

EBIT deep in the red

Next Games' Q3 results fell significantly off expectations, with EBITDA at EUR -10m (EUR -2.0m Evli/cons.), driven by investments into the Our World -game. Revenue beat expectations, at EUR 13.4m (EUR 11.5m Evli/cons.). Next Games is considering options to strengthen its financial status.

- Next Games' revenue in the second quarter came in at EUR 13.4m (EUR 11.5m Evli&cons). Revenue growth y/y on was 110 %. Q3 was the first quarter with Our World significantly contributing to revenue.
- EBITDA in Q3 was as expected negative, but the magnitude of the loss was significantly larger than our and consensus expectation, at EUR -10.0m and EBIT EUR -10.7m. Development costs during Q3 amounted to EUR 2.0m. The No Man's Land -game remained profitable, with EBITDA of EUR 1.0m, while the large negative results were mainly affected by investments into promoting the Our World -game, with the game's EBITDA at EUR -7.7m. According to management both games are currently operated at positive EBITDA but the combined revenue is not enough to cover games in development.
- The company is considering options to strengthening its financial status as a part of its risk-management plan.
- The number of employees grew to 143.
- DAU during Q3 was 669k compared to Q3/17 figures of 371k. MAU was 3.2m compared to 1.14m during Q3/17. ARPDAU (EUR) was 0.26 compared to 0.21 during Q3/17. Key metrics saw significant growth due to the launch of the Our World -game.
- Next Games announced that it has signed a new license agreement with a leading partner in the entertainment industry.

Rating BUY

Q3/18	Act.	Evli	Consensus	Year ago	Q2/18
Net sales	13.4	11.5	11.5	6.4	5.7
EBITDA	-10.0	-2.0	-2.0	-1.9	-3.9
EBIT	-10.7	-2.4	-2.4	-2.3	-4.3

Deviation	Act.	Evli	Consensus	Year ago	Q2/18
Revenue		16%	17%	>100 %	>100 %
EBITDA		<-100%	<-100%	<-100%	<-100%
EBIT		<-100%	<-100%	<-100%	<-100%

**Consensus by Bloomberg*

Share price, EUR (Last trading day's closing price) 4.00

Target price, EUR 8.5

Latest change in recommendation 31-Jan-18

Latest report on company 23-Jul-18

Research paid by issuer: YES

No. of shares outstanding, '000's 18,459

No. of shares fully diluted, '000's 18,459

Market cap, EURm 74

Free float, % 48.6

Exchange rate 0.000

Reuters code NXTGMS.HE

Bloomberg code NXTGMS FH

Average daily volume, EURm 0.0

Next interim report 02-Nov-18

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BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	31	-2	-5.1%	-2	-0.49	0.0	-0.1	0.0	1.8	0.00
2017	32	-6	-19.6%	-7	-0.35	-28.8	4.4	-25.2	-22.3	0.00
2018E	40	-11	-26.2%	-12	-0.59	-6.7	1.5	-7.7	-5.7	0.00
2019E	89	5	5.3%	5	0.20	20.3	0.6	16.3	11.6	0.00
2020E	115	14	12.4%	14	0.62	6.5	0.4	6.1	3.1	0.15

Market cap, EURm	74	BV per share 2018E, EUR	1.4	CAGR EPS 2017-20, %	0.0
Net debt 2018E, EURm	-14	Price/book 2018E	2.9	CAGR sales 2017-20, %	52.5
Enterprise value, EURm	60	Dividend yield 2018E, %	0.0	ROE 2018E, %	-35.2
Total assets 2018E, EURm	33	Tax rate 2018E, %	4.9	ROCE 2018E, %	-32.3
Goodwill 2018E, EURm	1	Equity ratio 2018E, %	77.3	PEG, P/E 18/CAGR	0.0

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

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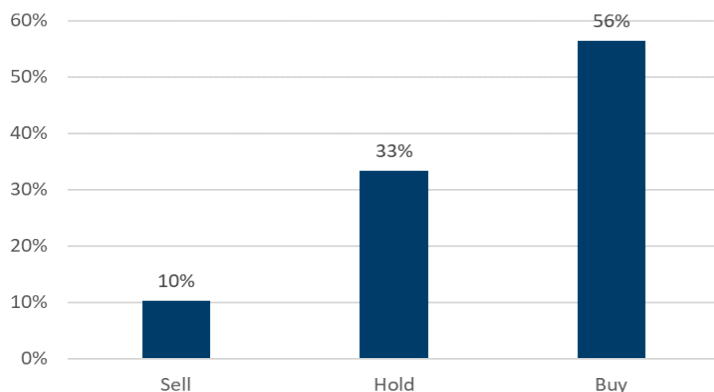
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Investment recommendations are defined as follows:

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

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