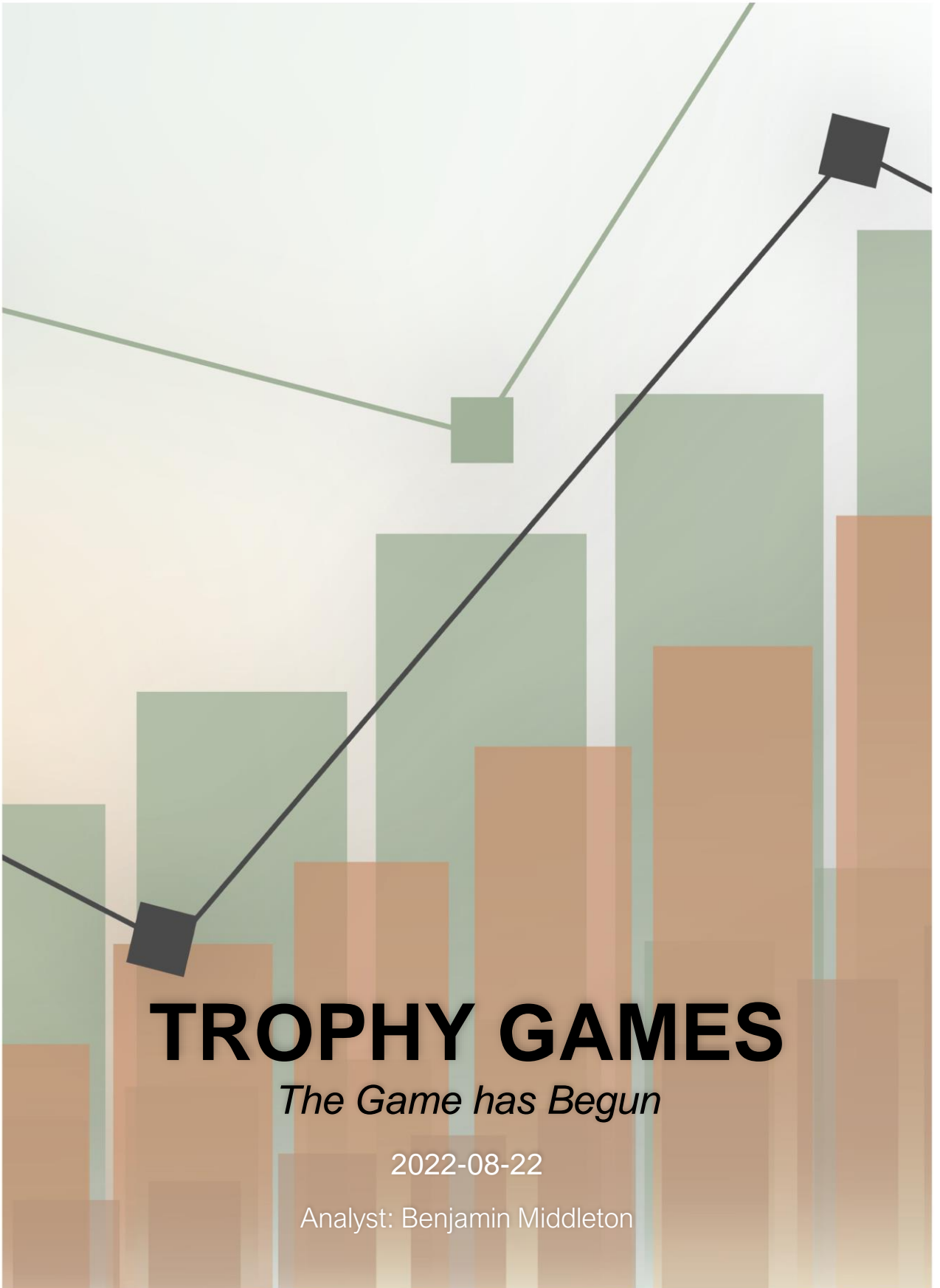


# EQUITY RESEARCH REPORT



## TROPHY GAMES

*The Game has Begun*

2022-08-22

Analyst: Benjamin Middleton

# TROPHY GAMES DEVELOPMENT A/S

## THE GAME HAS BEGUN

Ag

Trophy Games Development A/S (“Trophy Games” or the “Company”) is a Danish game developer focused on challenging strategy games, currently showing strong double-digit growth. The Company has had great success with developing so-called manager games and has now diversified the portfolio through the emergence of the transport series, led by the successful *Airline Manager 4* (“AM4”) game. With three transport titles expected to be released during 2022 and 2023, as well as the scaling up of the major IP-game *Warhammer: Soul Arena*, revenue is expected to grow with a CAGR of 48.5% between 2020-2022. In a Base scenario, Analyst Group estimates a revenue of DKK 66.3m in 2022 with an EBITDA of DKK 6.5m, which, based on an applied EV/S multiple of 2.5x yields a potential fair value of DKK 7.1 per share.

### ■ Increase In Users and Revenue

With increased user and revenue growth with the transport series, the latest release of the game *Warhammer: Soul Arena* and the planned release of three additional new games, a significant increase in active users is estimated during 2022 and 2023. In addition, as the Company optimizes the current portfolio of games, which is addressing a very loyal player base, the Average Revenue Per User (“ARPU”), as well as profitability, are expected to increase during the coming quarters.

### ■ New Possible Verticals

The Company has, with the current portfolio of games, a great opportunity to introduce new titles and to add new verticals to current games. Through the acquisition of Xombat ApS, Trophy Games has acquired knowledge to build games using the AM4 platform, which is estimated to provide great synergies as the Company could target the same users and sell across the different apps. This in turn is estimated to help to drive further revenues and boost the overall top-line growth going forward.

### ■ Conditions Set for Future Growth

Due to the huge success of AM4, the transport series has overtaken the Sports series in revenue as of H1-22, becoming the Company’s largest revenue stream and providing the conditions for future growth. This, combined with the scaling up of *Warhammer: Soul Arena* during H2-22, as well as the Company acquiring several other game studios in the upcoming 12–24-month period, contributes to a total revenue of DKK 66.3m in 2022 and DKK 101.0m in 2023.

### ■ Risk for Delays of Long-Term Growth

One of the biggest risks the Company faces is access to Unity-developers and game-developers but also upholding long-term employment. The access to developers in Copenhagen, where the headquarter is located, is not great, and as such the Company need to look outside of Denmark to find the required skills, which could lead to delays in the release of new games further ahead. Additionally, as the Company, and Analyst Group, has budgeted with acquisitions to reach the financial targets, the Company is dependent on finding good studios or IP:s at a reasonable price.

**SHARE PRICE | DKK 5.9**
**VALUATION RANGE**

<b>BEAR</b> DKK 4.1	<b>BASE</b> DKK 7.1	<b>BULL</b> DKK 9.7
------------------------	------------------------	------------------------

**TROPHY GAMES DEVELOPMENT**

Share Price (2022-08-19)	5.9
Number of Shares Outstanding	27 600 000
Market Cap (DKKm)	163.9
Net cash(-)/debt(+) (DKKm)	-30.3
Enterprise Value (DKKm)	133.7
W.52 Price Intervall (DKK)	4.0 – 8.3
List	Nasdaq First North Growth Market Denmark

**DEVELOPMENT**

1 Week	10.4%
1 Month	39.8%
3 Months	26.9%
YTD	16.9%

**MAIN SHAREHOLDERS (2021-03-31)**

Gleie Holding ApS	16.3%
Benjamin Capital	16.1%
Lehrmann Family ApS	16.1%
Karsten Ree Holding B	16.1%
Daniel Luun holding	8.7%

**CEO AND CHAIRMAN OF THE BOARD**

CEO	Søren Gleie
Chairman of the board	Jan Dahl Lehrmann

**FINANCIAL CALENDAR**

Quarterly Update – Q3 2022	2022-11-09
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ESTIMATES (BASE), DKKM	2020A	2021A	2022E	2023E
<b>Revenue</b>	<b>30.8</b>	<b>37.7</b>	<b>66.3</b>	<b>101.0</b>
Revenue growth	54.6 %	22.2%	76.1%	52.3%
<b>Gross profit</b>	<b>10.4</b>	<b>8.7</b>	<b>26.7</b>	<b>47.7</b>
Gross margin	33.8%	23.2%	40.3%	47.2%
<b>EBITDA<sup>1</sup></b>	<b>5.5</b>	<b>1.8</b>	<b>6.5</b>	<b>13.9</b>
EBITDA margin <sup>1</sup>	17.8%	4.8%	9.8%	13.7%
<b>EBIT<sup>1</sup></b>	<b>4.7</b>	<b>-1.9</b>	<b>3.1</b>	<b>8.3</b>
EBIT margin <sup>1</sup>	15.3%	-5.1%	4.6%	8.2%
P/S	5.2x	4.3x	2.5x	1.6x
EV/S	3.5x	2.9x	2.0x	1.3x
EV/EBITDA	19.8x	60.7x	20.6x	9.6x

<sup>1</sup>Incl. Activated Costs

# INVESTMENT THESIS

## Growth Through Development and Acquisitions

Trophy Games has been cash-flow positive since the start and hasn't, before the IPO, raised any external capital, rather all the cash generated from the games has been put into the development of current and new games. As the Company raised approximately DKK 54m through the Company's IPO (after IPO-costs), Trophy Games have strengthened their balance sheet, enabling key investments to optimize current games, add new titles as well as acquire new studios and IP:s. This, in combination with the scaling up of *Warhammer: Soul Arena*, contributes for the Company to be well-aligned to perform an estimated revenue CAGR of 48.5% during 2020-2023. Trophy Games also aim to recruit games in the Company's own niche, i.e., complex and challenging strategy games, where the Company earlier acquired the Danish developer Xombat ApS and the *AM4* game. Furthermore, the acquisition of Tiny Titans Studio with the already developed arcade games provide Trophy Games with a broader portfolio of games. Positively, and in line with the strategy, synergy effects are already emerging as Trophy Games has implemented new monetization strategies and developed the game further. In the genre of *AM4*, Analyst Group sees a great potential to build new games on its platform and as such create synergies between other games as well. The e-sport manager game *FIVE*, released in 2021 is expecting major developments in H2-22 with improved monetization. The game targets the same types of users as the Company's previous games, but instead of the football genre, it addresses the very popular e-sports segment.

CASH ON  
HAND TO  
ACQUIRE  
NEW IP:S

## Strong Double-Digit Growth 2020-2023E

Analyst Group estimates that the Company will reach a revenue of DKK 66.3m by 2022 by showing a low player churn and high revenues from coming launches of games. Also, if the scaling up of *Warhammer: Soul Arena* receives positive and immediate traction, revenues have the possibility to be significantly higher in 2022 and onwards due to the potential of the IP and since the game targets a completely new userbase. Additionally, the Company is currently developing three new games in the transport series that are based on the *AM4*-platform, including the game *Shipping Manager* which is estimated to launch during Q4-22. If these games succeed, total revenues and profit is likely to result above the estimated revenue in a Base scenario. Trophy Games are very scientific in their approach of developing and monetizing games, which in combination with a low churn gives the Company predictable and stable cash flows. As the Company is entering a stage of rapid growth, marketing costs and personnel are assumed to be the main cost-drivers, which is necessary in order to grow the titles under development. In total, Analyst Group estimates that the EBITDA margin will continue to increase from 9.8% in 2022 to 13.7% in 2023, due to the scalability in marketing costs and synergy effects from acquired titles.

REVENUE  
CAGR OF  
48.5%  
2020-2023E

## The Stock is Traded at an Unreasonable Discount

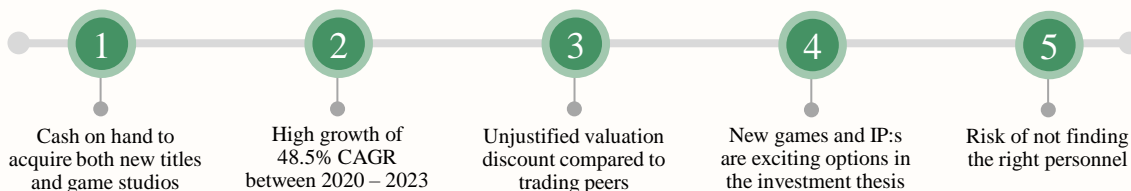
Trophy Games is currently trading at a forward-looking EV/S multiple of 2.0x by 2022 estimated sales, corresponding to a 35.1% discount to the average value derived from a group of peers, even though the Company is expected to grow faster and perform higher long-term margins. Furthermore, the company-specific risk is significantly lower as Trophy Games has built strong internal know-how, as well as primarily targeting IP:s with a high likelihood of increasing monetization. Also, the Company's older games have a significant long tail of players, only decreasing about 5% annually, which provides stable cash-flows going forward. By applying an EV/S multiple of 2.5x on the estimated revenue of DKK 66.3m during 2022, a potential fair value per share of DKK 7.1 is derived in a Base scenario.

## Potential Risk of Not Finding the Right Personnel

As the Company's biggest challenge is to develop and grow new games, Trophy Games need to attract new talent. As the Company is based in Copenhagen, there is as of now a deficit of relevant Unity-developers, meaning that the Company either must compete with other game studios or look elsewhere to find the right personnel. If the Company can't find the right staff, there might be delays in the development and release of new titles, which, albeit is not a threat to our forecast of 2022 but could be long-term if the Company fails to attract new talent.

MAIN  
CHALLENGE  
IS TO FIND  
DEVELOPERS

## HIGHLIGHTS



# COMPANY DESCRIPTION

## EXCEPTIONAL LONG TAIL OF GAMERS

### A Company with Exceptionally Loyal Players

In 2006, Søren Gleie (CEO) realized that there was no football manager game that was challenging enough, why he created the Company with the name as the game; *Trophy Manager*. Trophy Games specializes in games that are challenging but easy to learn, which means that they are generally harder to play than similar games, also, none of the games can be finished and can continue “forever”. These two factors lead to a couple of positive aspects, namely a very loyal player base and a long tail of players after the game is fully developed. On average the Company expects a player churn of 5% per year after the game is fully developed and scaled, which is better than most similar games. Trophy Games business model is a so-called freemium model, meaning that the games are free to download and play, but the user can get advantages via In-App Purchases (IAP). The Company has an in-house publisher called Trophy Games Publishing which in turn leads to that the Company doesn’t need to share its revenue with publishers and thus enabling higher gross margins than competitors. Since the beginning, the Company has had positive cash-flows which have been used to develop and promote new games.

### New Titles in the Pipeline for 2022 and 2023

As per the date of this analysis, Trophy Games have released eight fully developed games, including one additional title through the acquisition of the Danish game developer Xombat ApS where the game *Airline Manager 4* was included. By using the platform from AM4, Trophy Games has three additional titles in the pipeline for 2022 and 2023, where additional games in the transport series such as *Shipping Manager* and *Trucking Manager* are estimated to launch in 2022 and 2023.

### Trophy Manager (2006)

*Trophy Manager* is the first game Trophy Games released, the game was originally released for browser and was fully developed by 2011. Just as most of the Company’s other games, *Trophy Manager* is a football manager game where the user acts as the manager of a fictional football club. The game has had an exceptionally long tail of gamers after completed development which comes from a very loyal player base. Today the game has around 12,000 daily active users.



### Football Management Ultra (2013)

*Football Management Ultra* (“FMU”) is the second game Trophy Games released. It was originally released on Facebook but in 2014 the game was released on mobile platforms as well. It was fully developed in 2016 and in 2019 the final user acquisition effort was made. *FMU* is very similar to *Trophy Manager* but more fast-paced due to it originally being developed for the Facebook Canvas. The game has shown a tail like *Trophy Manager* and today the game has around 14,000 daily active users.



### Pro 11 (2017)

*Pro 11* is a football manager game and just as in the previous games the player acts as the manager of a fictitious football club. *Pro 11* was an upgrade from the previous games as Trophy Games focused a lot more on the game simulation and the early retention of users. *Pro 11* is online-based and the user, therefore, competes against other real-life players in the leagues and the championships. Just as the other games, *Pro 11* is free to play and builds on in-game purchases to get advantages. The Company also earns money from advertising where the player can get extra coins by watching ads. The game is not yet fully developed and is still in the user acquisition phase where the focus is on growing the user base. Today the game has around 40,000 daily active users.



### Women’s Soccer Manager (2018)

*Women’s Soccer Manager* (“WSM”) has a lot of similarities to *Pro 11* as the game is built by using the same platform. However, *WSM* is a niche game since it is female-only and does thus not attract the same broad user base as *Pro 11*. Because of its niche, the game hasn’t experienced the same growth in terms of users as the other games but shows higher margins than *Pro 11*. Today the game has around 4,600 daily active users.



# COMPANY DESCRIPTION

## Futuball – Football Manager (2018)

*Futuball – Football Manager* (“*Futuball*”) is a futuristic football manager game taking place in the 31<sup>st</sup> century. Just as *Pro 11* and *WSM*, the game is online-based and the user plays against other users. As the game is sci-fi inspired and thus is a niche game with a limited user-base, the game has struggled to gain the same traction as some of the other games. The game is fully developed; however, Analyst Group estimate that this game will not gain any significant growth in users for the coming years, but the game is very inexpensive to maintain as it is built on the same code-base as *Pro 11* and *WSM*, thus facilitating high margins and cash-flow from the current loyal player base. Today the game has around 2,200 daily active users.

## Airline Manager 4 (2019)

Through the acquisition of Xombat ApS, Trophy Games acquired *Airline Manager 4* (“*AM4*”). *AM4* is, just as all Trophy Games’ titles, a strategy game that can’t be finished. In the game, the user takes control over an airline company and must decide on everything from what routes to fly to what new planes to buy. Trophy Games monetizes the game by in-app purchases that give the player direct advantages. Through the acquisition, Trophy Games has broadened its portfolio within the genre of strategy games and Analyst Group estimate there will be new games developed within the same universe, such as a *Shipping* and *Trucking Manager* game, beginning with the *AM4* game. Today the game has around 70,000 daily active users.

## FIVE (2022)

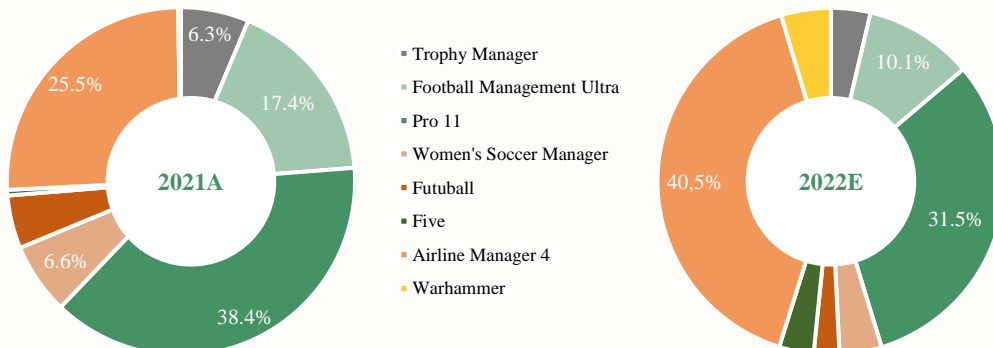
*FIVE* is an e-sports strategy game where the player acts as a manager for an e-sports team, playing the well-known game Counter-Strike. Just as all the other games in Trophy Games’ portfolio, *FIVE* is easy to play and challenging thus targeting the same type of users but with a focus on the rapidly growing e-sports market where a new generation of players is emerging. The game is online based and monetizes by in-app purchases which give the user a direct advantage. Released in 2021, further improvements are to be expected in 2022.

## Warhammer Age of Sigmar: Soul Arena (2022)

*Warhammer: Soul Arena* is one of Trophy Games’ biggest investments and the Company’s first collaboration with a big IP, which does not only serve as a big opportunity but also gives the Company experience for future big releases. Released in 2022, the game is in the Nail It phase, transitioning to Scale It. Unlike many other Warhammer games, *Warhammer: Soul Arena* is more stylized, meaning the characters have a more “cartoonish” look, giving it a more appealing look and thus targeting the broader masses, unlike earlier Warhammer games. The game is, also unlike earlier Warhammer games, designed to be “mobile-first” which means that it is designed for the mobile platform, bottom-up, and not adjusted to fit the mobile platform in retrospect. This does not only give the game a better feel and performance, but it also increases monetization as mobile games tend to have a higher monetization than other platforms.

### Distribution between the biggest titles.

Games as % of revenue



Source: Trophy Games



# MARKET ANALYSIS

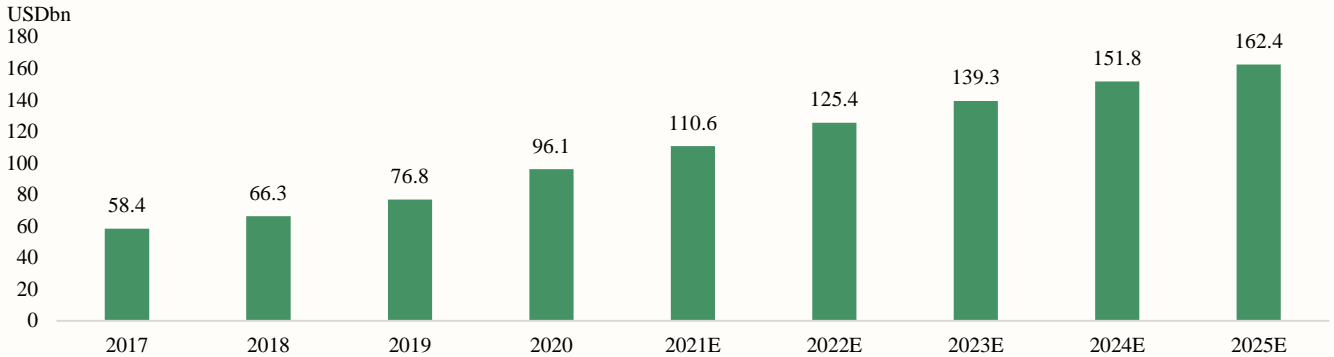
## Strong Growth in the Mobile Gaming Market

**MARKET  
 EXPECTED  
 TO GROW  
 11.1%  
 (CAGR)  
 2020 - 2025**

The mobile gaming market is a global market with players from across the globe. In 2020, the global Mobile Gaming market was valued at USD 96.1bn and is expected to grow to USD 162.4bn in 2025, which corresponds to a CAGR of 11.1%. This is primarily driven by an increased number of global players as well as an increase in the ARPU. The Mobile Gaming market is the biggest video game segment and accounts for approximately 50% of the total Video Gaming market. As mobile devices get more accessible in developing countries, as well as in combination with increased performance, the share of the total market is expected to continue to increase. Covid-19 has been a catalyst for increased use and user spending, where the global mobile market grew by 25.1% during 2020. However, during the period 2021-2025, annual growth rates are estimated to normalize, but still, show a strong double-digit performance of 10.1% Y/Y.

### The global gaming market is expected to grow with 11.1% CAGR from 2020 – 2025.

Estimated market value



Source: Statista

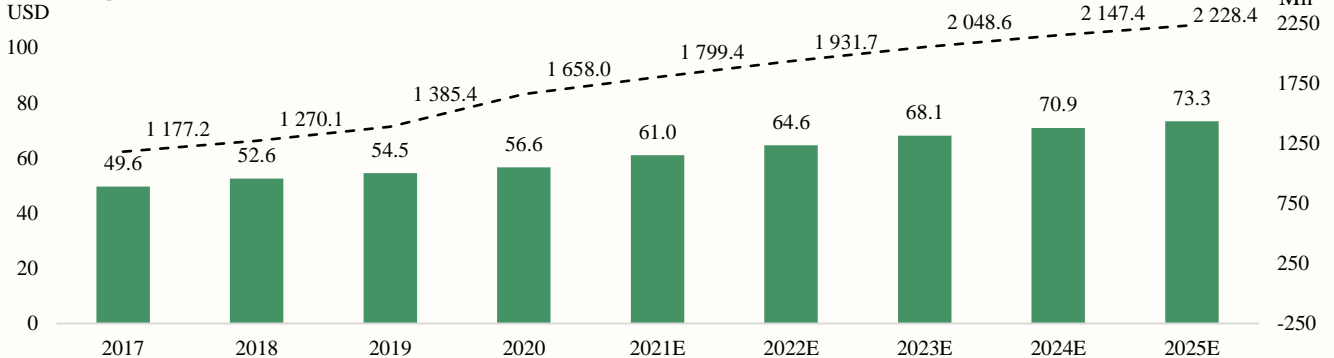
## A Market Driven by Growth in Players and Increased ARPU

**GROWTH IN  
 BOTH ARPU  
 AND  
 PLAYERS**

The mobile gaming market is primarily driven by an increase in the number of players, as well as an increase in in-app spending. The increase in gamers is driven by a globally growing middle class and because of more affordable smartphones that have the technical capacity to process heavier mobile games. In 2017 there were 1,177.2 million players worldwide and in 2025 the number is expected to have grown to 2,228.4 million, an increase of 89.3% and a CAGR of 8.3%. Also, while the number of gamers is increasing, the money they spend does so too. As it is becoming more and more accepted to pay for games and do in-game purchases, the average revenue per user is steadily increasing. In 2017 the ARPU in the mobile gaming market was USD 49.6 which is expected to increase to USD 73.3 by 2025, equating to that players are expected, on average, to spend USD 3 more per year.

### The number of gamers and the ARPU is expected to grow simultaneously.

Number of gamers and ARPU



Source: Statista

# FINANCIAL FORECAST

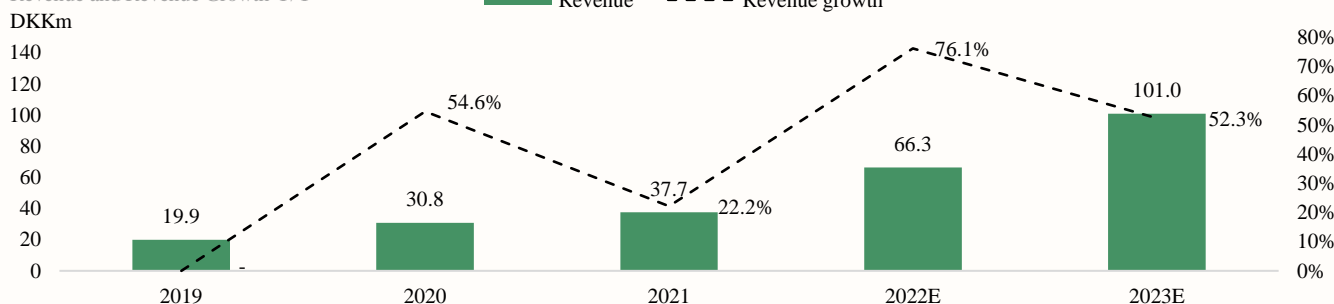
## Stable Financials Expected to Lead to Significant Growth in Revenue

**REVENUE  
CAGR OF  
48.5%  
2020–2023E**

As Trophy Games have stable revenue streams from the Company's current games and are expected to grow through new games and acquisitions, Analyst Group estimates a CAGR of 48.5% from 2020 to 2023. The growth is mainly attributed to the slow decline in old titles such as *Trophy Manager*, where the DAU is expected to decrease to 10,488 in 2023 from approx. 12,000 in 2021, and by faster growth in games such as *Airline Manager 4* as well as *Warhammer: Soul Arena*. The Company has an exceptional retention rate of old players, due to the nature of the games and the loyal player-base. In regards to the *AM4* game, Trophy Games are expected to build on the concept and launch similar games, such as a *Shipping Manager* and *Trucking Manager* game, which is estimated to increase the revenue additionally, resulting in a revenue of 101.0m in 2023 in a Base scenario. Furthermore, the Company is expected to acquire more IP:s, further contributing to increased top-line growth. Through the acquisition of Tiny Titans Studios, Trophy Games has further broadened the portfolio of games, which in all is estimated to contribute to a strong EBITDA of DKK 6.5m in 2022. All in all, Analyst Group estimates that the Company will progress firmly towards the set financial targets through significant growth. In 2022, Analyst Group estimates that Trophy Games will reach revenues of DKK 66.3m, which is then expected to continue to grow to reach DKK 101.0m in 2023.

### Revenue is expected to reach DKK 101.0m in 2023.

Revenue and Revenue Growth Y/Y



Analyst Group's estimates

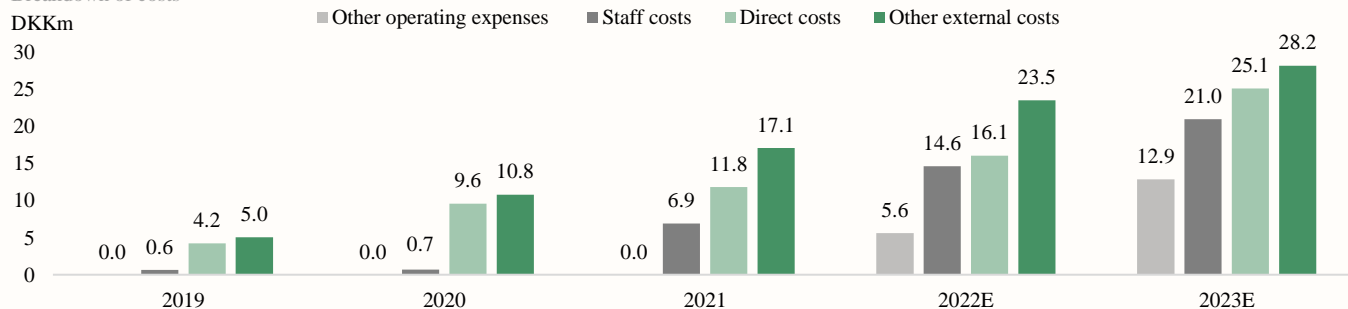
## Marketing and Development Are Expected to be the Main Cost Drivers

**FOCUS ON  
MARKETING  
AND  
DEVELOPMENT  
OF NEW  
GAMES**

As the Company uses a freemium model with in-app purchases, revenues are shared with platforms such as Apple's App Store, where the game is downloaded from. Since Trophy Games already owns their own publishing company, external costs for publishing through third parties are eliminated, contributing to stronger margins. Regarding *Warhammer: Soul Arena*, the game is expected to be of a shared revenue model, which is going to negatively affect the gross margin short-term, but overall have a positive effect on the top-line. The total gross margin of the Company is expected to increase to 47.2% in 2023, up from 45.1% in 2019. As Apple and other platforms are currently discussing a lower subscription and in-app fee, the gross margin could increase, something Analyst Group consider to be a potential value driver. The main operating costs are expected to be the staff costs, as the Company have to both hire and attract new talent and as the market for Unity-developers is competitive, Analyst Group estimates that the staff costs are going to amount to DKK 21.0m in 2023, compared to DKK 6.9m in 2021. Taking the current and future estimated cost structure into consideration, the EBITDA margin is estimated to increase to 9.8% in 2022 and 13.7% in 2023.

### Other external and direct costs are expected to increase.

Breakdown of costs



Analyst Group's estimates

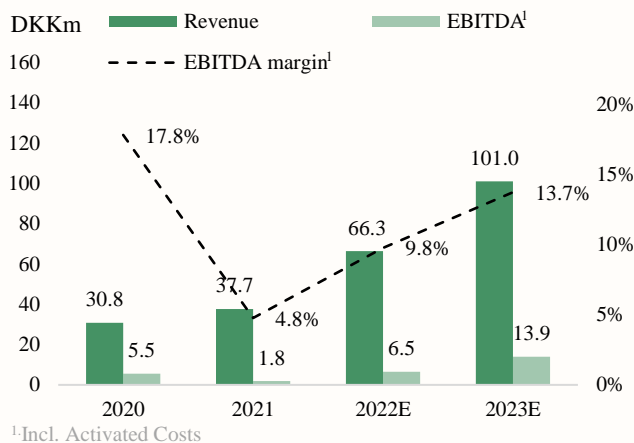
# VALUATION

## Compilation of Analyst Group's Estimates for Trophy Games.

Financial Estimates, Base

Base scenario, DKKm	2020	2021	2022E	2023E
Revenue	30.8	37.7	66.3	101.0
Direct costs	-9.6	-11.8	-16.1	-25.1
Other external costs	-10.8	-17.1	-23.5	-28.2
<b>Gross profit</b>	<b>10.4</b>	<b>8.7</b>	<b>26.7</b>	<b>47.7</b>
<i>Gross margin</i>	33.8%	23.2%	40.3%	47.2%
Staff costs	-4.9	-6.9	-14.6	-21.0
Other operating expenses	0.0	0.0	-5.6	-12.9
<b>EBITDA</b>	<b>5.5</b>	<b>1.8</b>	<b>6.5</b>	<b>13.9</b>
<i>EBITDA margin</i>	17.8%	4.8%	9.8%	13.7%

Analyst Group's estimates <sup>1</sup>Incl. Activated Costs



Peer table, MDKK	Market Cap	Enterprise Value	Revenue CAGR 20-22	EBITDA margin 22	EV/EBITDA 22	EV/S 22
Embracer	64 817.0	73 742.0	76.0%	37.8%	17.2x	6.5x
Paradox	12 632.9	12 275.6	3.7%	61.8%	14.7x	9.1x
Stillfront	9 200.0	11 079.5	28.5%	38.0%	6.3x	2.4x
Rovio Entertainment	3 818.9	2 498.1	9.2%	14.7%	7.1x	1.0x
Remedy Entertainment	2 078.7	1 680.8	14.5%	24.7%	17.2x	4.3x
G5 Entertainment	1 113.4	949.2	1.9%	28.8%	3.3x	1.0x
Enad Global 7	1 083.5	769.0	87.3%	24.1%	2.3x	0.5x
Next Games	462.0	480.7	25.2%	4.6%	33.7x	1.5x
MAG Interactive	382.1	320.0	23.8%	14.3%	9.6x	1.4x
Gold Town Games	61.0	68.2	60.3%	25.4%	13.3x	3.4x
<b>Average</b>	<b>9 564.9</b>	<b>10 386.3</b>	<b>33.0%</b>	<b>27.4%</b>	<b>12.5x</b>	<b>3.1x</b>
<b>Median</b>	<b>1 596.1</b>	<b>1 315.0</b>	<b>24.5%</b>	<b>25.0%</b>	<b>11.5x</b>	<b>2.0x</b>
Trophy Games Development	163.9	133.7	46.7%	9.8%	20.6x	2.0x

Source: Analyst Group and Bloomberg

### Valuation: Base Scenario

In general, the gaming industry is known for, to some extent, relatively high uncertainty regarding future revenues, however, as Trophy Games are very scientific about their development of games, meaning they track player patterns, the Company can establish a more loyal player base and hence reduce the business-related risk that other mobile game developers may face. In addition, Trophy Games has an excellent track record of positive cash-flows from the Company's games, signaling a lower company-specific risk compared to some of the peers in the above table. The Company is estimated to grow the revenue to DKK 66.3m in 2022, corresponding to a CAGR of 46.7%. Compared to peers, Trophy Games has a lower EBITDA margin, however, as it is estimated that the Company will perform superior long-term margins and show significantly higher future growth as well as also being in a good financial position to develop and acquire new titles, Analyst Group views the current discount as to large. Applying a target EV/S multiple of 2.5x on the estimated sales in 2022, an enterprise value of DKK 165.8m is derived. Adjusting for the net cash position yields a potential market value of DKK 196.1m or DDK 7.1 per share in a Base scenario.

### Finding the Right Target Multiple

As there are several peers in the above table that can be seen as directly comparative regarding business model, a comparison between them and Trophy Games could be considered reasonable. Most of the peers do not trade on the Danish stock exchange but are on Nordic stock exchanges. Comparing the Company's EV/S to the peer average of 3.1x, Trophy Games is currently traded at a discount of 35.1%. This discount is seen as unjustified, as Trophy Games are estimated to grow faster than the average value in the presented peer group. Also, Analyst Group considers that the relatively lower operational risk in the Company's business model offers better risk/reward than some of the other companies. However, Trophy Games is still a small player, why a slight valuation discount to the group is justified. Hence, we consider an EV/S multiple of 2.5x to be motivated. Furthermore, if Trophy Games are successful in their acquisition strategy, there could be room for an expansion of the applied target multiple.

**PRICE PER SHARE OF DKK 7.1 IN A BASE SCENARIO**

**FASTER GROWTH THAN PEERS**



# BULL & BEAR

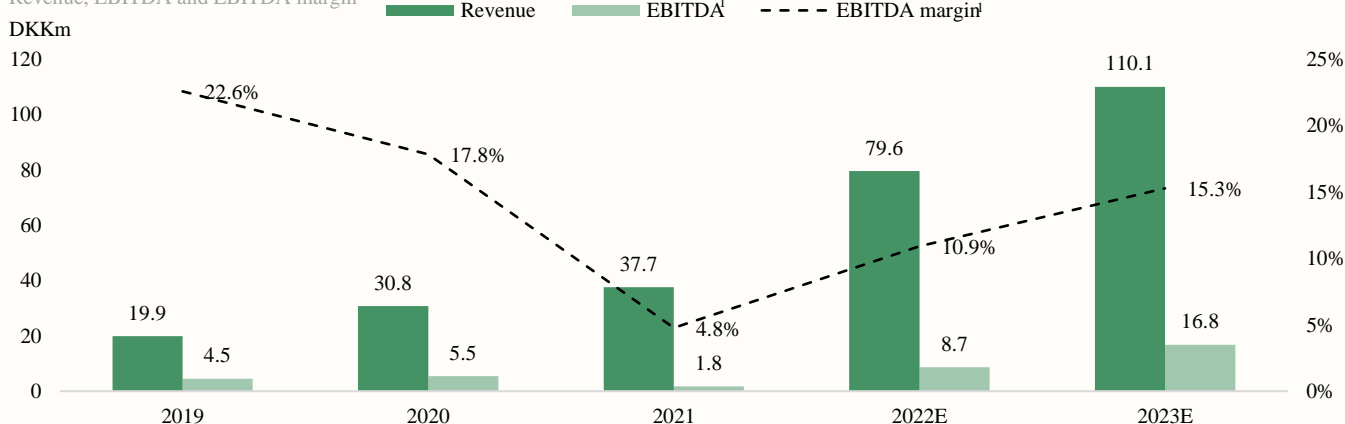
## Bull Scenario

**PRICE PER SHARE OF DKK 9.7 IN A BULL SCENARIO**

In a Bull scenario, the scaling up of the new game *Warhammer: Soul Arena* in H2-22 enables the game to catch an audience and grow the number of users. Simultaneously the title *FIVE* improves monetization and gains traction during H2-22. The Company is also able to acquire new games and game studios, thus both succeeding to find new developers and adding additional strategy games to the current portfolio. In a Bull scenario, Trophy Games are estimated to grow and perform in line with the Company's own target, reaching revenues of DKK 79.6m in 2022 and DKK 110.1m in 2023. As the Company performs better, a higher target multiple is motivated. By applying an EV/S target multiple of 3.0x, hence 20% higher than the Base scenario, and in line with the average of the peer table, a potential price per share of DKK 9.7 is motivated in a Bull scenario.

### Revenues are estimated to reach DKK 110.1m in 2023 in a Bull Scenario.

Revenue, EBITDA and EBITDA margin



Analyst Group's estimates <sup>1</sup>Incl. activated costs

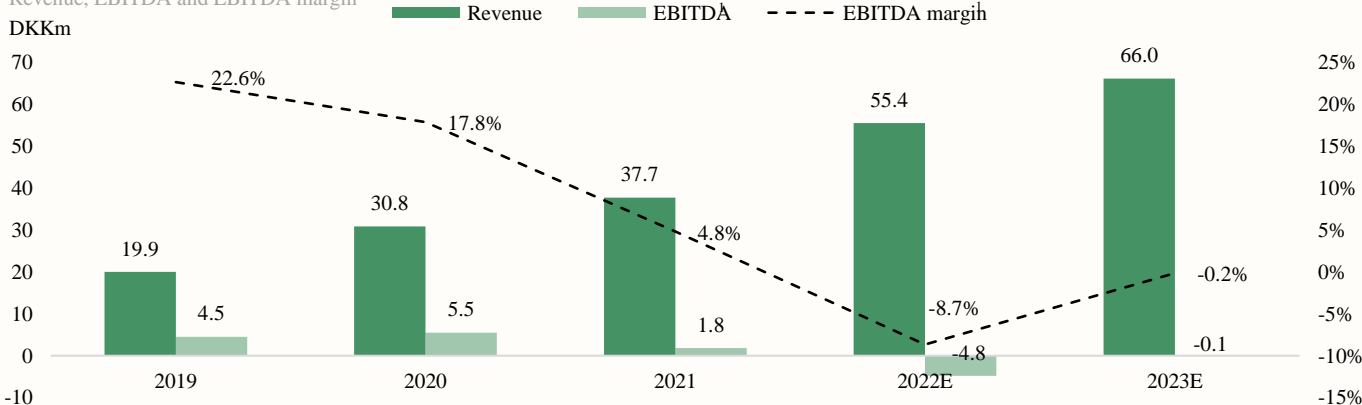
## Bear Scenario

**PRICE PER SHARE OF DKK 4.1 IN A BEAR SCENARIO**

In a Bear scenario, the scaling up of the game *Warhammer: Soul Arena* is unsuccessful and fail to get sufficient traction globally, and as a result, the game struggles to grow the number of active users. Furthermore, there is a risk that the Company faces challenges to acquire new games and to find good and relevant game studios without paying a premium, which keeps the Company from making any significant acquisitions during 2022. The Company continues to struggle with finding new talent, resulting in delays for new games, which is why the Company in a Bear scenario doesn't grow as fast and only performs a revenue of DKK 55.4m in 2022 and DKK 66.0m in 2023. As the Company performs worse, a lower target multiple is motivated by applying an EV/S target multiple of 1.5x, hence 12.2% lower than the Base scenario, a potential price per share of DKK 4.1 is motivated in a Bear scenario.

### Revenues are estimated to reach DKK 66.0m in 2023 in a Bear Scenario.

Revenue, EBITDA and EBITDA margin



Analyst Group's estimates <sup>1</sup>Incl. activated costs

# MANAGEMENT & BOARD

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## Søren Gleie, Co-founder, CEO, and Member of the Board

Søren is the founder of Trophy Games and has been the CEO since the start, which is now his 15<sup>th</sup> year as CEO. He founded the company as he couldn't find any other game he wanted to play, so he created his own. He has been in charge of growing the Company to what it is today.

Søren holds 4,474,919 shares, which are equal to 16.3% of the Company.



## Jan Dal Lehrman, Chairman of the Board

Jan is a serial entrepreneur and investor, he has made several successful investments and exits in companies such as Bilbasen, Autobutler, Bazoom, Actimo, and Benjamin Media. For the last ten years, Jan has had an active role as a board member in companies with a focus on culture, strategy, and internationalization.

Jan holds 4,425,027 shares which are equal to 16.1% of the outstanding shares of the Company.



## Pernille Nørkær, Member of the Board

Pernille is a Partner at Moalem Weitemyer Advokatpartnerselskab and has 15 years of experience within commercial contracts, corporate compliance, and general advisory for Danish and international companies. Pernille has focused on IT and tech companies as well as professional sports clubs such as FC Copenhagen and FC Nordsjælland, and several betting companies like 888 and Leo Vegas.



## Rene Eghammer, Member of the Board

Rene Eghammer has 15 years of experience from the auditor industry followed by eight years at Carlsberg Group covering various positions within finance, business controlling and M&A. Today, Rene focuses on business development and optimization of existing portfolio companies at Karsten Ree Holding, as well as being responsible for the M&A activities within the Karsten Ree Holding Group.

Rene holds 4,425,027 shares which are equal to 16.1% of the Company.



## Daniel Luun, CEO of Trophy Games Publishing ApS and Member of the Board

Daniel has been with the Company for 14 years and has an immense passion for computer games, especially football manager games. His profile is built around creating great game experiences for the users while keeping a strong focus on optimizing game design for monetization. Daniel has great experience within the fields of game design, UX, and monetization, and is therefore primarily in charge of monetization and game development, but oversees finances, marketing, sales, and team management as well.

Daniel holds 2,375,000 shares which are equal to 8.7% of the Company.



## Mariana Chucrí, CFO

Mariana has 15 years of experience in the gaming industry including employment as Finance Manager at Electronic Arts, Controller at Ubisoft, Finance Director at Eidos & Square Enix, and lately CFO at Crey Games. Mariana holds an executive MBA from McGill College – HEC Montreal and a BBA in accounting from HEC Montreal University.

# APPENDIX

Income statement (Base scenario), DKK	2019A	2020A	2021A	2022E	2023E
Revenue	19 930 000	30 810 000	37 653 000	66 315 759	100 975 804
Growth	0.0%	54.6%	22.2%	76.1%	52.3%
Direct costs	-6 469 000	-9 583 000	-11 840 000	-16 069 068	-25 111 463
Other external costs	-4 467 000	-10 803 000	-17 093 000	-23 502 264	-28 164 472
<b>Gross profit</b>	<b>8 994 000</b>	<b>10 424 000</b>	<b>8 720 000</b>	<b>26 744 426</b>	<b>47 699 869</b>
Gross margin	45.1%	33.8%	23.2%	40.3%	47.2%
Staff costs	-4 493 000	-4 929 000	-6 924 000	-14 617 030	-20 966 578
Other operating expenses				-5 644 030	-12 855 790
<b>EBITDA</b>	<b>4 501 000</b>	<b>5 495 000</b>	<b>1 796 000</b>	<b>6 483 366</b>	<b>13 877 501</b>
EBITDA margin	22.6%	17.8%	4.8%	9.8%	13.7%
Depreciation and amortisation	-11 000	-785 000	-3 714 000	-3 406 197	-5 603 089
<b>EBIT</b>	<b>4 490 000</b>	<b>4 710 000</b>	<b>-1 918 000</b>	<b>3 077 169</b>	<b>8 274 412</b>
EBIT margin	22.5%	15.3%	-5.1%	4.6%	8.2%
Financial items	-145 000	-168 000	-362 000	-225 000	-225 000
<b>EBT</b>	<b>4 345 000</b>	<b>4 542 000</b>	<b>-2 280 000</b>	<b>2 852 169</b>	<b>8 049 412</b>
Tax	-1 084 000	-920 000	1 359 000	-467 422	-1 490 096
<b>Net Income</b>	<b>3 261 000</b>	<b>3 622 000</b>	<b>-921 000</b>	<b>2 384 747</b>	<b>6 559 316</b>
Net Income margin	16.4%	11.8%	-2.4%	3.6%	6.5%

Income statement (Bull scenario), DKK	2019A	2020A	2021A	2022E	2023E
Revenue	19 930 000	30 810 000	37 653 000	79 590 555	110 082 364
Growth	0.0%	54.6%	22.2%	111.4%	38.3%
Direct costs	-6 469 000	-9 583 000	-11 840 000	-16 566 837	-25 709 016
Other external costs	-4 467 000	-10 803 000	-17 093 000	-25 981 951	-29 781 321
<b>Gross profit</b>	<b>8 994 000</b>	<b>10 424 000</b>	<b>8 720 000</b>	<b>37 041 767</b>	<b>54 592 027</b>
Gross margin	45.1%	33.8%	23.2%	46.5%	49.6%
Staff costs	-4 493 000	-4 929 000	-6 924 000	-17 583 376	-23 437 550
Other operating expenses	0	0	0	-10 769 672	-14 319 700
<b>EBITDA</b>	<b>4 501 000</b>	<b>5 495 000</b>	<b>1 796 000</b>	<b>8 688 719</b>	<b>16 834 778</b>
EBITDA margin	22.6%	17.8%	4.8%	10.9%	15.3%
Depreciation and amortisation	-11 000	-785 000	-3 714 000	-3 875 171	-6 057 209
<b>EBIT</b>	<b>4 490 000</b>	<b>4 710 000</b>	<b>-1 918 000</b>	<b>4 813 548</b>	<b>10 777 569</b>
EBIT margin	22.5%	15.3%	-5.1%	6.0%	9.8%
Financial items	-145 000	-168 000	-362 000	-225 000	-225 000
<b>EBT</b>	<b>4 345 000</b>	<b>4 542 000</b>	<b>-2 280 000</b>	<b>4 588 548</b>	<b>10 552 569</b>
Tax	-1 084 000	-920 000	1 359 000	-234 769	-1 997 697
<b>Net Income</b>	<b>3 261 000</b>	<b>3 622 000</b>	<b>-921 000</b>	<b>4 353 779</b>	<b>8 554 872</b>
Net Income margin	16.4%	11.8%	-2.4%	5.5%	7.8%

# APPENDIX

Income statement (Bear scenario), DKK	2019A	2020A	2021A	2022E	2023E
Revenue	19 930 000	30 810 000	37 653 000	55 412 114	65 992 160
Growth	0.0%	54.6%	22.2%	47.2%	19.1%
Direct costs	-6 469 000	-9 583 000	-11 840 000	-13 376 491	-15 930 515
Other external costs	-4 467 000	-10 803 000	-17 093 000	-25 059 528	-27 077 100
<b>Gross profit</b>	<b>8 994 000</b>	<b>10 424 000</b>	<b>8 720 000</b>	<b>16 976 095</b>	<b>22 984 545</b>
Gross margin	45.1%	33.8%	23.2%	30.6%	34.8%
Staff costs	-4 493 000	-4 929 000	-6 924 000	-11 952 856	-12 429 225
Other operating expenses	0	0	0	-9 827 482	-10 664 044
<b>EBITDA</b>	<b>4 501 000</b>	<b>5 495 000</b>	<b>1 796 000</b>	<b>-4 804 243</b>	<b>-108 724</b>
EBITDA margin	22.6%	17.8%	4.8%	-8.7%	-0.2%
Depreciation and amortisation	-11 000	-785 000	-3 714 000	-2 870 410	-3 858 550
<b>EBIT</b>	<b>4 490 000</b>	<b>4 710 000</b>	<b>-1 918 000</b>	<b>-7 674 653</b>	<b>-3 967 274</b>
EBIT margin	22.5%	15.3%	-5.1%	-13.9%	-6.0%
Financial items	-145 000	-168 000	-362 000	-225 000	-225 000
<b>EBT</b>	<b>4 345 000</b>	<b>4 542 000</b>	<b>-2 280 000</b>	<b>-7 899 653</b>	<b>-4 192 274</b>
Tax	-1 084 000	-920 000	1 359 000	0	0
<b>Net Income</b>	<b>3 261 000</b>	<b>3 622 000</b>	<b>-921 000</b>	<b>-7 899 653</b>	<b>-4 192 274</b>
Net Income margin	16.4%	11.8%	-2.4%	-14.3%	-6.4%

# DISCLAIMER

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## Bull and bear

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### Definition Bull

Bull is a metaphor for an optimistic view of the future. It indicates a belief in improvement.

### Definition Bear

Bear is a metaphor for a pessimistic view set on the future. It indicates a belief deterioration.

## Other

This analysis is a task analysis. This means Analyst Group has received payment for doing the analysis. The Principal, **Trophy Games Development A/S** (furthermore "the Company") has had no opportunity to influence the parts where Analyst Group has had opinions about the Company's future valuation or anything that could constitute an objective assessment.

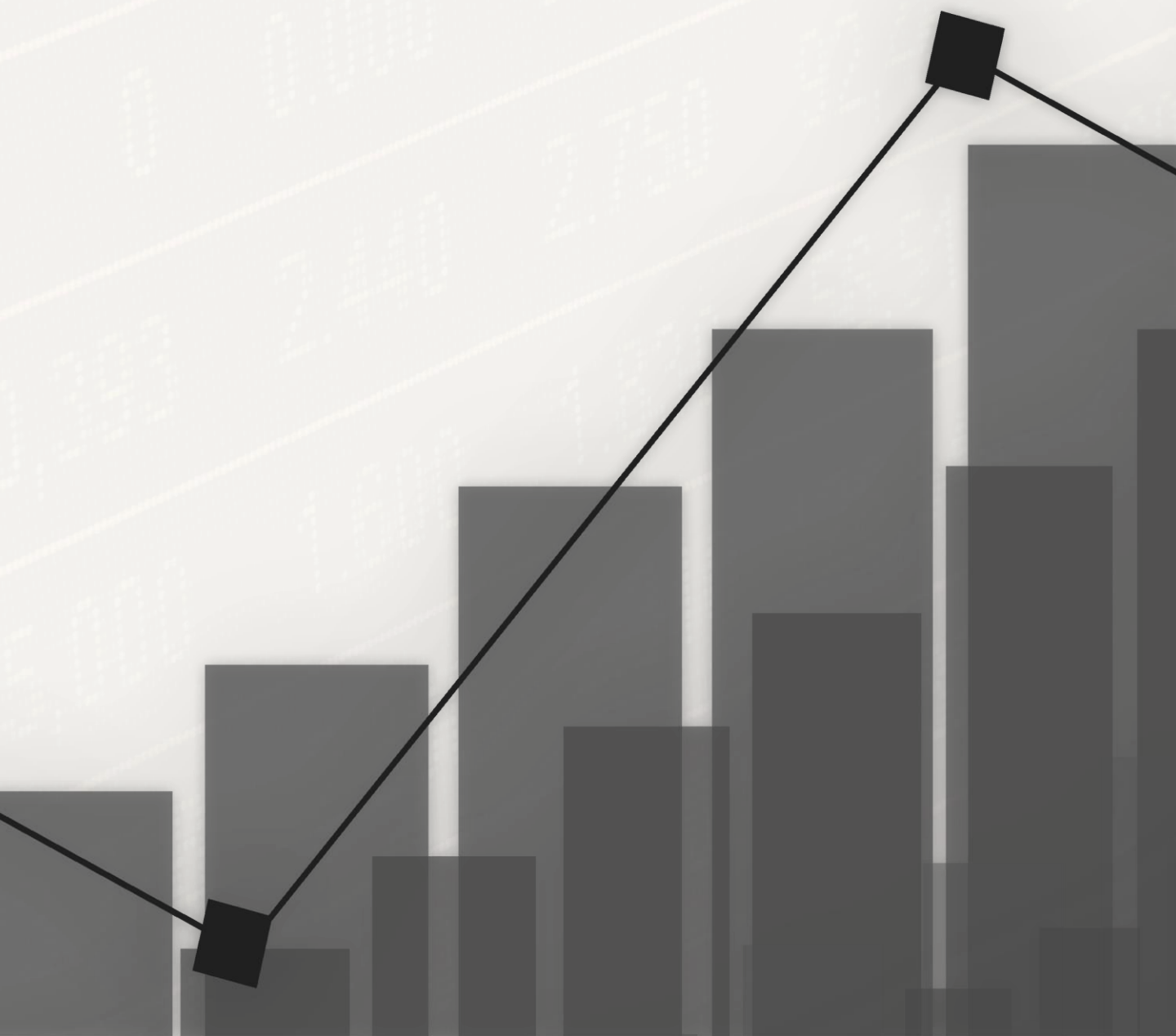
The parts that the company has been able to influence are the parts that are purely factual and objective. The analysis is planned to be updated within three months.

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