

6 February 2023

Commissioned research: Rovio – Announces a strategic review and preliminary non-binding discussions with certain parties in relation to a potential tender offer

Marketing material commissioned by Rovio

This morning Rovio announced that its Board of Directors has decided to commence strategic review following expressions of interest and indicative non-binding proposals to acquire Rovio. The Board has decided to enter into preliminary non-binding discussions with certain parties, including Playtika (who offered EUR 9.05 per share on 19 January), in relation to a potential tender offer for Rovio's shares. In our view, this confirms that the Board is open for an acquisition and based on the release we can now assign a higher probability for competing bids. We believe that Rovio is likely to appear as an attractive asset for many due to its strong IP and as companies could look to M&A as means of user acquisition after Apple's privacy changes. Potentially interested parties aside from Playtika could include, but not be limited to EA, Take-Two, Sony, Netflix or Disney, we believe. We still argue that a sale to Playtika is unlikely to be accepted given Playtika's questionable reputation as a buyer and its historical cultural clashes with its prior Finnish acquisitions (Seriously, Reworks). We still consider Playtika's offer price of EUR 9.05 as fairly attractive for investors with a shorter time horizon. The implied EV/EBITDA multiple corresponds to 9.9x on our 2023 estimates, which compares to western mobile gaming peers currently trading at a median of 5.5x and the sector five-year average NTM multiple of 9.7x. In 2018-19, the sector traded at an average NTM multiple of 9.3x. However, we note that M&A deal multiples have historically climbed up to ~20-25x EV/EBITDA for example on Take-Two's acquisition of Zynga in 2022 and on EA's acquisition of Glu Mobile in 2021.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	289	272	286	318	313	332
EBITDA (adj)	33	65	57	53	53	57
EBIT (adj)	18	47	44	39	40	46
EBIT (adj) margin	6.4%	17.3%	15.3%	12.2%	12.9%	13.9%
EPS (adj, EUR)	0.17	0.48	0.49	0.46	0.43	0.49
EPS (adj) growth	-44.5%	180.7%	4.0%	-7.4%	-6.1%	13.7%
DPS (ord, EUR)	0.09	0.12	0.12	0.13	0.14	0.15
EV/Sales	0.9	1.2	1.2	1.3	1.3	1.1
EV/EBIT (adj)	13.5	7.1	8.2	10.9	9.8	8.0
P/E (adj)	26.1	13.3	13.3	16.1	17.1	15.0
P/BV	2.1	2.8	2.4	2.5	2.3	2.1
Dividend yield (ord)	2.0%	1.9%	1.8%	1.8%	1.9%	2.0%
FCF Yield bef A&D, lease adj	1.8%	12.6%	7.7%	6.8%	7.1%	7.5%
Net debt	-110	-129	-126	-119	-144	-171
Net debt/EBITDA	-3.4	-2.2	-2.5	-2.6	-2.7	-3.0
ROIC after tax	30.0%	79.7%	55.9%	30.5%	28.9%	33.5%

Source: Company data and Nordea estimates

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