

02 March 2022

Commissioned research: Next Games – Netflix announces a bid on Next Games at EUR 2.10 per share

Marketing material commissioned by Next Games

This morning Netflix announced a bid on Next Games at EUR 2.10 per share, corresponding to a 126% premium to yesterday's close and valuing the company at EUR 65m, or EV/sales of 2.6x for 2021. Board of Directors of Next Games has unanimously decided to recommend that the shareholders of Next Games accept the offer, which is expected to be completed during Q2 2022. We do not view this outcome as overly surprising, given the company's struggles with new game releases and ongoing cooperation with Netflix on Stranger Things: Puzzle Tales. Joining Netflix will provide Next Games much needed resources to develop and scale up new games in the future. Next Games also pre-announced its H2 2021 figures, which were clearly below our expectations even though we already cut our estimate clearly in December after the company's guidance withdrawal as a consequence of postponed UA investments for Stranger Things: Puzzle Tales.

Key highlights of the tender offer by Netflix

- Tender offer price is EUR 2.10 per share paid in cash. The share price represents a 126% premium to yesterday's close. The offer values Next games total equity at EUR 65m.
- The Board of Directors of Next Games has unanimously decided to recommend that the shareholders and holders of stock options of Next Games accept the tender offer.
- Certain major shareholders of Next Games, i.e. Jari Ovaskainen and AMC Networks Ventures LLC, together representing in aggregate approximately 43.3% of the shares and votes in Next Games, have irrevocably undertaken to tender into the tender offer, subject to certain customary conditions.
- Netflix expects to publish a tender offer document with detailed information on the tender offer on or about 14 March 2022. The offer period under the tender offer is expected to commence on or about 14 March 2022 and to expire on or about 8 April 2022, unless netflix extends the offer period to satisfy the conditions to completion of the tender offer. The tender offer is currently expected to be completed during the second quarter of 2022.
- The completion of the tender offer is subject to the satisfaction or waiver by Netflix of certain customary conditions on or prior to Netflix's announcement of the final result of the tender offer and Netflix having gained control of more than 90% of the shares and votes in Next Games on a fully diluted basis.
- The tender offer will enable Next Games to join Netflix as a core studio in a strategic region and key talent market, furthering the two companies' shared vision and passion for games. Next Games will expand Netflix's game studio capabilities to enhance development of a portfolio of world-class games for members to enjoy around the world.

H2 2021 outcome

Next Games announced H2 2021 preliminary figures with revenue of EUR 12.9m missing our estimate of EUR 22.0m by 41%. Adjusted EBIT was EUR -0.9m (NDA EUR 1.0m) and reported EBIT EUR -3.4m (NDA EUR -1.2m). Blade Runner Rogue was announced to have been discontinued in February 2022. For 2022, Next Games guides to improve the performance of key games and continue developing new games. Next Games expects R&D and admin costs to maintain a similar level to 2021 (we have assumed a y/y increase).

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	35	35	27	34	61	67
EBITDA (adj)	-15	-3	-1	1	5	8
EBIT (adj)	-17	-7	-5	-4	0	2
EBIT (adj) margin	-47.6%	-21.5%	-18.4%	-11.1%	0.0%	3.4%
EPS (adj, EUR)	-0.98	-0.36	-0.20	-0.13	-0.01	0.06
EPS (adj) growth	-216.5%	63.7%	43.7%	37.5%	95.6%	1,193.1%
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	0.4
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	10.8
P/E (adj)	n.m.	n.m.	n.m.	n.m.	n.m.	15.5
P/BV	0.9	1.1	3.0	1.4	1.4	1.3
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%	-1.8%	-2.2%	1.1%
Net debt	-8	-1	-1	-4	-3	-3
Net debt/EBITDA	n.m.	n.m.	n.m.	-3.1	-0.6	-0.4
ROIC after tax	-79.9%	-28.2%	-19.9%	-17.9%	0.0%	11.3%

Source: Company data and Nordea estimates

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