

10 June 2022

Commissioned research: Rovio - Takeaways from Q2 mid-quarter analyst meeting

Marketing material commissioned by Rovio

We attended Rovio's Q2 mid-quarter meeting for sell-side analysts on Friday hosted by IR Timo Rahkonen, CEO Alexandre Pelletier-Normand and CFO René Lindell. The company continued to highlight near-term headwinds for the mobile gaming market from post-pandemic reopening and Apple's IDFA changes, which according to data.ai have led to a 6% y/y market decline in April-May. Rovio's largest market, the US, has taken the biggest hit with a 20% y/y decline, whereas the market in China has been able to grow due to the recent lockdowns. We were left with the impression that Rovio's Games revenue has witnessed y/y growth, but slight q/q decline in Q2 due to sequentially lower UA spend on AB Journey and lack of game releases by Ruby Games. We have been expecting 1% q/q decline in Games revenue, but we note that the sequential decline for Ruby Games does suggest some additional downside to our Q2 estimates as we had expected positive growth for the studio. The older Angry Birds games (AB2, ABDB, AB Friends) have performed broadly in line with our expectations. For Q2, our estimates have been 1% above Infront consensus on top-line, but 3% below on adjusted EBIT. Given the somewhat soft Q2 after a strong Q1 and the market normalisation trends after abnormally high demand, we find limited catalysts for the shares until the launch of Hunter Assassin 2, which should take place in H2 2022E.

Q2 game portfolio commentary

- According to our impression, Rovio's total game portfolio has shown y/y growth, but slight q/q decline in Q2 due to sequentially lower gross bookings for AB Journey and Ruby Games.
- UA spend has been 25-30% of Games revenue in Q2, as guided in the Q1 results. The main difference to the Q1 level of 38% comes from AB Journey. AB2 has been receiving most UA spend from Rovio's game portfolio.
- AB2 has continue to perform well in Q2, which we believe indicates modest q/q growth (Nordea: 0% q/q). It appears that live events have been successful and UA has been working well during the quarter. The team has implemented RPG-like elements to the game in Q2 in the form of more personalised characters, which has been well-received by fans.
- ABDB bookings for Q2 have been stable q/q (Nordea: +3% q/q). Rovio has a desire to invest more in the game to enable future growth (new features, development team expansion etc.).
- AB Friends booking for Q2 have also been stable q/q (Nordea: 0% q/q). The company launched a special sustainability-related "Playing for the Planet" tournament over Q2.

- As expected, UA for AB Journey has been clearly below Q1 levels in Q2, leading to lower bookings sequentially for Q2 (Nordea: -5% q/q). The game is, however, making profit at the moment, according to Rovio. Long-term goal is to scale the game to be larger as it is still in its infancy. As communicated earlier, Rovio has today (10 June) launched a TV advertisement campaign for the game in the US.
- The hypercasual portfolio of Ruby Games has had sequentially lower bookings in Q2 (Nordea: +12%), we believe, driven by lack of new game releases. The much-awaited Hunter Assassin 2 continues to be in soft launch, with monetisation mechanics still needing more work prior to global release.
- Moomin: Puzzle & Design (soft launched in December 2021) is in the retention phase of soft launch. According to our understanding, early retention KPIs have looked promising. The game has been soft launched in in the Nordics and Japan, which are the two core market areas for the game, as well as in Poland, Philippines and the US. We have modelled the game's global launch to take place in Q4 2022E.
- There continues to be seven games in the development pipeline, of which we believe Bad Piggies 2 is the next one to soft launch (likely in 2022).

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	289	272	286	342	367	377
EBITDA (adj)	33	65	57	56	67	73
EBIT (adj)	18	47	44	42	54	62
EBIT (adj) margin	6.4%	17.3%	15.3%	12.3%	14.8%	16.4%
EPS (adj, EUR)	0.17	0.48	0.49	0.45	0.57	0.66
EPS (adj) growth	-44.5%	180.7%	4.0%	-9.8%	28.8%	14.1%
DPS (ord, EUR)	0.09	0.12	0.12	0.13	0.14	0.15
EV/Sales	0.9	1.2	1.2	1.5	1.3	1.1
EV/EBIT (adj)	13.5	7.1	8.2	12.0	8.6	6.9
P/E (adj)	26.1	13.3	13.3	18.7	14.5	12.7
P/BV	2.1	2.8	2.4	2.8	2.4	2.1
Dividend yield (ord)	2.0%	1.9%	1.8%	1.6%	1.7%	1.8%
FCF Yield bef A&D, lease adj	1.8%	12.6%	7.7%	4.3%	8.0%	8.6%
Net debt	-110	-129	-126	-109	-144	-183
Net debt/EBITDA	-3.4	-2.2	-2.5	-2.0	-2.2	-2.5
ROIC after tax	30.0%	79.7%	55.9%	33.2%	38.7%	44.9%

Source: Company data and Nordea estimates

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