

No major surprises

Next Games' net sales in H2 amounted to EUR 12.8m, slightly below our estimate (EUR 13.6m Evli). The adj. EBIT was below our expectations at EUR -0.2m (EUR 0.5m Evli). Publishing operations profitability improved to EUR 3.0m (Evli EUR 3.4m) compared with EUR 1.5m in H2/19.

- Net sales in H2 amounted to EUR 12.8m (EUR 15.5m in H2/19), slightly below our estimate (EUR 13.6m Evli). Net sales in H2 declined 17% y/y. Compared to our estimates, gross bookings of published games were quite in line with expectations while the new games did not yet contribute as anticipated.
- The adj. operating profit in H2 amounted to EUR -0.2m (EUR -2.2m in H2/19), below our expectations (EUR 0.5m Evli). The EBITDA of publishing operations in H2 amounted to EUR 3.0m (Evli EUR 3.4m).
- EBIT amounted to EUR -1.7m (H2/19: -3.9m), slightly below our estimate of EUR -1.3m.
- TWD: NML (Q3/Q4) - DAU 146k/142k (163k/183k), MAU 456k/429k (479k/651k), ARPDau EUR 0.34/0.31 (0.21/0.25).
- TWD: OW (Q3/Q4)- DAU 66k/62k (127k/114k), MAU 246k/231k (529k/591k), ARPDau EUR 0.43/0.43 (0.36/0.38).
- Games in development: Blade Runner Rogue is planned to be launched in the main market the US during early 2021. The Stranger Things game was launched in the first selected markets in December 2020.
- **Outlook for 2021:** Revenue is expected to grow to at least EUR 40m and full-year EBITDA is expected to be positive.
- Next Games' BoD proposes that no dividends be distributed (Evli EUR 0.00).

Rating

■ SELL

H2/20	Act.	Evli	H2/19
Net sales	12.8	13.6	15.5
EBIT	-1.7	-1.3	-3.9
EBIT adj.	-0.2	0.5	-2.2

Deviation	Act.	Evli	H2/19
Net sales		-6%	-17%
EBIT		-31%	56%
EBIT adj.		-	91%

Share price, EUR (Last trading day's closing price) 3.15

Target price, EUR 1.6

Latest change in recommendation	24-Aug-20
Latest report on company	26-Nov-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	27,984
No. of shares fully diluted, '000's	27,984
Market cap, EURm	88
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	19-Feb-21
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+ BUY ■ HOLD ■ SELL

PRE-REPORT 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	-27.4	3.2	-31.6	-5.4	0.00
2021E	50.5	-2.3	-4.6%	-0.6	-0.07	-42.9	1.8	-39.3	-0.7	0.00
2022E	78.8	4.2	5.3%	3.9	0.11	28.7	1.1	20.9	4.4	0.00

Market cap, EURm	88	BV per share 2020E, EUR	9.8	CAGR EPS 2019-22, %	0.0
Net debt 2020E, EURm	2	Price/book 2020E	4.5	CAGR sales 2019-22, %	31.5
Enterprise value, EURm	90	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.

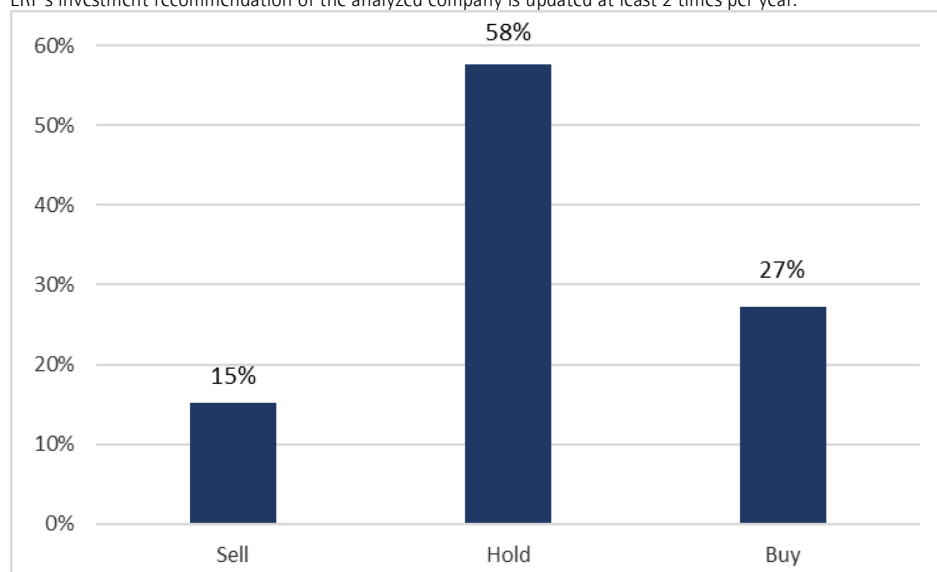
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Investment recommendations are defined as follows:

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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