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Commissioned research: Rovio – In talks with Sega regarding a potential tender offer – the rumored acquisition price presents a 40% premium to Friday's close

Marketing material commissioned by Rovio

According an article by the Wall Street Journal on Friday night 14 April, Japanese gaming company Sega is nearing a deal to acquire Rovio for about USD 1bn (EUR 901m). According to people familiar with the matter, Sega could finalize the deal early this week. On Saturday 15 April, Rovio confirmed that it is indeed in discussions with Sega regarding a possible tender offer. The rumored acquisition price would imply a share price of EUR 10.85, i.e. a 40% premium to Friday's close (EUR 7.775). Taking into consideration Rovio's net cash, the potential deal would value Rovio at an EV of EUR 736m, corresponding to 2.3x EV/sales, 14.4x EV/EBITDA and 18.9x EV/EBIT multiples on our 2023 estimates. Western mobile gaming peers are currently trading at a median EV/EBITDA of 5.1x for 2023E. The sector five-year average NTM EV/EBITDA is 9.4x and Rovio's five-year average NTM EV/EBITDA is 7.5x. Given the premium to peer and historical valuations as well as near-term headwinds for the mobile gaming market (e.g. Apple's privacy changes, weakening macroeconomic backdrop), the rumored offer price can be considered very attractive. With Sega representing a much friendlier acquirer relative to Playtika who got turned down by Rovio, we believe there is a good likelihood that the potential deal would be completed. In our view, Rovio would fit extremely well to Sega's strategy, given that Angry Birds would add a strong western IP to Sega, which could be monetized with the successful transmedia roadmap used for Sega's blockbuster IP Sonic The Hedgehog. The deal would also increase Sega's exposure to the mobile gaming market, which has been the company's ambition.

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	1.0	0.9
EV/EBIT (adj)	7.1	8.2	7.2	9.6	7.6	6.1
P/E (adj)	13.3	13.3	13.3	18.6	15.8	13.7
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%	2.0%	2.1%
FCF Yield bef A&D, lease adj	12.6%	7.7%	9.6%	6.6%	7.3%	7.8%
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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