

A lot to expect in the near future

Next Games held its CMD on November 25th, releasing what in our view are very ambitious financial targets. The CMD confirmed continued commitment to publishing IP based games and a more sound and calculated approach to scaling games. The revised guidance for 2020 brought some good news for profitability expectations.

Ambitious mid-term financial targets

Next Games held its Capital Markets Day on November 25th. The most surprising content was the mid-term (our interpretation 3-5 years) financial targets of achieving annual revenue of EUR 250m and EBITDA and EBIT-margins of over 23% and 18% respectively. Given current financial performance we consider these targets very ambitious. The Stranger Things -game is set to launch in selected markets during the end of the year and Blade Runner Rogue during Q1/2021. Growth expectations are clearly set on the former, while the latter is quite as expected looking to be more of a niche game.

Guidance revised, positive news on profitability

Next Games also revised its guidance for 2020, now expecting revenue of EUR 26-28m and to be EBITDA positive. The revenue guidance is below our previous estimate (EUR 30.7m) but the profitability expectation was a positive surprise. We had assumed a slightly larger contribution of new games and also expect that Our World is continuing to face challenges. We adjust our 2020 revenue and EBITDA estimates to EUR 28m and EUR 1.1m respectively. We expect growth of 80% in 2021 driven primarily by the Stranger Things -game but note that visibility is extremely limited.

SELL with a target price of EUR 1.6 (1.2)

On our estimates Next Games trades at a clear discount to peers on 2021-2022 EV/sales multiples. Risks are however substantial, as 62% of our estimated 2021 revenue stems from not yet published games. On the positive profitability news and increased confidence in a more careful and sustainable scaling approach we raise our TP to EUR 1.6 (1.2), SELL-rating intact.

Rating

■ SELL



Share price, EUR (Last trading day's closing price) 2.52

Target price, EUR 1.6

Latest change in 24-Aug-20

Latest report on company 31-Aug-20

Research paid by issuer: YES

No. of shares outstanding, 27,984

No. of shares fully diluted, 27,984

Market cap, EURm 71

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 -

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS 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	28.0	-2.9	-10.2%	-4.7	-0.12	-21.9	2.6	-25.4	-6.7	0.00
2021E	50.5	-2.3	-4.6%	-0.6	-0.07	-34.3	1.4	-31.7	-0.8	0.00
2022E	78.8	4.2	5.3%	3.9	0.11	23.0	0.9	16.7	5.5	0.00
Market cap, EURm			71	Gearing 2020E, %			9.8	CAGR EPS 2019-22, %		0.0
Net debt 2020E, EURm			2	Price/book 2020E			3.6	CAGR sales 2019-22, %		31.5
Enterprise value, EURm			73	Dividend yield 2020E, %			0.0	ROE 2020E, %		-15.2
Total assets 2020E, EURm			29	Tax rate 2020E, %			3.2	ROCE 2020E, %		-11.7
Goodwill 2020E, EURm			3	Equity ratio 2020E, %			66.5	PEG, P/E 20/CAGR		0.0

All the important disclosures can be found on the last pages of this report.

The Stranger Things -game is the current big thing. Pipeline appears interesting, but information is still limited

Next Games announced that the Stranger Things- game will be available in December 2020 in the App Store and Google Play Store in selected markets. A large team is working on the game and will remain as revenue starts scaling. The game is classified as a growth game in the game life-cycle management framework, where a majority of company UA resources are devoted to. The Blade Runner Rogue game will be opening in main markets in Q1/2021. The company noted that dedicated employee resources would be somewhat similar to No Man's Land and as previously, we expect a more niche type game and lower growth ambitions. Next Games announced that it has three different projects in various stages of development. The games have IP's assigned to them, all three of them different and with different companies.

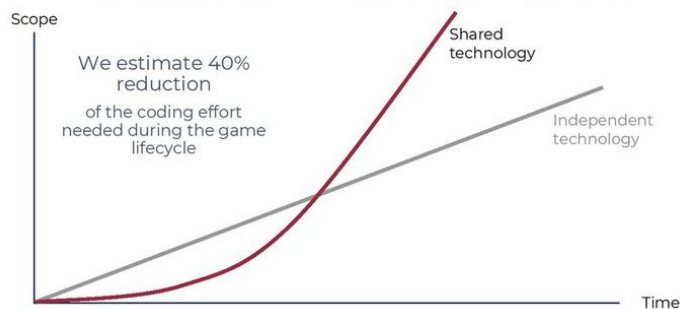
Figure 1: Next Games game portfolio and pipeline in 2021



Source: Next Games

Next Games' new management team held presentations in their respective areas, with the in our view highlighted themes among others being the future benefits of the made investments into technology, usage of data to, scaling and UA/ROI optimisation, and benefits of and commitment to the IP based strategy.

Development of multiple games



Source: Next Games

The company noted that technology investments are paying off in terms of code reusability and reduction in time used on developing new projects. Technology investments will continue but to our understanding growth will be much more limited compared with revenue, with the larger investments that have been made in earlier years.

The company also thoroughly presented its thoughts on scaling new games and optimizing UA expenditure and the importance of organic uplift. With the future launch of the Stranger Things -game, we got the impression that Next Games is looking to take a more conservative approach to scaling, more similar to that of No Man's Land as opposed to the Our World launch. We view this approach as more favourable as although Next Games has in the near past managed to remain cash neutral an aggressive strategy would severely strain the cash position and with a solid hold on the IP Next Games should not be in any rush to scale aggressively.

What exponential scaling looks like



Source: Next Games

Next Games	2018	H1/19	H2/19	2019	H1/20	H2/20E	2020E	2021E	2022E
Net sales	35.2	19.2	15.5	34.7	14.4	13.6	28.0	50.5	78.8
<i>change, %</i>	9%	83%	-38%	-2%	-25%	-12%	-19%	80%	56%
Cost of revenue	-14.0	-8.0	-7.1	-15.0	-6.8	-6.0	-12.8	-22.2	-34.7
Gross profit	21.3	11.3	8.4	19.7	7.6	7.6	15.2	28.3	44.2
<i>-margin, %</i>	60%	59%	54%	57%	53%	56%	54%	56%	56%
Other operating income	0.1	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.0
R&D costs	-7.5	-3.3	-3.3	-6.6	-2.6	-2.4	-5.0	-6.0	-7.0
Sales and marketing costs	-26.8	-9.8	-7.8	-17.6	-5.0	-5.0	-10.0	-21.0	-29.0
Admin costs	-4.0	-1.6	-1.3	-3.0	-1.9	-1.5	-3.4	-3.6	-4.0
EBIT	-16.9	-3.5	-3.9	-7.4	-1.6	-1.3	-2.9	-2.3	4.2
<i>-margin, %</i>	-48%	-18%	-25%	-21%	-11%	-9%	-10%	-5%	5%
Depreciations	1.7	1.5	1.5	2.9	1.5	1.5	3.0	3.0	3.0
IFRS 2 adjustment	1.5	0.2	0.3	0.5	0.3	0.3	0.5	0.5	0.5
Adj. operating result	-13.8	-1.8	-2.2	-4.0	0.1	0.5	0.6	1.2	7.7
<i>-margin, %</i>	-39%	-9%	-14%	-11%	1%	4%	2%	2%	10%
Publishing operations									
EBITDA	0.5	2.3	1.5	3.8	3.4	3.4	6.8	8.9	16.8

Next Games	2018	H1/19	H2/19	2019	H1/20	H2/20E	2020E	2021E	2022E
DAU (m)	0.46	0.39	0.30	0.34	0.24	0.23	0.23	0.58	0.92
TWD: NML		0.21	0.17	0.19	0.16	0.15	0.15	0.13	0.10
TWD: Our World		0.18	0.12	0.15	0.08	0.07	0.07	0.06	0.05
Blade Runner Rogue								0.13	0.14
Stranger Things						0.02	0.01	0.26	0.38
Game 1/2022								0.00	0.18
Game 2/2022									0.07
ARPPDAU (EUR)	0.24	0.26	0.29	0.27	0.33	0.32	0.33	0.24	0.23
TWD: NML		0.22	0.23	0.23	0.28	0.28	0.28	0.22	0.17
TWD: Our World		0.32	0.37	0.34	0.46	0.47	0.46	0.40	0.25
Blade Runner Rogue								0.22	0.21
Stranger Things						0.20	0.20	0.22	0.25
Game 1/2022								0.00	0.23
Game 2/2022									0.23
Gross bookings (EURm)	35.8	18.5	16.0	34.5	14.2	13.6	27.8	50.5	78.8
TWD: NML	21.4	8.3	7.6	15.9	7.9	7.5	15.4	10.4	6.2
TWD: Our World	14.0	10.2	8.4	18.5	6.3	5.6	11.9	8.8	4.6
Blade Runner Rogue								10.4	10.7
Stranger Things						0.6	0.6	20.9	34.7
Game 1/2022									15.1
Game 2/2022									7.6

NEXT GAMES PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EV/Sales		
		20	21	22	20	21	22	20	21	22
Zynga	7290	14.9x	11.9x	10.8x	16.0x	13.3x	12.3x	3.8x	2.9x	2.5x
SciPlay Corp	281	2.5x	2.5x	2.3x	2.9x	2.8x	2.6x	2.7x	2.6x	2.3x
Glu Mobile	1373	17.3x	12.8x	10.5x	18.6x	14.6x	11.2x	2.3x	2.0x	1.6x
Stillfront Grp	3040	17.0x	11.7x	10.2x	19.9x	14.2x	12.4x	7.5x	5.5x	4.8x
Rovio Entmt	362	4.4x	6.0x	6.0x	5.4x	7.4x	7.4x	1.0x	0.9x	0.8x
Ten Square Games	935	19.0x	14.2x	12.4x	19.4x	14.3x	12.7x	6.3x	4.9x	4.2x
Digital Bros	240	6.9x	5.9x		12.4x	11.0x	9.2x	1.6x	1.4x	1.2x
G5 Entertainment	289							1.9x	1.6x	1.3x
Starbreeze	73									
MAG Interactive	57	19.6x	13.8x	10.7x		1371.0x	45.8x	1.7x	1.4x	1.1x
Peer Group Average	1394	12.7x	9.9x	9.0x	13.5x	181.1x	14.2x	3.2x	2.6x	2.2x
Peer Group Median	326	15.9x	11.8x	10.5x	16.0x	13.8x	11.7x	2.3x	2.0x	1.6x
Next Games (Evli est.)	71	63.8x	43.7x	8.5x	-25.4x	-31.7x	16.7x	2.6x	1.4x	0.9x

Next Games prem./disc. to peer median 300% 271% -19% -259% -330% 43% 11% -27% -46%

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	2.52 PV of Free Cash Flow	32 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	2.33 PV of Horizon value	31 WACC, %	13.0 Market risk premium, %	5.8
Share price potential, %	-7.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	2.5 Marketable securities	8 Minimum WACC, %	12.5 Equity beta coefficient	1.80
Minimum value	2.2 Debt - dividend	-5 Maximum WACC, %	13.5 Target debt ratio, %	15
Horizon value, %	49.5 Value of stock	65 Nr of shares, Mn	28.0 Effective tax rate, %	20

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	35	28	51	79	87	93	98	103	108	113	116	119
<i>Sales growth, %</i>	-1.5	-19.2	80.1	56.1	10.0	7.5	5.0	5.0	5.0	5.0	2.5	2.5
Operating income (EBIT)	-7	-3	-2	4	9	9	10	10	11	11	12	12
<i>Operating income margin, %</i>	-21.4	-10.2	-4.6	5.3	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
+ Depreciation+amort.	4	4	4	4	4	4	4	5	5	5	5	
EBITDA	-3	1	2	8	13	14	14	15	16	16	17	
- Paid taxes	0	0	0	-1	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	0	-1	2	1	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-5.0	-2.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	-5.1	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-3	-3	-3	-4	-4	-4	-4	-4	-4	-4	-5	
<i>opCAPEX / Sales, %</i>	9.9	15.6	8.9	5.8	5.5	5.2	5.1	5.0	4.9	4.8	5.1	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	-6	-3	1	5	8	8	9	9	9	10	10	94
= Discounted FCFF		-3	1	4	5	5	5	4	4	4	3	31
= DFCF min WACC		-3	1	4	5	5	5	4	4	4	3	34
= DFCF max WACC		-3	1	4	5	5	5	4	4	4	3	28

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	0.0	19.2	0.0	15.5	34.7	0.0	14.4	0.0	13.6	28.0	50.5	78.8
EBITDA	0.0	-1.5	0.0	-2.0	-3.5	0.0	0.3	0.0	0.8	1.1	1.7	8.1
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>-7.9</i>	<i>0.0</i>	<i>-12.7</i>	<i>-10.0</i>	<i>0.0</i>	<i>2.1</i>	<i>0.0</i>	<i>5.5</i>	<i>4.1</i>	<i>3.3</i>	<i>10.3</i>
EBIT	0.0	-3.5	0.0	-3.9	-7.4	0.0	-1.6	0.0	-1.3	-2.9	-2.3	4.2
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>-18.2</i>	<i>0.0</i>	<i>-25.5</i>	<i>-21.4</i>	<i>0.0</i>	<i>-11.1</i>	<i>0.0</i>	<i>-9.2</i>	<i>-10.2</i>	<i>-4.6</i>	<i>5.3</i>
Net financial items	0.0	-0.2	0.0	-0.1	-0.3	0.0	-0.3	0.0	-0.2	-0.5	-0.3	-0.3
Pre-tax profit	0.0	-3.7	0.0	-4.0	-7.8	0.0	-1.9	0.0	-1.4	-3.3	-2.6	3.8
Tax	0.0	-0.3	0.0	-0.2	-0.5	0.0	0.1	0.0	0.0	0.1	0.5	-0.8
<i>Tax rate (%)</i>	<i>0.0</i>	<i>-8.2</i>	<i>0.0</i>	<i>-5.6</i>	<i>-6.8</i>	<i>0.0</i>	<i>5.6</i>	<i>0.0</i>	<i>0.0</i>	<i>3.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	0.0	-4.0	0.0	-4.3	-8.3	0.0	-1.8	0.0	-1.4	-3.2	-2.1	3.1
EPS	0.00	-0.14	0.00	-0.15	-0.30	0.00	-0.06	0.00	-0.05	-0.12	-0.07	0.11
EPS adjusted (diluted no. of shares)	0.00	-0.14	0.00	-0.15	-0.30	0.00	-0.06	0.00	-0.05	-0.12	-0.07	0.11
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES, EURm												
Next Games	0.0	19.2	0.0	15.5	34.7	0.0	14.4	0.0	13.6	28.0	50.5	78.8
Total	0.0	19.2	0.0	15.5	34.7	0.0	14.4	0.0	13.6	28.0	50.5	78.8
SALES GROWTH, Y/Y %												
Next Games	<i>0.0</i>	<i>83.5</i>	<i>0.0</i>	<i>-37.4</i>	<i>-1.5</i>	<i>0.0</i>	<i>-25.1</i>	<i>0.0</i>	<i>-11.8</i>	<i>-19.2</i>	<i>80.1</i>	<i>56.1</i>
Total	<i>0.0</i>	<i>83.5</i>	<i>0.0</i>	<i>-37.4</i>	<i>-1.5</i>	<i>0.0</i>	<i>-25.1</i>	<i>0.0</i>	<i>-11.8</i>	<i>-19.2</i>	<i>80.1</i>	<i>56.1</i>
EBIT, EURm												
Next Games	0.0	-3.5	0.0	-3.9	-7.4	0.0	-1.6	0.0	-1.3	-2.9	-2.3	4.2
Total	0.0	-3.5	0.0	-3.9	-7.4	0.0	-1.6	0.0	-1.3	-2.9	-2.3	4.2
EBIT margin, %												
Next Games	<i>0.0</i>	<i>-18.2</i>	<i>0.0</i>	<i>-25.5</i>	<i>-21.4</i>	<i>0.0</i>	<i>-11.1</i>	<i>0.0</i>	<i>-9.2</i>	<i>-10.2</i>	<i>-4.6</i>	<i>5.3</i>
Total	<i>0.0</i>	<i>-18.2</i>	<i>0.0</i>	<i>-25.5</i>	<i>-21.4</i>	<i>0.0</i>	<i>-11.1</i>	<i>0.0</i>	<i>-9.2</i>	<i>-10.2</i>	<i>-4.6</i>	<i>5.3</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	9.7	31.1	32.5	35.2	34.7	28.0	50.5	78.8
<i>Sales growth (%)</i>	<i>242,600.0</i>	<i>220.5</i>	<i>4.4</i>	<i>8.5</i>	<i>-1.5</i>	<i>-19.2</i>	<i>80.1</i>	<i>56.1</i>
EBITDA	-6.6	-1.9	-4.7	-14.7	-3.5	1.1	1.7	8.1
<i>EBITDA margin (%)</i>	<i>-68.5</i>	<i>-6.3</i>	<i>-14.4</i>	<i>-41.9</i>	<i>-10.0</i>	<i>4.1</i>	<i>3.3</i>	<i>10.3</i>
Depreciation	-0.4	-0.2	-0.4	-2.2	-4.0	-4.0	-4.0	-4.0
EBITA	-7.0	-2.2	-5.1	-16.9	-7.4	-2.9	-2.3	4.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-7.0	-2.2	-5.1	-16.9	-7.4	-2.9	-2.3	4.2
<i>EBIT margin (%)</i>	<i>-72.5</i>	<i>-7.0</i>	<i>-15.6</i>	<i>-48.0</i>	<i>-21.4</i>	<i>-10.2</i>	<i>-4.6</i>	<i>5.3</i>
Reported EBIT	-7.0	-2.2	-5.1	-16.9	-7.4	-2.9	-2.3	4.2
<i>EBIT margin (reported) (%)</i>	<i>-72.5</i>	<i>-7.0</i>	<i>-15.6</i>	<i>-48.0</i>	<i>-21.4</i>	<i>-10.2</i>	<i>-4.6</i>	<i>5.3</i>
Net financials	0.2	-0.1	-1.0	0.0	-0.3	-0.5	-0.3	-0.3
Pre-tax profit	-6.9	-2.3	-6.0	-16.9	-7.8	-3.3	-2.6	3.8
Taxes	0.0	2.5	-0.1	-1.2	-0.5	0.1	0.5	-0.8
Minority shares	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-6.9	0.1	-6.1	-18.0	-8.3	-3.2	-2.1	3.1
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	1	3	8	13	13	13	14	14
Goodwill	0	2	3	3	3	3	3	3
Right of use assets	0	0	0	5	4	4	4	4
Inventory	0	0	0	0	0	0	0	0
Receivables	3	6	5	6	5	5	8	12
Liquid funds	5	4	26	7	8	2	4	8
Total assets	9	17	46	36	35	29	34	43
Liabilities								
Shareholder's equity	5	7	39	23	23	20	18	21
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	5	4	4	4	4
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	1	1	1	1	0	2	2
Non-interest bearing current liabilities	4	9	6	8	7	6	10	16
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	9	17	46	37	35	29	34	43
CASH FLOW, EURm								
+ EBITDA	-7	-2	-5	-15	-3	1	2	8
- Net financial items	0	0	-1	0	0	0	0	0
- Taxes	0	0	0	0	0	0	1	-1
- Increase in Net Working Capital	0	0	-1	1	0	-1	2	1
+/- Other	0	2	3	2	0	0	0	0
= Cash flow from operations	-7	0	-4	-12	-4	0	4	8
- Capex	-1	1	0	-2	-3	-4	-4	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-8	0	-4	-14	-7	-5	-1	4
+/- New issues/buybacks	9	3	38	2	8	0	0	0
- Paid dividend	0	0	0	0	0	0	0	0
+/- Other	1	-4	-11	-7	-1	-1	2	0
Change in cash	2	-1	23	-19	0	-5	1	4

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	0	168	20	25	71	71	71
Net debt (excl. convertibles)	-3	-26	-1	-3	2	2	-1
Enterprise value	-3	143	18	22	73	73	69
Sales	31	32	35	35	28	51	79
EBITDA	-2	-5	-15	-3	1	2	8
EBIT	-2	-5	-17	-7	-3	-2	4
Pre-tax	-2	-6	-17	-8	-3	-3	4
Earnings	0	-6	-18	-8	-3	-2	3
Equity book value (excl. minorities)	7	39	23	23	20	18	21
Valuation multiples							
EV/sales	-0.1	4.4	0.5	0.6	2.6	1.4	0.9
EV/EBITDA	1.4	-30.4	-1.2	-6.4	63.8	43.7	8.5
EV/EBITA	1.2	-28.1	-1.1	-3.0	-25.4	-31.7	16.7
EV/EBIT	1.2	-28.1	-1.1	-3.0	-25.4	-31.7	16.7
EV/OCF	6.0	-34.7	-1.5	-6.1	-198.3	18.7	8.2
EV/FCFF	80.4	-23.4	-1.0	-3.6	-22.8	100.5	13.3
P/FCFE	0.0	-39.4	-1.4	-3.5	-14.9	-122.0	18.2
P/E	0.0	-30.1	-1.1	-3.0	-21.9	-34.3	23.0
P/B	0.0	4.3	0.9	1.1	3.6	4.0	3.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	41.0	28.3	5.3
Target EV/EBIT	0.0	0.0	0.0	0.0	-16.3	-20.5	10.5
Target EV/FCF	0.0	0.0	0.0	0.0	-9.8	-81.8	11.2
Target P/B	0.0	0.0	0.0	0.0	2.3	2.5	2.2
Target P/E	0.0	0.0	0.0	0.0	-13.9	-21.8	14.6
Per share measures							
Number of shares	3,325	18,219	18,503	27,909	27,984	27,984	27,984
Number of shares (diluted)	3,325	18,219	18,503	27,909	27,984	27,984	27,984
EPS	0.03	-0.34	-0.97	-0.30	-0.12	-0.07	0.11
Operating cash flow per share	-0.14	-0.23	-0.65	-0.13	-0.01	0.14	0.30
Free cash flow per share	0.02	-0.23	-0.74	-0.25	-0.17	-0.02	0.14
Book value per share	2.22	2.16	1.24	0.82	0.70	0.63	0.74
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield, %	0.0	-2.5	-70.0	-28.5	-6.7	-0.8	5.5
Efficiency measures							
ROE	1.6	-26.2	-58.0	-36.3	-15.2	-11.1	16.1
ROCE	-32.7	-22.8	-49.5	-26.9	-11.7	-9.7	16.4
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables as % of sales	19.7	15.3	18.0	15.1	18.0	15.0	15.0
Non-interest bearing liabilities as % of sales	27.9	17.3	22.1	20.1	20.1	20.1	20.1
NWC/sales, %	-8.2	-1.9	-4.1	-5.0	-2.1	-5.1	-5.1
Operative CAPEX/sales, %	-1.6	0.5	5.0	9.9	15.6	8.9	5.8
CAPEX/sales (incl. acquisitions), %	-1.6	0.5	5.0	9.9	15.6	8.9	5.8
FCFF/EBITDA	0.0	1.3	1.3	1.8	-2.8	0.4	0.6
Net debt/EBITDA, book-weighted	1.4	5.5	0.1	0.8	1.7	1.5	-0.2
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	50.9	88.7	62.6	65.9	66.5	52.1	48.0
Gearing, %	-36.9	-65.2	-6.2	-12.4	9.8	14.2	-6.7

COMPANY DESCRIPTION: Next Games is a Finland-based developer and publisher of licensed mobile games. The Company develops games in cooperation with the license owners of the entertainment products, for instance a television series. The company's current live games include The Walking Dead No Man's Land and the Walking Dead: Our World along with several new projects under development including the Stranger Things -game and Blade Runner Rogue.

INVESTMENT CASE: Next Games' success will rely heavily on the launch of new games during 2021. Growth has been stagnant as the number of users in both live games have seen a declining trend. With an expected larger portfolio of live games in the coming years, growth should in our view pick up and profitability improve due to a lower relative share of development costs.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Ovaskainen Jari Juhani Rainer	7,378,068	18.593	26.4%
IDG Ventures USA III, L.P.	1,188,306	2.995	4.2%
Hiitola Kalle Johannes	971,675	2.449	3.5%
Achrén Joakim Tomas Johan	918,698	2.315	3.3%
Jumisko Jaakko Ensio	787,246	1.984	2.8%
Achrén Mikael Jan Kennet	699,535	1.763	2.5%
Varma Mutual Pension Insurance Company	570,000	1.436	2.0%
Ilmarinen Mutual Pension Insurance Company	489,066	1.232	1.7%
Danske Invest Finnish Small Cap Fund	306,465	0.772	1.1%
Säästöpankki Small Cap Mutual Fund	274,438	0.692	1.0%
Ten largest	13,583,497	34.230	49%
Residual	14,400,251	36.289	51%
Total	27,983,748	70.519	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Teemu Huuhtanen

Aleksanterinkatu 9A, 00100 Helsinki

CFO: Annina Salvén

Tel:

IR:

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

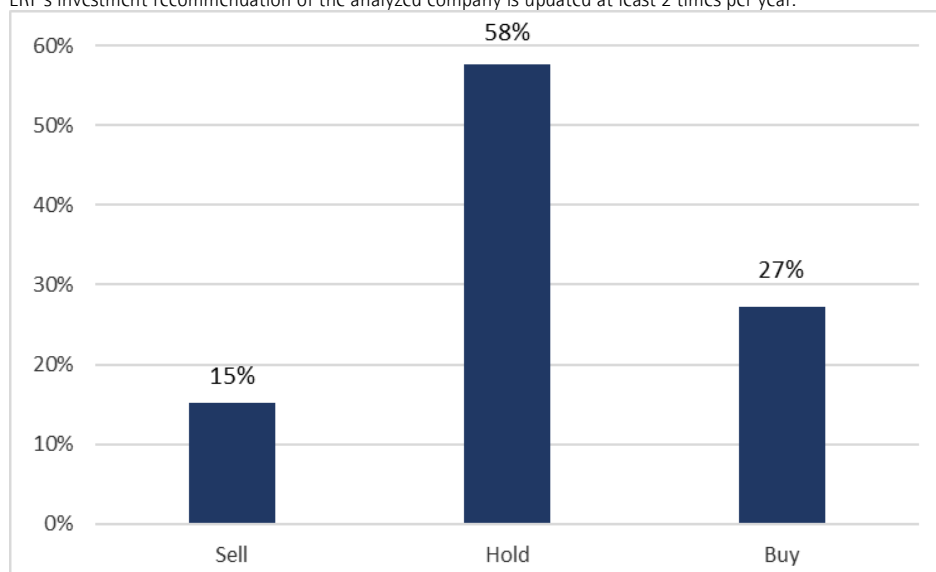
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Salokivi

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