

28 April 2023

## Commissioned research: Rovio – Q1 EBIT in line with consensus; outlook for 2023 reiterated

*Marketing material commissioned by Rovio*

Rovio reported Q1 revenue 2% below Modular Finance consensus and adjusted EBIT bang in line. Compared to our forecasts, revenue was in line and adjusted EBIT was 12% above. Bookings from ABDB exceeded our estimates by 11%, while other games missed our estimates. Games' gross bookings grew by -13.6% y/y organically (Q4: -7.9%; Nordea -11.4%). User acquisition (UA) investments at EUR 23.9m were above our estimate of EUR 23.5m, i.e. 32.3% of Games revenue (Nordea: 31.7%; consensus: 31.8%) compared to 31.3% in Q4 2022 and 38.0% in Q1 2022. Rovio continues to expect 2023 to be a stable year for the mobile gaming market. The company reiterates its guidance for comparable revenue (consensus: 0%) and adjusted EBIT (consensus: +1%) to be flat y/y in 2023. UA costs for Q2 were guided at 27-32% of Games revenue (Nordea: 26.6%). Regarding the Q2 outlook for key games, Rovio states that it is working on a turnaround for AB2 and AB Journey, March was the best month ever for ABDB and AB Friends is witnessing quite stable development. We expect limited consensus revisions on the back of the report. The share price is driven by the recent takeover bid by Sega rather than earnings momentum. We continue to believe that Sega's EUR 9.25 per share recommended cash offer will go through given the support from the BoD and the shareholder base, implied valuation premium to peers and historical levels and the headwinds faced by the mobile gaming market in the near-term. Given Rovio's strategy review and discussions with potential suitors ahead of Sega's bid, we believe a competing offer is unlikely at this point.

## ROVIO: DEVIATION TABLE (EURm AND EUR)

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q1 23	Q1 23E	vs. actual		Q1 23E	vs. actual	Q4 22	q/q	Q1 22	y/y	
Revenue	76.0	76.2	(0.2)	0%	77.6	(1.6)	-2%	76.9	-1%	85.0	-11%
EBITDA	12.1	10.9	1.2	11%	11.3	0.8	7%	5.7	112%	11.1	9%
Adj. EBITDA	12.1	10.9	1.2	11%	11.8	0.3	3%	9.6	26%	13.6	-11%
- margin	15.9%	14.3%		1.6pp	15.2%		0.0pp	12.5%	3.4pp	16.0%	-0.1pp
EBIT	8.8	7.9	0.9	12%	8.3	0.5	6%	2.0	340%	7.5	17%
Adj. EBIT	8.8	7.9	0.9	12%	8.8	-	0%	5.9	49%	10.0	-12%
- margin	11.6%	10.3%		1.3pp	11.3%		0.2pp	7.7%	3.9pp	11.8%	-0.2pp
EPS	0.10	0.08	0.02	21%	0.09	0.01	11%	0.00	7318%	0.07	35%
Gross bookings top 5, EURm	63.7	65.1	-1	-2%				65.2	-2%	66.7	-4%
Gross bookings total, EURm	72.0	73.9	-2	-3%				74.0	-3%	80.8	-11%
Games revenue	73.9	73.9	0	0%				74.4	-1%	82.3	-10%
UAC	23.9	23.5	0	2%				23.3	3%	31.3	-24%
UAC as % of Games revenue	32.3%	31.7%		0.6pp	31.8%		0.5pp	31.3%	1.0pp	38.0%	-5.7pp

Source: Company data, Nordea estimates and Modular Finance

## ROVIO: GROSS BOOKINGS PER GAME

EURm	Actual	NDA est.	Deviation		Actual	Actual		
	Q1 23	Q1 23E	vs. actual		Q4 22	q/q	Q1 22	y/y
AB2	24.8	27.8	-3.0	-11%	28.6	-13%	30.3	-18%
ABDB	24.9	22.5	2.4	11%	21.6	15%	14.9	67%
AB Friends	8.6	8.8	-0.2	-2%	8.8	-2%	9.3	-8%
AB Journey	3.6	4.4	-0.8	-18%	4.4	-18%	10.1	na
Hypercasual	2.8	2.9	-0.1	-4%	2.7	4%	6.1	n.a.
Other	7.3	7.6	-0.3	-4%	7.9	-8%	10.1	-28%

Source: Company data, Modular Finance and Nordea estimates

## 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	1.6	1.4	1.2
EV/EBIT (adj)	7.1	8.2	7.2	12.7	10.2	8.3
P/E (adj)	13.3	13.3	13.3	22.4	19.1	16.6
P/BV	2.8	2.4	2.0	2.8	2.5	2.3
Dividend yield (ord)	1.9%	1.8%	2.1%	1.5%	1.6%	1.7%
FCF Yield bef A&D, lease adj	12.6%	7.7%	9.6%	5.4%	6.0%	6.4%
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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