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Commissioned research: Rovio – Concludes takeover discussions with Playtika, but continues the strategy review

Marketing material commissioned by Rovio

Rovio's Board of Directors today confirmed that the preliminary discussions with Playtika in connection with Rovio's strategic review have now ended. The Board stated that it continues the strategic review, including preliminary non-binding discussions with certain other parties, in order to reach the best possible outcome for Rovio and its shareholders. We are not surprised by the outcome given Playtika's questionable reputation as a buyer and its historical cultural clashes with its prior Finnish acquisitions (Seriously, Reworks). We believe that Rovio is likely to appear as an attractive asset for other potential bidders due to its strong IP and as companies could look to M&A as means of user acquisition after Apple's privacy changes. According to an article on Mergermarket from 16 March that cited sources familiar with the matter, Rovio has engaged in regular dialogue with parties for several weeks. According to the article, Playrix, Disney and Netflix are among the interested industrial buyers. Apparently Tencent had also shown interest in Rovio, but the company decided but dropped out from the process. Private equity companies such as KKR, The Raine Group and Haveli Investments were reported to be around the process as well, but they have dialled down interest due to lofty valuation after Playtika's bid. Ultimately, a the success of a takeover will boil down to a decision by the Hed family, which owns 39% of Rovio shares.

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	272	286	318	317	337	354
EBITDA (adj)	65	57	54	51	57	62
EBIT (adj)	47	44	39	39	46	53
EBIT (adj) margin	17.3%	15.3%	12.3%	12.3%	13.6%	14.9%
EPS (adj, EUR)	0.48	0.49	0.46	0.41	0.49	0.56
EPS (adj) growth	180.7%	4.0%	-7.7%	-9.3%	17.6%	14.9%
DPS (ord, EUR)	0.12	0.12	0.13	0.14	0.15	0.16
EV/Sales	1.2	1.2	0.9	1.2	1.1	0.9
EV/EBIT (adj)	7.1	8.2	7.2	9.9	7.9	6.3
P/E (adj)	13.3	13.3	13.3	18.9	16.1	14.0
P/BV	2.8	2.4	2.0	2.3	2.1	1.9
Dividend yield (ord)	1.9%	1.8%	2.1%	1.8%	1.9%	2.0%
FCF Yield bef A&D, lease adj	12.6%	7.7%	9.6%	6.4%	7.1%	7.6%
Net debt	-129	-126	-165	-189	-216	-245
Net debt/EBITDA	-2.2	-2.5	-3.8	-3.7	-3.8	-3.9
ROIC after tax	79.7%	55.9%	37.8%	41.2%	49.9%	57.6%

Source: Company data and Nordea estimates

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