

9 February 2023

Commissioned research: Rovio – Guiding for a stable 2023*Marketing material commissioned by Rovio*

Rovio reported Q4 revenue 2% below Modular Finance consensus. Adjusted EBIT of EUR 5.9m missed by 18% relative to consensus of EUR 7.2m. The miss on EBIT is mainly accounted for lower-than-expected top-line and user acquisition (UA) investments being slightly higher than anticipated, we argue. Games' gross bookings grew by -7.9% y/y and by 5.4% q/q organically. This compares to mobile gaming market growth of -7% y/y globally and -11% y/y in the US in Q4. User acquisition (UA) investments at EUR 23.3m were above our estimate of EUR 22.4m, i.e. 31.3% of Games revenue (Nordea: 30.4% / consensus: 30.7%) compared to 28.7% in Q3 2022 and 26.9% in Q4 2021. UA increased for ABDB in particular. Rovio expects 2023 to be a stable year for the mobile gaming market. The company guides for its comparable revenue and adjusted EBIT to be flat y/y in 2023. Modular Finance consensus has been looking for 1% revenue growth and 5% adjusted EBIT growth for 2023 relative to 2022 figures. UA investments in Q1 2023 are expected to be 29-34% of Games revenue (Nordea 26.0%). Despite of the Q4 report implying some downside to consensus estimates, we believe the share price will be more driven by takeover speculation in the near-term.

Q4 2022 outcome

- Q4 revenue was 2% below Modular Finance consensus estimates, declining by 3% y/y (+8% in Q3). Organically revenue declined by 10% y/y (-5% in Q3).
- Revenue from Games was 1% above our estimate, declining by 3% y/y (+8% in Q3).
- Adjusted EBIT of EUR 5.9m was 18% (EUR 1.3m) below consensus and 12% above our estimates. Adjusted EBIT margin stood at 7.7% compared to consensus of 13.2%. Increased UA, lower ad revenue and higher headcount impacted profitability negatively. Reported EBIT of EUR 2.0 was burdened by EUR 4.6m one-off related to a lawsuit settlement in New Mexico.
- EPS was EUR 0.00 compared to consensus of EUR 0.06.
- Dividend proposal was EUR 0.13, in line with consensus of EUR 0.13.

Games performance and commentary

- Games' gross bookings grew by -7.9% y/y and by 5.4% q/q organically. This compares to mobile gaming market growth of -7% globally and -11% in the US in Q4 y/y.
- UA investments at EUR 23.3m were above our estimate of EUR 22.4m, i.e. 31.3% of Games revenue (Nordea: 30.4% / consensus: 30.7%) compared to 28.7% in Q3 2022 and 26.9% in Q4 2021. UA was increased for ABDB in particular, given the good returns on campaigns.
- ABDB beat our booking estimate by 9%, whereas other games were in line or missed. ABDB grew its gross booking impressively by 33% y/y.
- Ruby Games (Hypercasual) brought EUR 2.7m of bookings compared to our estimate of EUR 2.5m.
- Rovio currently has four games in soft launch: Moomin: Puzzle & Design and three hybrid-casual games developed by Ruby Games, namely Wizard Hero and two new Hunter Assassin games – a multiplayer game Hunter Heroes and a single player game Hunter Assassin 2.

Guidance for 2023 indicates flat revenue and adjusted EBIT

- Rovio expects its comparable revenue and adjusted EBIT to be flat y/y in 2023. Modular Finance consensus has been looking for 1% revenue growth and 5% adjusted EBIT growth for 2023 relative to 2022 figures.
- UA investments in Q1 2023 are expected to be 29-34% of Games revenue (Nordea 26.0%).

The company provided the following outlook for its live games for Q1 compared to Q4

- Angry Birds 2 (Nordea Q1E: -2% q/q): softer due to seasonality and weaker cohorts of new users; the solid performance of older cohorts is expected to continue, but new cohorts have been weaker, so we are optimizing both user acquisition and the game for new players.
- Angry Birds Dream Blast (Nordea Q1E: -3% q/q): strong, as we have a good momentum in the game's performance, which allows us to invest more in user acquisition.
- Angry Birds Friends (Nordea Q1E: -3% q/q): stable.
- Angry Birds Journey (Nordea Q1E: +9% q/q): stable.
- Ruby Games (Nordea Q1E: +24% q/q): The hypercasual space is volatile by nature, and currently working against a headwind. Ruby Games has a clear focus to transition to hybrid-casual games, with 3 games in soft launch.

ROVIO: DEVIATION TABLE (EURm AND EUR)

	Actual	NDA est.	Deviation	Consensus	Deviation	Actual	Actual		
EURm	Q4 22	Q4 22E	vs. actual	Q4 22E	vs. actual	Q3 22	q/q	Q4 21	y/y
Revenue	76.9	76.7	0.2	0%	78.4	(1.5)	-2%	77.4	-1%
EBITDA	5.7	8.6	(2.9)	-34%	10.4	(4.7)	-45%	12.2	-53%
Adj. EBITDA	9.6	8.6	1.0	12%	10.6	(1.0)	-9%	15.6	-38%
- margin	12.5%	11.2%	1.3pp	13.5%	0.0pp	20.1%	-7.6pp	20.9%	-8.4pp
EBIT	2.0	5.3	(3.3)	-62%	7.0	(5.0)	-71%	8.6	-77%
Adj. EBIT	5.9	5.3	0.6	12%	7.2	(1.3)	-18%	12.1	-51%
- margin	7.7%	6.9%	0.8pp	9.2%	-1.5pp	15.6%	-8.0pp	16.6%	-8.9pp
EPS	0.00	0.06	(0.06)	-100%	0.09	-0.09	-100%	0.10	-100%
DPS	0.13	0.13	-	0%	0.12	0.01	8%	0.12	8%
Gross bookings top 5, EURm	65.2	64.5	1	1%				70.8	-8%
Gross bookings total, EURm	74.0	73.8	0	0%				72.4	2%
Games revenue	74.4	73.8	1	1%				74.2	0%
UAC	23.3	22.4	1	4%				21.3	9%
UAC as % of Games revenue	31.3%	30.4%	1.0pp	30.7%	0.6pp	28.7%	2.6pp	26.9%	4.4pp
DAU top 5, million	3.2	3.3	-0.1	-2%				3.1	3%
DAU all, million	6.3	8.0	-1.7	-21%				6.3	0%
MAU top 5, million	18.9	18.4	0.5	3%				17.4	9%
MAU all, million	43.7	55.8	-12.1	-22%				42.1	4%
DAU/MAU top 5, %	16.9%	17.8%	-0.9pp					17.8%	-0.9pp
DAU/MAU all 5, %	14.4%	14.3%	0.2pp					15.0%	-0.5pp
MUP top 5, thousand	409.0	410.3	-1.3	0%				385.0	6%
MUP all, thousand	454.0	546.5	-92.5	-17%				435.0	4%
ARPPU top 5, EUR	0.22	0.21	0.01	3%				0.22	0%
ARPPU all, EUR	0.13	0.10	0.03	29%				0.13	0%
MARPPU top 5, EUR	46.3	52.4	-6.1	-12%				46.3	0%
MARPPU all, EUR	45.5	45.0	0.5	1%				45.6	0%

Source: Company data, Nordea estimates and Modular Finance

ROVIO: GROSS BOOKINGS PER GAME

Revenue Breakdowns - Per Game							
	Actual	NDA est.	Deviation		Actual	Actual	
EURm	Q4 22	Q4 22E	vs. actual		Q3 22	q/q	Q4 21
AB2	28.6	29.2	-0.6	-2%	28.7	0%	29.5
ABDB	21.6	19.8	1.8	9%	17.6	23%	16.2
AB Friends	8.8	8.9	-0.1	-1%	8.4	5%	9.3
AB Journey	4.4	5.0	-0.6	-13%	5.1	-14%	3.1
Hypercasual	2.7	2.9	-0.2	-8%	2.5	8%	4.1
Other	7.9	8.0	-0.1	-1%	10.1	-22%	11.8

Source: Company data and Nordea estimates

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	1.6	1.6	1.4
EV/EBIT (adj)	13.5	7.1	8.2	13.5	12.3	10.2
P/E (adj)	26.1	13.3	13.3	19.1	20.3	17.9
P/BV	2.1	2.8	2.4	3.0	2.7	2.4
Dividend yield (ord)	2.0%	1.9%	1.8%	1.5%	1.6%	1.7%
FCF Yield bef A&D, lease adj	1.8%	12.6%	7.7%	5.7%	6.0%	6.3%
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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Nordea analyst: Felix Henriksson

Felix Henriksson

Analyst, TMT

Nordea | Investment Banking & Equities | Equity Research FI

Visit me: Aleksis Kiven katu 7, 00500 HELSINKI

Write to me: Fleminginkatu 27, 00020 Nordea

Tel: +358 953008453 | Mob: +358 504104854

E-mail: felix.henriksson@nordea.com

Web: nordeamarkets.com

Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

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