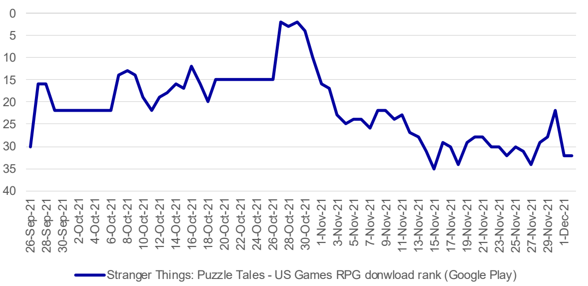
02 December 2021

Commissioned research: Next Games – Guidance for 2021 withdrawn

Marketing material commissioned by Next Games

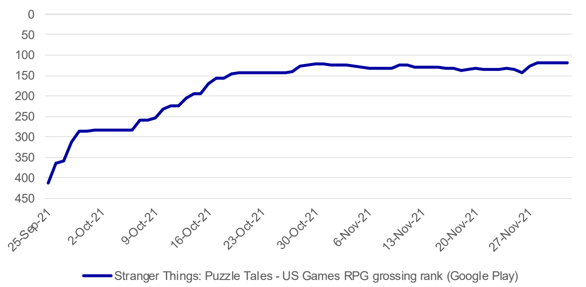
Next Games withdraws its 2021 guidance of at least EUR 40m of revenue and positive EBITDA. Company-collected consensus has been looking for EUR 33m of revenues (Nordea: EUR 34m) and EUR 0.6m of EBITDA (Nordea: EUR -0.1m), so the profit warning was largely expected, much due to the late launch (25 October) of Stranger Things: Puzzle Tales. It seems that the company has decided to postpone certain UA investments for Stranger Things: Puzzle Tales closer to the release of Stranger Things season 4 on Netflix, which according to our understanding should take place in summer 2022. Additionally, Next Games seems to have several contractual negotiations ongoing, which were expected to contribute to revenues during Q4, but which may be extended to Q1 2022. Overall, we find the company's upbeat communication regarding Stranger Things: Puzzle Tales early KPIs as puzzling, given the decision to postpone marketing investments. We view downside risks to be incrementally more elevated for our 2022 estimates given that 48% (or EUR 36m) of our group top line of EUR 74m is derived from Stranger Things: Puzzle Tales.

ST: PUZZLE TALES - US RPG GAMES DOWNLOAD RANK ON GOOGLE PLAY



Source: App Annie

ST: PUZZLE TALES - US RPG GAMES GROSSING RANK ON GOOGLE PLAY



Source: App Annie

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	0.4	0.4
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	11.2
P/E (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	18.4
P/BV	0.9	1.1	3.0	2.1	2.2	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%	9.5%	3.4%
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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