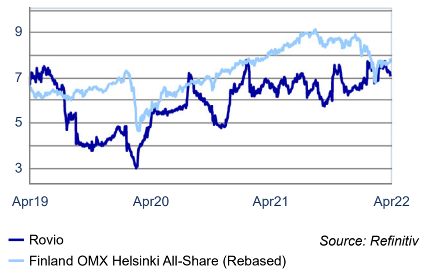
Rovio

Media
Finland

KEY DATA

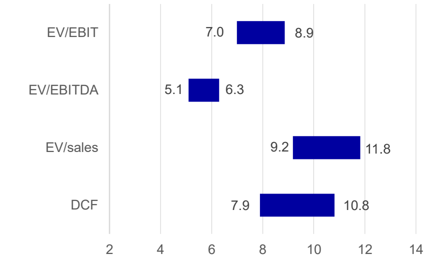
Stock country	Finland
Bloomberg	ROVIO FH
Reuters	ROVIO.HE
Share price (close)	EUR 7.10
Free Float	50%
Market cap. (bn)	EUR 0.52/EUR 0.52
Website	http://www.rovio.com/
Next report date	29 Apr 2022

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH (EUR PER SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	2%	2%	1%
EBIT (adj)	2%	2%	1%

Source: Nordea estimates

Nordea Markets - Analysts
Felix Henriksson
Analyst

Marlon Värnik
Analyst

Feathering its nest

Ahead of Rovio's Q1 report, we adjust our estimates mainly for FX tailwinds from the stronger USD. For Q1, we expect Rovio to demonstrate strong growth on the back of continued good momentum for its largest games and the global launch of AB Journey. We continue to find Rovio's outlook favourable given the combination of highly cash-generative existing Angry Birds games and compelling growth opportunities offered by the 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 value-creation potential. The company will host a CMD on 11 May, which we expect to shed light on strategy cornerstones as well as provide updated financial targets. We update our fair value range to EUR 7.3-9.4 (7.3-9.3).

Accelerating growth for Q1, UA at 40% of Games revenue

We forecast group revenue of EUR 81.9m for Q1, corresponding to growth of 22% y/y, driven by 10% organic growth, a 5% FX tailwind and a 7% contribution by Ruby Games. We estimate that the acceleration in group organic growth from 6% in Q4 to 10% in Q1 is attributable mainly to positive y/y growth in key games AB2, AB Dream Blast and AB Friends and the launch of AB Journey. In line with Rovio's guidance, we expect UA costs in Q1 to be around 40% of Games revenues. For Q1, we forecast 3% above post-Q4 Infront consensus on revenue but 7% (EUR 0.3m) below on adjusted EBIT.

Strong growth outlook for 2022

With a successful launch on the books for AB Journey, AB2 (Rovio's largest game) on pace for another year of growth and the much-awaited Hunter Assassin 2 in the soft launch pipeline, we think the growth outlook for 2022 looks promising. For 2022, Rovio guides for strong top-line growth but lower y/y EBIT, mainly explained by a ramp-up in UA to drive growth for AB Journey. For 2022, we estimate 19% y/y group revenue growth (9% organic) and group adjusted EBIT of EUR 41.7m (2021: EUR 43.8m).

Fair value range raised to EUR 7.3-9.4 (7.3-9.3)

We derive an estimated fair value range of EUR 7.3-9.4 (EUR 7.3-9.3) based on an average of four separate valuation methods: EV/EBIT, EV/EBITDA, EV/sales and DCF. We apply a 30% discount to the median multiples for peers due to Rovio's weaker growth profile.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	281	289	272	286	342	363	369
EBITDA (adj)	48	33	65	57	55	66	72
EBIT (adj)	31	18	47	44	42	53	61
EBIT (adj) margin	11.1%	6.4%	17.3%	15.3%	12.2%	14.8%	16.5%
EPS (adj, EUR)	0.31	0.17	0.48	0.49	0.44	0.57	0.65
EPS (adj) growth	-7.1%	-44.5%	180.7%	4.0%	-10.5%	28.3%	13.9%
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	1.2	1.0	0.9
EV/EBIT (adj)	5.9	13.5	7.1	8.2	9.9	7.0	5.5
P/E (adj)	12.5	26.1	13.3	13.3	16.0	12.5	11.0
P/BV	1.9	2.1	2.8	2.4	2.4	2.1	1.8
Dividend yield (ord)	2.4%	2.0%	1.9%	1.8%	1.8%	2.0%	2.1%
FCF Yield bef A&D, lease	13.6%	1.8%	12.6%	7.7%	5.4%	9.3%	10.0%
Net debt	-120	-110	-129	-126	-110	-146	-184
Net debt/EBITDA	-2.5	-3.4	-2.2	-2.5	-2.0	-2.2	-2.6
ROIC after tax	53.6%	30.0%	79.7%	55.9%	32.8%	37.9%	44.0%

Source: Company data and Nordea estimates

Game portfolio update

Rovio divides its game portfolio into three main categories: growth, earn and catalogue

Game overview by lifecycle

At its CMD in November 2019, Rovio divided its game portfolio into three main categories to describe its growth prospects and the profitability of its various games.

Growth games: These are games that Rovio aims to scale up with significant user acquisition (UA) investments. They have large developer teams and low to negative profit margins. Rovio's current growth games are AB Dream Blast, Small Town Murders, AB Journey and the games in soft launch. Our estimates allocate all forecast game launches to this category.

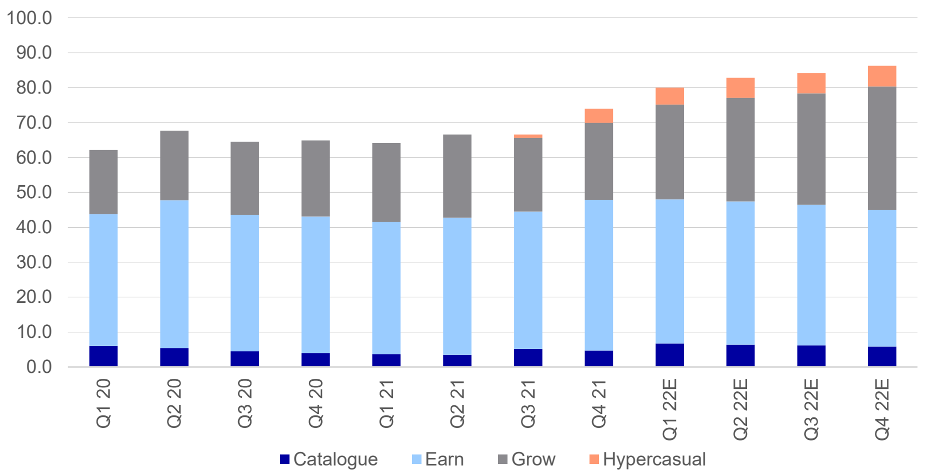
Earn games: These are games that Rovio aims to maintain at their current size or to grow slightly. They may still have significant UA investments, but these are notably lower than for the growth games. Development teams are still large, with a focus on live operations and new features, as well as events. Earn games have moderate to high profit margins. Current earn games are AB 2, AB Match, AB Friends and AB POP.

Catalogue games: These are old or small games that require no significant UA investments or development teams. Revenue from these games declines over time as their user bases decrease. Catalogue games have very high profit margins, basically ~70%, as the only costs that these games incur are platform costs to Apple and Google, at around 30%.

Hypercasual games: This category includes games developed by the Turkish hypercasual studio Ruby Games that was acquired in August 2021.

Largest share of quarterly revenue comes from earn games

GAME PORTFOLIO REVENUE OVERVIEW BY LIFECYCLE* (EURm)



* Excludes revenue contribution from Ruby Games

Source: Company data and Nordea estimates

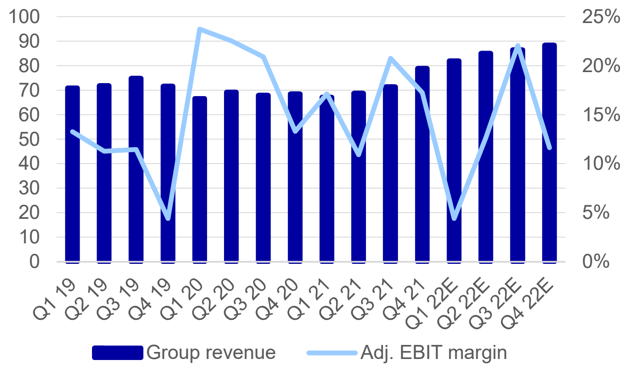
Q1 2022 expectations

Accelerating growth, UA at 40% of Games revenue

We expect good performance by key Angry Birds games

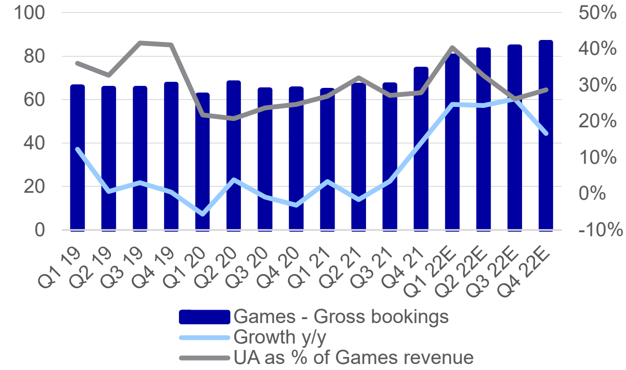
For Q1, we model Games gross bookings of EUR 80.1m, corresponding to 8% q/q growth. We note that Rovio will only report group-level financials starting from the Q1 report. At the group level, we forecast revenue of EUR 81.9m, corresponding to growth of 4% q/q and 22% y/y, driven by 10% organic growth, a 5% FX tailwind and a 7% contribution by Ruby Games. We estimate that the acceleration in group organic growth from 6% in Q4 to 10% in Q1 is attributable mainly to positive y/y growth in key games AB2, AB Dream Blast and AB Friends and the launch of AB Journey. We find support for our estimates from App Annie rankings data and the message conveyed in Rovio's mid-quarter analyst meeting. In line with Rovio's guidance, we expect UA costs in Q1 to be around 40% of Games revenues.

GROUP REVENUE (EURm) AND ADJ. EBIT MARGIN (%)



Source: Company data and Nordea estimates

GAMES GROSS BOOKINGS (EURm), GROWTH Y/Y (%) AND UA AS A PERCENTAGE OF GAMES REVENUE (%)



Source: Company data and Nordea estimates

For Ruby Games, we forecast EUR 4.9m of bookings (Q4: EUR 4.1m), supported by its latest game launch Wordus, which we believe has surpassed the original Hunter Assassin as the largest revenue contributor for Ruby. Wordus achieved a top five download ranking in the US during the quarter.

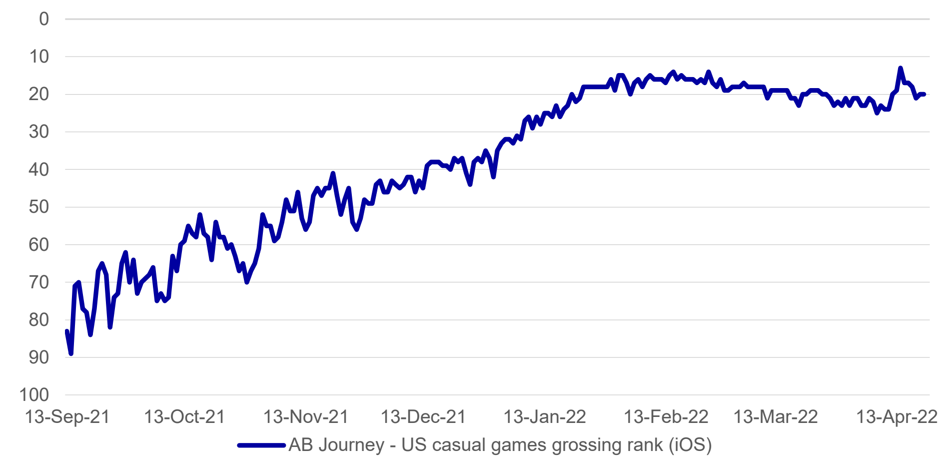
AB Journey showing good potential since launch

AB Journey has proven Rovio's ability to launch successful new games

In our view, Rovio's outlook for 2022 seems promising given the successful launch of AB Journey and the current game launch pipeline. AB Journey generated bookings of EUR 3.1m in Q4 and we estimate EUR 8.0m in bookings for Q1. According to Rovio, 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 44m bookings contribution for 2022 (13% of total bookings). We note that App Annie data on US grossing rank on the iOS platform remained stable during Q1 after the 20 January launch.

Grossing rank data for AB Journey trending the right way

AB JOURNEY: US CASUAL GAMES GROSSING RANK ON IOS



Source: App Annie

Promising growth initiatives for 2022 and beyond

We see Hunter Assassin 2 by Ruby Games as a key source of upside for estimates

Aside from AB Journey, we believe that the biggest swing factor for Rovio in 2022 will be the hypercasual game Hunter Assassin 2 by Ruby Games, which is currently in soft launch and expected to launch globally in 2022. The game is a sequel to Hunter Assassin, which was the sixth most downloaded game in 2020 globally. Contrary to its predecessor, which monetised purely on ad revenues, Hunter Assassin 2 will also feature in-app purchases and utilise LiveOps to improve retention.

For 2022, we estimate that Ruby Games will contribute around EUR 22m of bookings for Rovio (7% of total bookings), driven by Hunter Assassin 2, which we expect to launch in Q2 2022. It is worth noting that in 2020, the launch year for Hunter Assassin, Ruby Games generated some EUR 27m (USD 31m) in revenue, which highlights the upside for estimates in a successful launch scenario for the sequel.

HUNTER ASSASSIN 2: US ACTION GAMES GROSSING RANK ON GOOGLE PLAY

Source: App Annie

First Moomin game was soft launched in December 2021

Rovio's first Moomin IP game, Moomin: Puzzle and Design, was soft launched in December in Finland, Poland and the Philippines. It features a story line where the player has to solve puzzles to decorate and design the Moominvalley. We find the commercial potential of the IP compelling for Rovio and model revenue contribution from the game as of Q3 2022, with global launch taking place in Q4. We thus see the Moomin game as more of a 2023 story for Rovio.

Guidance for 2022 implies strong growth but elevated UA investments

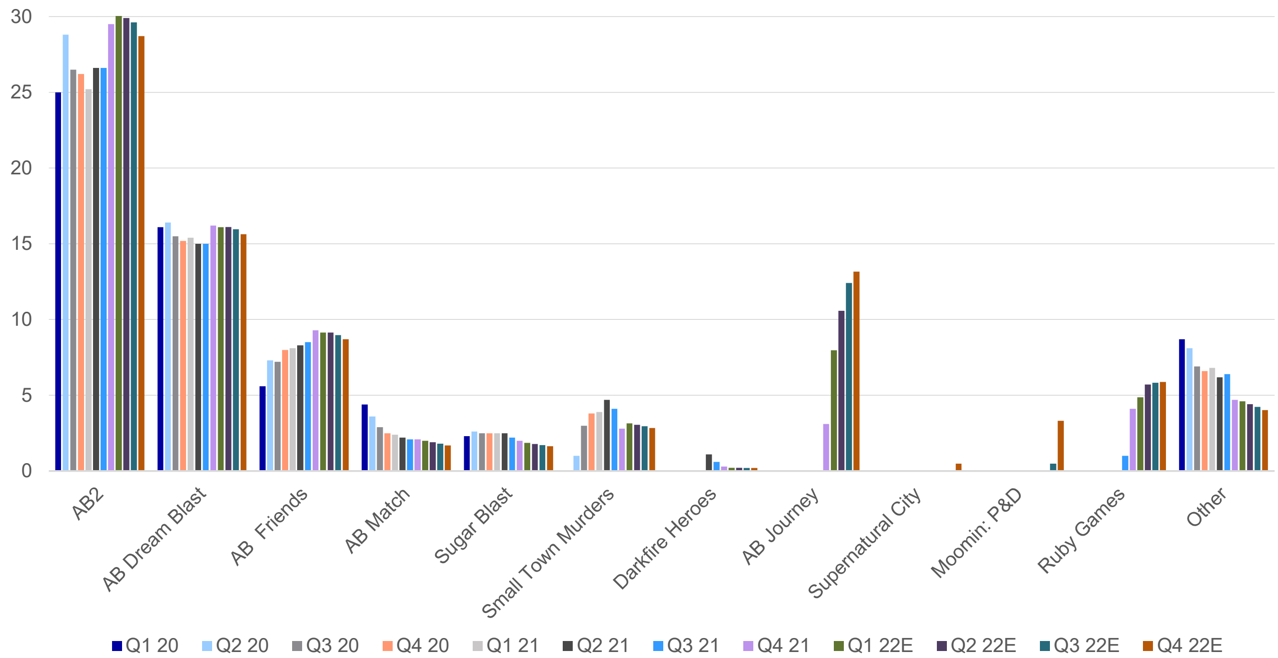
Strong growth, but declining EBIT for 2022

With a successful launch on the books for AB Journey, AB2 (Rovio's largest game) on pace for EUR 115m annual run-rate bookings (2021: EUR 108m), and with the much-awaited Hunter Assassin 2 in the soft launch pipeline, we think the growth outlook for 2022 looks promising. For 2022, Rovio guides 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. For 2022, we estimate 19% y/y group revenue growth (9% organic) and group adjusted EBIT of EUR 41.7m (2021: EUR 43.8m). Even though high UA presents near-term margin pressure, investing in scaling up new games is crucial to future growth and earnings. As a reminder, Rovio targets a 12-month payback time for its UA investments.

Exit from Russia with no significant impact on financials

We note that Rovio, on 9 March, removed all its games from app stores in Russia and Belarus and disabled in-app purchases for downloaded games in these markets. The company will not make upcoming game updates available in Russia and Belarus. Russia amounted to less than 2% of group revenue in 2021. Rovio has no development resources located in Russia, Belarus or Ukraine.

QUARTERLY GROSS BOOKINGS CONTRIBUTION: ACTUALS AND ESTIMATES PER GAME (EURm)



Source: Company data and Nordea estimates

GAME PORTFOLIO OVERVIEW

Title	**Angry Birds Friends**	**Angry Birds 2**	**Angry Birds Match**	**Angry Birds Dream Blast**
Genre	Slingshot	Slingshot	Puzzle	Puzzle
Launch	Q1 2012	Q3 2015	Q3 2017	Q1 2019
Category	Earn	Earn	Earn	Grow
Cumulative sales	187	586	85	199
Q1 2022E sales (EURm)	9	30	2	16
- % of Games	12%	41%	3%	22%
2022E sales (EURm)	36	118	7	64
- % of Games	11%	36%	2%	19%
Title	**Sugar Blast**	**Small Town Murders**	**Darkfire Heroes**	**Angry Birds Journey**
Genre	Puzzle	Puzzle	RPG	Sligshot
Launch	Q3 2019	Q2 2020	Q2 2021	Q1 2022E
Category	Catalogue	Grow	Catalogue	Grow
Cumulative sales	24	26	2	11
Q1 2022E sales (EURm)	2	3	0	8
- % of Games	3%	4%	0%	11%
2022E sales (EURm)	7	12	1	44
- % of Games	2%	4%	0%	13%
Title	**Moomin: Puzzle and Design**	**Ruby Games**		
Genre	Puzzle	Hypercasual		
Launch	Q4 2022E	n.a.		
Category	Soft launch	n.a.		
Cumulative sales	0	n.a.		
Q1 2022E sales (EURm)	0	5		
- % of Games	0%	7%		
2022E sales (EURm)	4	22		
- % of Games	1%	7%		

Source: Company data and Nordea estimates

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	80.1	333.3	355.3	363.0	79.2	328.2	349.7	358.2	1%	2%	2%	1%
Brand Licensing	1.9	8.5	7.2	6.2	1.9	8.5	7.2	6.2	0%	0%	0%	0%
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	**81.9**	**341.8**	**362.5**	**369.2**	**81.0**	**336.7**	**357.0**	**364.5**	**1%**	**2%**	**2%**	**1%**
Adj. EBIT												
Games	5.9	50.6	62.5	70.1	6.0	49.7	61.6	69.4	-2%	2%	1%	1%
Brand Licensing	0.2	1.6	1.4	1.3	0.2	1.6	1.4	1.3	0%	0%	0%	0%
Other	-3.0	-10.5	-10.5	-10.5	-3.0	-10.5	-10.5	-10.5	0%	0%	0%	0%
Total	**3.1**	**41.7**	**53.5**	**60.9**	**3.2**	**40.8**	**52.6**	**60.3**	**-4%**	**2%**	**2%**	**1%**
Adj. EBIT ex Hatch	**3.6**	**43.7**	**55.5**	**60.9**	**3.7**	**42.8**	**54.6**	**60.3**	**-3%**	**2%**	**2%**	**1%**
Adj. EBIT margin												
Games	7.4%	15.2%	17.6%	19.3%	7.6%	15.1%	17.6%	19.4%	-0.2pp	0.0pp	0.0pp	-0.1pp
Brand Licensing	9.7%	18.7%	20.0%	21.1%	9.7%	18.7%	20.0%	21.1%	0.0pp	0.0pp	0.0pp	0.0pp
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	**3.8%**	**12.2%**	**14.8%**	**16.5%**	**4.0%**	**12.1%**	**14.7%**	**16.5%**	**-0.2pp**	**0.1pp**	**0.0pp**	**0.0pp**
Margin ex. Hatch	**4.4%**	**12.8%**	**15.3%**	**16.5%**	**4.6%**	**12.7%**	**15.3%**	**16.5%**	**-0.2pp**	**0.1pp**	**0.0pp**	**0.0pp**
EPS	0.03	0.44	0.56	0.64	0.03	0.43	0.55	0.63	-4%	2%	2%	1%
DPS	n.m	0.13	0.14	0.15	n.m	0.13	0.14	0.15	n.m	0%	0%	0%

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**	**341.8**	**362.5**	**369.2**	**1%**	**9%**
- growth y/y		-5.4%	2.8%	-5.8%	5.1%	19.4%	6.1%	1.8%		
- growth q/q										
Materials and services	-81.8	-79.8	-77.3	-74.6	-74.5	-94.2	-100.3	-102.4	-2%	11%
Employee benefits expense	-52.0	-42.6	-41.7	-48.9	-52.0	-47.7	-49.0	-49.5	7%	-2%
Other operating expenses	-104.2	-112.0	-138.4	-89.4	-109.7	-145.0	-147.6	-145.6	-1%	10%
EBITDA	**60.0**	**47.9**	**32.4**	**60.0**	**50.8**	**55.0**	**65.6**	**71.7**	**2%**	**12%**
Adj. EBITDA	**64.5**	**47.5**	**32.7**	**60.1**	**54.8**	**55.0**	**65.6**	**71.7**	**5%**	**9%**
- margin	21.7%	16.9%	11.3%	22.1%	19.2%	16.1%	18.1%	19.4%		
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**	**41.7**	**53.5**	**60.9**	**6%**	**17%**
Adj. EBIT	**35.9**	**31.2**	**18.4**	**47.1**	**43.8**	**41.7**	**53.5**	**60.9**	**12%**	**12%**
- margin	12.1%	11.1%	6.4%	17.3%	15.3%	12.2%	14.8%	16.5%		
Adj. EBIT (excl. Hatch)	**36.0**	**38.7**	**29.0**	**54.7**	**47.4**	**43.7**	**55.5**	**60.9**	**7%**	**9%**
- margin	12.1%	13.8%	10.0%	20.1%	16.6%	12.8%	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**	**41.7**	**53.5**	**60.9**	**8%**	**14%**
Taxes	-6.0	-7.7	-4.5	-8.6	-10.2	-9.2	-11.8	-13.4		
- tax rate	22%	24%	25%	21%	25%	22%	22%	22%		
Net Profit	**20.7**	**24.5**	**13.2**	**32.1**	**30.4**	**32.5**	**41.7**	**47.5**	**7%**	**16%**
EPS, diluted	**0.27**	**0.31**	**0.16**	**0.42**	**0.41**	**0.44**	**0.56**	**0.64**	**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%	23%		
Net debt	-88	-120	-110	-129	-126	-110	-146	-184		
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%	-58%	-63%		
ROE	18%	16%	8%	19%	17%	16%	18%	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**	**81.9**	**85.0**	**86.4**	**88.4**
- growth y/y	-6.1%	-3.6%	-9.2%	-4.3%	0.8%	-0.6%	5.2%	15.2%	22.1%	23.6%	21.0%	12.1%
- growth q/q	-7.0%	3.9%	-1.9%	0.9%	-2.0%	2.5%	3.8%	10.5%	3.8%	3.8%	1.7%	2.3%
Materials and services	-18.1	-19.8	-18.5	-18.2	-18.2	-18.7	-18.3	-19.3	-22.5	-23.7	-23.7	-24.3
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	-41.1	-36.3	-30.5	-37.0
EBITDA	**15.8**	**16.1**	**15.9**	**12.2**	**11.8**	**8.7**	**16.9**	**13.4**	**6.4**	**13.5**	**22.0**	**13.1**
Adj. EBITDA	**16.1**	**15.9**	**15.9**	**12.2**	**12.4**	**8.7**	**17.2**	**16.5**	**6.4**	**13.5**	**22.0**	**13.1**
- margin	24.2%	23.0%	23.4%	17.8%	18.5%	12.6%	24.1%	20.9%	7.8%	15.9%	25.5%	14.8%
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**	**3.1**	**10.2**	**18.6**	**9.8**
Adj. EBIT	**13.0**	**13.8**	**12.8**	**7.5**	**10.2**	**6.2**	**14.3**	**13.1**	**3.1**	**10.2**	**18.6**	**9.8**
- margin	19.5%	19.9%	18.9%	10.9%	15.2%	9.0%	20.1%	16.6%	3.8%	12.0%	21.5%	11.0%
Adj. EBIT (excl. Hatch)	**15.8**	**15.6**	**14.2**	**9.1**	**11.5**	**7.5**	**14.8**	**13.6**	**3.6**	**10.7**	**19.1**	**10.3**
- margin	23.7%	22.5%	20.9%	13.3%	17.1%	10.9%	20.8%	17.2%	4.4%	12.6%	22.1%	11.6%
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**	**3.1**	**10.2**	**18.6**	**9.8**
Taxes	-2.6	-3.7	-2.9	0.6	-3.0	-1.1	-3.1	-3.0	-0.7	-2.3	-4.1	-2.1
- 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**	**2.4**	**8.0**	**14.5**	**7.6**
EPS, diluted	**0.11**	**0.15**	**0.12**	**0.04**	**0.10**	**0.07**	**0.16**	**0.08**	**0.03**	**0.11**	**0.20**	**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**	**333.3**	**355.3**	**363.0**	**3%**	**10%**
- growth y/y	55.9%	1.0%	5.8%	-2.5%	7.0%	20.6%	6.6%	2.2%		
- organic		*4.0%*	*3.0%*	*-1.0%*	*7.6%*	*9.4%*	*6.1%*	*2.2%*		
- FX		*-3.0%*	*2.8%*	*-1.5%*	*-2.5%*	*5.9%*	*0.5%*	*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**	**106.1**	**107.2**	**104.8**	**-1%**	**11%**
- % of revenue	28.1%	31.4%	37.6%	22.8%	28.0%	31.8%	30.2%	28.9%		
EBITDA	**43.1**	**40.5**	**35.6**	**65.3**	**55.5**	**59.4**	**70.8**	**77.6**	**11%**	**12%**
Adj. EBITDA	**43.2**	**40.8**	**35.6**	**65.3**	**58.4**	**59.4**	**70.8**	**77.6**	**13%**	**10%**
- margin	17.4%	16.3%	13.4%	25.3%	21.1%	17.8%	19.9%	21.4%		
EBIT	**38.4**	**38.4**	**31.3**	**56.6**	**49.6**	**50.6**	**62.5**	**70.1**	**9%**	**12%**
Adj. EBIT	**38.5**	**38.7**	**31.3**	**61.2**	**52.5**	**50.6**	**62.5**	**70.1**	**11%**	**10%**
- margin	15.5%	15.5%	11.8%	23.7%	19.0%	15.2%	17.6%	19.3%		

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**	**80.1**	**82.8**	**84.2**	**86.3**
- growth y/y	-5.4%	2.3%	-3.3%	-3.4%	3.5%	-0.7%	6.9%	18.8%	23.3%	24.7%	22.7%	12.8%
- organic	*-7.0%*	*1.0%*	*1.0%*	*2.0%*	*10.0%*	*6.0%*	*5.3%*	*9.0%*	*10.6%*	*8.3%*	*10.8%*	*8.9%*
- FX	*1.6%*	*1.3%*	*-4.3%*	*-5.4%*	*-6.5%*	*-6.7%*	*0.0%*	*3.5%*	*5.2%*	*7.8%*	*6.2%*	*3.9%*
- 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%	4.6%	3.4%	1.7%	2.5%
UAC, EURm	**13.5**	**14.0**	**15.3**	**16.0**	**17.3**	**21.3**	**18.1**	**20.6**	**32.3**	**27.0**	**22.0**	**24.7**
- % of revenue	21.5%	20.9%	23.8%	24.8%	26.7%	32.1%	26.4%	26.9%	40.3%	32.7%	26.2%	28.7%
EBITDA	**17.8**	**18.1**	**16.2**	**13.7**	**13.8**	**9.6**	**17.6**	**15.3**	**8.1**	**14.0**	**22.7**	**14.6**
Adj. EBITDA	**17.8**	**18.1**	**16.2**	**13.7**	**13.8**	**9.6**	**17.6**	**18.2**	**8.1**	**14.0**	**22.7**	**14.6**
- margin	28.4%	27.1%	25.2%	21.3%	21.3%	14.4%	25.7%	23.8%	10.1%	16.9%	26.9%	17.0%
EBIT	**16.6**	**17.0**	**15.4**	**8.1**	**12.8**	**8.2**	**16.3**	**13.1**	**5.9**	**11.8**	**20.5**	**12.4**
Adj. EBIT	**16.6**	**17.0**	**15.4**	**12.7**	**12.8**	**8.2**	**16.3**	**16.0**	**5.9**	**11.8**	**20.5**	**12.4**
- margin	26.5%	25.4%	24.0%	19.7%	19.7%	12.3%	23.8%	20.9%	7.4%	14.2%	24.3%	14.4%

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	238	210	190
Gross bookings - All	249	253	263	259	272	333	355	363
Rolling 12M - TOP5	201	213	228	223	229	238	210	190
Rolling 12M - All	249	253	263	259	272	333	355	363
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	9.5	9.2	8.7
MAU - TOP 5	23.8	19.6	18.8	18.9	17.4	17.2	14.8	13.0
MAU - All	76.8	58.9	43.2	31.4	32.1	69.2	66.4	62.2
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%	99%	86%	88%
MAU retention - All	0%	77%	73%	73%	102%	216%	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	0.11	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	37.1	41.2	44.9

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	61	60	59	58
Gross bookings - All	62	68	65	65	64	67	67	74	80	83	84	86
Rolling 12M - TOP5	225	227	225	223	224	223	224	229	235	238	241	238
Rolling 12M - All	259	262	261	259	261	260	262	272	287	304	321	333
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	2.9
DAU - All	5.4	5.1	4.5	4.4	4.2	4.2	4.9	6.5	9.4	9.6	9.5	9.5
MAU - TOP 5	19.7	20.1	18.1	17.6	16.6	17.1	17.9	18.1	18.0	17.5	17.0	16.4
MAU - All	36.5	32.5	29.4	27.3	25.6	26.0	32.0	44.8	68.7	70.3	69.2	68.5
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%	99%	97%	97%	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	35.9	36.3	37.5	38.8

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	118.4	104.9	96.9
- % of total	*32%*	*46%*	*41%*	*41%*	*40%*	*36%*	*30%*	*27%*
UAC	31.5	39.9	16.3	17.7	19.7	20.6	15.2	10.7
AB Dream Blast								
Gross bookings	0.0	0.5	57.5	63.2	61.6	63.8	57.5	51.1
- % of total	*0%*	*0%*	*22%*	*24%*	*23%*	*19%*	*16%*	*14%*
UAC	0.0	11.5	60.8	28.0	28.3	21.4	14.4	10.2
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%*	*9%*	*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	5.4	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	44.1	47.8	34.5
- % of total	*0%*	*0%*	*0%*	*0%*	*1%*	*13%*	*13%*	*9%*
UAC	0.0	0.0	0.0	0.0	4.7	45.0	25.3	11.3
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	8.1	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	30.2	29.9	29.6	28.7
- % of total	*40%*	*43%*	*41%*	*40%*	*39%*	*40%*	*40%*	*40%*	*38%*	*36%*	*35%*	*33%*
UAC	3.5	6.0	3.9	4.2	4.5	4.8	4.8	5.6	5.9	5.4	4.7	4.6
AB Dream Blast												
Gross bookings	16.1	16.4	15.5	15.2	15.4	15.0	15.0	16.2	16.1	16.1	16.0	15.6
- % of total	*26%*	*24%*	*24%*	*23%*	*24%*	*23%*	*22%*	*22%*	*20%*	*19%*	*19%*	*18%*
UAC	8.0	6.0	7.0	7.0	7.0	7.0	6.8	7.5	7.2	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%*	*2%*	*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%*	*11%*	*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	1.5	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	8.0	10.6	12.4	13.2
- % of total	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*4%*	*10%*	*13%*	*15%*	*15%*
UAC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.7	15.9	11.6	9.3	8.2
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	1.7	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 7.9-10.8 per share by applying a WACC range of 7.7-11.7%. 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 30% 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 7.3-9.4 (7.3-9.3) per share.

DCF valuation range of EUR 7.9-10.8

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 9.7% (10.1%) WACC to our DCF valuation. In line with Nordea's market view, we have revisited our base discount rate in our equity valuation models and raised the risk-free rate from 2.0% to 2.5%. Our imputed risk premium has been reduced from 4.5% to 4.0%.

DCF VALUATION (EURm AND EUR PER SHARE)

DCF value	Value	Per share
NPV FCFF	525	7.2
(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	19	0.3
DCF Value	**670**	**9.1**

Source: Company data and Nordea estimates

WACC COMPONENTS

WACC components	
Risk-free interest rate	2.5%
Market risk premium	4.0%
Forward looking asset beta	nm
Beta debt	0.20
Forward looking equity beta	1.80
Cost of equity	9.70%
Cost of debt	3.0%
Tax-rate used in WACC	20.0%
Equity weight	100.0%
WACC	**9.7%**

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	4.38%	4.0%	3.5%	3.0%	2.5%	2.0%	
EBIT-margin, ex. associates	16.1%	14.0%	12.0%	12.0%	12.0%	0.5%	
Capex/depreciation, x	0.6	1.0	1.0	1.0	1.0	1.0	
Capex/sales	1.8%	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	-256.0%	-1.0%	0.5%	3.1%	2.6%	-51.0%	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		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Western mobile gaming peers															
G5 Entertainment Ab (Publ)	1.2	1.1	0.9	4.1	3.7	3.2	6.2	5.6	4.9	7.2	6.6	5.8	11.3%	11.7%	14.6%
Mag Interactive Ab (Publ)	1.2	1.1		5.8	5.3		15.6	12.9							
Modern Times Group Mtg Ab	3.4	3.1	2.9	13.4	12.1	10.8	26.1	21.8	18.8	31.0	27.7	19.9	3.3%	3.7%	5.6%
Playtika Holding Corp	3.0	2.8	2.6	8.5	7.7	7.4	14.2	12.3	10.9	19.5	16.2	13.7	7.9%	9.1%	10.5%
Stillfront Group Ab (Publ)	2.2	2.0	1.8	5.8	5.2	4.7	8.8	7.3	7.2	8.6	7.1	7.1	9.1%	11.7%	13.8%
Zynga Inc	3.2	3.0	2.8	13.7	12.1	11.2	15.9	13.8	13.1	23.5	19.6	17.3	5.5%	6.9%	8.8%
Peer average	2.4	2.2	2.2	8.6	7.7	7.4	14.5	12.3	11.0	18.0	15.4	12.8	7.4%	8.6%	10.6%
Peer median	**2.6**	**2.4**	**2.6**	**7.2**	**6.5**	**7.4**	**14.9**	**12.6**	**10.9**	**19.5**	**16.2**	**13.7**	**7.9%**	**9.1%**	**10.5%**
Rovio Entertainment Oyj (NDA)	**1.2**	**1.0**	**0.8**	**7.4**	**5.5**	**4.3**	**9.7**	**6.7**	**5.1**	**16.1**	**12.6**	**11.0**	**5.3%**	**9.3%**	**9.9%**
difference	**-54%**	**-59%**	**-68%**	**3%**	**-16%**	**-41%**	**-35%**	**-47%**	**-53%**	**-17%**	**-22%**	**-20%**	**-0.3pp**	**0.0pp**	**-0.1pp**

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	19-21	21-24E	2022E	2023E	2024E	(mln)	(mln)	MAU	USD
Western mobile gaming peers													
G5 Entertainment Ab (Publ)	Sweden	196	170	156	5.4%	11.0%	28.5%	29.7%	27.9%	1.8	6.5	28%	
Mag Interactive Ab (Publ)	Sweden	20	52	47	35.3%		20.6%	21.0%		1.5	5.1	30%	0.06
Modern Times Group Mtg Ab	Sweden	132	1,420	1,784	13.5%	5.8%	25.3%	25.7%	26.7%	0.2	0.6	31%	0.38
Playtika Holding Corp	Israel	18	6,705	7,864	14.6%	10.7%	35.2%	36.1%	35.6%	10.4	35.4	29%	0.67
Stillfront Group Ab (Publ)	Sweden	22	1,068	1,402	70.2%	12.7%	37.4%	38.6%	39.5%	12.6	63.8	20%	0.13
Zynga Inc	US	9	9,183	9,351	30.9%	11.2%	23.6%	24.5%	25.3%	37.0	184.0	20%	0.20
Peer average					28.3%	10.3%	28.4%	29.3%	31.0%	10.6	49.2	26%	0.29
Peer median					**22.7%**	**11.0%**	**26.9%**	**27.7%**	**27.9%**	**6.1**	**21.0**	**29%**	**0.20**
Rovio Entertainment Oyj (NDA)	**Finland**	**7.1**	**587**	**480**	**-0.5%**	**8.9%**	**16.1%**	**18.1%**	**19.4%**	**6.5**	**44.8**	**15%**	**0.12**
difference					**-23pp**	**-2pp**	**-10.8pp**	**-10pp**	**-9pp**	**7%**	**114%**	**-14pp**	**-8pp**

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

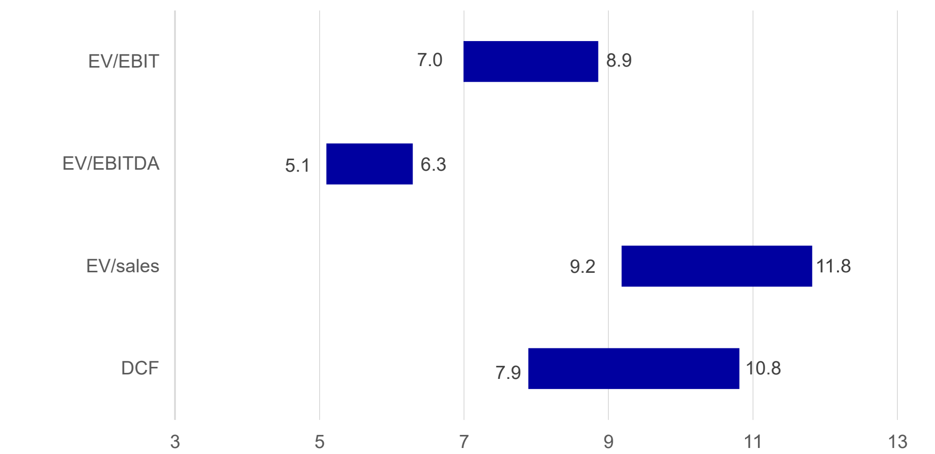
Source: Company data, Refinitiv and Nordea estimates

DCF and peer multiples imply an average valuation range of EUR 7.3-9.4

We derive a DCF-based fair value range of EUR 7.9-10.8 per share by applying a WACC range of 7.7-11.7%. 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% 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 7.3-9.4 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**	**342**	**363**	**369**
Revenue growth	n.a.	-10.3%	34.9%	55.0%	-5.4%	2.8%	-5.8%	5.1%	19.4%	6.1%	1.8%
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	55	66	72
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	55	66	72
Amortisation and impairments	-7	-15	-18	-29	-16	-14	-18	-13	-13	-12	-11
EBIT	10	-22	17	31	32	18	43	38	42	53	61
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**	**42**	**53**	**61**
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	33	42	48
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	33	42	48
EPS, EUR	**0.11**	**-0.24**	**0.14**	**0.27**	**0.31**	**0.17**	**0.42**	**0.41**	**0.44**	**0.57**	**0.65**
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%	19.4%
EBITA	10.8%	-4.5%	18.5%	20.2%	17.0%	11.2%	22.0%	17.8%	16.1%	18.1%	19.4%
EBIT	6.3%	-15.2%	8.8%	10.6%	11.2%	6.3%	15.6%	13.2%	12.2%	14.8%	16.5%
Adjusted earnings											
EBITDA (adj)	17	-6	35	65	48	33	65	57	55	66	72
EBITA (adj)	17	-6	35	65	48	33	65	57	55	66	72
EBIT (adj)	10	-22	17	36	31	18	47	44	42	53	61
EPS (adj, EUR)	0.11	-0.24	0.14	0.33	0.31	0.17	0.48	0.49	0.44	0.57	0.65
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%	19.4%
EBITA (adj)	10.8%	-4.5%	18.5%	21.7%	16.9%	11.3%	23.8%	19.8%	16.1%	18.1%	19.4%
EBIT (adj)	6.3%	-15.2%	8.8%	12.1%	11.1%	6.4%	17.3%	15.3%	12.2%	14.8%	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%	2.8%	5.2%	5.0%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	13.7%	n.m.	7.5%	-1.7%	6.5%	17.2%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	12.7%	n.m.	17.6%	5.8%	11.2%	27.4%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	9.0%	n.m.	23.7%	10.4%	13.0%	31.3%
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	16.0	12.5	11.0
EV/EBITDA (adj)	n.a.	n.a.	n.a.	9.7	3.9	7.6	5.2	6.3	7.5	5.7	4.7
EV/EBITA (adj)	n.a.	n.a.	n.a.	9.7	3.9	7.6	5.2	6.3	7.5	5.7	4.7
EV/EBIT (adj)	n.a.	n.a.	n.a.	17.5	5.9	13.5	7.1	8.2	9.9	7.0	5.5

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	16.0	12.5	11.0
EV/Sales	n.a.	n.a.	n.a.	2.11	0.65	0.86	1.23	1.25	1.20	1.04	0.91
EV/EBITDA	n.a.	n.a.	n.a.	10.4	3.8	7.7	5.6	7.0	7.5	5.7	4.7
EV/EBITA	n.a.	n.a.	n.a.	10.4	3.8	7.7	5.6	7.0	7.5	5.7	4.7
EV/EBIT	n.a.	n.a.	n.a.	20.0	5.8	13.7	7.9	9.4	9.9	7.0	5.5
Dividend yield (ord.)	n.a.	n.a.	n.a.	0.7%	2.4%	2.0%	1.9%	1.8%	1.8%	2.0%	2.1%
FCF yield	n.a.	n.a.	n.a.	7.2%	13.6%	1.8%	12.7%	6.1%	-1.2%	8.6%	9.3%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	8.3%	13.6%	1.8%	12.6%	7.7%	5.4%	9.3%	10.0%
Payout ratio	37.1%	0.0%	42.0%	18.3%	29.5%	53.1%	25.2%	24.3%	29.4%	24.6%	23.2%

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	33	35	36
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	146	181	219
Total current assets	95	66	73	133	158	172	170	197	189	227	266
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**	**305**	**340**	**378**
Shareholders equity	94	74	87	140	160	168	165	198	221	253	291
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	253	291
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	28	28	28
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	38	38	38
Short-term provisions	1	3	1	1	1	0	1	0	0	0	0
Accounts payable	6	8	8	9	11	15	7	9	11	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	29	34	36	37
Short term interest bearing debt	0	8	17	0	0	4	0	28	0	0	0
Total current liabilities	44	53	60	47	40	42	36	69	45	48	49
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**	**305**	**340**	**378**
Balance sheet and debt metrics											
Net debt	-54	-10	-10	-88	-120	-110	-129	-126	-110	-146	-184
of which lease debt	0	0	0	0	0	8	9	7	7	7	7
Working capital	-1	-10	1	-4	-5	13	-2	-1	-2	-2	-2
Invested capital	41	68	78	53	40	58	37	89	114	111	110
Capital employed	94	99	106	143	163	182	175	233	256	288	326
ROE	17.3%	-21.5%	13.3%	18.3%	16.3%	8.1%	19.3%	16.8%	15.5%	17.6%	17.5%
ROIC	n.a.	-31.6%	18.5%	43.9%	53.6%	30.0%	79.7%	55.9%	32.8%	37.9%	44.0%
ROCE	24.4%	-21.5%	16.5%	28.9%	21.1%	11.1%	26.1%	22.8%	17.0%	19.6%	19.8%
Net debt/EBITDA	-3.1	n.m.	-0.3	-1.5	-2.5	-3.4	-2.2	-2.5	-2.0	-2.2	-2.6
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%	72.6%	74.6%	76.9%
Net gearing	-57.4%	-13.3%	-11.4%	-62.9%	-75.3%	-65.7%	-78.2%	-63.6%	-49.9%	-57.5%	-63.3%

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**	**55**	**66**	**72**
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**	**33**	**54**	**58**
Change in NWC	10	6	-13	-1	3	-13	1	-9	0	0	0
Cash flow from operations (CFO)	**17**	**1**	**23**	**60**	**43**	**11**	**64**	**44**	**33**	**54**	**58**
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**	**28**	**49**	**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	-6	45	48
Free cash flow bef A&D, lease adj	17	1	23	60	41	7	59	37	28	49	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	-15	35	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%	1.4%	1.5%	1.7%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	9	4	4	6	7	7	7	7
Market cap.	n.a.	n.a.	n.a.	715	303	359	463	483	521	521	521
Enterprise value	n.a.	n.a.	n.a.	627	183	248	334	357	411	375	337
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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