

Healthy earnings improvement

Next Games' net sales in Q2 amounted to EUR 9.4m, below our estimates (Evli EUR 10.4m). EBIT amounted to EUR -1.1m, in line with our estimates (Evli EUR -1.0m) and the adj. EBIT to EUR -0.5m (Evli EUR 0.1m). TWD: OW boasted an impressive ARPDAU of EUR 0.34 (from IAP's) during the quarter, while challenges with retention led to higher than planned marketing investments levels.

- Net sales in Q2 were EUR 9.4m (EUR 5.7m in Q2/18), below our estimates (Evli EUR 10.4m). Growth in Q2 amounted to 65 % y/y.
- Operating profit in Q2 amounted to EUR -1.1m (EUR -2.4m in Q2/18), in line with our estimates (Evli EUR -1m), while adj. EBIT amounted to EUR -0.5m (Evli EUR 0.1m). Monthly fixed costs in Q2 amounted to EUR 1.2m following successful implementation of the savings program (co's target EUR 1.1-1.2m).
- DAU during Q2/19 was 350k (Q2/18: 306k). MAU was 1.16m (Q2/18: 0.98m). ARPDAU was EUR 0.28 in Q2/19 (Q2/18: EUR 0.2).
- TWD: NML - DAU 190k (Q2/18: 287k), MAU 540k (Q2/18: 884k), ARPDAU EUR 0.22 (Q2/18: 0.21). TWD: OW - DAU 155k, MAU 602k, ARPDAU EUR 0.34 (from IAP's).
- TWD: OW boasted an impressive ARPDAU of EUR 0.34 (from IAP's) during the quarter, but challenges with player retention led to marketing investments being at a higher level than planned.
- With the new operating model, the company now has nine new concepts or prototypes in development.
- The company's cash balance stood at EUR 4.7m at the end of the quarter compared to EUR 4.8m at the end of the first quarter of 2019.

Rating 🟡 HOLD

Q2/19	Act.	Evli	Q2/18	Q1/19
Net sales	9.4	10.4	5.7	9.8
EBIT	-1.1	-1.0	-2.4	-2.4
EBIT adj.	-0.5	0.1	-2.0	-1.3
Deviation	Act.	Evli	Q2/18	Q1/19
Net sales		-10%	65%	-4%
EBIT		-13%	55%	54%
EBIT adj.		-	75%	62%

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

 Target price, EUR 1.5

 Latest change in recommendation 11-Jan-19

 Latest report on company 29-Apr-19

 Research paid by issuer: Yes

 No. of shares outstanding, '000's 18,503

 No. of shares fully diluted, '000's 18,503

 Market cap, EURm 28

 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 26-Jul-19

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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
2017	32	-5	-15.6%	-6	-0.34	-30.1	4.4	-24.4	-28.1	0.00
2018	35	-17	-48.0%	-17	-0.97	-1.1	0.5	-1.3	-1.1	0.00
2019E	48	-5	-10.1%	-5	-0.23	-6.4	0.6	8.2	-6.1	0.00
2020E	56	1	2.2%	1	0.04	41.3	0.6	5.0	25.4	0.00
2021E	64	5	7.5%	4	0.19	8.0	0.5	3.0	6.0	0.00
Market cap, EURm	28		BV per share 2019E, EUR		1.0		CAGR EPS 2018-21, %		0.0	
Net debt 2019E, EURm	2		Price/book 2019E		1.5		CAGR sales 2018-21, %		22.3	
Enterprise value, EURm	30		Dividend yield 2019E, %		0.0		ROE 2019E, %		-20.7	
Total assets 2019E, EURm	35		Tax rate 2019E, %		20.0		ROCE 2019E, %		-18.1	
Goodwill 2019E, EURm	3		Equity ratio 2019E, %		53.1		PEG, P/E 19/CAGR		0.0	

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

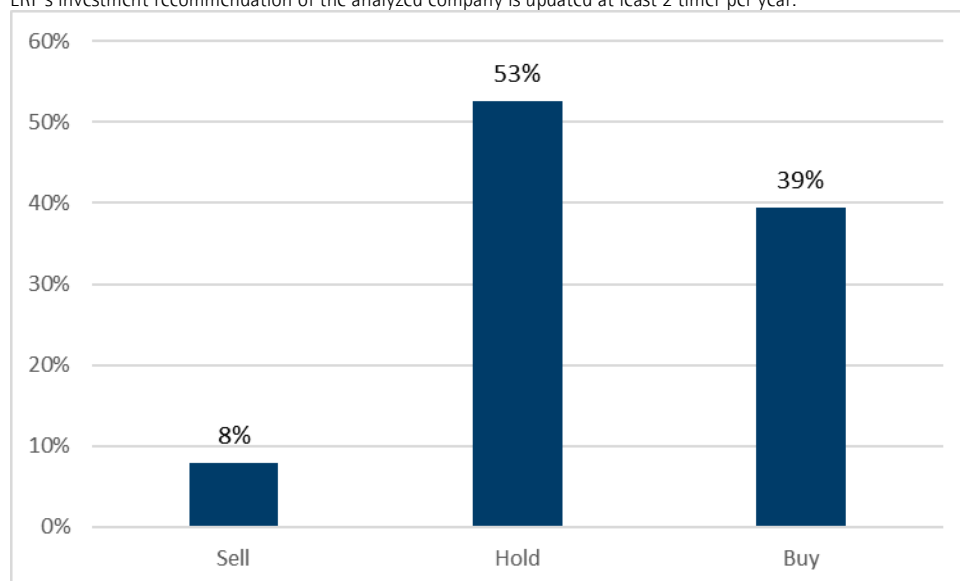
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Investment recommendations are defined as follows:

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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