11 August 2022

Commissioned research: Rovio – Q2 numbers soft on revenue and in line on EBIT; Q3 UA guidance of 25-30% lower than we had expected

Marketing material commissioned by Rovio

Rovio's Q2 revenue of EUR 78.4m came in 5% below consensus and 4% below our estimate whereas adjusted EBIT was bang in line at EUR 11.3m. Games gross bookings grew -6.5% y/y organically (+11% in Q1). Compared to our estimates, all games missed but the miss was relatively larger in Rovio's most recent game launch AB Journey and the Ruby Games' hypercasual portfolio. UA costs for Q2 were slightly lower than we had anticipated at 20.9m (Nordea: 21.7m) at 27.5% of Games revenue after 38% in Q1 22 and 32% in Q2 21. The company reiterated its 2022 guidance for strong top-line growth (consensus: +16%) and lower adjusted EBIT (consensus: -1%) for 2022 y/y. UA costs for Q3 were guided at 25-30% of Games revenue, which is below our estimate of 33% and in our view indicates soft KPIs for AB Journey and the global launch of Hunter Assassin likely not taking place during the quarter. Adjusted EBIT growth for H1 has been 31% y/y, which we believe implies elevated UA for Q4 to support growth as well as ramped up recruitments given increased opportunities for talent after layoffs by other industry players, but we also see a possibility for a EBIT guidance revision later this year. At first take, we expect to keep 2022 EBIT estimates to remain broadly unchanged as a function of weaker-than-expected revenue development and lower-than-expected UA, but 2023 could see downgrades given that the lack of a UA ramp-up relative to our estimates.

Q2 2022 outcome

- Q1 revenue was 5% below Infront consensus estimates, growing by 14% y/y (+27% in Q1). Organically revenue grew by -1% y/y (+12% in Q1).
- Revenue from Games was 4% below our estimate, increasing by 14% y/y (+27% in Q1). Games revenue grew organically by -6.5% y/y (+11% in Q1).
- Adjusted EBIT of EUR 11.3m was in line with consensus and our estimates. Adjusted EBIT margin stood at 14.4% compared to consensus of 13.7%.
- EPS was EUR 0.13 compared to consensus of EUR 0.11.

Games performance

- Games' gross bookings grew by 9% y/y and by -10% q/q.
- User acquisition (UA) investments at EUR 20.9m were slightly below our estimate of EUR 21.7m, i.e. 27.5% of Games revenue compared to 38% in Q1 2022 and 32% in Q2 2021.
- Compared to our estimates, all games missed on revenue but the miss was relatively larger in recent growth initiatives AB Journey and Ruby Games' hypercasual portfolio.

- Rovio's newest game AB Journey (launched on 20 January) generated bookings of EUR 7.5m compared to our estimate of EUR 9.5m and EUR 10.1 in Q1. According to our understanding, UA has been considerably scaled down from Q1 levels and the game's current revenue run-rate for Q3 is below Q2. We believe that the game is profitable, however, at these UA levels. We have estimated gross booking of EUR 44m for 2022 from AB Journey, making it Rovio's third largest game.

- Ruby Games (Hypercasual) brought EUR 4.5m of bookings compared to our estimate of EUR 5.0m. Hunter Assassin 2 continues to progress in soft launch with the addition of a real-time multiplayer mode and a deeper meta system.

Guidance for 2022 intact

- For 2022, Rovio reiterated its guidance for strong top-line growth (consensus +16%) and EBIT lower y/y (consensus -1%).

- UA costs for Q3 guided for 25-30% of Games revenue (Nordea: 33%).

ROVIO: DEVIATION TABLE (EURm AND EUR)

EURm	Actual Q2 22	NDA est. Q2 22E	Deviation vs. actual		Consensus Q2 22E	Deviation vs. actual		Actual Q1 22	q/q	Actual Q2 21	y/y
Revenue	**78.4**	**81.6**	**(3.2)**	**-4%**	**82.6**	**(4.2)**	**-5%**	**85.0**	**-8%**	**68.8**	**14%**
EBITDA	**14.3**	**14.6**	**(0.3)**	**-2%**	**14.2**	**0.1**	**1%**	**11.1**	**29%**	**8.7**	**64%**
Adj. EBITDA	**15.0**	**14.6**	**0.4**	**3%**	**14.2**	**0.8**	**6%**	**13.6**	**10%**	**8.7**	**72%**
- margin	19.1%	17.9%		1.3pp	17.2%		0.0pp	16.0%	3.1pp	12.6%	6.5pp
EBIT	**10.5**	**11.3**	**(0.8)**	**-7%**	**11.3**	**(0.8)**	**-7%**	**7.5**	**40%**	**6.2**	**69%**
Adj. EBIT	**11.3**	**11.3**	**(0.0)**	**0%**	**11.3**	**(0.0)**	**0%**	**10.0**	**13%**	**6.2**	**82%**
- margin	14.4%	13.9%		0.5pp	13.7%		0.7pp	11.8%	2.6pp	9.0%	5.4pp
EPS	**0.13**	**0.12**	**0.01**	**9%**	**0.11**	**0.02**	15%	**0.07**	75%	**0.07**	85%
Gross bookings top 5, EURm	60.8	59.1	2	3%				66.7	-9%	57.0	7%
Gross bookings total, EURm	72.4	79.3	-7	-9%				80.8	-10%	66.6	9%
Games revenue	75.9	79.3	-3	-4%				82.3	-8%	66.4	14%
UAC	20.9	21.7	-1	-4%				31.3	-33%	21.3	-2%
UAC as % of revenue	27.5%	27.4%		0.1pp				38.0%	-10.5pp	32.1%	-4.5pp
DAU top 5, million	3.3	3.7	-0.4	-10%				3.6	-8%	3.1	6%
DAU all, million	6.7	9.7	-3.0	-31%				7.3	-8%	4.2	60%
MAU top 5, million	18.1	17.8	0.3	2%				20.8	-13%	17.1	6%
MAU all, million	45.8	71.9	-26.1	-36%				53.3	-14%	26.0	76%
DAU/MAU top 5, %	18.2%	20.5%		-2.3pp				17.3%	0.9pp	18.1%	0.1pp
DAU/MAU all 5, %	14.6%	13.5%		1.1pp				13.7%	0.9pp	16.2%	-1.5pp
MUP top 5, thousand	390.0	396.9	-6.9	-2%				464.0	-16%	397.0	-2%
MUP all, thousand	444.0	704.6	-260.6	-37%				522.0	-15%	455.0	-2%
ARPDAU top 5, EUR	0.20	0.18	0.02	13%				0.21	-5%	0.20	0%
ARPDAU all, EUR	0.12	0.09	0.03	34%				0.12	0%	0.17	-29%
MARPPU top 5, EUR	45.5	49.6	-4.1	-8%				41.9	9%	41.7	9%
MARPPU all, EUR	44.7	37.5	7.2	19%				41.5	8%	42.5	5%

Source: Company data, Nordea estimates and Infront

ROVIO: GROSS BOOKINGS PER GAME

EURm	Actual Q2 22	NDA est. Q2 22	Deviation vs. actual		Actual Q1 22	q/q	Actual Q2 21	y/y
AB2	28.4	30.9	-2.5	-8%	30.3	-6%	26.6	7%
ABDB	14.1	14.9	-0.8	-5%	14.9	-5%	15.0	-6%
AB Friends	9.1	9.3	-0.2	-2%	9.3	-2%	8.3	10%
AB Journey	7.3	9.5	-2.2	-23%	10.1	na	0.0	na
Hypercasual	4.5	5.0	-0.5	-10%	6.1	-26%	0.0	n.a.
Other	9.0	9.7	-0.7	-7%	10.1	-11%	16.7	-46%

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	289	272	286	338	358	365
EBITDA (adj)	33	65	57	55	63	67
EBIT (adj)	18	47	44	41	51	56
EBIT (adj) margin	6.4%	17.3%	15.3%	12.3%	14.2%	15.4%
EPS (adj, EUR)	0.17	0.48	0.49	0.44	0.54	0.59
EPS (adj) growth	-44.5%	180.7%	4.0%	-11.0%	22.2%	10.5%
DPS (ord, EUR)	0.09	0.12	0.12	0.13	0.14	0.15
EV/Sales	0.9	1.2	1.2	1.2	1.0	0.9
EV/EBIT (adj)	13.5	7.1	8.2	9.6	7.2	5.9
P/E (adj)	26.1	13.3	13.3	15.7	12.8	11.6
P/BV	2.1	2.8	2.4	2.3	2.0	1.8
Dividend yield (ord)	2.0%	1.9%	1.8%	1.9%	2.0%	2.2%
FCF Yield bef A&D, lease adj	1.8%	12.6%	7.7%	5.1%	9.2%	9.5%
Net debt	-110	-129	-126	-108	-141	-175
Net debt/EBITDA	-3.4	-2.2	-2.5	-2.1	-2.2	-2.6
ROIC after tax	30.0%	79.7%	55.9%	32.7%	36.2%	40.7%

Source: Company data and Nordea estimates

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