15 December 2021

Commissioned research: Next Games - Signs up to 16.5 Million USD co-development agreement

Marketing material commissioned by Next Games

Next Games has signed a co-development agreement on a mobile game with “a significant, global media company”, which in our view could be Netflix. Total contract value is up to USD 16.5m to be paid over five years. We believe that this includes an upfront payment of some USD 3-4m for Q4 and that the rest will be spread out over the remaining contract period. The announcement leaves lots of unanswered questions as not much details are provided on the scope or the economics of the agreement, but we know that Next Games does retain the ownership of the game’s IP rights, so this is not a pure subcontracting deal. The game is developed on, and will run on, Next Games’ proprietary technology platform. Our initial take is that the contract provides a much needed source of revenue to cover costs for the coming years and based on our aforementioned assumptions it implies revenue upside of around 8-10% for our current 2021 estimate (EUR 31.8m) and 4% upside for 2022-23 estimates.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	35	35	27	32	59	65
EBITDA (adj)	-15	-3	-1	0	5	7
EBIT (adj)	-17	-7	-5	-5	0	2
EBIT (adj) margin	-47.6%	-21.5%	-18.4%	-15.6%	-0.7%	2.8%
EPS (adj, EUR)	-0.98	-0.36	-0.20	-0.16	-0.02	0.05
EPS (adj) growth	-216.5%	63.7%	43.7%	18.2%	89.0%	366.6%
DPS (ord, EUR)	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	0.4	0.7	2.1	0.7	0.4	0.3
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	1.4	1.5	1.4
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%	-1.2%	7.4%	1.2%
Net debt	-8	-1	-1	-4	-6	-6
Net debt/EBITDA	n.m.	n.m.	n.m.	-63.4	-1.2	-0.8
ROIC after tax	-79.9%	-28.2%	-19.9%	-24.3%	-2.8%	12.6%

Source: Company data and Nordea estimates

Completion date: 15 Dec 2021, 09:25 CET

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