Nordea

Commissioned Equity Research

Flash comment

17 April 2023

Commissioned research: Rovio – Sega announced a bid on Rovio at EUR 9.25 per share

Marketing material commissioned by Rovio

Sega has announced a recommended cash offer of EUR 9.25 per share to the shareholders and EUR 1.48 per option to the option holders of Rovio. This implies EUR 706m equity value and EUR 540m enterprise value, we calculate. Rovio's Board of Directors has unanimously agreed to recommend to accept the offer. Shareholders in Rovio who in aggregate hold 49.1% of shares and votes (includes the Hed family) have irrevocably undertaken to accept the offer. The offer price implies a 19% premium to Friday's close and values Rovio at 10.6x EV/EBITDA for 2023E versus western mobile gaming peers currently trading at 5.1x for 2023E and Rovio's past 5-year average NTM EV/EBITDA of 7.5x. Sega has EUR ~680m of net cash so we do not see financing to be an issue for the deal. Although the offer price is lower compared to media speculations (but higher than the EUR 9.05 bid by Playtika), we see a good likelihood for the deal to go through given the 1) support from the BoD and the shareholder base, 2) valuation premium to peers and historical levels and 3) headwinds faced by the mobile gaming market in the near-term. The completion of the offer is subject to Sega having acceptances in respect of more than 90% of shares and votes in Rovio on a fully diluted basis. The offer period is expected to commence on or about May 8, 2023, and to expire on or about July 3, 2023. The deal is currently expected to be completed during the third quarter of 2023.

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	9.8	7.7	6.2
P/E (adj)	13.3	13.3	13.3	18.8	15.9	13.9
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%	2.1%
FCF Yield bef A&D, lease adj	12.6%	7.7%	9.6%	6.5%	7.2%	7.7%
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

Completion date: 17/04/2023 08:43:17 CET

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