



Sweden

Software & Services

Results Update

15 November 2018

BUY (since 17 Aug 2018)

Share price: SEK187.0

Target price: SEK245.0

THQ Nordic

Strong Q3 – and the consolidation continues

Research analysts:

Oscar Erixon
+46 8 58 86 89 73
oscar.erixon@carnegie.se

Mikael Laséen
+46 8 5886 87 21
mikael.laseen@carnegie.se

EBIT 40% above consensus

THQ Nordic reported stronger than expected Q3 earnings, coupled with two acquisitions. Sales of SEK1,273m were 22% above consensus while EBIT of SEK91m was 40% above. It was driven by very high volumes in Partner Publishing and a solid quarter from Deep Silver. We believe the two acquisitions, Coffee Stain and Bugbear, will add EBIT of ~SEK150m in 2019. We reiterate our BUY recommendation, with a new target price of SEK245 (230).

EPS up by 12% in 2019–20e

We have raised our EPS(19–20e) by 12% driven by the two acquisitions. We have lowered our EPS(18e) by 3% to reflect slightly lower gross margin estimates for Q4. We also think Wreckfest, for which the console version has been delayed to 2019, was likely to have been slightly more important than we had initially assumed. After the acquisition of Coffee Stain, most of the purchase price is likely to be allocated as goodwill. We think THQ Nordic is likely to amortise it over 5–10 years. This is not yet reflected in our estimates given that plans have not been finalised. We think it could lower reported EBIT by 3–5%, but it would be non-cash and not affect our EBITA or adjusted EPS estimates.

Higher digital revenue and gross margins ahead

We think both acquisitions are interesting and have been acquired at reasonable prices and with a clever incentive structure. Coffee Stain especially adds a very strong pipeline, more digital revenue and higher gross margins. Positively, in our view, the structure of the deals means that THQ Nordic has firepower for more deals.

EV/EBIT(19e) of ~15x with strong earnings growth

THQ Nordic trades at EV/EBIT(19e) of 15.2x, a ~5% premium to international peers. We believe the continued consolidation potential is high, and that 2019 will be an exciting year. Several larger, own developed, titles provides potential for strong earnings growth.

Changes in this report

	From	To	Chg
EPS adj. 2018e	4.1	4.0	-3%
EPS adj. 2019e	8.2	9.1	+12%
EPS adj. 2020e	8.5	9.6	+12%

Upcoming events

Q4 Report	13 Feb 2019
-----------	-------------

Key facts

No. shares (m)	91.3
Market cap. (USDm)	1,878
Market cap. (SEKm)	17,079
Net IB Debt. (SEKm)	359
Adjustments (SEKm)	0
EV (2018e) (SEKm)	17,438
Free float	36.1%
Avg. daily vol. ('000)	243
Risk	High Risk
Fiscal year end	December
Share price as of (CET)	14 Nov 2018 17:29

Key figures (SEK)

	2017	2018e	2019e	2020e
Sales	508	4,029	5,326	5,611
EBITDA	273	1,005	1,944	2,097
EBIT	188	459	1,117	1,171
EPS	1.88	3.96	9.13	9.56
EPS adj.	1.88	3.96	9.13	9.56
DPS	0.00	0.00	0.00	0.00
Sales growth Y/Y	68%	694%	32%	5%
EPS adj. growth Y/Y	60%	111%	130%	5%
EBIT margin	37.1%	11.4%	21.0%	20.9%
P/E adj.	42.1	47.2	20.5	19.6
EV/EBIT	30.6	38.0	15.2	14.2
EV/EBITA	30.6	38.0	15.2	14.2
EV/EBITDA	21.1	17.3	8.7	7.9
P/BV	5.9	5.8	4.5	3.7
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	-0.7%	-0.4%	2.8%	2.2%
Equity/Total Assets	80.8%	48.0%	51.9%	54.2%
ROCE	22.9%	14.1%	20.0%	17.7%
ROE adj.	19.6%	16.6%	24.8%	20.7%
Net IB debt/EBITDA	-1.9	0.4	-0.1	-0.2

Share price -5Y



— THQ Nordic
— OMX Stockholm_PI (Se) (Rebased)

High/Low (12M) SEK217.5/73.8

Perf.	3M	6M	12M	YTD
Abs.	6.9	22.4	133.8	136.0
Rel.	13.3	27.3	137.8	138.3

Source: Carnegie Research, FactSet

Performance & valuation Price relative to market – 1Y

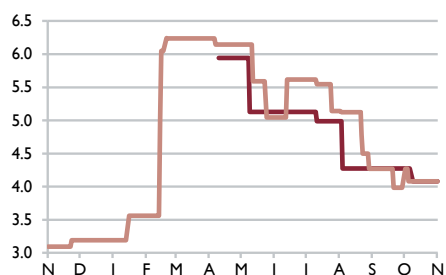

— THQ Nordic
— OMX Stockholm PI (Se)

Source: Factset

Price relative to sector – 1Y

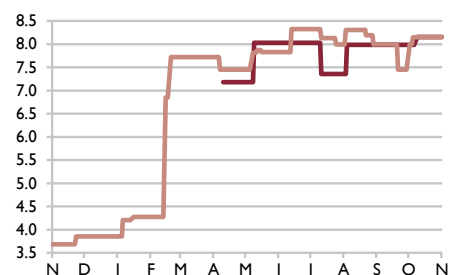

— THQ Nordic
— Software & Services

Source: Factset

Adj. EPS expectations – 2018e


— Carnegie
— Consensus

Source: Factset, Carnegie Research

Adj. EPS expectations – 2019e


— Carnegie
— Consensus

Source: Factset, Carnegie Research

Performance

snapshot	1M	3M	12M	YTD
THQ Nordic %	4.4	6.9	133.8	136.0
Peer group %	n.a.	n.a.	n.a.	n.a.
Carnegie Software & Svc %	-6.7	-14.0	6.4	8.1
OMXSPI %	-2.1	-6.5	-4.1	-2.3
MSCI Nordic %	-0.3	-5.8	-4.2	-3.7
MSCI Europe %	0.7	-6.1	-6.4	-7.4
S&P 500 %	-1.5	-4.0	5.7	2.0
MSCI World %	-1.8	-5.5	0.1	-2.6

Source: Factset

Valuation

snapshot	2017	2018e	2019e	2020e
P/E	>50	47.2	20.5	19.6
P/E adj.	>50	47.2	20.5	19.6
EV/EBITDA	>50	17.3	8.7	7.9
EV/EBITA	>50	38.0	15.2	14.2
P/BV	13.81	5.79	4.51	3.67
P/BV ex. GW	13.81	8.37	5.94	4.56
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	-0.7%	-0.4%	2.8%	2.2%

Source: Carnegie Research

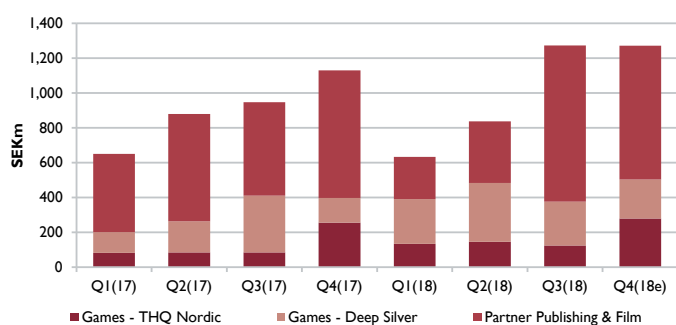
Strong volumes with lower margins in Q3

THQ Nordic reported strong Q3 figures, driven by high volumes in Partner Publishing and a solid quarter from Deep Silver. Sales of SEK1,273m were 22% above consensus while EBIT of SEK91m was 40% above. We expect similar sales levels in Q4, but with a mix more weighted toward the Games segment.

Partner Publishing has some big releases and Christmas sales are typically strong. However, we believe Q3 was an extraordinary quarter for blockbuster releases: F1 2018 by Codemasters, Shadow of the Tomb Raider, Dragon Quest XI and Shenmue 1 & 2 by Square Enix. In Q4, we expect the largest releases to be Just Cause 4, Football Manager 2019, and Persona 3 and 5.

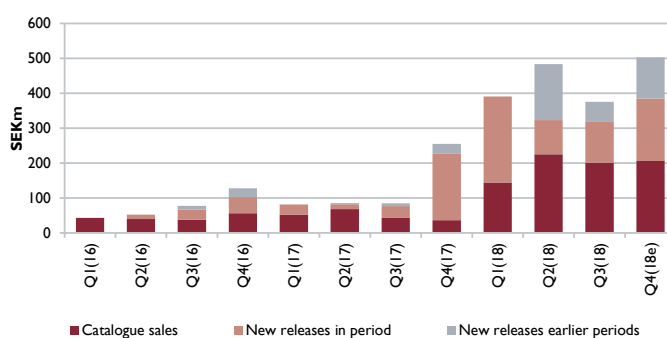
Deep Silver has almost no new releases in Q4 while THQ Nordic will release Darksiders III, its largest title of the year. THQ Nordic has moved both Biomutant and Wreckfest (console version) to 2019, but we forecast 9% growth Y/Y in the segment despite tough comparisons. We have estimated 650,000 units sold for Darksiders III, with sales of around SEK150m.

Net sales, by business area



Source: Carnegie Research

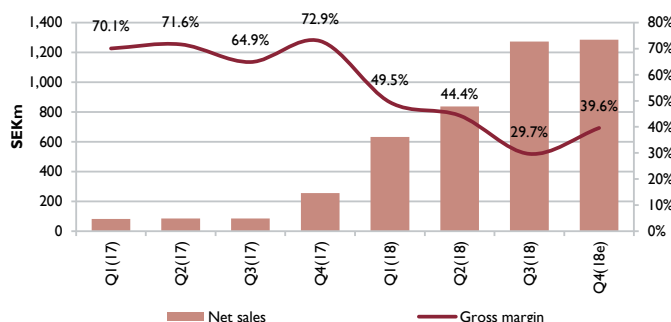
Games segment: Net sales by release window



Source: Carnegie Research

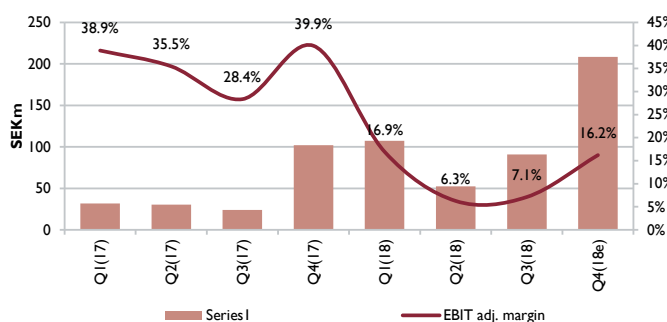
We have lowered our margin assumptions for Q4 slightly, primarily explained by lower risk-taking in the Partner Publishing segment. We believe it recorded one of its lowest gross margins of the past few years in Q3. When partnering up with the top publishers, Koch Media tends to take lower business risk, and thus receives a lower margin.

Net sales and gross margins, quarterly



Source: Carnegie Research

EBIT and margins, quarterly

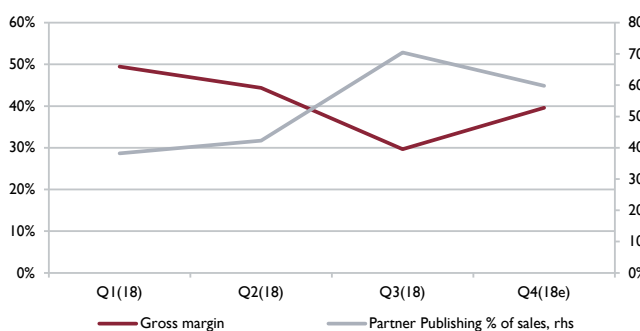


Source: Carnegie Research

The group's gross margin is very much driven by the share of sales for Partner Publishing, which we think had a margin of below 20% in Q3. The Games segment should have close to 70%, but we think it has probably been around 55% for Deep Silver so far this year. Kingdom Come has been very successful, and its gross margin is likely to be closer to 30%, given that Deep Silver came into the project quite late and is not the publisher for digital PC.

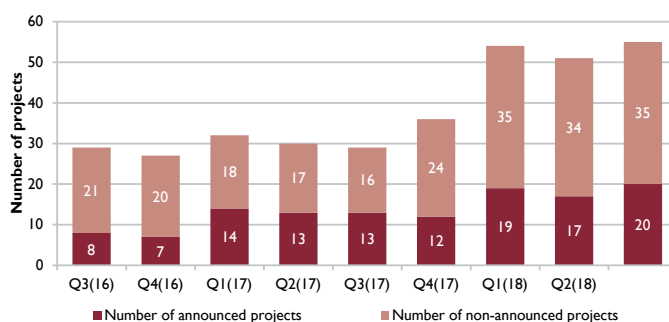
The group's pipeline of projects yet to be released increased further in the quarter, even excluding the two acquisitions. We believe 2019 promises to be a very interesting year, given a high number of large titles already announced, including Metro Exodus, Biomutant, Shenmue III and Wreckfest.

Gross margin vs Partner Publishing share of sales



Source: Carnegie Research

Projects in pipeline, including Deep Silver



Source: Carnegie Research

Two new studios acquired

THQ Nordic acquired Swedish developer and publisher Coffee Stain and Finnish developer Bugbear in the quarter. Coffee Stain is the larger of the two acquisitions, but both seem interesting and attractively priced deals, in our view. Coffee Stain is acquired for SEK852m including full earn-outs, representing EV/EBIT(19e) of around 6.8x. The Bugbear acquisition is likely to be around SEK100m, based on the estimated royalties for the game Wreckfest, which THQ Nordic is already the publisher for.

THQ Nordic - Selected acquisitions

Date	Acq. Type	Company / seller	Key IPs	Price (SEKm)
2011	Publisher, IP	JoWood/DreamCatcher	AquaNox, SpellForce, Painkiller, Arcania, The Guild	-
2013	IP, trademark	THQ	MX vs. ATV, Baja, Titan Quest, Red Faction, Darksiders	42
2013	IP	Atari	Desperados, Silver	-
2015	IP	Relic Entertainment	Impossible Creatures	-
2015	IP	2015 Games	Men of Valor	-
2016	IP	Weappy	This is the Police	-
Feb-16	IP	Digital Reality	Imperium Galactica, Sine Mora, Skydrift	-
Oct-16	IP	NovaLogic	Delta Force, Comanche etc.	-
Dec-16	IP	Mobile Gaming, Enigma Software	Sphinx and the Cursed Mummy, War Leaders, Legends of War	-
Mar-17	IP	Slipgate Studios	Rad Rodgers	-
Aug-17	Developer, IP	Pieces Interactive	Fret Nice, Kill to Collect, Puzzlegeddon	3
Nov-17	Developer, IP	Experiment 101	Biomutant	75
Feb-18	Dev, Publ, distr, IP	Koch Media	Saints Row, Dead Island, Metro (long-term license)	950
Jul-18	Developer (mobile)	HandyGames	Townsmen, Clouds and Sheep	10
Aug-18	IP	-	Timesplitters, Second Sight	-
Sep-18	IP	38 Studios	Kingdoms of Amalur	-
Sep-18	IP	Atari	Act of War, Alone in the Dark	-
Nov-18	Dev, Publ, IP	Coffee Stain	Goat Simulator, Sanctum, Satisfactory	852
Nov-18	Dev, IP	Bugbear	Wreckfest	-

Source: Carnegie Research, THQ Nordic

Coffee Stain adds around 10% to EPS

THQ Nordic will pay a total of SEK852m on a debt and cash free basis, of which SEK535m is share-based earn-out. The company's guidance is for sales of SEK200m–250m and EBT of SEK100m–150m in 2019. Including the full earn-out and based on the mid-range of the guidance, the acquisition is made at EV/EBIT(19e) of ~6.8x. The company seems to have a very solid pipeline for 2019–20, and a few strong IPs, including Goat Simulator, Sanctum and the upcoming Satisfactory. Coffee Stain, which also includes a publishing business, will operate as a third leg in the group, beside THQ Nordic and Koch Media.

Acquisition of X Effect from acquisition of Coffee Stain	THQ Nordic 2019e	Coffee Stain 2019e	Adjustments 2019e	Pro-forma 2019e	Chg.
Sales	4,811.0	225.0	-	5,036	4.7%
EBITDA adj.	1,762.2	150.0	-	1,912.2	8.5%
D&A	-804.8	-25.0	-	-829.8	3.1%
EBIT adj.	957.4	125.0	-	1,082.4	13.1%
Synergies	-	-	-	-	-
EBIT incl. synergies	-	-	-	1,082.4	13.1%
Net financials	-11.5	-	-	-	-
Financing cost	-	-	0.0	-	-
Net financials, total	-	-	-	-11.5	-
PTP	945.9	125.0	-	1,070.9	13.2%
Tax	-227.0	-27.5	-	-254.5	12.1%
Tax rate	24.0%	22.0%	-	23.8%	-23.3%
Minorities	0	-	-	0	-
Net profit	719	98	-	816	13.6%
EPS	8.16	1.11	-	8.94	9.7%
Shares (m)	88.2	-	3.1	91.3	3.6%
P/E	24.8	-	-	22.6	-2.2x
Share price	202.50	-	-	202.50	-

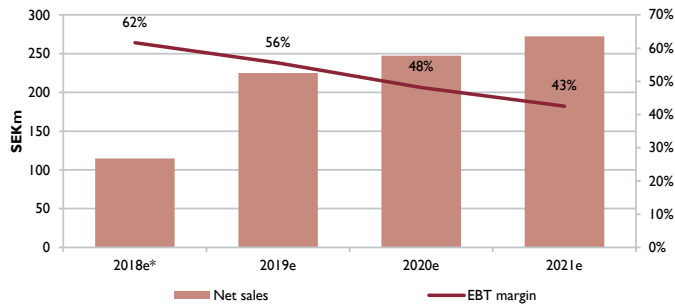
Deal details and assumptions

Total price offer (EV SEKm)	852.0	
- of which cash	317.0	37% % of EV
- of which shares	535.0	63% % of EV
Price tag, EV/EBIT 2019e	6.8x	
Price tag, EV/S 2019e	3.79x	
EBIT margin of Coffee Stain	56%	
Synergies (SEKm)	0	
Synergies as % of added sales	0.0%	
Financing cost	0.0%	
Tax rate of Coffee Stain	22.0%	

Source: Carnegie Research

In Q1–Q3(18), Coffee Stain had annualised sales of around SEK115m and EBT of SEK71m (62% margin), adjusted for THQ Nordic's accounting principles. THQ Nordic's guidance is for sales of SEK200m–250m and EBT of SEK100m–150m in 2019, which will include more high-profile releases than this year for Coffee Stain. The founders will receive the final earn-out, contingent on reaching accumulated EBT of SEK520m until 2023. We believe the reason for guidance on EBT is due to Coffee Stain's minority ownerships, which means income from its part-owned studios could end up in the financial net.

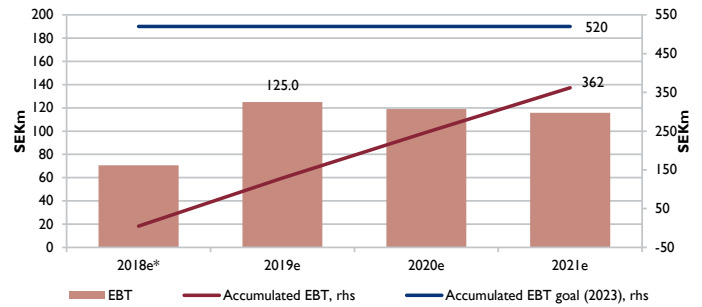
Coffee Stain: Net sales and EBT margin



*Pro forma numbers. Consolidated from 14 Nov 2018.

Source: Carnegie Research

Coffee Stain: Earnings before taxes (EBT)



*Pro forma numbers. Consolidated from 14 Nov 2018.

Source: Carnegie Research

Coffee Stain has 45 employees, nine owned or published IPs, and has generated 16m sold game units with sales of more than SEK500m since it was founded in 2010. It has been profitable through the whole journey. The studio's first successful release was Sanctum, released in 2011. However, it is perhaps most well-known for the game Goat Simulator, which has sold around 14m units. Over the years, Coffee Stain has evolved from a pure developer to starting its own publishing business. It has also acquired majority and minority shares of smaller, promising studios, while typically also publishing their games.

Coffee Stain: Games portfolio

Games portfolio

I<3 Strawberries Launch date: Dec 2010 First game launched	Sanctum Launch date: Apr 2011 # of sold games: 0.8m	Sanctum 2 Launch date: May 2013 # of sold games: 1.2m	Super Sanctum TD Launch date: May 2013 # of sold games: 0.1m	Goat Simulator Launch date: Apr 2014 # of sold games: 14m	Satisfactory Launch date: 2019

Source: Carnegie Research, THQ Nordic

We think Satisfactory is the largest upcoming game title for Coffee Stain Studios. It is a simulation game, or 'first person factory builder', and will be released in an early access version during 2019. Deep Rock Galactic is a co-op shooter title developed by Ghost Ship Games, in which Coffee Stain has a 35% stake. The game has already been released as an early access version, and has received very strong reviews and sold around 400,000 units. The full game will be released in 2019 and published by Coffee Stain. Further, Coffee Stain North is working on a project based on a well-known IP, with an estimated release in 2019–20. The studio, based in Stockholm, has previously primarily worked on the Goat Simulator IP, releasing several DLCs or map expansions.

Cofee Stain: Development and publishing pipeline



Source: Carnegie Research, THQ Nordic

Bugbear acquisition improves gross margins

Bugbear is the Finnish development studio behind the game Wreckfest, which is published by THQ Nordic. The game has so far been successfully released on PC with improving ratings, and should have even higher potential on console. The deal is based on three years' estimated royalties for Wreckfest. THQ Nordic will pay around SEK10m in shares and the rest in cash.

Limited financial details have been revealed, but assuming that THQ Nordic has previously paid 50% royalties and that Wreckfest can sell 1m units over three years, the purchase price would be around SEK100m. The studio is quite small, but has solid experience in racing games. The deal will be beneficial for gross margins, since Wreckfest will become an in-house release with no royalties paid. We estimate around 500,000 units sold for Wreckfest in 2019 on console and PC.

Q3(18) deviation table

THQ Nordic

SEKm	2017			2018			CAR			Consensus*	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3a	Q3e	dev	Q3e	dev
Net sales, by segment											
Games - THQ Nordic	82	86	85	255	135	146	124	136	-9%		
Games - Deep Silver	-	-	-	-	257	338	252	207	22%		
Partner Publishing & Film	-	-	-	-	242	354	897	757	18%		
Total	82	86	85	255	633	837	1,273	1,101	16%	1,046	22%
P&L											
Net sales	82	86	85	255	633	837	1,273	1,101	16%	1,046	22%
Capitalised development costs	13	14	19	33	58	93	102	107	-4%	-	-
Other operating income	1	2	-3	3	34	29	64	91	-29%	-	-
Total operating income	96	102	101	291	725	960	1,439	1,298	11%	-	-
COGS	-25	-24	-30	-69	-320	-466	-895	-712	26%	-	-
Other external costs	-11	-15	-16	-33	-74	-120	-158	-215	-26%	-	-
Personnel costs	-18	-21	-22	-33	-104	-167	-171	-170	1%	-	-
Other operating costs	-1	-2	1	1	0	0	0	0	na	-	-
EBITDA	42	40	35	156	226	207	215	202	6%	190	13%
D&A	-10	-9	-11	-54	-119	-154	-124	-126	-2%	-	-
EBIT	32	30	24	102	107	53	91	76	20%	65	40%
Financial income	0	0	0	0	0	0	1	0	na	-	-
Financial expenses	0	0	-1	-5	-9	-4	-4	-3	32%	-	-
Profit after financial items	31	30	23	97	98	49	87	73	20%	63	39%
Income tax expense	-8	-7	-4	-24	-17	-15	-23	-17	29%	-	-
Net income	24	23	19	73	81	33	65	55	17%	47	38%
Key figures											
NRI	0	0	0	0	0	0	0	0	na	-	-
Net sales growth Y/Y	90%	62%	9%	99%	673%	879%	1403%	1200%	203%	-	-
EBITDA adj.	42	40	35	156	226	207	214.7	202	6%	-	-
EBITDA adj. - capex	-26	-20	-50	58	39	-145	-37.0	-43.9	-16%	-	-
EBIT adj.	32	30	24	102	107	53	90.7	75.8	20%	-	-
EBIT adj. growth Y/Y	124%	113%	50%	102%	237%	73%	278%	215.8%	62.1%	-	-
Gross margin	70%	72%	65%	73%	49%	44%	29.7%	35.3%	-5.6%	35.9%	-
EBITDA adj. margin	51%	46%	41%	61%	36%	25%	16.9%	18.4%	-1.5%	-	-
EBIT adj. margin	39%	35%	28%	40%	17%	6%	7.1%	6.9%	0.2%	6.2%	-
Cost structure as % of sales											
COGS	30%	28%	35%	27%	51%	56%	70.3%	64.7%	5.6%	64.1%	
Capitalised development costs	16%	17%	23%	13%	9%	11%	8.0%	9.7%	-1.7%		
Other external costs	13%	18%	19%	13%	12%	14%	12.4%	19.5%	-7.1%		
Personnel costs	22%	24%	26%	13%	16%	20%	13.4%	15.4%	-2.0%		
Other operating income	1%	2%	-3%	1%	5%	3%	5.1%	8.3%	-3.2%		
Other operating costs	1%	2%	-1%	0%	0%	0%	0.0%	0.0%	0.0%		
D&A	12%	11%	12%	21%	19%	18%	9.7%	11.5%	-1.7%		
Tax rate	25%	23%	19%	24%	17%	31%	25.7%	24.0%	1.7%		

Source: FactSet, Carnegie Research

Forecast changes

THQ Group

SEKm	2018e			2019e			2020e		
	Old	New	% ch.	Old	New	% ch.	Old	New	% ch.
Net sales									
Games - THQ Nordic	670	684	2%	931	947	2%	1,116	1,134	2%
Games - Deep Silver	1,053	1,070	2%	1,368	1,514	11%	1,479	1,536	4%
Games - Coffee Stain	-	14	na	-	225	na	-	248	na
Partner Publishing & Film	2,122	2,261	7%	2,512	2,640	5%	2,563	2,693	5%
Total	3,844	4,029	5%	4,811	5,326	11%	5,157	5,611	9%

P&L	2018e			2019e			2020e		
	Old	New	% ch.	Old	New	% ch.	Old	New	% ch.
Net sales	3,844	4,029	5%	4,811	5,326	11%	5,157	5,611	9%
Capitalised development costs	378	374	-1%	496	549	11%	521	567	9%
Other operating income	252	191	-24%	314	298	-5%	320	302	-6%
Total operating income	4,474	4,594	3%	5,621	6,173	10%	5,999	6,479	8%
COGS	-2,230	-2,458	10%	-2,507	-2,823	13%	-2,635	-2,890	10%
Other external costs	-619	-506	-18%	-664	-650	-2%	-707	-701	-1%
Personnel costs	-617	-621	1%	-688	-756	10%	-727	-791	9%
Other operating costs	0	0	na	0	0	na	0	0	na
EBITDA	1,008	1,010	0%	1,762	1,944	10%	1,929	2,097	9%
D&A	-543	-551	1%	-805	-827	3%	-927	-926	0%
EBIT	465	459	-1%	957	1,117	17%	1,003	1,171	17%
Financial income	0	0	na	0	0	na	0	0	na
Financial expenses	-19	-21	12%	-12	-20	76%	-13	-23	76%
Profit after financial items	447	438	-2%	946	1,097	16%	990	1,148	16%
Income tax expense	-104	-104	0%	-227	-263	16%	-238	-276	16%
Net income	342	334	-2%	719	834	16%	752	873	16%
EPS, reported	4.08	3.96	-3%	8.15	9.13	12%	8.53	9.56	12%
No. of shares, average	83.97	84.37	0%	88.15	91.33	4%	88.15	91.33	4%

Key figures	2018e			2019e			2020e		
	Old	New	% ch.	Old	New	% ch.	Old	New	% ch.
NRI	0	0	na	0	0	na	0	0	na
Net sales growth Y/Y	657%	694%	36%	25%	32%	7%	7%	5%	-2%
EBITDA adj.	1,008	1,010	0%	1,762	1,944	10%	1,929	2,097	9%
EBITDA adj. - capex	-66	-94	43%	547	611	12%	634	699	10%
EBIT adj.	465	459	-1%	957	1,117	17%	1,003	1,171	17%
EBIT adj. growth Y/Y	147%	144%	-3%	106%	143%	38%	5%	5%	0%
Gross margin	42.0%	39.0%	-3.0%	47.9%	47.0%	-0.9%	48.9%	48.5%	-0.4%
EBITDA adj. margin	26.2%	25.1%	-1.2%	36.6%	36.5%	-0.1%	37.4%	37.4%	0.0%
EBIT adj. margin	12.1%	11.4%	-0.7%	19.9%	21.0%	1.1%	19.4%	20.9%	1.4%

Cost structure as % of sales

COGS	58%	61%	3%	52%	53%	1%	51%	52%	0%
Capitalised development costs	10%	9%	-1%	10%	10%	0%	10%	10%	0%
Other external costs	16%	13%	-4%	14%	12%	-2%	14%	13%	-1%
Personnel costs	16%	15%	-1%	14%	14%	0%	14%	14%	0%
Other operating income	6%	5%	-2%	6%	6%	-1%	6%	5%	-1%
Other operating costs	0%	0%	0%	0%	0%	0%	0%	0%	0%
D&A	14%	14%	-1%	17%	16%	-2%	18%	17%	-1%
Tax rate	23%	24%	0%	24%	24%	0%	24%	24%	0%

Source: Carnegie Research

Valuation method

We rate THQ Nordic BUY. Our recommendation is based on a peer group valuation and a DCF model. Based on our estimates, we arrive at a fair value of SEK245 (230). THQ Nordic trades at EV/EBIT(19e) of 15.2x, which is a small premium to international peers, which we think is justified given a still solid balance sheet and ambitious plans to consolidate the European gaming market.

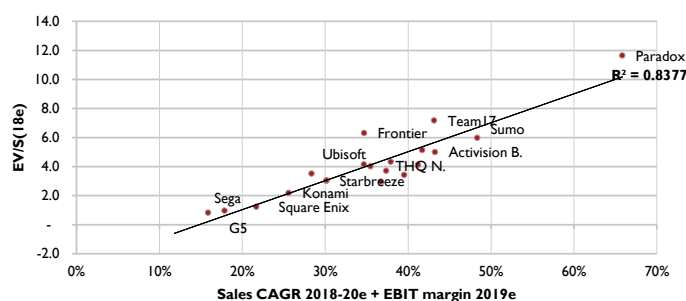
Peer valuation	Sales 2018e		Mcap			P/E			EV/EBITDA			EV/EBIT			EV/S		
	EURm	EURm	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e
Nordic gaming																	
G5 Entertainment	146	155	12.0	9.4	7.4	5.8	4.3	3.5	9.7	7.1	5.0	0.9	0.9	0.7			
Next Games*	36	27	na	na	na	na	na	20.2	na	na	79.0	0.6	0.4	0.3			
Paradox	106	1,208	39.9	29.6	23.2	20.7	15.1	11.6	30.2	22.1	16.8	11.6	9.2	7.5			
Rovio*	289	334	15.5	10.2	13.4	5.0	3.7	4.5	8.4	4.7	5.3	0.8	0.6	0.6			
Starbreeze	73	183	12.8	neg	13.6	5.4	7.3	3.2	18.4	neg	10.4	3.0	3.0	1.6			
Stillfront	131	362	20.0	15.2	13.2	9.0	7.1	6.0	13.0	9.4	7.9	2.9	2.4	2.1			
THQ Nordic	423	1,270	47.2	20.5	19.6	17.3	8.7	7.9	38.0	15.2	14.2	4.3	3.2	3.0			
Median			17.8	15.2	13.5	7.4	7.2	6.0	15.7	9.4	10.4	2.9	2.4	1.6			

International gaming*

Activision Blizzard	6,622	35,547	19.8	18.3	16.0	13.9	11.9	9.9	14.8	12.9	10.5	5.0	4.5	3.8
Capcom	759	2,348	18.8	16.8	15.1	11.0	9.7	8.0	14.1	12.0	10.2	2.6	2.4	2.2
CD Projekt	117	3,280	76.6	46.5	12.7	51.6	32.1	7.2	59.2	29.0	10.2	26.6	14.4	6.4
Codemasters	80	290	17.7	15.5	13.5	18.7	13.6	11.3	20.7	14.6	11.2	4.0	3.0	2.6
Electronic Arts	4,561	23,406	19.0	17.1	15.2	11.8	10.4	8.9	12.8	11.2	9.4	4.1	3.7	3.3
Frontier Developments	70	419	34.1	29.5	24.1	19.1	15.5	14.1	31.7	25.7	22.7	6.3	5.2	5.0
Glu Mobile	339	952	28.3	21.6	14.4	na	na	na	na	na	na	na	na	na
Keywords Studios	263	838	29.5	24.6	22.0	21.0	17.1	14.8	25.7	20.3	17.0	3.5	2.9	2.5
Koei Tecmo	319	1,772	16.8	15.8	14.3	15.1	12.6	11.0	16.5	14.3	12.1	5.1	4.7	4.1
Konami	1,967	5,499	18.9	17.0	15.8	8.6	7.4	6.4	10.7	9.2	8.2	2.2	2.0	1.8
Perfect World	1,130	4,439	18.4	15.4	13.1	14.0	11.1	9.0	15.5	12.1	9.6	3.4	2.7	2.2
Sega Sammy	2,710	3,385	28.5	17.5	13.8	6.2	4.7	3.9	13.1	8.3	6.5	0.8	0.7	0.6
Square Enix	2,002	3,575	17.9	15.2	13.9	7.7	6.1	5.2	9.1	7.2	6.1	1.2	1.1	1.0
Sumo Group	42	256	30.1	23.2	20.5	21.1	14.8	12.2	36.6	19.3	15.2	6.0	4.2	3.4
Take-Two Interactive	2,412	10,801	23.2	20.7	16.8	15.0	12.0	8.9	15.5	12.9	9.2	3.7	3.3	2.5
Team17	44	329	28.1	25.7	24.4	18.7	16.4	14.6	21.0	18.9	17.0	7.2	5.9	5.2
Ubisoft	1,998	8,132	27.5	22.7	19.4	8.4	7.1	5.8	21.0	16.0	12.5	4.1	3.6	3.1
Zynga	841	2,689	21.3	21.4	16.6	15.7	13.8	10.0	18.2	16.6	11.1	3.0	2.5	2.1
Median			22.3	19.5	15.5	15.0	12.0	9.0	16.5	14.3	10.5	4.0	3.3	2.6

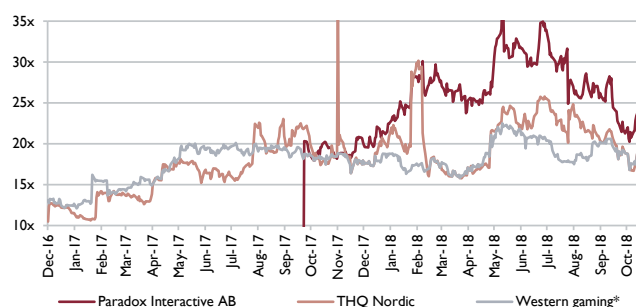
Source: FactSet(*), Carnegie Research

EV/S(18e) vs. sales CAGR and EBIT margins



Source: Factset, Carnegie Research

12m fwd EV/EBIT



*AB Ubi, EA, T2, CDP, CM, T17, Sumo, Keyword, Glu, Zy, FD, FH, Pdx, THQ

Source: FactSet, Carnegie Research

Interim figures

THQ Group

SEKm	2017				2018				2016	2017	2018e	2019e	2020e
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4e					
Net sales, by segment													
Games - THQ Nordic	82	86	85	255	135	146	124	279	302	508	684	947	1,134
Games - Deep Silver	-	-	-	-	257	338	252	223	-	-	1,070	1,514	1,536
Games - Coffee Stain	-	-	-	-	-	-	-	14	-	-	14	225	248
Partner Publishing & Film	-	-	-	-	242	354	897	769	-	-	2,261	2,640	2,693
Total	82	86	85	255	633	838	1,273	1,286	302	508	4,029	5,326	5,611

P&L	2017				2018				2016	2017	2018e	2019e	2020e
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4e					
Net sales	82	86	85	255	633	837	1,273	1,286	302	508	4,029	5,326	5,611
Capitalised development costs	13	14	19	33	58	93	102	121	36	80	374	549	567
Other operating income	1	2	-3	3	34	29	64	64	9	3	191	298	302
Total operating income	96	102	101	291	725	960	1,439	1,471	347	590	4,594	6,173	6,479
COGS	-25	-24	-30	-69	-320	-466	-895	-777	-119	-148	-2,458	-2,823	-2,890
Other external costs	-11	-15	-16	-33	-74	-120	-158	-153	-43	-75	-506	-650	-701
Personnel costs	-18	-21	-22	-33	-104	-167	-171	-179	-52	-94	-621	-756	-791
Other operating costs	-1	-2	1	1	0	0	0	0	0	0	0	0	0
EBITDA	42	40	35	156	226	207	215	362	132	273	1,010	1,944	2,097
D&A	-10	-9	-11	-54	-119	-154	-124	-154	-37	-84	-551	-827	-926
EBIT	32	30	24	102	107	53	91	209	95	188	459	1,117	1,171
Financial income	0	0	0	0	0	0	1	0	0	0	0	0	0
Financial expenses	0	0	-1	-5	-9	-4	-4	-4	-2	-6	-21	-20	-23
Profit after financial items	31	30	23	97	98	49	88	205	93	182	438	1,097	1,148
Income tax expense	-8	-7	-4	-24	-17	-15	-23	-49	-21	-43	-104	-263	-276
Net income	24	23	19	73	81	33	65	155	72	139	334	834	873
EPS, reported	0.33	0.32	0.26	0.93	1.02	0.42	0.74	1.73	1.18	1.88	3.96	9.13	9.56
No. of shares, average	72.0	72.0	72.3	79.2	79.2	80.3	88.2	89.7	61.1	73.9	84.4	91.3	91.3

Key figures	2017				2018				2016	2017	2018e	2019e	2020e
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4e					
NRI	0	0	0	0	0	0	0	0	0	0	0	0	0
Net sales growth Y/Y	90%	62%	9%	99%	673%	879%	1403%	403%	42%	68%	694%	32%	5%
EBITDA adj.	42	40	35	156	226	207	215	362	132	273	1,010	1,944	2,097
EBITDA adj. - capex	-26	-20	-50	58	39	-145	-59	70	-29	-38	-94	611	699
EBIT adj.	32	30	24	102	107	53	91	209	95	188	459	1,117	1,171
EBIT adj. growth Y/Y	124%	113%	50%	102%	237%	73%	278%	104%	43%	98%	144%	143%	5%
Gross margin	70%	72%	65%	73%	49%	44%	30%	40%	61%	71%	39%	47%	49%
EBITDA adj. margin	51%	46%	41%	61%	36%	25%	17%	28%	44%	54%	25%	36%	37%
EBIT adj. margin	39%	35%	28%	40%	17%	6%	7%	16%	31%	37%	11%	21%	21%

Cost structure as % of sales

COGS	29.9%	28.4%	35.1%	27.1%	50.5%	55.6%	70.3%	60.4%	39.4%	29.1%	61.0%	53.0%	51.5%
Capitalised development costs	15.9%	16.8%	22.8%	12.9%	9.1%	11.2%	8.0%	9.4%	12.0%	15.7%	9.3%	10.3%	10.1%
Other external costs	13.0%	18.1%	18.8%	12.9%	11.8%	14.3%	12.4%	11.9%	14.2%	14.8%	12.6%	12.2%	12.5%
Personnel costs	22.0%	24.3%	25.8%	13.1%	16.5%	20.0%	13.4%	13.9%	17.3%	18.5%	15.4%	14.2%	14.1%
Other operating income	0.9%	2.4%	-3.4%	1.1%	5.4%	3.5%	5.1%	5.0%	2.9%	0.5%	4.8%	5.6%	5.4%
Other operating costs	0.7%	2.0%	-1.1%	-0.4%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
D&A	12.3%	10.9%	12.5%	21.3%	18.8%	18.4%	9.7%	12.0%	12.4%	16.6%	13.7%	15.5%	16.5%
Tax rate	25.3%	22.6%	18.8%	24.4%	17.3%	31.2%	25.7%	24.0%	22.5%	23.5%	23.7%	24.0%	24.0%

Source: Carnegie Research

Financial statements

Profit & loss	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Sales	0	0	0	0	213	302	508	4,029	5,326	5,611
COGS	na	na	na	na	-70	-119	-148	-2,458	-2,823	-2,890
Gross profit	0	0	0	0	143	183	360	1,571	2,503	2,721
Other income & costs	0	0	0	0	-38	-51	-87	-566	-560	-624
EBITDA	0	0	0	0	105	132	273	1,005	1,944	2,097
Depreciation PPE	0	0	0	0	0	0	-2	-10	-28	-30
Other amortisation	0	0	0	0	-39	-37	-82	-536	-799	-896
EBITA	0	0	0	0	67	95	188	459	1,117	1,171
GW amortisation & Impairment	0	0	0	0	0	0	0	0	0	0
EBIT	0	0	0	0	67	95	188	459	1,117	1,171
Net interest	0	0	0	0	-1	-2	-2	-11	-20	-23
Other financial items	0	0	0	0	0	0	-4	-10	0	0
Share of earnings in ass. comp.	0	0	0	0	0	0	0	0	0	0
EAFI	0	0	0	0	66	93	182	438	1,097	1,148
Other EO items	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	0	0	66	93	182	438	1,097	1,148
Taxes	0	0	0	0	-14	-21	-43	-104	-263	-276
Post-tax minorities interest	0	0	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	52	72	139	334	834	873
EO & Impairment adjustments	0	0	0	0	0	0	0	0	0	0
Tax on EO items	0	0	0	0	0	0	0	0	0	0
Adj.Net profit	0	0	0	0	52	72	139	334	834	873
Sales growth Y/Y	na	na	na	na	+chg	41.8%	68.1%	693.8%	32.2%	5.3%
EBITA growth Y/Y	na	na	na	na	+chg	42.7%	98.1%	143.9%	143.3%	4.9%
EBITDA margin	nm	nm	nm	nm	49.4%	43.8%	53.7%	25.0%	36.5%	37.4%
EBITA margin	nm	nm	nm	nm	31.3%	31.5%	37.1%	11.4%	21.0%	20.9%
Tax rate	na	na	na	na	21.6%	22.5%	23.5%	23.7%	24.0%	24.0%
Cash flow	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
EBITDA	0	0	0	0	105	132	273	1,005	1,944	2,097
Net financial items	0	0	0	0	-1	-2	-6	-21	-20	-23
Non cash adjustments	0	0	0	0	0	1	26	860	0	0
Change in NWC	0	0	0	0	16	-9	-70	-700	143	-31
Paid taxes	0	0	0	0	-11	-23	-43	-104	-263	-276
Operating cash flow (OCF)	0	0	0	0	110	99	179	1,041	1,803	1,767
CAPEX PPE	0	0	0	0	0	-3	-5	-121	-18	-20
CAPEX other intang. assets	0	0	0	0	-71	-157	-297	-983	-1,314	-1,378
Net cash flow (NCF)	0	0	0	0	39	-60	-123	-64	470	369
Other investments/Divestments	0	0	0	0	2	0	-74	-835	0	0
Dividend paid	0	0	0	0	-25	-40	0	0	0	0
Share issues & buybacks	0	0	0	0	0	223	581	1,542	0	0
Other non-cash adjustments	0	0	0	0	0	0	-7	-1,519	0	0
Change in LT non-IB liabilities	0	0	0	0	1	-1	0	0	0	0
Decrease in net IB debt	0	0	0	0	18	121	378	-876	470	369
Balance sheet	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Goodwill	0	0	0	0	0	0	0	908	908	908
Other fixed intangible assets	0	0	0	0	104	229	571	2,208	2,724	3,206
PPE	0	0	0	0	2	4	8	144	134	124
Shares & participations	0	0	0	0	0	0	0	0	0	0
Other fixed financial assets	0	0	0	0	0	0	0	0	0	0
Other fixed assets	0	0	0	0	0	0	3	200	200	200
Fixed assets	0	0	0	0	106	232	582	3,460	3,966	4,438
Inventories	0	0	0	0	13	18	30	285	266	281
Receivables	0	0	0	0	30	43	90	1,410	1,598	1,683
Other current assets	0	0	0	0	1	4	0	0	0	0
Cash & cash equivalents	0	0	0	0	26	167	627	987	1,457	2,188
Current assets	0	0	0	0	69	232	747	2,682	3,322	4,151
Total assets	0	0	0	0	175	465	1,329	6,142	7,287	8,589
Shareholders' equity	0	0	0	0	84	345	1,073	2,950	3,783	4,656
Minorities	0	0	0	0	0	0	0	0	0	0
Sub-ordinated loans	0	0	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	8	11	41	6	6	6
Other IB & Non IB provisions	0	0	0	0	0	0	0	860	860	860
LT IB debt	0	0	0	0	0	0	0	207	207	207
LT non-IB liabilities	0	0	0	0	1	0	0	0	0	0
LT liabilities	0	0	0	0	9	11	41	1,073	1,073	1,073
ST IB debt	0	0	0	0	10	29	110	1,139	1,139	1,500
Payables	0	0	0	0	28	67	91	967	1,278	1,347
Other ST non-IB liabilities	0	0	0	0	44	12	14	14	14	14
Current liabilities	0	0	0	0	82	108	215	2,120	2,431	2,860
Total liabilities	0	0	0	0	175	465	1,329	6,142	7,287	8,589

Source: Carnegie Research

Share data & key ratios

Per share data (SEK)	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Adj. no. of shares in issue YE (m)	0.00	0.00	0.00	0.00	60.00	72.03	79.24	91.33	91.33	91.33
Diluted no. of Shares YE (m)	0.00	0.00	0.00	0.00	60.00	72.03	79.24	91.33	91.33	91.33
EPS	na	na	na	na	0.86	1.18	1.88	3.96	9.13	9.56
EPS adj.	na	na	na	na	0.86	1.18	1.88	3.96	9.13	9.56
CEPS	na	na	na	na	1.50	1.79	3.02	10.4	18.2	19.7
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	na	na	na	na	1.40	4.79	13.5	32.3	41.4	51.0
BVPS ex. GW	na	na	na	na	1.40	4.79	13.5	22.4	31.5	41.0
NAVPS	na	na	na	na	1.40	4.79	13.5	32.3	41.4	51.0
NIBDPS	na	na	na	na	-0.26	-1.93	-6.52	3.93	-1.22	-5.26
Valuation	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
P/E YE	na	na	na	na	na	28.2	42.1	47.2	20.5	19.6
P/E adj. YE	na	na	na	na	na	28.2	42.1	47.2	20.5	19.6
P/E average	na	na	na	na	na	25.4	30.5	47.2	20.5	19.6
P/E adj. average	na	na	na	na	na	25.4	30.5	47.2	20.5	19.6
P/CEPS YE	na	na	na	na	na	18.6	26.2	17.9	10.3	9.5
P/BV YE	na	na	na	na	na	6.93	5.85	5.79	4.51	3.67
P/BV ex. GW YE	na	na	na	na	na	6.93	5.85	8.37	5.94	4.56
Dividend yield YE	na	na	na	na	na	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Payout Ratio	na	na	na	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/EBIT YE	na	na	na	na	na	23.7	30.6	38.0	15.2	14.2
EV/EBITA YE	na	na	na	na	na	23.7	30.6	38.0	15.2	14.2
EV/EBITA adj. YE	na	na	na	na	na	23.7	30.6	38.0	15.2	14.2
EV/Sales YE	na	na	na	na	na	7.5	11.4	4.3	3.2	3.0
EV/EBITDA YE	na	na	na	na	na	17.0	21.1	17.3	8.7	7.9
Share price YE						33.2	79.3	187		
Share price high						33.4	91.3	218		
Share price low						26.9	29.7	80.3		
Share price average						29.9	57.5	165		
Margins	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Gross margin	na	na	na	na	67.1%	60.6%	70.9%	39.0%	47.0%	48.5%
EBITDA margin	nm	nm	nm	nm	49.4%	43.8%	53.7%	25.0%	36.5%	37.4%
Adj. EBITDA margin	nm	nm	nm	nm	49.4%	43.8%	53.7%	25.0%	36.5%	37.4%
EBITA margin	nm	nm	nm	nm	31.3%	31.5%	37.1%	11.4%	21.0%	20.9%
Adj. EBITA margin	nm	nm	nm	nm	31.3%	31.5%	37.1%	11.4%	21.0%	20.9%
Pre-tax margin	nm	nm	nm	nm	31.0%	30.8%	35.9%	10.9%	20.6%	20.5%
Net margin	nm	nm	nm	nm	24.3%	23.8%	27.4%	8.3%	15.6%	15.6%
Adj. net margin	nm	nm	nm	nm	24.3%	23.8%	27.4%	8.3%	15.6%	15.6%
Profitability	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
ROE	nm	nm	nm	nm	122.9%	33.5%	19.6%	16.6%	24.8%	20.7%
Adj. ROE	nm	nm	nm	nm	nm	33.5%	19.6%	16.6%	24.8%	20.7%
Adj. ROCE pre-tax	nm	nm	nm	nm	130.9%	39.0%	22.9%	14.1%	20.0%	17.7%
Adj. ROIC aft-tax	na	na	na	na	86.0%	42.4%	34.5%	15.2%	20.4%	19.3%
Adj. ROA pre-tax	nm	nm	nm	nm	75.9%	29.7%	20.5%	12.0%	16.6%	14.8%
FCF yield	0.0%	0.0%	0.0%	0.0%	0.2%	-0.4%	-0.7%	-0.4%	2.8%	2.2%
Capital eff./Solv.	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Inventories / Sales	na	na	na	na	6.0%	6.1%	5.9%	5.0%	5.0%	5.0%
Receivables / Sales	na	na	na	na	14.2%	14.1%	17.8%	35.0%	30.0%	30.0%
Payables / Sales	na	na	na	na	13.1%	22.3%	18.0%	24.0%	24.0%	24.0%
NWC / Sales	nm	nm	nm	nm	3.5%	1.4%	2.2%	9.4%	12.3%	10.7%
Asset turnover	nm	nm	nm	nm	2.43	0.94	0.57	1.08	0.79	0.71
Sales / Capital invested	nm	nm	nm	nm	3.51	1.74	1.22	1.75	1.28	1.22
OCF / Capex	nm	nm	nm	nm	nm	38.48	36.55	8.58	100.16	88.37
Capex / Sales	nm	nm	nm	nm	0.0%	0.9%	1.0%	3.0%	0.3%	0.4%
Capex / Depreciation PPE	nm	nm	nm	nm	0.00	10.15	2.32	12.25	0.64	0.67
Dividend payout ratio	na	na	na	na	0%	0%	0%	0%	0%	0%
Equity / Total assets	nm	nm	nm	nm	48%	74%	81%	48%	52%	54%
Net IB debt / Equity	nm	nm	nm	nm	-19%	-40%	-48%	12%	-3%	-10%
Net IB debt / EBITDA	nm	nm	nm	nm	-0.1	-1.0	-1.9	0.4	-0.1	-0.2
EBITDA / Net interest	nm	nm	nm	nm	177.2	62.4	124.0	92.1	96.3	91.6
EBITA / Net interest	nm	nm	nm	nm	112.3	44.8	85.6	42.0	55.3	51.2
Balance sheet data	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Net IB debt	0	0	0	0	-16	-139	-517	359	-111	-481
Net working capital (NWC)	0	0	0	0	15	-6	29	729	586	617
Capital employed (CE)	0	0	0	0	102	385	1,224	5,162	5,995	7,229
Capital invested (CI)	0	0	0	0	121	226	608	3,989	4,352	4,856
Enterprise value YE (EV)	na	na	na	na	na	2,253	5,763	17,438	16,968	16,598

Source: Carnegie Research

Disclosures and disclaimers

Carnegie Investment Bank AB

Carnegie Investment Bank AB (publ.) is a leading investment bank with a Nordic focus. The Carnegie group of companies, together "Carnegie", generates added value for institutions, companies and private clients in the areas of trade in securities, investment banking and private banking. Carnegie has approximately 600 employees, located in offices in seven countries.

Ratings and risk assessment structure

Current rating system as of October 2011

Buy (B), upside of at least 10% to the target price and with an attractive risk/reward profile

Hold (H), the stock is trading close to its target price and is fairly valued

Sell (S), unattractive risk/reward ratio as the stock is trading above its target price

Not rated (NR), Under review (UR), Under bid (UB). The investment rating, if any, has been suspended temporarily.

Risk assessment

The risk assessment is based on the analyst's evaluation of the company's equity beta based on the business risk (asset beta) and financial risk (gearing).

Low risk estimated equity beta <0.75

Medium risk estimated equity beta 0.75 to 1.25

High risk estimated equity beta >1.25

Valuation, methodology, and assumptions

Target price

Carnegie publishes a target price for most of the stocks in our Research Universe. The target price is the analyst's assessment of expected total return over the coming six to 12 months based on various fundamental valuation methods. A commonly used method is DCF valuation, where future cash flows are discounted to today. Analysts may also use different valuation multiples, e.g. P/E ratio and EV/EBIT multiples, relative to industry peers to obtain a target price. For companies where it is appropriate, a target price can also be based on the analyst's assessment of a fair ratio relative to the net asset value of the company. Target prices are revised when earnings and cash flow forecasts are changed. Thus, changes to estimates are a key risk to the target price. Other reasons for revising target prices include changes in the underlying value of a company's assets and when factors affecting the required rate of return change, which can also be seen as risk factors to the target price.

Information

You will find detailed information about the valuation or methodology and the underlying assumptions on Carnegie Edge (www.carnegie-edge.com). The complete history of research reports and previous recommendations can also be found on Carnegie Edge.

Research coverage

Carnegie's research analysis consists of case-based analyses, which implies that the frequency of the analytical report may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

Analyst certification

The research analyst or analysts responsible for the content of this report certify that, notwithstanding the existence of any potential conflicts of interests referred to herein, the views expressed in this report accurately reflect the research analyst's personal views about the companies and securities covered. It is further certified that the research analyst has not been, nor is or will be, receiving direct or indirect compensation related to the specific ratings or views contained in this report.

Potential conflicts of interest

Carnegie, or its subsidiaries, may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report. Any such publicly announced business activity, during the past 12 months, will be referred to in this report. A set of rules handling conflicts of interest is implemented in the Carnegie Group. Investment Banking and other business departments in Carnegie are surrounded by arrangements (Chinese walls) to restrict the flows of sensitive information. Persons outside a Chinese wall may gain access to sensitive information only after having observed applicable Chinese wall crossing procedures. The remuneration of persons involved in preparing this report is not tied to investment banking transactions performed by Carnegie or a legal person within the same group.

Confidential and non-public information regarding Carnegie and its clients, business activities and other circumstances that could affect the market value of a security ("sensitive information") is kept strictly confidential and may never be used in an undue manner.

Internal guidelines are implemented in order to ensure the integrity and independence of research analysts. In accordance with the guidelines the research department is separated from the Investment Banking department and there are no reporting lines between the research department and Investment Banking. The guidelines also include rules regarding, but not limited to, the following issues; contacts with covered companies, prohibition against offering favourable recommendations, personal involvement in covered companies, participation in investment banking activities, supervision and review of research reports, analyst reporting lines and analyst remuneration.

Research Disclaimer

Carnegie Investment Bank AB is responsible for the preparation of this research report in Sweden, Finland, Denmark, and the UK. Carnegie AS is responsible for the preparation of this research report in Norway. Carnegie Inc. is responsible for this research report in the US.

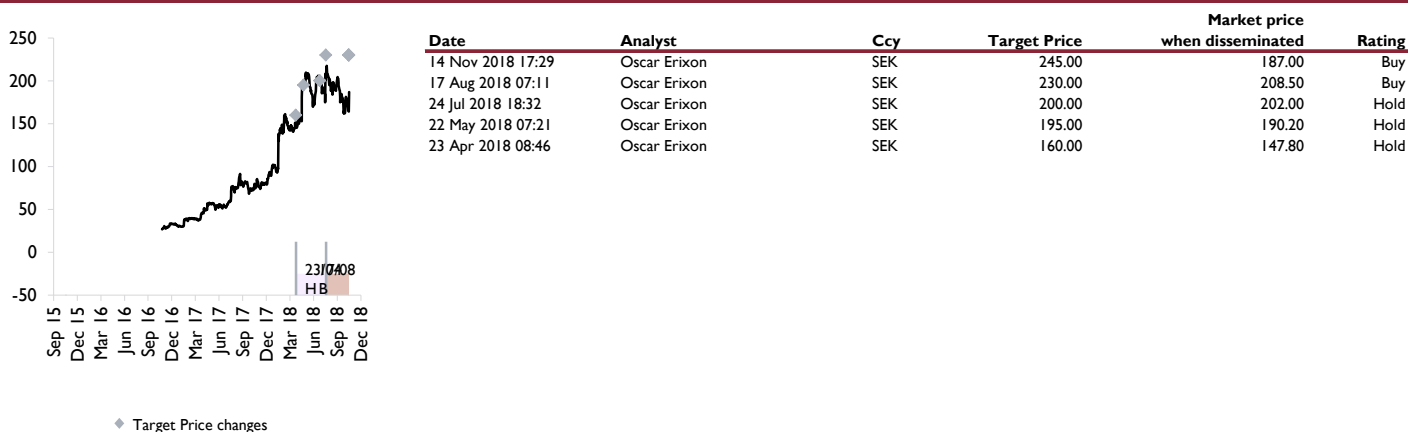
The information in this report was obtained from various sources. While all reasonable care has been taken to ensure that the information is true and not misleading, Carnegie does not guarantee its accuracy or completeness. If the report has been disclosed to the issuer and amended following this disclosure before its dissemination, it will be referred to in the company-specific disclosures. Carnegie, its subsidiaries and any of their officers or directors may have a position, or otherwise be interested in, transactions in securities that are directly or indirectly the subject of this report. Any significant financial interests held by the analyst, Carnegie or a legal person in the same group in relation to the issuer will be referred to in the company-specific disclosures.

This research report is prepared for general circulation and general information only. It does not have regard to the specific investment objectives, financial situation or particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Past performance is not necessarily a guide to future performance. Carnegie and its subsidiaries accept no liability whatsoever for any direct or consequential loss, including, without limitation, any loss of profits arising from the use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.

Carnegie Investment Bank AB is a bank incorporated in Sweden with limited liability regulated by the Swedish Financial Supervisory Authority (Finansinspektionen). This report is distributed in Sweden by Carnegie Investment Bank AB. Carnegie UK is the UK Branch of Carnegie Investment Bank AB which is authorised by the Swedish Financial Supervisory Authority and subject to limited regulation by the UK Financial Conduct Authority. This report has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Carnegie UK and issued by it in the UK.

In Finland this report is issued by Carnegie Investment Bank AB, Finland Branch. The Finland branch is authorised by the Swedish Financial Supervisory Authority and subject to limited regulation by the Finnish Financial Supervisory Authority (Finanssivalvonta). In Norway this report is issued by Carnegie AS, a wholly-owned subsidiary of Carnegie Investment Bank AB. Carnegie AS is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet).

In Denmark this report is issued by Carnegie Investment Bank AB, Denmark Branch. The Denmark branch is authorised by the Swedish Financial Supervisory Authority and subject to limited regulation by the Danish Financial Supervisory Authority (Finanstilsynet). This report is distributed in the US by Carnegie, Inc., a US-registered broker-dealer. This report is provided for informational purposes only and under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy any securities. Any US person who wishes to effect transactions based on this report should contact Carnegie Inc. Investors in the US should be aware that investing in non-US securities entails certain risks. The securities of non-US issuers may not be registered with, nor be subject to, the current information reporting and audit standards of the US Securities and Exchange Commission.

THQ Nordic price, rating and target price history (THQNb.ST)

 Our **Target Price Horizon** is 6–12 months

Source: Carnegie Research, Factset

Company specific disclosures

The following disclosures relate to relationships between Carnegie Investment Bank AB (with its subsidiaries, "Carnegie") and the subject company.

Within the past 12 months Carnegie (refer to definition in disclaimer text) has received compensation for investment banking services regarding Biotec Pharmacon, Ferronordic, Jyske Bank, Matas, NEL, Next Biometrics, Nordic Mining, Norwegian Air Shuttle ASA, Otello Corp, Prosafe, Restamax, Spar Nord Bank, Stillfront and THQ Nordic.

Within the past 12 months Carnegie (refer to definition in disclaimer text) has managed or co-managed a public offering of securities of AcadeMedia, Altia, Arion Bank, Bygghemma, Calliditas, Camurus, Catena Media, Dustin, Elkem ASA, Medivir, NCAB, Nuevolution, Orphazyme, Ovzon, Starbreeze, Stillfront, Tallinna Sadam, TCM Group, THQ Nordic and Trianon.

Please see Carnegie's website for a full list of shares owned by employees of Carnegie AS in relation to potential conflicts of interest: www.carnegie.no, Verdipapirhandel, Analyse, Disclaimer (Norwegian). www.carnegie.no, Securities, Research, Disclaimer (English). Carnegie AS may also own shares in connection with trading. This disclosure is made to meet Norwegian best practice.

Since September 30, 2010 Carnegie Investment Bank AB acts as a market maker in the FastPartner share. Since September 30, 2010 Carnegie Investment Bank AB acts as a market maker in the Kindred share. Since 1 December, 2014 Carnegie Investment Bank AB acts as a market maker in the Solar share. Since 17 November, 2016 Carnegie Investment Bank AB acts as a market maker in the TF Bank share. Since 16 July, 2018 Carnegie Investment Bank AB acts as a market maker in the Handicare share.

Stock rating distribution in the previous 12 months

Ratings	Carnegie coverage universe % of total	Investment banking services* % of total
Buy	50	75
Hold	40	22
Sell	10	3

*Investment banking services provided by Carnegie in the previous 12 months

Copyright© 2018 Carnegie



THQ Nordic Company Summary

15 November 2018

Profit & loss	2016	2017	2018e	2019e	2020e
Sales	302	508	4,029	5,326	5,611
EBITDA	132	273	1,005	1,944	2,097
EBITA	95	188	459	1,117	1,171
EBIT	95	188	459	1,117	1,171
Pre-tax profit	93	182	438	1,097	1,148
Net profit	72	139	334	834	873
EO items	0	0	0	0	0

Balance sheet	2016	2017	2018e	2019e	2020e
Total assets	465	1,329	6,142	7,287	8,589
Shareholders' equity	345	1,073	2,950	3,783	4,656
Goodwill	0	0	908	908	908
Net IB debt	-139	-517	359	-111	-481

Cash flow	2016	2017	2018e	2019e	2020e
EBITDA	132	273	1,005	1,944	2,097
Operating cash flow	99	179	1,041	1,803	1,767
Net cash flow (NCF)	-60	-123	-64	470	369
Decrease in net IB debt	121	378	-876	470	369

Sales by business area

Partner Publishing & Film	56.1%
Games - Deep Silver	26.6%
Games - THQ Nordic	17.0%

Source: Carnegie Research

Company description

THQ Nordic is a Swedish games publisher focused on acquiring, developing and publishing PC and console games. Since 2011, THQ Nordic has made some 30 acquisitions, mostly of IPs and smaller development studios, growing its sales by a CAGR of 49% in 2013–17. The acquisition of Koch Media in February 2018 represents another key turning point in the company's history, as the new group becomes a high-quality, integrated European powerhouse in physical and digital game publishing. The new group employs over 1,600 people and, of its listed European peers, its sales are dwarfed only by Ubisoft. The company was founded by Lars Wingefors in 2011 and the group headquarter is located in Karlstad, Sweden.

Carnegie Investment Bank AB

Tel +46 8 676 88 00 Fax +46 8 676 88 95

Carnegie AS

Tel +47 22 00 93 00 Fax +47 22 00 94 00

Carnegie Investment Bank, Denmark Branch

Tel +45 32 88 02 00 Fax +45 32 96 10 22

Per share data	2016	2017	2018e	2019e	2020e
EPS	1.18	1.88	3.96	9.1	9.6
EPS adj.	1.18	1.88	3.96	9.1	9.6
EPS adj. Growth	36.5%	59.9%	110.5%	130.3%	4.7%
CEPS	1.79	3.02	10.4	18.2	19.7
DPS	0.00	0.00	0.00	0.00	0.00
BVPS ex. GW	4.79	13.5	22.4	31.5	41.0
NIBDPS	-1.93	-6.52	3.93	-1.22	-5.26

Ratios	2016	2017	2018e	2019e	2020e
P/E	>50	>50	47.2	20.5	19.6
P/E adj.	>50	>50	47.2	20.5	19.6
P/BVPS	39.0	13.8	5.8	4.5	3.7
P/BVPS ex. GW	39.0	13.8	8.4	5.9	4.6
P/CEPS	>50	>50	17.9	10.3	9.5
EV/Sales	>50	32.63	4.33	3.19	2.96
EV/EBITDA	>50	>50	17.3	8.7	7.9
EV/EBITA	>50	>50	38.0	15.2	14.2
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-0.4%	-0.7%	-0.4%	2.8%	2.2%

Sales by product area

Publishing titles	53.7%
Owned titles	46.3%

Source: Carnegie Research

Company miscellaneous

CEO Lars Wingefors	Älvgatan 1
CFO Erik Stenberg	+46 708 47 19 78
IR	www.thq nordic.com

Major shareholders

	Capital	Votes		Capital	Votes
Lars Wingefors	45.5%	59.0%	Handelsbanken Fonder	6.6%	3.4%
Xagonus AB	9.8%	12.8%	CMB Holding AB	3.4%	4.4%
Swedbank Robur Fond	8.6%	4.3%	Didner & Gerge Fonde	2.4%	1.2%

Carnegie, Inc.

Tel +1 212 262 5800 Fax +1 212 265 3946

Carnegie Investment Bank AB, Finland Branch

Tel +358 9 618 71 230 Fax +358 9 618 71 720

Carnegie Investment Bank AB, UK Branch

Tel +44 20 7216 4000 Fax +44 20 7417 9426