

## Profitability surpassed expectations

Next Games' net sales in H1 amounted to EUR 14.4m, slightly above our estimate (EUR 13.8m Evli). Gross bookings amounted to EUR 14.2m (Evli EUR 13.8m). The adj. EBIT was clearly better than expected at EUR 0.1m (EUR -2.4m Evli).

- Net sales in H1 were EUR 14.4m (EUR 19.2m in H1/19), slightly above our estimate (EUR 13.8m Evli). Net sales in H1 declined 25% y/y. Compared to our estimates, revenue was better than expected due to better than anticipated performance of No Man's Land.
- The adj. operating profit in H1 amounted to EUR 0.1m (EUR -1.8m in H1/19), clearly better than we had expected (EUR -2.4m Evli). The EBITDA of publishing operations in H1 amounted to EUR 3.4m. Research and development expenditure amounted to EUR 3.3m.
- EBIT amounted to EUR -1.6m (H1/19: -3.5m), clearly above our estimate of EUR -4.0m.
- TWD: NML (Q1/Q2) - DAU 162k/158k (225k/190k), MAU 483k/463k (669k/540k), ARPDau EUR 0.27/0.28 (0.22/0.22).
- TWD: OW (Q1/Q2)- DAU 83k/70k (211k/155k), MAU 309k/246k (982k/602k), ARPDau EUR 0.50/0.51 (0.29/0.37).
- Games in development: Blade Runner Rogue continues in development, with the rest of the major updates planned for this year. The Stranger Things game is planned to be brought to the market in stages during Q4/20.
- **Outlook updated:** Revenue from already published titles expected to continue on flat or declining trend. Publishing operations EBITDA expected to improve clearly in 2020 compared with 2019. Next Games expects to start scaling 1-2 games during 2020.

**Rating** ■ SELL

| H1/20     | Act. | Evli | H1/19 |
|-----------|------|------|-------|
| Net sales | 14.4 | 13.8 | 19.2  |
| EBIT      | -1.6 | -4.0 | -3.5  |
| EBIT adj. | 0.1  | -2.4 | -1.8  |

| Deviation | Act. | Evli | H1/19 |
|-----------|------|------|-------|
| Net sales |      | 4%   | -25%  |
| EBIT      |      | 60%  | 54%   |
| EBIT adj. |      | -    | -     |

 Share price, EUR (Last trading day's closing price) **1.49**

 Target price, EUR **0.9**

|                              |                            |
|------------------------------|----------------------------|
| Latest change in             | 24-Aug-20                  |
| Latest report on company     | 24-Aug-20                  |
| Research paid by issuer:     | YES                        |
| No. of shares outstanding,   | 27,909                     |
| No. of shares fully diluted, | 27,909                     |
| Market cap, EURm             | 42                         |
| Free float, %                | 45.0                       |
| Exchange rate                | 0.000                      |
| Reuters code                 | NXTGMS.HE                  |
| Bloomberg code               | NXTGMS FH                  |
| Average daily volume, EURm   | 0.04                       |
| Next interim report          | 28-Aug-20                  |
| Web site                     | nextgames.com/ng/investors |

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+ BUY □ HOLD ■ SELL

### PRE-REPORT KEY FIGURES

|                          | Sales<br>EURm | EBIT<br>EURm | EBIT<br>% | FCF<br>EURm | EPS<br>EUR              | P/E<br>(x) | EV/Sales<br>(x) | EV/EBIT<br>(x)        | FCF yield<br>% | DPS<br>EUR |
|--------------------------|---------------|--------------|-----------|-------------|-------------------------|------------|-----------------|-----------------------|----------------|------------|
| 2018                     | 35.2          | -16.9        | -48.0%    | -13.8       | -0.97                   | -1.1       | 0.5             | -1.1                  | -70.0          | 0.00       |
| 2019                     | 34.7          | -7.4         | -21.4%    | -7.1        | -0.30                   | -3.0       | 0.6             | -3.0                  | -28.5          | 0.00       |
| 2020E                    | 33.3          | -10.5        | -31.5%    | -11.6       | -0.39                   | -3.8       | 1.5             | -4.8                  | -27.8          | 0.00       |
| 2021E                    | 63.9          | 0.4          | 0.7%      | 0.7         | 0.00                    | -331.5     | 0.8             | 113.0                 | 1.8            | 0.00       |
| 2022E                    | 75.1          | 2.6          | 3.5%      | 1.4         | 0.06                    | 27.0       | 0.6             | 18.7                  | 3.3            | 0.00       |
| Market cap, EURm         |               |              |           | 42          | BV per share 2020E, EUR |            | 72.9            | CAGR EPS 2019-22, %   |                | 0.0        |
| Net debt 2020E, EURm     |               |              |           | 9           | Price/book 2020E        |            | 3.5             | CAGR sales 2019-22, % |                | 29.3       |
| Enterprise value, EURm   |               |              |           | 50          | Dividend yield 2020E, % |            | 0.0             | ROE 2020E, %          |                | -62.4      |
| Total assets 2020E, EURm |               |              |           | 30          | Tax rate 2020E, %       |            | 0.0             | ROCE 2020E, %         |                | -41.7      |
| Goodwill 2020E, EURm     |               |              |           | 3           | Equity ratio 2020E, %   |            | 39.8            | PEG, P/E 20/CAGR      |                | 0.0        |

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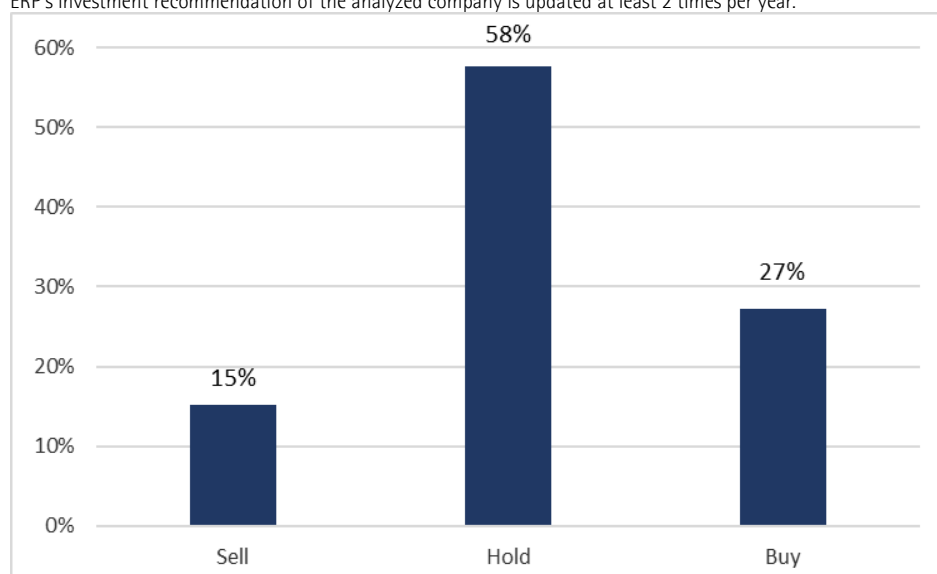
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|--------------------------------------|----------------|
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| -10 – (+10) %                        | HOLD           |
| > 10 %                               | BUY            |

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