

Results below expectations

Next Games's net sales in Q3 amounted to EUR 7.8m, below our estimates and in line with consensus (EUR 8.7m/8.1m Evli/cons.). EBIT amounted to EUR -2.1m, below our and consensus estimates (EUR -1.6m/-1.1m Evli/cons.).

- Net sales in Q3 were EUR 7.8m (EUR 13.4m in Q3/18), below our estimates and in line with consensus estimates (EUR 8.7m/8.1m Evli/Cons.). Growth in Q3 amounted to -41.8 % y/y. Compared to our estimates, revenue was lower than expected as the number of active users in NML and Our World declined compared to Q2, while we had expected flattish development. ARPDAU figures were quite in line with our estimates for both games.
- Operating profit in Q3 amounted to EUR -2.1m (EUR -10.3m in Q3/18), below our and consensus estimates (EUR -1.6m/-1.1m Evli/cons.), at a margin of -27.1 %. The company's cost base remained at target levels but the lower revenue compared to our estimates affected profitability.
- Adj. EBIT amounted to EUR -1.2m (Q3/18: -9.2m), below our estimate of EUR -0.5m.
- TWD: NML - DAU 163k (Q3/18: 275k), MAU 479k (Q3/18: 800k), ARPDAU EUR 0.21 (Q3/18: 0.24).
- TWD: OW - DAU 127k (Q3/18: 386k), MAU 529k (Q3/18: 2.1mk), ARPDAU EUR 0.36 (Q3/18: 0.23).
- The funds received from the rights offering were received post-Q3 and at the 22.10 the company had a cash balance of EUR 10.3m.

Rating 🟡 HOLD

Q3/19	Actual	Evli	Cons.	Year ago
Net sales	7.8	8.7	8.1	13.4
EBIT	-2.1	-1.6	-1.1	-10.3
EBIT adj.	-1.2	-0.5		-9.2

Deviation	Actual	Evli	Cons.	Year ago
Net sales		-10%	-4%	-42%
EBIT		-32%	-92%	79%
EBIT adj.		<-100%		87%

*Consensus by Bloomberg

 Share price, EUR (Last trading day's closing price) 0.89

 Target price, EUR 1.0

Latest change in recommendation	11-Jan-19
Latest report on company	01-Oct-19
Research paid by issuer:	YES
No. of shares outstanding, '000's	27,909
No. of shares fully diluted, '000's	27,909
Market cap, EURm	25
Free float, %	45.0
Exchange rate	0.000
Reuters code	NXTGMS.HE
Bloomberg code	NXTGMS FH
Average daily volume, EURm	-
Next interim report	01-Nov-19
Web site	www.nextgames.com

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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
2017	32.5	-5.1	-15.6%	-15.6	-0.34	-30.1	4.4	-28.1	-9.3	0.00
2018	35.2	-16.9	-48.0%	-25.8	-0.97	-1.1	0.5	-1.1	-131.1	0.00
2019E	37.8	-7.1	-18.7%	-6.2	-0.22	-4.1	0.6	-3.0	-25.1	0.00
2020E	53.0	-3.2	-6.1%	-4.3	-0.10	-8.6	0.5	-8.0	-17.1	0.00
2021E	68.2	0.7	1.1%	-0.8	0.01	97.3	0.4	36.4	-3.1	0.00
Market cap, EURm		25	BV per share 2019E, EUR			-13.1	CAGR EPS 2018-21, %			0.0
Net debt 2019E, EURm		-3	Price/book 2019E			1.0	CAGR sales 2018-21, %			24.7
Enterprise value, EURm		22	Dividend yield 2019E, %			0.0	ROE 2019E, %			-25.3
Total assets 2019E, EURm		40	Tax rate 2019E, %			20.0	ROCE 2019E, %			-23.4
Goodwill 2019E, EURm		3	Equity ratio 2019E, %			61.8	PEG, P/E 19/CAGR			0.0

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

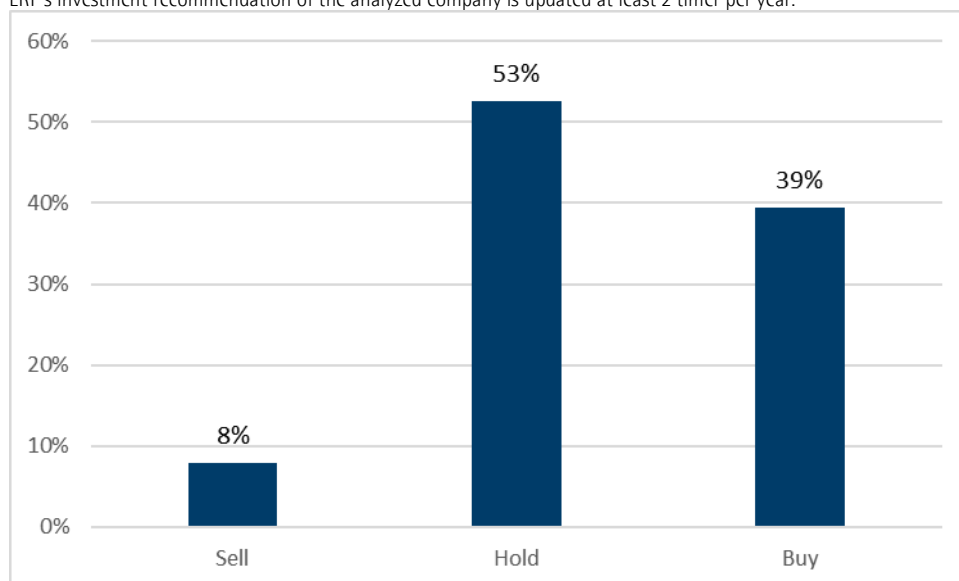
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Investment recommendations are defined as follows:

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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November 1, 2019

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