Rovio

Media
Finland

KEY DATA

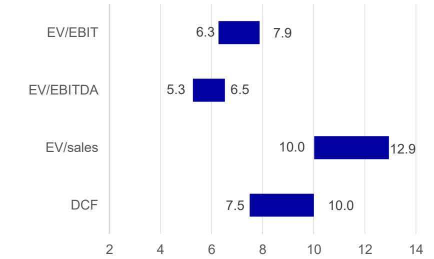
Stock country	Finland
Bloomberg	ROVIO FH
Reuters	ROVIO.HE
Share price (close)	EUR 7.75
Free Float	50%
Market cap. (bn)	EUR 0.57/EUR 0.57
Website	http://www.rovio.com/
Next report date	29 Apr 2022

PERFORMANCE

— Rovio
— Finland OMX Helsinki All-Share (Rebased)

Source: Refinitiv

VALUATION APPROACH (EUR PER SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	5%	6%	6%
EBIT (adj)	-19%	-5%	0%

Source: Nordea estimates

Nordea Markets - Analysts
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Director

Growth set to slingshot in 2022

Rovio's Q4 performance exceeded our expectations and guidance for 2022 provided further confidence in the improved growth momentum. We find the company's outlook favourable given the combination of highly cash-generative existing Angry Birds games and compelling growth opportunities offered by recently launched AB Journey and the soft launch pipeline (Hunter Assassin 2, Moomin: Puzzle and Design). Additionally, we argue that high capacity for M&A (EUR ~160m in cash and 9% of own shares) provides further upside and value-creation potential. The share remains attractively valued relative to western mobile gaming peers. We raise our fair value range to EUR 7.3-9.3 (6.9-8.8).

Q4 performance above expectations

Rovio's Q4 report offered a 7% beat on revenue and 35% beat on adjusted EBIT relative to Infront consensus. Organic growth in Games accelerated to 9% y/y (Q3: 5%), with the largest games AB2, ABDB and AB Friends all performing above our expectations. Despite higher y/y UA, adjusted EBIT was up by 75% with a margin of 16.6% (Q4 20: 10.9%) owing to the strong top-line growth and favourable revenue mix.

Strong growth outlook for 2022

For 2022, Rovio guided for strong top-line growth but lower y/y EBIT, mainly explained by a ramp-up in UA investments to drive growth for AB Journey (launched on 20 January), which is showing strong KPIs and has scaled up to more than EUR 40m of run-rate annual gross bookings, according to Rovio. For Q1, UA costs for were guided for 40% of Games revenue (Q4 21: 27%). With Rovio's largest game AB2 on pace for EUR 115m annual run-rate bookings (2021: EUR 108m) and the much-awaited Hunter Assassin 2 in the soft launch pipeline, the growth outlook for 2022 looks promising, in our view. We raise our top-line estimates by 5-6%, but cut our EBIT by 5-19% for 2022-23E, reflecting the higher UA spend. For 2022E, we model 19% y/y growth for Games (11% organic) and a group adjusted EBIT of EUR 40.8m (2021: EUR 43.8m).

Fair value range raised to EUR 7.3-9.3 (6.9-8.8)

We derive an estimated fair value range of EUR 7.3-9.3 (6.9-8.8) based on an average of four separate valuation methods: EV/EBIT, EV/EBITDA, EV/sales and DCF. We now apply a 30% discount to the median multiples for peers compared to the prior discount of 40% due to Rovio's improved growth profile.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	281	289	272	286	337	357	364
EBITDA (adj)	48	33	65	57	54	65	71
EBIT (adj)	31	18	47	44	41	53	60
EBIT (adj) margin	11.1%	6.4%	17.3%	15.3%	12.1%	14.7%	16.5%
EPS (adj, EUR)	0.31	0.17	0.48	0.49	0.43	0.56	0.64
EPS (adj) growth	-7.1%	-44.5%	180.7%	4.0%	-12.3%	28.8%	14.5%
DPS (ord, EUR)	0.09	0.09	0.12	0.12	0.13	0.14	0.15
EV/Sales	0.7	0.9	1.2	1.2	1.3	1.1	1.0
EV/EBIT (adj)	5.9	13.5	7.1	7.5	10.4	7.4	5.8
P/E (adj)	12.5	26.1	13.3	13.3	17.9	13.9	12.1
P/BV	1.9	2.1	2.8	2.4	2.6	2.3	2.0
Dividend yield (ord)	2.4%	2.0%	1.9%	1.8%	1.7%	1.8%	1.9%
FCF Yield bef A&D, lease	13.6%	1.8%	12.6%	7.7%	5.7%	8.8%	9.2%
Net debt	-120	-110	-129	-154	-142	-179	-217
Net debt/EBITDA	-2.5	-3.4	-2.2	-3.0	-2.6	-2.8	-3.1
ROIC after tax	53.6%	30.0%	79.7%	71.8%	45.8%	53.2%	63.6%

Source: Company data and Nordea estimates

Result highlights

Q4 2021 report highlights

- Q4 revenue came in 7% above Infront consensus estimates, growing by 15% y/y (+5% in Q3).
- Revenue from Games was 5% above our estimate, increasing by 19% y/y. Organically, Games revenue grew by 9% y/y (+5% in Q3).
- Revenue from Brand Licencing was 30% below our estimate and down 41% y/y.
- Adjusted EBIT of EUR 13.1m was up 75% y/y and 35% above consensus of EUR 9.7m. The adjusted EBIT margin stood at 16.6% compared to consensus of 13.2%. This high margin was a result of a larger share of ad revenues and AB Reloaded (Apple Arcade) revenues offsetting higher UA costs.
- Q4 EBIT of EUR 8.1m included EUR 5.0m in non-recurring items related to changes in contingent liability for the Ruby Games acquisition (EUR 2.9m), write-offs of expired contracts and game content assets related to the discontinued Hatch gaming service (EUR 1.8m), and restructuring of Brand Licensing China operations (EUR 0.3m).
- EPS was EUR 0.08 compared to consensus of EUR 0.10.
- The dividend proposal was EUR 0.12 per share, compared to consensus of EUR 0.12 and EUR 0.12 a year ago.

ROVIO: Q4 2021 DEVIATION TABLE (EPS in EUR)

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	Q4 21	Q4 21E	vs. actual		Q4 21E	vs. actual		Q3 21	q/q	Q4 20	y/y
Revenue	**78.9**	**76.0**	**2.9**	**4%**	**73.6**	**5.3**	**7%**	**71.4**	**11%**	**68.5**	**15%**
EBITDA	**13.4**	**13.4**	**(0.0)**	**0%**	**12.8**	**0.6**	**4%**	**16.9**	**-21%**	**12.2**	**10%**
Adj. EBITDA	**16.5**	**13.4**	**3.1**	**23%**	**12.8**	**3.7**	**29%**	**17.2**	**-4%**	**12.2**	**35%**
Adj. EBITDA margin	20.9%	17.7%		3.3pp	17.4%		0.0pp	24.1%	-3.2pp	17.8%	3.1pp
EBIT	**8.1**	**10.6**	**(2.5)**	**-23%**	**9.7**	**(1.6)**	**-17%**	**14.0**	**-42%**	**2.9**	**179%**
Adj. EBIT	**13.1**	**10.6**	**2.5**	**24%**	**9.7**	**3.4**	**35%**	**14.3**	**-9%**	**7.5**	**75%**
Adj. EBIT margin	16.6%	13.9%		2.7pp	13.2%		3.4pp	20.1%	-3.5pp	10.9%	5.7pp
EPS	**0.08**	**0.11**	**(0.03)**	**-30%**	**0.10**	**-0.02**	-21%	**0.16**	-48%	**0.04**	105%
DPS	**0.12**	**0.13**	**(0.01)**	**-8%**	**0.12**	**0.00**	-3%			**0.12**	0%
Games segment											
Revenue	76.5	72.6	4	5%				68.6	12%	64.4	19%
Adjusted EBITDA	18.2	14.4	4	26%				17.6	3%	13.7	33%
Adj. EBITDA margin	23.8%	19.9%		3.9pp				25.7%	-1.9pp	21.3%	2.5pp
UAC	20.6	19.1	1	8%				18.1	14%	16.0	29%
UAC as % of revenue	26.9%	26.4%		0.6pp				26.4%	0.5pp	24.8%	2.1pp
Brand Licensing											
Revenue	2.4	3.4	-1	-30%				2.8	-14%	4.1	-41%
Adjusted EBITDA	1.4	2.4	-1	-40%				2.0	-30%	2.9	-52%
Adj. EBITDA margin	58.3%	69.1%		-10.7pp				71.4%	-13.1pp	70.7%	-12.4pp
Game KPIs											
Gross bookings top 5, EURm	60.9	57.2	4	7%				56.4	8%	55.7	9%
Gross bookings total, EURm	74.0	72.6	1	2%				66.7	11%	64.9	14%
DAU top 5, million	3.2	3.2	0.0	-1%				3.2	0%	3.2	0%
DAU all, million	6.5	7.0	-0.5	-7%				4.9	33%	4.4	48%
MAU top 5, million	18.1	18.2	-0.1	0%				17.9	1%	17.6	3%
MAU all, million	44.8	49.9	-5.1	-10%				32.0	40%	27.3	64%
DAU/MAU top 5, %	17.7%	17.9%		-0.2pp				17.9%	-0.2pp	18.2%	-0.5pp
DAU/MAU all 5, %	14.5%	14.1%		0.4pp				15.3%	-0.8pp	16.1%	-1.6pp
MUP top 5, thousand	420.0	407.7	12.3	3%				402.0	4%	404.0	4%
MUP all, thousand	485.0	734.4	-249.4	-34%				471.0	3%	467.0	4%
ARPDAU top 5, EUR	0.21	0.19	0.02	10%				0.19	11%	0.19	11%
ARPDAU all, EUR	0.12	0.11	0.01	7%				0.15	-20%	0.16	-25%
MARPPU top 5, EUR	41.4	46.7	-5.3	-11%				40.6	2%	39.8	4%
MARPPU all, EUR	40.9	33.0	7.9	24%				40.2	2%	39.9	3%

Source: Company data, Refinitiv and Nordea estimates

Games performance

- Games' gross bookings grew by 14% y/y and by 11% q/q.
- User acquisition (UA) investments of EUR 20.6m were above our estimate of EUR 19.1m, i.e. 27% of Games' revenue compared to 26% in Q3 2021 and 25% in Q4 2020.
- AB2, ABDB and AB Friends performed above our expectations. Small Town Murders fell 10% short of our estimate.
- AB Journey generated bookings of EUR 3.1m compared to our estimate of EUR 3.5m. However, the game has scaled up to more than EUR 40m of run-rate annual gross bookings since its global launch on 20 January, which compares to our estimate of a EUR 35m bookings contribution for 2022.
- Ruby Games (Hypercasual) brought in EUR 4.1m of bookings compared to our estimate of EUR 3.5m.

Q4 2021 GROSS BOOKINGS PER GAME VS NORDEA ESTIMATES

EURm	Actual Q4 21	NDA est. Q4 21	Deviation vs. actual		Actual Q3 21	q/q	Actual Q4 20	y/y
AB2	29.5	27.7	1.8	6%	26.6	11%	26.2	13%
ABDB	16.2	15.6	0.6	4%	15.0	8%	15.2	7%
AB Friends	9.3	8.7	0.6	7%	8.5	9%	8.0	16%
AB Journey	3.1	3.5	-0.4	-10%	0.0	na	0.0	na
Small Town Murders	2.8	3.1	-0.3	-10%	4.1	-32%	3.8	-26%
Hypercasual	4.1	3.5	0.6	16%	1.0	310%	0.0	n.a.
Other	9.1	10.5	-1.4	-13%	11.5	-21%	11.7	-22%

Source: Company data and Nordea estimates

Guidance for 2022

- Building on the positive momentum in Rovio's top live games, the launch of Angry Birds Journey in January 2022 and having the full benefit of the Ruby Games acquisition from the start of the year, the company is expecting **strong top-line growth** for the year.
- Depending on the speed of growth and the investments in UA to fuel such growth (especially in the case of new games, and its larger investments in new games development), **adjusted EBIT is expected to be lower y/y**.
- UA investments for Q1 2022 are expected to be around 40% of Games revenue.

Takeaways from earnings call

1. The growth outlook for 2022 looks promising, with recently launched AB Journey currently delivering EUR 40m's worth of annual run-rate bookings and Rovio’s largest game (AB2) accounting for EUR 115m in annual run-rate bookings. On top of this, Hunter Assassin 2 by Ruby Games seems to have enjoyed wide appeal during its soft launch (we have modelled for its global launch being in Q1 2022, but have now gained the impression that this could be too early).
2. The current game development pipeline includes eight games, most of which are still in the early stages of development.
3. UA is the main element in terms of higher opex for 2022, which is expected to translate into lower EBIT y/y. This makes sense given the strong KPIs and growth potential presently visible for AB Journey. As a reminder, Rovio uses a 12-month payback time for its UA investment decisions. Also mentioned was some incremental cost pressure from the Montreal and Toronto studio ramp ups, in addition to salary inflation.
4. The company claims to be unconcerned about AB Journey potentially cannibalising on other AB franchise games and has observed the DAU generally growing for AB franchise games, which is a testament to its IP strength.

Estimate revisions

ESTIMATE REVISIONS (EPS AND DPS IN EUR)

	New estimates				Old estimates				Difference %			
EURm	**Q1 22E**	**2022E**	**2023E**	**2024E**	**Q1 22E**	**2022E**	**2023E**	**2024E**	**Q1 22E**	**2022E**	**2023E**	**2024E**
Revenue												
Games	79.2	328.2	349.7	358.2	74.4	310.7	329.5	337.8	6%	6%	6%	6%
Brand Licensing	1.9	8.5	7.2	6.2	2.0	9.5	8.1	7.0	-5%	-11%	-10%	-10%
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.m	n.m	n.m	n.m
Total	**81.0**	**336.7**	**357.0**	**364.5**	**76.4**	**320.3**	**337.6**	**344.7**	**6%**	**5%**	**6%**	**6%**
Adj. EBIT												
Games	6.0	49.7	61.6	69.4	11.2	58.2	63.7	69.0	-46%	-15%	-3%	1%
Brand Licensing	0.2	1.6	1.4	1.3	0.2	2.4	2.0	1.8	5%	-34%	-27%	-26%
Other	-3.0	-10.5	-10.5	-10.5	-2.9	-10.3	-10.3	-10.3	-2%	-1%	-1%	-1%
Total	**3.2**	**40.8**	**52.6**	**60.3**	**8.4**	**50.2**	**55.4**	**60.4**	**-62%**	**-19%**	**-5%**	**0%**
Adj. EBIT ex Hatch	**3.7**	**42.8**	**54.6**	**60.3**	**8.9**	**52.2**	**57.4**	**60.4**	**-58%**	**-18%**	**-5%**	**0%**
Adj. EBIT margin												
Games	7.6%	15.1%	17.6%	19.4%	15.0%	18.7%	19.3%	20.4%	-7.4pp	-3.6pp	-1.7pp	-1.0pp
Brand Licensing	9.7%	18.7%	20.0%	21.1%	8.8%	25.1%	24.6%	25.7%	0.9pp	-6.4pp	-4.6pp	-4.5pp
Other	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m
Total	**4.0%**	**12.1%**	**14.7%**	**16.5%**	**11.0%**	**15.7%**	**16.4%**	**17.5%**	**-7.0pp**	**-3.6pp**	**-1.7pp**	**-1.0pp**
Margin ex. Hatch	**4.6%**	**12.7%**	**15.3%**	**16.5%**	**11.7%**	**16.3%**	**17.0%**	**17.5%**	**-7.1pp**	**-3.6pp**	**-1.7pp**	**-1.0pp**
EPS	0.03	0.43	0.55	0.63	0.09	0.54	0.60	0.65	-63%	-21%	-7%	-3%
DPS	n.m	0.13	0.14	0.15	n.m	0.14	0.15	0.16	n.m	-7%	-7%	-6%

Source: Nordea estimates

Detailed estimates

REPORTED ANNUAL NUMBERS AND ESTIMATES (EURm, EUR AND %)

Group	2017	2018	2019	2020	2021	2022E	2023E	2024E	CAGR 18-21	CAGR 21E-24E
Revenue	**297.1**	**281.2**	**289.1**	**272.2**	**286.2**	**336.7**	**357.0**	**364.5**	**1%**	**8%**
- growth y/y		-5.4%	2.8%	-5.8%	5.1%	17.6%	6.0%	2.1%		
- growth q/q										
Materials and services	-81.8	-79.8	-77.3	-74.6	-74.5	-92.3	-98.3	-100.6	-2%	11%
Employee benefits expense	-52.0	-42.6	-41.7	-48.9	-52.0	-47.7	-48.8	-49.3	7%	-2%
Other operating expenses	-104.2	-112.0	-138.4	-89.4	-109.7	-142.6	-145.2	-143.4	-1%	9%
EBITDA	**60.0**	**47.9**	**32.4**	**60.0**	**50.8**	**54.1**	**64.7**	**71.1**	**2%**	**12%**
Adj. EBITDA	**64.5**	**47.5**	**32.7**	**60.1**	**54.8**	**54.1**	**64.7**	**71.1**	**5%**	**9%**
- margin	21.7%	16.9%	11.3%	22.1%	19.2%	16.1%	18.1%	19.5%		
D&A	-28.6	-16.4	-14.3	-17.5	-12.9	-13.3	-12.1	-10.8		
EBIT	**31.4**	**31.5**	**18.1**	**42.5**	**37.9**	**40.8**	**52.6**	**60.3**	**6%**	**17%**
Adj. EBIT	**35.9**	**31.2**	**18.4**	**47.1**	**43.8**	**40.8**	**52.6**	**60.3**	**12%**	**11%**
- margin	12.1%	11.1%	6.4%	17.3%	15.3%	12.1%	14.7%	16.5%		
Adj. EBIT (excl. Hatch)	**36.0**	**38.7**	**29.0**	**54.7**	**47.4**	**42.8**	**54.6**	**60.3**	**7%**	**8%**
- margin	12.1%	13.8%	10.0%	20.1%	16.6%	12.7%	15.3%	16.5%		
Net financials	-4.6	0.7	-0.3	-1.8	2.7	0.0	0.0	0.0		
PTP	**26.7**	**32.2**	**17.7**	**40.7**	**40.6**	**40.8**	**52.6**	**60.3**	**8%**	**14%**
Taxes	-6.0	-7.7	-4.5	-8.6	-10.2	-9.0	-11.6	-13.3		
- tax rate	22%	24%	25%	21%	25%	22%	22%	22%		
Net Profit	**20.7**	**24.5**	**13.2**	**32.1**	**30.4**	**31.9**	**41.0**	**47.0**	**7%**	**16%**
EPS, diluted	**0.27**	**0.31**	**0.16**	**0.42**	**0.41**	**0.43**	**0.55**	**0.63**	**10%**	**16%**
DPS	0.06	0.09	0.09	0.12	0.12	0.13	0.14	0.15	10%	8%
Payout ratio	22%	29%	56%	28%	29%	30%	25%	24%		
Net debt	-88	-120	-110	-129	-126	-110	-144	-182		
Net debt/EBITDA	-1.5x	-2.5x	-3.4x	-2.2x	-2.5x	-2.0x	-2.2x	-2.6x		
Net gearing	-63%	-75%	-66%	-78%	-64%	-50%	-57%	-63%		
ROE	18%	16%	8%	19%	17%	15%	17%	17%		

Source: Company data and Nordea estimates

REPORTED QUARTERLY NUMBERS AND ESTIMATES (EURm, EUR AND %)

Group	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Revenue	**66.6**	**69.2**	**67.9**	**68.5**	**67.1**	**68.8**	**71.4**	**78.9**	**81.0**	**83.9**	**84.9**	**86.9**
- growth y/y	-6.1%	-3.6%	-9.2%	-4.3%	0.8%	-0.6%	5.2%	15.2%	20.8%	21.9%	18.9%	10.1%
- growth q/q	-7.0%	3.9%	-1.9%	0.9%	-2.0%	2.5%	3.8%	10.5%	2.7%	3.5%	1.2%	2.3%
Materials and services	-18.1	-19.8	-18.5	-18.2	-18.2	-18.7	-18.3	-19.3	-22.3	-23.0	-23.2	-23.9
Employee benefits expense	-11.2	-12.1	-11.2	-14.4	-12.2	-12.9	-11.3	-15.6	-12.0	-11.5	-10.2	-14.0
Other operating expenses	-21.5	-21.5	-22.4	-24.0	-25.4	-28.6	-24.8	-30.9	-40.3	-35.7	-30.0	-36.5
EBITDA	**15.8**	**16.1**	**15.9**	**12.2**	**11.8**	**8.7**	**16.9**	**13.4**	**6.5**	**13.7**	**21.5**	**12.5**
Adj. EBITDA	**16.1**	**15.9**	**15.9**	**12.2**	**12.4**	**8.7**	**17.2**	**16.5**	**6.5**	**13.7**	**21.5**	**12.5**
- margin	24.2%	23.0%	23.4%	17.8%	18.5%	12.6%	24.1%	20.9%	8.0%	16.3%	25.3%	14.4%
D&A	-3.1	-2.0	-3.1	-9.3	-2.2	-2.5	-2.9	-5.3	-3.3	-3.2	-3.5	-3.3
EBIT	**12.7**	**14.1**	**12.8**	**2.9**	**9.6**	**6.2**	**14.0**	**8.1**	**3.2**	**10.4**	**18.0**	**9.2**
Adj. EBIT	**13.0**	**13.8**	**12.8**	**7.5**	**10.2**	**6.2**	**14.3**	**13.1**	**3.2**	**10.4**	**18.0**	**9.2**
- margin	19.5%	19.9%	18.9%	10.9%	15.2%	9.0%	20.1%	16.6%	4.0%	12.4%	21.2%	10.6%
Adj. EBIT (excl. Hatch)	**15.8**	**15.6**	**14.2**	**9.1**	**11.5**	**7.5**	**14.8**	**13.6**	**3.7**	**10.9**	**18.5**	**9.7**
- margin	23.7%	22.5%	20.9%	13.3%	17.1%	10.9%	20.8%	17.2%	4.6%	13.0%	21.8%	11.1%
Net financials	-1.2	0.7	-0.7	-0.6	0.9	0.1	0.6	1.1	0.0	0.0	0.0	0.0
PTP	**11.5**	**14.8**	**12.1**	**2.3**	**10.5**	**6.3**	**14.6**	**9.2**	**3.2**	**10.4**	**18.0**	**9.2**
Taxes	-2.6	-3.7	-2.9	0.6	-3.0	-1.1	-3.1	-3.0	-0.7	-2.3	-4.0	-2.0
- tax rate	23%	25%	24%	-26%	29%	17%	21%	33%	22%	22%	22%	22%
Net Profit	**8.9**	**11.1**	**9.2**	**2.9**	**7.5**	**5.2**	**11.5**	**6.2**	**2.5**	**8.1**	**14.0**	**7.2**
EPS, diluted	**0.11**	**0.15**	**0.12**	**0.04**	**0.10**	**0.07**	**0.16**	**0.08**	**0.03**	**0.11**	**0.19**	**0.10**

Source: Company data and Nordea estimates

REPORTED ANNUAL NUMBERS AND ESTIMATES BY SEGMENT (EURm AND %)

Games	2017	2018	2019	2020	2021	2022E	2023E	2024E	CAGR 19-22E	CAGR 22E-24E
Revenue	**247.9**	**250.4**	**264.8**	**258.2**	**276.4**	**328.2**	**349.7**	**358.2**	**3%**	**9%**
- growth y/y	55.9%	1.0%	5.8%	-2.5%	7.0%	18.7%	6.6%	2.4%		
- organic		*4.0%*	*3.0%*	*-1.0%*	*7.6%*	*10.5%*	*6.6%*	*2.4%*		
- FX		*-3.0%*	*2.8%*	*-1.5%*	*-2.5%*	*2.9%*	*0.0%*	*0.0%*		
- structure		*0.0%*	*0.0%*	*0.0%*	*2.0%*	*5.3%*	*0.0%*	*0.0%*		
- growth q/q										
UAC, EURm	**69.6**	**78.6**	**99.6**	**58.8**	**77.3**	**103.7**	**105.2**	**103.0**	**-1%**	**10%**
- % of revenue	28.1%	31.4%	37.6%	22.8%	28.0%	31.6%	30.1%	28.8%		
EBITDA	**43.1**	**40.5**	**35.6**	**65.3**	**55.5**	**58.5**	**69.9**	**76.9**	**11%**	**12%**
Adj. EBITDA	**43.2**	**40.8**	**35.6**	**65.3**	**58.4**	**58.5**	**69.9**	**76.9**	**13%**	**10%**
- margin	17.4%	16.3%	13.4%	25.3%	21.1%	17.8%	20.0%	21.5%		
EBIT	**38.4**	**38.4**	**31.3**	**56.6**	**49.6**	**49.7**	**61.6**	**69.4**	**9%**	**12%**
Adj. EBIT	**38.5**	**38.7**	**31.3**	**61.2**	**52.5**	**49.7**	**61.6**	**69.4**	**11%**	**10%**
- margin	15.5%	15.5%	11.8%	23.7%	19.0%	15.1%	17.6%	19.4%		

Brand Licensing	2017	2018	2019	2020	2021	2022E	2023E	2024E	CAGR 19-22E	CAGR 22E-24E
Revenue	**49.1**	**30.8**	**24.3**	**13.9**	**9.9**	**8.5**	**7.2**	**6.2**	**-31%**	**-14%**
- growth y/y		-37.3%	-21.1%	-42.8%	-28.8%	-14.3%	-14.7%	-13.8%		
- growth q/q										
EBITDA	**30.1**	**20.8**	**13.8**	**8.6**	**5.9**	**5.5**	**4.7**	**4.0**	**-34%**	**-12%**
Adj. EBITDA	**32.0**	**20.8**	**14.0**	**8.8**	**6.1**	**5.5**	**4.7**	**4.0**	**-33%**	**-13%**
- margin	65.2%	67.5%	57.6%	63.3%	62.0%	64.7%	64.7%	64.7%		
EBIT	**6.4**	**7.1**	**4.3**	**0.6**	**1.2**	**1.6**	**1.4**	**1.3**	**-44%**	**2%**
Adj. EBIT	**8.3**	**7.1**	**4.6**	**0.8**	**1.5**	**1.6**	**1.4**	**1.3**	**-40%**	**-5%**
- margin	13.0%	23.1%	17.7%	4.3%	12.5%	18.7%	20.0%	21.1%		

Others	2017	2018	2019	2020	2021	2022E	2023E	2024E
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-13.2	-13.4	-17.0	-14.5	-11.4	-9.9	-9.9	-9.9
Adj. EBITDA	-10.7	-14.1	-17.0	-14.5	-10.5	-9.9	-9.9	-9.9
EBIT	-13.5	-13.9	-17.6	-15.3	-13.7	-10.5	-10.5	-10.5
Adj. EBIT	-11.0	-14.6	-17.6	-15.3	-11.2	-10.5	-10.5	-10.5

Source: Company data and Nordea estimates

REPORTED QUARTERLY NUMBERS AND ESTIMATES BY SEGMENT (EURm AND %)

Games	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Revenue	**62.7**	**66.9**	**64.2**	**64.4**	**64.9**	**66.4**	**68.6**	**76.5**	**79.2**	**81.6**	**82.7**	**84.8**
- growth y/y	-5.4%	2.3%	-3.3%	-3.4%	3.5%	-0.7%	6.9%	18.8%	22.0%	22.9%	20.5%	10.8%
- organic	*-7.0%*	*1.0%*	*1.0%*	*2.0%*	*10.0%*	*6.0%*	*5.3%*	*9.0%*	*10.1%*	*10.1%*	*12.0%*	*10.3%*
- FX	*1.6%*	*1.3%*	*-4.3%*	*-5.4%*	*-6.5%*	*-6.7%*	*0.0%*	*3.5%*	*4.3%*	*4.3%*	*2.7%*	*0.5%*
- structure	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*1.6%*	*6.3%*	*7.6%*	*8.6%*	*5.8%*	*0.0%*
- growth q/q	-6.0%	6.7%	-4.0%	0.3%	0.8%	2.3%	3.3%	11.5%	3.5%	3.1%	1.3%	2.5%
UAC, EURm	**13.5**	**14.0**	**15.3**	**16.0**	**17.3**	**21.3**	**18.1**	**20.6**	**31.5**	**26.4**	**21.5**	**24.3**
- % of revenue	21.5%	20.9%	23.8%	24.8%	26.7%	32.1%	26.4%	26.9%	39.8%	32.4%	26.0%	28.6%
EBITDA	**17.8**	**18.1**	**16.2**	**13.7**	**13.8**	**9.6**	**17.6**	**15.3**	**8.2**	**14.2**	**22.1**	**14.0**
Adj. EBITDA	**17.8**	**18.1**	**16.2**	**13.7**	**13.8**	**9.6**	**17.6**	**18.2**	**8.2**	**14.2**	**22.1**	**14.0**
- margin	28.4%	27.1%	25.2%	21.3%	21.3%	14.4%	25.7%	23.8%	10.4%	17.3%	26.7%	16.6%
EBIT	**16.6**	**17.0**	**15.4**	**8.1**	**12.8**	**8.2**	**16.3**	**13.1**	**6.0**	**12.0**	**19.9**	**11.8**
Adj. EBIT	**16.6**	**17.0**	**15.4**	**12.7**	**12.8**	**8.2**	**16.3**	**16.0**	**6.0**	**12.0**	**19.9**	**11.8**
- margin	26.5%	25.4%	24.0%	19.7%	19.7%	12.3%	23.8%	20.9%	7.6%	14.6%	24.1%	14.0%

Brand Licensing	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Revenue	**3.9**	**2.3**	**3.7**	**4.1**	**2.2**	**2.4**	**2.8**	**2.4**	**1.9**	**2.2**	**2.2**	**2.1**
- growth y/y	-15.2%	-64.1%	-56.0%	-16.3%	-43.6%	4.3%	-24.3%	-41.5%	-14.5%	-7.4%	-19.8%	-10.9%
- growth q/q	-20.4%	-41.0%	60.9%	10.8%	-46.3%	9.1%	16.7%	-14.3%	-21.7%	18.3%	1.0%	-4.7%
EBITDA	**2.4**	**1.0**	**2.5**	**2.9**	**1.2**	**1.4**	**2.0**	**1.2**	**1.1**	**1.5**	**1.6**	**1.2**
Adj. EBITDA	**2.6**	**1.0**	**2.5**	**2.9**	**1.2**	**1.4**	**2.0**	**1.4**	**1.1**	**1.5**	**1.6**	**1.2**
- margin	66.7%	43.5%	67.6%	70.7%	54.5%	60.0%	71.4%	58.3%	58.9%	67.9%	73.2%	57.8%
EBIT	**0.7**	**0.2**	**0.5**	**-0.7**	**0.2**	**0.4**	**0.5**	**0.0**	**0.2**	**0.6**	**0.5**	**0.3**
Adj. EBIT	**0.8**	**0.2**	**0.5**	**-0.7**	**0.2**	**0.4**	**0.5**	**0.3**	**0.2**	**0.6**	**0.5**	**0.3**
- margin	20.5%	8.7%	13.5%	-17.1%	9.1%	18.3%	17.9%	12.5%	9.7%	27.5%	23.5%	12.3%

Others	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-4.3	-3.0	-2.9	-4.4	-3.2	-2.4	-2.6	-3.2	-2.8	-2.0	-2.3	-2.8
Adj. EBITDA	-4.2	-3.2	-2.9	-4.4	-2.7	-2.4	-2.3	-3.1	-2.8	-2.0	-2.3	-2.8
EBIT	-4.5	-3.2	-3.0	-4.6	-3.4	-2.5	-2.7	-5.1	-3.0	-2.1	-2.4	-2.9
Adj. EBIT	-4.4	-3.4	-3.0	-4.6	-2.8	-2.5	-2.7	-3.2	-3.0	-2.1	-2.4	-2.9

Source: Company data and Nordea estimates

ESTIMATED KPIs FOR ROVIO'S GAME PORTFOLIO (MILLIONS AND %), ANNUAL

GAME KPIs	2017	2018	2019	2020	2021	2022E	2023E	2024E
Bookings								
Gross bookings - TOP 5	201	213	228	223	229	234	206	186
Gross bookings - All	249	253	263	259	272	328	350	358
Rolling 12M - TOP5	201	213	228	223	229	234	206	186
Rolling 12M - All	249	253	263	259	272	328	350	358
User amount								
DAU - TOP 5	4.6	3.7	3.7	3.5	3.2	3.0	2.6	2.3
DAU - All	10.4	8.1	6.4	4.9	5.0	9.4	9.2	8.7
MAU - TOP 5	23.8	19.6	18.8	18.9	17.4	17.0	14.6	12.7
MAU - All	76.8	58.9	43.2	31.4	32.1	68.8	65.9	61.9
Engagement								
DAU/MAU - TOP 5	19%	19%	20%	18%	18%	18%	18%	18%
DAU/MAU - All	14%	14%	15%	15%	15%	14%	14%	14%
Retention								
MAU retention - TOP5	0%	82%	96%	101%	92%	97%	86%	88%
MAU retention - All	0%	77%	73%	73%	102%	214%	96%	94%
Conversion								
MUP - TOP 5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3
MUP - All	0.6	0.5	0.5	0.5	0.5	0.7	0.7	0.7
Conversion rate (TOP5)	2.0%	2.3%	2.2%	2.1%	2.3%	2.3%	2.3%	2.3%
Conversion rate (All)	0.7%	0.9%	1.1%	1.5%	1.5%	1.1%	1.1%	1.1%
Monetisation								
ARPDAU - TOP 5	0.12	0.16	0.17	0.18	0.20	0.21	0.22	0.23
ARPDAU - All	0.07	0.09	0.11	0.15	0.15	0.10	0.10	0.11
MARPPU - TOP 5	32.9	36.0	39.2	41.7	41.1	49.6	51.0	52.6
MARPPU - All	32.9	35.7	38.7	41.7	41.2	36.7	40.9	44.6

Source: Company data and Nordea estimates

ESTIMATED KPIs FOR ROVIO'S GAME PORTFOLIO (MILLIONS AND %), QUARTERLY

GAME KPIs	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Bookings												
Gross bookings - TOP 5	54	59	55	56	55	57	56	61	60	59	58	57
Gross bookings - All	62	68	65	65	64	67	67	74	79	82	83	85
Rolling 12M - TOP5	225	227	225	223	224	223	224	229	234	237	238	234
Rolling 12M - All	259	262	261	259	261	260	262	272	286	301	317	328
User amount												
DAU - TOP 5	3.7	3.7	3.2	3.2	3.1	3.1	3.2	3.2	3.2	3.1	3.0	2.8
DAU - All	5.4	5.1	4.5	4.4	4.2	4.2	4.9	6.5	9.4	9.5	9.4	9.4
MAU - TOP 5	19.7	20.1	18.1	17.6	16.6	17.1	17.9	18.1	17.8	17.3	16.7	16.1
MAU - All	36.5	32.5	29.4	27.3	25.6	26.0	32.0	44.8	68.4	69.9	68.7	68.0
Engagement												
DAU/MAU - TOP 5	19%	18%	18%	18%	19%	18%	18%	18%	18%	18%	18%	18%
DAU/MAU - All	15%	16%	15%	16%	16%	16%	15%	15%	14%	14%	14%	14%
Retention												
MAU retention - TOP5	94%	102%	90%	97%	94%	103%	105%	101%	98%	97%	96%	96%
MAU retention - All	98%	89%	90%	93%	94%	102%	123%	140%	153%	102%	98%	99%
Conversion												
MUP - TOP 5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
MUP - All	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.7	0.8	0.7	0.7
Conversion rate (TOP5)	2.0%	1.9%	2.1%	2.3%	2.4%	2.3%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%
Conversion rate (All)	1.2%	1.4%	1.5%	1.7%	1.8%	1.8%	1.5%	1.1%	1.1%	1.1%	1.1%	1.1%
Monetisation												
ARPDAU - TOP 5	0.16	0.17	0.19	0.19	0.20	0.20	0.19	0.21	0.21	0.21	0.21	0.22
ARPDAU - All	0.13	0.15	0.16	0.16	0.17	0.17	0.15	0.12	0.09	0.09	0.10	0.10
MARPPU - TOP 5	39.6	44.9	42.6	39.8	40.7	41.7	40.6	41.4	48.4	49.3	50.2	50.5
MARPPU - All	39.6	44.7	42.5	39.9	41.1	42.5	40.2	40.9	35.6	36.0	37.1	38.4

Source: Company data and Nordea estimates

GAMES ESTIMATES BY TITLE, ANNUAL (EURm)

	2017	2018	2019	2020	2021	2022E	2023E	2024E
AB2								
Gross bookings	78.7	117.3	108.4	106.5	107.9	115.5	101.8	94.0
- % of total	*32%*	*46%*	*41%*	*41%*	*40%*	*35%*	*29%*	*26%*
UAC	31.5	39.9	16.3	17.7	19.7	20.2	14.3	9.4
AB Dream Blast								
Gross bookings	0.0	0.5	57.5	63.2	61.6	63.3	56.9	50.5
- % of total	*0%*	*0%*	*22%*	*24%*	*23%*	*19%*	*16%*	*14%*
UAC	0.0	11.5	60.8	28.0	28.3	20.5	14.3	10.1
AB Match								
Gross bookings	10.1	26.2	24.4	13.4	8.8	7.4	5.2	3.4
- % of total	*4%*	*10%*	*9%*	*5%*	*3%*	*2%*	*1%*	*1%*
UAC	5.3	6.9	4.0	0.4	0.0	0.0	0.0	0.0
AB Friends								
Gross bookings	32.7	31.3	25.9	28.1	34.2	36.0	33.6	32.4
- % of total	*13%*	*12%*	*10%*	*11%*	*13%*	*11%*	*10%*	*9%*
UAC	7.4	8.3	3.3	0.6	0.0	0.0	0.0	0.0
Small Town Murders								
Gross bookings	0.0	0.0	0.0	7.8	15.5	12.0	8.9	6.1
- % of total	*0%*	*0%*	*0%*	*3%*	*6%*	*4%*	*3%*	*2%*
UAC	0.0	0.0	0.0	8.7	14.3	5.7	2.7	0.0
Sugar Blast								
Gross bookings	0.0	0.0	2.7	9.9	9.2	7.0	5.7	4.6
- % of total	*0%*	*0%*	*1%*	*4%*	*3%*	*2%*	*2%*	*1%*
UAC	0.0	0.0	6.2	3.5	2.1	0.0	0.0	0.0
Darkfire Heroes								
Gross bookings	0.0	0.0	0.0	0.0	2.0	0.8	0.7	0.5
- % of total	*0%*	*0%*	*0%*	*0%*	*1%*	*0%*	*0%*	*0%*
UAC	0.0	0.0	0.0	0.0	5.5	0.0	0.0	0.0
AB Journey								
Gross bookings	0.0	0.0	0.0	0.0	3.1	42.4	45.9	33.1
- % of total	*0%*	*0%*	*0%*	*0%*	*1%*	*13%*	*13%*	*9%*
UAC	0.0	0.0	0.0	0.0	4.7	43.3	24.3	10.9
Moomin: Puzzle and Design								
Gross bookings	0.0	0.0	0.0	0.0	0.0	3.8	28.2	25.1
- % of total	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*8%*	*7%*
UAC	0.0	0.0	0.0	0.0	0.0	4.9	19.7	13.3
Hypercasual (Ruby Games)								
Gross bookings	0.0	0.0	0.0	0.0	5.1	22.3	24.0	25.0
- % of total	*0%*	*0%*	*0%*	*0%*	*2%*	*7%*	*7%*	*7%*
UAC	0.0	0.0	0.0	0.0	0.0	8.3	7.2	7.5
Other								
Gross bookings	127.1	78.0	44.2	30.3	24.1	17.8	38.9	83.3
- % of total	*51%*	*31%*	*17%*	*12%*	*9%*	*5%*	*11%*	*23%*
UAC	25.4	12.1	9.0	0.0	2.7	0.7	22.7	51.8

Source: Company data and Nordea estimates

GAMES ESTIMATES BY TITLE, QUARTERLY (EURm)

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
AB2												
Gross bookings	25.0	28.8	26.5	26.2	25.2	26.6	26.6	29.5	29.6	29.3	28.7	27.9
- % of total	*40%*	*43%*	*41%*	*40%*	*39%*	*40%*	*40%*	*40%*	*37%*	*36%*	*35%*	*33%*
UAC	3.5	6.0	3.9	4.2	4.5	4.8	4.8	5.6	5.9	5.3	4.6	4.5
AB Dream Blast												
Gross bookings	16.1	16.4	15.5	15.2	15.4	15.0	15.0	16.2	16.1	15.9	15.8	15.5
- % of total	*26%*	*24%*	*24%*	*23%*	*24%*	*23%*	*22%*	*22%*	*20%*	*20%*	*19%*	*18%*
UAC	8.0	6.0	7.0	7.0	7.0	7.0	6.8	7.5	6.4	5.6	4.3	4.2
AB Match												
Gross bookings	4.4	3.6	2.9	2.5	2.4	2.2	2.1	2.1	2.0	1.9	1.8	1.7
- % of total	*7%*	*5%*	*4%*	*4%*	*4%*	*3%*	*3%*	*3%*	*3%*	*2%*	*2%*	*2%*
UAC	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AB Friends												
Gross bookings	5.6	7.3	7.2	8.0	8.1	8.3	8.5	9.3	9.1	9.1	9.0	8.7
- % of total	*9%*	*11%*	*11%*	*12%*	*13%*	*12%*	*13%*	*13%*	*12%*	*11%*	*11%*	*10%*
UAC	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Small Town Murders												
Gross bookings	0.0	1.0	3.0	3.8	3.9	4.7	4.1	2.8	3.1	3.1	3.0	2.8
- % of total	*0%*	*1%*	*5%*	*6%*	*6%*	*7%*	*6%*	*4%*	*4%*	*4%*	*4%*	*3%*
UAC	0.0	1.5	3.4	3.8	3.7	5.0	4.2	1.4	1.9	1.5	1.2	1.1
Sugar Blast												
Gross bookings	2.3	2.6	2.5	2.5	2.5	2.5	2.2	2.0	1.9	1.8	1.7	1.6
- % of total	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*	*3%*	*2%*	*2%*	*2%*	*2%*
UAC	1.0	0.5	1.0	1.0	1.0	0.9	0.2	0.0	0.0	0.0	0.0	0.0
Darkfire Heroes												
Gross bookings	0.0	0.0	0.0	0.0	0.0	1.1	0.6	0.3	0.2	0.2	0.2	0.2
- % of total	*0%*	*0%*	*0%*	*0%*	*0%*	*2%*	*1%*	*0%*	*0%*	*0%*	*0%*	*0%*
UAC	0.0	0.0	0.0	0.0	1.0	3.0	1.5	0.0	0.0	0.0	0.0	0.0
AB Journey												
Gross bookings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	7.7	10.2	11.9	12.7
- % of total	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*4%*	*10%*	*12%*	*14%*	*15%*
UAC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.7	15.3	11.2	9.0	7.8
Moomin: Puzzle and Design												
Gross bookings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	3.3
- % of total	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*4%*
UAC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	4.1
Hypercasual (Ruby Games)												
Gross bookings	0.0	0.0	0.0	0.0	0.0	0.0	1.0	4.1	4.9	5.7	5.8	5.9
- % of total	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*6%*	*6%*	*7%*	*7%*	*7%*
UAC	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.4	1.9	2.9	1.7	1.8
Other												
Gross bookings	8.7	8.0	6.9	6.7	6.7	6.2	6.6	4.6	4.6	4.4	4.2	4.5
- % of total	*14%*	*12%*	*11%*	*10%*	*10%*	*9%*	*10%*	*6%*	*6%*	*5%*	*5%*	*5%*
UAC	0.1	0.0	0.0	0.0	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.7

Source: Company data and Nordea estimates

Valuation

We derive a DCF-based fair value range of EUR 7.5-10.0 per share by applying a WACC range of 8.1-12.1%. We include a relative valuation by applying a 15% range to the average EV/EBITDA, EV/EBIT and EV/sales of western mobile gaming peers. We apply a 40% discount to the median multiples, as Rovio's growth profile is weaker and its game portfolio more concentrated than that of the peer group. The average of these valuation approaches yields a fair value range of EUR 7.3-9.3 (6.9-8.8) per share.

DCF valuation range of EUR 7.5-10.0

DCF valuation

We base our DCF valuation on a bottom-up approach, through which we forecast current and upcoming quarterly revenue on a game-by-game basis for 2022-24. We model user acquisition and marketing costs using the same approach for the corresponding period. When valuing the Brand Licensing business, we take a similar bottom-up approach, forecasting quarterly revenue, profitability and capex for the business unit. We apply a 10.1% WACC to our DCF valuation.

DCF VALUATION (EURm AND EUR PER SHARE)

DCF value	Value	Per share
NPV FCFF	510	6.9
(Net debt)	126	1.7
Market value of associates	0	0.0
(Market value of minorities)	0	0.0
Surplus values	0	0.0
(Market value preference shares)	0	0.0
Share based adjustments	0	0.0
Other adjustments	0	0.0
Time value	7	0.1
DCF Value	**643**	**8.8**

Source: Company data and Nordea estimates

WACC COMPONENTS

WACC components	
Risk-free interest rate	2.0%
Market risk premium	4.5%
Forward looking asset beta	nm
Beta debt	0.20
Forward looking equity beta	1.80
Cost of equity	10.10%
Cost of debt	3.0%
Tax-rate used in WACC	20.0%
Equity weight	100.0%
WACC	**10.1%**

Source: Company data and Nordea estimates

DCF ASSUMPTIONS

Averages and assumptions	2022-27	2028-32	2033-37	2038-42	2043-47	2048-52	Sust.
Sales growth, CAGR	4.43%	4.0%	3.5%	3.0%	2.5%	2.5%	
EBIT-margin, ex. associates	16.1%	15.0%	12.0%	12.0%	12.0%	1.0%	
Capex/depreciation, x	0.6	1.0	1.0	1.0	1.0	1.0	
Capex/sales	1.9%	1.5%	1.5%	1.5%	1.5%	1.5%	
NWC/sales	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	
FCFF, CAGR	-252.4%	0.4%	-1.0%	3.1%	2.6%	-41.9%	2.5%

Source: Company data and Nordea estimates

Relative valuation complements our DCF model

Our peer group for relative valuation consists of western mobile gaming companies. In terms of benchmarking, we regard EV-based multiples, such as EV/EBIT and EV/sales, as the most relevant multiples for the gaming sector. EV/sales is especially interesting thanks to its stability – from time to time, other multiples can be inflated as a result of timing effects in revenue recognition and game releases.

EV/sales, although also volatile, varies far less. In addition, EV multiples are preferable because many companies in the mobile gaming business have net cash positions, and EV multiples are neutral to a company's financial gearing, thus giving a better comparison point.

Lastly, we add the traditional P/E multiple to complement our EV-based relative valuation framework.

WESTERN MOBILE GAMING PEERS: VALUATION MULTIPLES

	EV/Sales			EV/EBITDA			EV/EBIT			P/E			FCF yield		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Western mobile gaming peers															
G5 Entertainment Ab (Publ)	1.7	1.7	1.6	6.4	5.6	5.1	10.4	8.3	7.7	11.5	9.8	8.8	7.4%	7.5%	8.8%
Mag Interactive Ab (Publ)	1.4	1.1	1.0	7.1	5.4	5.0	32.7	14.5	12.0	47.0	21.3	17.1			
Next Games Oyj	0.9	0.6	0.5	10.0	7.5	4.6			20.1				3.8%	3.2%	3.9%
Playtika Holding Corp	3.4	3.0	2.8	8.8	8.3	7.5	15.1	13.1	11.4	26.5	17.3	14.6	6.4%	9.1%	10.3%
Stillfront Group Ab (Publ)	3.7	3.2	2.9	9.9	8.1	7.3	14.9	11.6	10.6	23.4	14.7	12.5	4.0%	6.0%	7.0%
Zynga Inc	3.8	3.3	3.1	16.2	14.2	12.5	46.0	15.6	13.6	47.5	23.5	19.6	2.3%	5.6%	7.0%
Modern Times Group Mtg Ab	3.5	3.1	2.8	20.5	13.2	11.6	54.3	26.2	20.6		33.6	29.9	0.3%	3.5%	4.5%
Peer average	2.6	2.3	2.1	11.3	8.9	7.7	28.9	14.9	13.7	31.2	20.0	17.1	4.0%	5.8%	6.9%
Peer median	**3.4**	**3.0**	**2.8**	**9.9**	**8.1**	**7.3**	**23.9**	**13.8**	**12.0**	**26.5**	**19.3**	**15.8**	**3.9%**	**5.8%**	**7.0%**
Rovio Entertainment Oyj (NDA)	**1.2**	**1.3**	**1.1**	**6.3**	**8.3**	**6.3**	**8.2**	**11.0**	**7.7**	**15.7**	**17.9**	**13.9**	**6.5%**	**4.8%**	**8.4%**
difference	**-63%**	**-56%**	**-59%**	**-36%**	**3%**	**-14%**	**-66%**	**-20%**	**-36%**	**-41%**	**-7%**	**-13%**	**0.7pp**	**-0.2pp**	**0.2pp**
Rovio Entertainment Oyj (consensus)	1.8	1.8	1.7	9.7	10.6	10.1	12.1	13.4	12.5	15.5	17.6	16.8	5.9%	5.2%	5.9%
difference	-45%	-42%	-37%	-2%	31%	39%	-49%	-2%	5%	-41%	-9%	6%	0.5pp	-0.1pp	-0.2pp

Source: Refinitiv and Nordea estimates

WESTERN MOBILE GAMING PEERS: KEY FINANCIALS AND KPIs*

		Price	Mcap	EV	Sales CAGR		EBITDA margin			DAU	MAU	DAU/	ARPDAU
	Country	Local	EURm	EURm	18-20	20-23E	2021E	2022E	2023E	(mln)	(mln)	MAU	USD
Western mobile gaming peers													
G5 Entertainment Ab (Publ)	Sweden	276	234	219	-2.8%	2.2%	26.5%	29.6%	30.7%	1.8	6.5	28%	
Mag Interactive Ab (Publ)	Sweden	19	48	43	9.8%		19.3%	20.6%	21.0%	1.5	5.1	30%	0.06
Next Games Oyj	Finland	1	32	30	-12.2%	30.9%	9.4%	7.4%	10.7%	0.2	0.6	31%	0.38
Playtika Holding Corp	Israel	18	6,432	7,679	22.2%	11.9%	38.2%	36.6%	37.4%	10.4	35.4	29%	0.67
Stillfront Group Ab (Publ)	Sweden	46	1,692	1,933	75.8%	19.1%	37.7%	39.2%	40.2%	12.3	62.3	20%	0.12
Zynga Inc	US	9	9,041	9,209	52.1%	15.8%	23.6%	23.6%	24.4%	38.0	183.0	21%	0.19
Modern Times Group Mtg Ab	Sweden	139	1,459	1,824	-54.9%	19.6%	17.1%	23.4%	23.8%	6.5	33.8	19%	0.23
Peer average					12.9%	16.6%	24.5%	25.8%	26.9%	10.1	46.7	25%	0.27
Peer median					**9.8%**	**17.4%**	**23.6%**	**23.6%**	**24.4%**	**6.5**	**33.8**	**28%**	**0.21**
Rovio Entertainment Oyj (NDA)	**Finland**	**7.8**	**636**	**529**	**-1.6%**	**9.5%**	**19.8%**	**16.1%**	**18.1%**	**6.5**	**44.8**	**15%**	**0.12**
difference					**-11pp**	**-8pp**	**-3.8pp**	**-8pp**	**-6pp**	**0%**	**33%**	**-13pp**	**-42%**
Rovio Entertainment Oyj (consensus)	Finland	7.8	636	529	-1.6%	4.0%	19.1%	16.5%	17.1%	n.a.	n.a.	n.a.	n.a.
difference					-11pp	-13pp	-4pp	-7pp	-7pp	n.a.	n.a.	n.a.	n.a.

* KPI figures (DAU, MAU, ARPDAU) based on the latest fiscal quarter

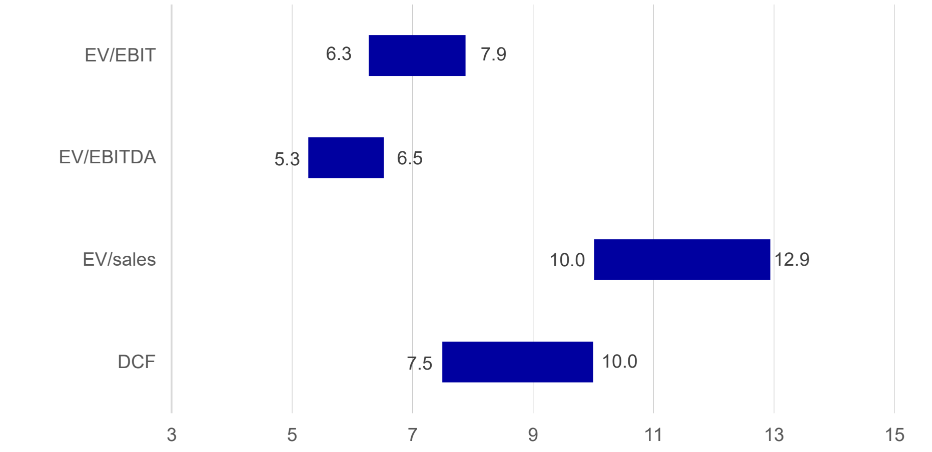
Source: Company data, Refinitiv and Nordea estimates

DCF and peer multiples imply an average valuation range of EUR 7.3-9.3

We derive a DCF-based fair value range of EUR 7.5-10.0 per share by applying a WACC range of 8.1-12.1%. We also include a relative valuation by applying a 15% range to the median EV/EBIT, EV/EBITDA and EV/sales multiples of western mobile gaming peers. We apply a 30% (40%) discount to the median multiples, as Rovio's growth profile is weaker than that of the peer group.

The average of these valuation approaches yields a fair value range of EUR 7.3-9.3 per share. The share could be set for a rerating if top-line growth and game portfolio diversification are achieved through a successful game launch or M&A.

VALUATION APPROACHES (EUR PER SHARE)



Source: Company data and Nordea estimates

Risk factors

Below, we list the main risk factors that we find relevant for Rovio. The purpose of this is not to provide a comprehensive list of all the risks that the company may face but instead to highlight those that we find most relevant. In our view, the relevant short-term risks mainly come from external sources.

IDFA depreciation
Apple announced changes to its iOS privacy settings in 2020. New versions of iOS ask permission for an app to track the user across other apps and websites. The answer to this question determines whether the app has access to the device identifier for advertisers (IDFA). If users deny permission, targeted user acquisition could become more difficult for gaming companies. As the change in access to IDFA came into force in 2021, it remains uncertain how this will affect mobile gaming companies' user-acquisition methodologies. This consequently puts the efficiency of mobile gaming companies' user acquisition at risk.

Decline of the appeal of the Angry Birds brand
Although Rovio has launched non-Angry Birds games, the company's revenue effectively comes from Angry Birds-related games and licensing. Thus, a decline in the appeal of the brand would have consequences, especially for the licensing business.

Ability to release games according to expected schedule
Consensus estimates are fairly sensitive to changes in the game launch schedule. If Rovio cannot launch new games according to the expected schedule, this could trigger large estimate revisions.

Ability to attract and retain top talent
Given the global and highly competitive nature of the mobile gaming market, Rovio's success depends on attracting and retaining top international specialists and executives.

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.

Failure to create new IP and enter new genres
Rovio's current game portfolio is dependent on Angry Birds-themed casual games, such as slingshot, match-3 and bubble-popping games. In the future, Rovio aims diversify its game portfolio to IPs other than Angry Birds. This may prove a costly task, eroding Rovio's profitability and cash position.

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

Reported numbers and forecasts

INCOME STATEMENT											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Total revenue	**158**	**142**	**192**	**297**	**281**	**289**	**272**	**286**	**337**	**357**	**364**
Revenue growth	n.a.	-10.3%	34.9%	55.0%	-5.4%	2.8%	-5.8%	5.1%	17.6%	6.0%	2.1%
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	17	-6	35	60	48	32	60	51	54	65	71
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0	0
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	17	-6	35	60	48	32	60	51	54	65	71
Amortisation and impairments	-7	-15	-18	-29	-16	-14	-18	-13	-13	-12	-11
EBIT	10	-22	17	31	32	18	43	38	41	53	60
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	1	1	-1	-5	1	0	-2	3	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	**11**	**-21**	**16**	**27**	**32**	**18**	**41**	**41**	**41**	**53**	**60**
Reported taxes	-3	3	-5	-6	-8	-5	-9	-10	-9	-12	-13
Net profit from continued operations	8	-18	11	21	25	13	32	30	32	41	47
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	8	-18	11	21	25	13	32	30	32	41	47
EPS, EUR	**0.11**	**-0.24**	**0.14**	**0.27**	**0.31**	**0.17**	**0.42**	**0.41**	**0.43**	**0.56**	**0.64**
DPS, EUR	0.04	0.00	0.06	0.06	0.09	0.09	0.12	0.12	0.13	0.14	0.15
of which ordinary	0.04	0.00	0.06	0.06	0.09	0.09	0.12	0.12	0.13	0.14	0.15
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	10.8%	-4.5%	18.5%	20.2%	17.0%	11.2%	22.0%	17.8%	16.1%	18.1%	19.5%
EBITA	10.8%	-4.5%	18.5%	20.2%	17.0%	11.2%	22.0%	17.8%	16.1%	18.1%	19.5%
EBIT	6.3%	-15.2%	8.8%	10.6%	11.2%	6.3%	15.6%	13.2%	12.1%	14.7%	16.5%
Adjusted earnings											
EBITDA (adj)	17	-6	35	65	48	33	65	57	54	65	71
EBITA (adj)	17	-6	35	65	48	33	65	57	54	65	71
EBIT (adj)	10	-22	17	36	31	18	47	44	41	53	60
EPS (adj, EUR)	0.11	-0.24	0.14	0.33	0.31	0.17	0.48	0.49	0.43	0.56	0.64
Adjusted profit margins in percent											
EBITDA (adj)	10.8%	-4.5%	18.5%	21.7%	16.9%	11.3%	23.8%	19.8%	16.1%	18.1%	19.5%
EBITA (adj)	10.8%	-4.5%	18.5%	21.7%	16.9%	11.3%	23.8%	19.8%	16.1%	18.1%	19.5%
EBIT (adj)	6.3%	-15.2%	8.8%	12.1%	11.1%	6.4%	17.3%	15.3%	12.1%	14.7%	16.5%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	12.8%	13.9%	8.3%	2.5%	4.9%	4.7%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	13.7%	n.m.	7.5%	-2.0%	6.2%	17.0%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	12.7%	n.m.	17.6%	5.4%	10.8%	27.2%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	9.0%	n.m.	23.7%	10.0%	12.6%	31.0%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	17.6%	n.m.	14.9%	16.7%	9.2%	10.8%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	6.4%	6.4%	10.5%	11.3%	11.7%	12.5%	14.5%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	14.4%	14.1%	17.7%	17.6%	16.7%	17.0%	18.6%

VALUATION RATIOS - ADJUSTED EARNINGS											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
P/E (adj)	n.a.	n.a.	n.a.	27.5	12.5	26.1	13.3	13.3	17.9	13.9	12.1
EV/EBITDA (adj)	n.a.	n.a.	n.a.	9.7	3.9	7.6	5.2	5.8	7.9	6.0	4.9
EV/EBITA (adj)	n.a.	n.a.	n.a.	9.7	3.9	7.6	5.2	5.8	7.9	6.0	4.9
EV/EBIT (adj)	n.a.	n.a.	n.a.	17.5	5.9	13.5	7.1	7.5	10.4	7.4	5.8

VALUATION RATIOS - REPORTED EARNINGS											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
P/E	n.a.	n.a.	n.a.	33.5	12.4	26.6	15.2	15.9	17.9	13.9	12.1
EV/Sales	n.a.	n.a.	n.a.	2.11	0.65	0.86	1.23	1.15	1.27	1.09	0.96
EV/EBITDA	n.a.	n.a.	n.a.	10.4	3.8	7.7	5.6	6.5	7.9	6.0	4.9
EV/EBITA	n.a.	n.a.	n.a.	10.4	3.8	7.7	5.6	6.5	7.9	6.0	4.9
EV/EBIT	n.a.	n.a.	n.a.	20.0	5.8	13.7	7.9	8.7	10.4	7.4	5.8
Dividend yield (ord.)	n.a.	n.a.	n.a.	0.7%	2.4%	2.0%	1.9%	1.8%	1.7%	1.8%	1.9%
FCF yield	n.a.	n.a.	n.a.	7.2%	13.6%	1.8%	12.7%	6.1%	-0.4%	8.1%	8.5%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	8.3%	13.6%	1.8%	12.6%	7.7%	5.7%	8.8%	9.2%
Payout ratio	37.1%	0.0%	42.0%	18.3%	29.5%	53.1%	25.2%	24.3%	30.0%	25.0%	23.4%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	39	69	74	53	39	29	19	62	88	85	84
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	39	69	74	53	39	29	19	25	16	10	5
of which goodwill	0	0	0	0	0	0	0	38	72	75	79
Tangible assets	2	1	1	1	1	9	10	8	8	8	8
of which leased assets	0	0	0	0	0	8	8	7	7	7	7
Shares associates	0	0	0	0	0	1	2	8	8	8	8
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	6	1	3	5	6	8	8	8	8	8
Other non-IB non-current assets	1	2	1	1	1	1	1	3	3	3	3
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	42	77	77	57	45	45	39	90	116	113	112
Inventory	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	25	19	28	29	23	33	21	28	32	34	35
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	17	13	16	13	11	15	10	9	10	11	11
Cash and bank	54	34	29	91	124	125	139	161	150	186	225
Total current assets	95	66	73	133	158	172	170	197	192	231	271
Assets held for sale	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**138**	**143**	**150**	**190**	**203**	**217**	**208**	**287**	**308**	**344**	**383**
Shareholders equity	94	74	87	140	160	168	165	198	221	252	289
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	94	74	87	140	160	168	165	198	221	252	289
Deferred tax	0	0	0	0	0	0	0	3	3	3	3
Long term interest bearing debt	0	16	3	3	3	2	1	0	0	0	0
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	13	0	0	0
Non-current lease debt	0	0	0	0	0	6	6	4	7	7	7
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	17	3	3	4	8	7	21	11	11	11
Short-term provisions	1	3	1	1	1	0	1	0	0	0	0
Accounts payable	6	8	8	9	11	15	7	9	10	11	11
Current lease debt	0	0	0	0	0	2	3	3	0	0	0
Other current liabilities	37	33	35	37	29	20	25	57	66	70	72
Short term interest bearing debt	0	8	17	0	0	4	0	0	0	0	0
Total current liabilities	44	53	60	47	40	42	36	69	77	82	84
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**138**	**143**	**150**	**190**	**203**	**217**	**208**	**287**	**308**	**344**	**383**
Balance sheet and debt metrics											
Net debt	-54	-10	-10	-88	-120	-110	-129	-154	-142	-179	-217
of which lease debt	0	0	0	0	0	8	9	7	7	7	7
Working capital	-1	-10	1	-4	-5	13	-2	-29	-34	-36	-37
Invested capital	41	68	78	53	40	58	37	61	82	77	75
Capital employed	94	99	106	143	163	182	175	205	228	259	296
ROE	17.3%	-21.5%	13.3%	18.3%	16.3%	8.1%	19.3%	16.8%	15.2%	17.4%	17.4%
ROIC	n.a.	-31.6%	18.5%	43.9%	53.6%	30.0%	79.7%	71.8%	45.8%	53.2%	63.6%
ROCE	24.4%	-21.5%	16.5%	28.9%	21.1%	11.1%	26.1%	24.5%	18.9%	21.6%	21.7%
Net debt/EBITDA	-3.1	n.m.	-0.3	-1.5	-2.5	-3.4	-2.2	-3.0	-2.6	-2.8	-3.1
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	68.0%	51.8%	58.0%	73.8%	78.5%	77.3%	79.4%	68.8%	71.5%	73.2%	75.4%
Net gearing	-57.4%	-13.3%	-11.4%	-62.9%	-75.3%	-65.7%	-78.2%	-77.7%	-64.6%	-71.1%	-75.3%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
EURm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
EBITDA (adj) for associates	**17**	**-6**	**35**	**60**	**48**	**32**	**60**	**51**	**54**	**65**	**71**
Paid taxes	-9	1	0	-1	-11	-10	-6	-10	-9	-12	-13
Net financials	0	-1	-2	-1	0	-1	-1	3	0	0	0
Change in provisions	1	2	-2	0	0	0	1	0	0	0	0
Change in other LT non-IB	n.a.	-6	5	-1	-2	-1	-2	10	-13	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	n.a.	5	-1	4	4	3	10	0	0	0	0
Funds from operations (FFO)	**7**	**-5**	**35**	**60**	**39**	**24**	**62**	**53**	**32**	**53**	**58**
Change in NWC	10	6	-13	-1	3	-13	1	-9	5	2	1
Cash flow from operations (CFO)	**17**	**1**	**23**	**60**	**43**	**11**	**64**	**44**	**37**	**55**	**59**
Capital expenditure	0	0	0	0	-1	-4	-5	-7	-5	-5	-6
Free cash flow before A&D	**17**	**1**	**23**	**60**	**41**	**7**	**59**	**37**	**32**	**50**	**52**
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	-38	-44	-23	-9	0	0	0	-8	-34	-4	-4
Free cash flow	-21	-42	0	51	41	7	59	29	-2	46	49
Free cash flow bef A&D, lease adj	17	1	23	60	41	7	59	37	32	50	52
Dividends paid	-3	0	-5	-5	-7	-7	-7	-9	-9	-10	-10
Equity issues / buybacks	0	0	0	36	1	0	-31	0	0	0	0
Net change in debt	0	25	-6	-17	0	3	-4	0	0	0	0
Other financing adjustments	0	0	0	-1	-3	0	0	0	0	0	0
Other non-cash adjustments	78	-2	5	-3	1	-1	-3	1	0	0	0
Change in cash	54	-19	-6	62	33	1	14	22	-11	37	38
Cash flow metrics											
Capex/D&A	0.0%	0.0%	0.0%	0.0%	7.9%	27.3%	29.1%	52.7%	36.9%	44.5%	59.2%
Capex/Sales	0.0%	0.0%	0.0%	0.0%	0.5%	1.3%	1.9%	2.4%	1.5%	1.5%	1.8%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	9	4	4	6	7	8	8	8
Market cap.	n.a.	n.a.	n.a.	715	303	359	463	483	569	569	569
Enterprise value	n.a.	n.a.	n.a.	627	183	248	334	330	426	390	352
Diluted no. of shares, year-end (m)	74.9	74.9	74.9	79.2	79.4	81.3	73.4	73.4	73.4	73.4	73.4

Source: Company data and Nordea estimates

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