin game is expected to be soft launched later this year.

- Number of daily active users (DAU) grew by 17% q/q and by 9% y/y. Number of monthly active users (MAU) grew by 23% q/q and by 9% y/y. DAU/MAU was 15% compared to 16% in Q2 2021 and 15% in Q3 2020.

- Number of monthly unique payers (MUP), was up 6% y/y and 4% q/q.

- Average revenue per daily active user (ARPDAU) was EUR 0.15, down from EUR 0.16 year ago.

ROVIO: DEVIATION TABLE (EURm AND EUR)

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	Q3 21	Q3 21E	vs. actual		Q3 21E	vs. actual		Q2 21	q/q	Q3 20	y/y
Sales	**71.4**	**70.2**	**1.2**	**2%**	**69.8**	**1.6**	**2%**	**68.8**	**4%**	**67.9**	**5%**
EBITDA	**16.9**	**13.1**	**3.8**	**29%**	**12.7**	**4.2**	**33%**	**8.7**	**95%**	**15.9**	**6%**
Adj. EBITDA	**17.2**	**13.1**	**4.1**	**31%**	**12.7**	**4.5**	**36%**	**8.7**	**99%**	**15.9**	**8%**
Adj. EBITDA margin	24.1%	18.7%		5.4pp	18.1%		0.1pp	12.6%	11.5pp	23.4%	0.7pp
EBIT	**14.0**	**10.2**	**3.8**	**38%**	**10.2**	**3.8**	**37%**	**6.2**	**127%**	**12.8**	**9%**
Adj. EBIT	**14.3**	**10.2**	**4.1**	**41%**	**10.2**	**4.1**	**40%**	**6.2**	**132%**	**12.8**	**12%**
Adj. EBIT margin	20.0%	14.5%		5.5pp	14.6%		5.4pp	9.0%	11.1pp	18.9%	1.2pp
EPS	**0.16**	**0.11**	**0.05**	**46%**	**0.10**	**0.06**	64%	**0.10**	61%	**0.12**	29%
Games segment											
Revenue	68.6	67.8	1	1%				66.4	3%	64.2	7%
Adjusted EBITDA	17.5	14.3	3	23%				9.6	83%	16.2	8%
Adj. EBITDA margin	25.5%	21.0%		4.5pp				14.4%	11.1pp	25.2%	0.3pp
UAC	18.1	18.1	0	0%				21.3	-15%	15.3	18%
UAC as % of revenue	26.4%	26.6%		-0.3pp				32.1%	-5.7pp	23.8%	2.6pp
Brand Licensing											
Revenue	2.8	2.4	0	17%				2.4	17%	3.7	-24%
Adjusted EBITDA	1.9	1.4	0	32%				1.4	32%	2.5	-24%
Adj. EBITDA margin	67.9%	59.9%		8.0pp				60.0%	7.9pp	67.6%	0.3pp
Game KPIs											
Gross bookings top 5, EURm	56.4	56.1	0	1%				57.0	-1%	55.1	2%
Gross bookings total, EURm	66.7	67.8	-1	-2%				66.6	0%	64.5	3%
DAU top 5, million	3.2	2.8	0.4	13%				3.1	3%	3.2	0%
DAU all, million	4.9	5.6	-0.7	-13%				4.2	17%	4.5	9%
MAU top 5, million	17.9	15.6	2.3	15%				17.1	5%	18.1	-1%
MAU all, million	32.0	39.8	-7.8	-20%				26.0	23%	29.4	9%
DAU/MAU top 5, %	17.9%	18.1%		-0.2pp				18.1%	-0.3pp	17.7%	0.2pp
DAU/MAU all 5, %	15.3%	14.1%		1.2pp				16.2%	-0.8pp	15.3%	0.0pp
MUP top 5, thousand	402.0	362.7	39.3	11%				397.0	1%	380.0	6%
MUP all, thousand	471.0	695.8	-224.8	-32%				455.0	4%	445.0	6%
ARPDAU top 5, EUR	0.19	0.22	-0.03	-12%				0.20	-5%	0.19	0%
ARPDAU all, EUR	0.15	0.13	0.02	14%				0.17	-12%	0.16	-6%
MARPPU top 5, EUR	40.6	51.5	-10.9	-21%				41.7	-3%	42.6	-5%
MARPPU all, EUR	40.2	32.5	7.7	24%				42.5	-5%	42.5	-5%

Source: Company data, Nordea estimates and Infront

ROVIO: GROSS BOOKINGS PER GAME

EURm	Actual Q3 21	NDA est. Q3 21	Deviation vs. actual		Actual Q2 21	q/q	Actual Q3 20	y/y
AB2	26.6	27.2	-0.6	-2%	26.6	0%	26.5	0%
ABDB	15.0	14.9	0.1	1%	15.0	0%	15.5	-3%
AB Friends	8.5	8.5	0.0	0%	8.3	2%	7.2	18%
AB Match	2.1	2.0	0.1	7%	2.2	-5%	2.9	-28%
Small Town Murders	4.1	4.6	-0.5	-10%	4.7	-13%	3.0	37%
Hypercasual	1.0	1.2	-0.2	-14%	n.a.	n.a.	n.a.	n.a.
Other	9.2	8.6	0.6	6%	9.8	-6%	9.4	-2%

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	281	289	272	281	320	335
EBITDA (adj)	48	33	65	47	60	63
EBIT (adj)	31	18	47	36	49	53
EBIT (adj) margin	11.1%	6.4%	17.3%	12.9%	15.5%	15.8%
EPS (adj, EUR)	0.31	0.17	0.48	0.43	0.54	0.58
EPS (adj) growth	-7.1%	-44.5%	180.7%	-10.0%	25.8%	6.8%
DPS (ord, EUR)	0.09	0.09	0.12	0.13	0.14	0.15
EV/Sales	0.7	0.9	1.2	1.1	1.0	0.9
EV/EBIT (adj)	5.9	13.5	7.1	8.9	6.5	5.4
P/E (adj)	12.5	26.1	13.3	14.9	11.8	11.1
P/BV	1.9	2.1	2.8	2.5	2.1	1.9
Dividend yield (ord)	2.4%	2.0%	1.9%	2.0%	2.2%	2.4%
FCF Yield bef A&D, lease adj	13.6%	1.8%	12.6%	8.1%	9.8%	10.1%
Net debt	-120	-110	-129	-145	-147	-180
Net debt/EBITDA	-2.5	-3.4	-2.2	-3.1	-2.5	-2.9
ROIC after tax	53.6%	30.0%	79.7%	72.8%	69.1%	59.8%

Source: Company data and Nordea estimates

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