

Results due: 14 August

Q2 should be alright

We have made minor estimate revisions ahead of the report. We expect sequentially higher revenue from Gaming following the weaker Q1, while Core remains on a lower baseline following the off-boarding of a customer. The stock trades at EV/EBIT of 19.4x for 2020 and 7.1x for 2021 on our estimates. The major drivers for the investment case in 2019 will be deal flow in Core and growth and geographical expansion in Gaming.

Key Data (2019E)

| | |
|------------------------|----------|
| Price (NOK) | 12.30 |
| Reuters | GAMIG.OL |
| Bloomberg | GIG.NO |
| Market cap (NOKm) | 1,102 |
| Market cap (USDm) | 128 |
| Market cap (EURm) | 114 |
| Net debt (EURm) | 49 |
| Net gearing | 63% |
| Net debt/EBITDA (x) | 2.6 |
| Shares fully dil. (m) | 895.7 |
| Avg daily turnover (m) | 0.0 |
| Free float | 54% |

Estimate changes and Q2 expectations

We have made minor estimate revisions ahead of the report, mainly related to Gaming, where the sportsbook has been temporarily closed in Sweden, and continued lower revenue baseline in Core following the off-boarding of a customer at the end of 2018. However, the effect of the closure of the sportsbook is reported to be "immaterial" and it should open again as the regulator provides more guidelines on governance. We forecast revenues of EUR 33.4m and EBITDA of EUR 3.6m in Q2. Performance will likely be driven by a pickup in growth in Gaming and continued solid performance in Media.

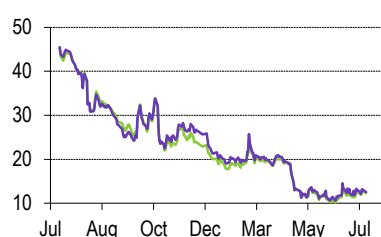
Investment case drivers and outlook

The investment case relies on GiG driving growth in its different business areas by signing key partners and growing internal operator brands. Improving operational leverage following the completion of several of its large tech and product investments will be one of the major earnings drivers. Key events in Q2 include the company signing a platform deal with New Zealand based SkyCity, and the company was granted an operator license in Spain.

Valuation – SOTP suggests SEK 26 per share, DCF range SEK 14-33

The shares currently trade at EV/EBIT of 19.4x for 2020 and 7.1x for 2021 on our updated estimates. Our SOTP valuation of GiG suggests a value of SEK 26 per share and for the DCF valuation using a 10% WACC we derive a valuation range of SEK 14-33, which yields a mid-point value of SEK 23 per share.

Share Price (12M)



Absolute (green) / Relative to Norway (purple).

Marketing communication
commissioned by:
Gaming Innovation Group

Financials (EUR)

| Year end: Dec | 2017 | 2018 | 2019E | 2020E | 2021E |
|----------------------------|---------|---------|--------|-------|-------|
| Revenues (m) | 120 | 151 | 143 | 164 | 177 |
| Adj. EBIT | 2 | (4) | (6) | 8 | 19 |
| Pre-tax profit (m) | 1 | (22) | (11) | 3 | 14 |
| EPS | (0.00) | (0.03) | (0.12) | 0.03 | 0.14 |
| Adj. EPS | (0.00) | (0.01) | (0.12) | 0.03 | 0.14 |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Revenue growth (%) | 124.6 | 25.7 | (5.8) | 14.8 | 8.4 |
| Adj. EBIT growth (%) | (41.9) | n.m. | n.m. | n.m. | 143.5 |
| Adj. EPS growth (%) | n.m. | n.m. | n.m. | n.m. | 372.7 |
| Adj. EBIT margin (%) | 1.3 | (11.6) | (4.5) | 4.8 | 10.7 |
| ROE (%) | (0.4) | (23.0) | (12.6) | 3.4 | 14.6 |
| ROCE (%) | 1.1 | (10.6) | (4.2) | 5.3 | 12.2 |
| PER (x) | n.m. | n.m. | n.m. | 42.8 | 9.1 |
| Free cash flow yield (%) | n.a. | 0.2 | (0.1) | 9.3 | 15.4 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/BV (x) | 41.34 | 23.61 | 1.47 | 1.42 | 1.23 |
| EV/Sales (x) | 37.78 | 14.01 | 1.14 | 0.93 | 0.76 |
| EV/Adj. EBITDA (x) | 363.4 | 131.9 | 8.7 | 5.2 | 3.5 |
| EV/Adj. EBIT (x) | 2,828.7 | (545.1) | (25.7) | 19.5 | 7.1 |
| Operating cash flow/EV (%) | 0.2 | 0.8 | 9.4 | 16.4 | 24.2 |
| Net debt/Adj. EBITDA (x) | 4.34 | 3.03 | 2.63 | 1.30 | 0.54 |

Source for all data on this page: SEB (estimates) and SIX/Thomson Reuters (prices)

Estimates update

We believe 2019 will become a bump in the road for GiG due to the effects from the Swedish re-regulation and the off-boarding of a major platform customer. However, business momentum should be set to improve incrementally. Key long-term earnings drivers include GiG driving growth in its different business areas by signing key partners, expanding internal operator brands in existing and new geographical markets, and improving operational leverage following the completion of several of its large tech and product investments.

Main estimate changes

- GiG Gaming:** We have lowered our growth estimates by 3% for 2019, 2% for 2020, and 1% for 2021, mainly related to the decision by the company to pause the Swedish sportsbook operations following a fine of SEK 3.5m in Q2 for displaying betting on an U17 game. However, no bets were taken and the company will appeal. The effect of the closure of the sportsbook is reported to be "immaterial" and it should open again as the regulator provides more guidelines on governance. The company was granted two licences in Spain, for sportsbook and casino, and expects to enter the Spanish market with its flagship brand Rizk by year-end. The company will also certify its platform and sportsbook to sell to external operators.
- GiG Core:** We have cut our revenue estimates 7% for 2019, 3% for 2020, and 3% for 2021, as we expect that baseline revenue to continue to be low following the off-boarding of a major customer at year-end. The company signed a new major customer in Q2, the New Zealand based company SkyCity, a leisure company which owns four casino venues in New Zealand. The launch is planned for Q3 2019 and therefore not expected to have a material impact on revenues this year, but is expected to have significant positive contribution from 2020.

Estimate revision

| Group P&L | Q2/19E | Updated forecasts | | | 2019E | Old | | Revisions (%) | | |
|------------------------------|---------|-------------------|-------|-------|---------|-------|-------|---------------|-------|-------|
| | | 2019E | 2020E | 2021E | | 2020E | 2021E | 2019E | 2020E | 2021E |
| Revenues | 33.4 | 142.5 | 163.4 | 177.2 | 146.7 | 166.1 | 179.1 | -3% | -2% | -1% |
| Gross profit | 26.5 | 113.6 | 130.9 | 143.1 | 116.9 | 133.0 | 144.8 | -3% | -2% | -1% |
| EBITDA | 3.6 | 18.6 | 29.6 | 38.5 | 17.1 | 29.8 | 39.0 | 9% | -1% | -1% |
| EBIT | -2.8 | -6.4 | 7.9 | 19.0 | -7.8 | 8.1 | 19.4 | -19% | -3% | -2% |
| Net results | -3.4 | -9.3 | 3.0 | 12.9 | -10.6 | 3.2 | 13.3 | -13% | -6% | -3% |
| GiG Core | | | | | | | | | | |
| Revenue | 4.7 | 22.4 | 27.5 | 31.1 | 24.1 | 28.5 | 32.2 | -7% | -3% | -3% |
| EBITDA | -0.3 | 1.1 | 6.1 | 7.5 | 1.2 | 6.3 | 7.7 | -8% | -4% | -3% |
| margin | -6.0% | 4.8% | 22.1% | 24.0% | 4.8% | 22.2% | 24.0% | | | |
| GiG Sport & Games | | | | | | | | | | |
| Revenue | 0.5 | 2.6 | 4.5 | 6.5 | 2.7 | 4.8 | 6.8 | -4% | -4% | -4% |
| EBITDA | -1.1 | -4.6 | -0.2 | 1.8 | -4.9 | -0.2 | 1.9 | -6% | n.a. | -4% |
| margin | -223.0% | -177.7% | -3.5% | 28.1% | -179.7% | -4.1% | 28.0% | | | |
| GiG Gaming | | | | | | | | | | |
| Revenue | 21.8 | 91.7 | 105.5 | 112.8 | 94.4 | 107.1 | 113.5 | -3% | -2% | -1% |
| EBITDA | 0.1 | 2.7 | 4.9 | 9.6 | 1.7 | 5.0 | 9.7 | 60% | 0% | -2% |
| margin | 0.5% | 3.0% | 4.7% | 8.5% | 1.8% | 4.6% | 8.6% | | | |
| GiG Media | | | | | | | | | | |
| Revenue | 9.1 | 36.8 | 39.2 | 41.2 | 36.8 | 39.2 | 41.2 | 0% | 0% | 0% |
| EBITDA | 5.0 | 19.9 | 19.6 | 20.6 | 19.6 | 19.6 | 20.6 | 1% | 0% | 0% |
| margin | 55.0% | 54.2% | 50.0% | 50.0% | 53.4% | 50.0% | 50.0% | | | |

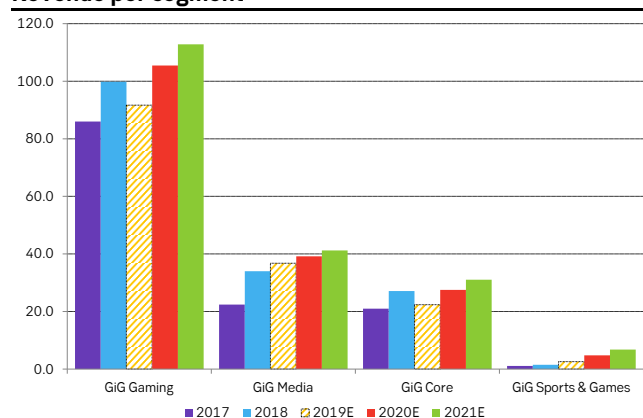
Source: SEB

Interim financial forecasts

| (EURm) | Q1/18 | Q2/18 | Q3/18 | Q4/18 | Q1/19 | Q2/19E | Q3/19E | Q4/19E | 2017 | 2018 | 2019E | 2020E | 2021E |
|-------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| GiG Media | | | | | | | | | | | | | |
| Revenue | 8.2 | 8.7 | 8.4 | 8.7 | 9.0 | 9.1 | 9.2 | 9.4 | 22.4 | 34.0 | 36.8 | 39.2 | 41.2 |
| EBITDA | 4.4 | 4.7 | 4.3 | 4.9 | 5.2 | 5.0 | 4.9 | 4.8 | 14.9 | 18.3 | 19.9 | 19.6 | 20.6 |
| GiG Core | | | | | | | | | | | | | |
| Revenue | 6.8 | 6.3 | 6.8 | 7.2 | 4.9 | 4.7 | 5.8 | 7.0 | 21.0 | 27.1 | 22.4 | 27.5 | 31.1 |
| EBITDA | 1.5 | 1.1 | 1.7 | 1.6 | -0.5 | -0.3 | 0.5 | 1.3 | 10.0 | 5.9 | 1.1 | 6.1 | 7.5 |
| GiG Sports & Games | | | | | | | | | | | | | |
| Revenue | 0.2 | 0.6 | 0.2 | 0.5 | 0.3 | 0.5 | 0.8 | 1.0 | 1.1 | 1.5 | 2.6 | 4.5 | 6.5 |
| EBITDA | -1.7 | -1.4 | -2.1 | -1.8 | -1.8 | -1.1 | -1.0 | -0.7 | -3.2 | -7.0 | -4.6 | -0.2 | 1.8 |
| GiG Gaming | | | | | | | | | | | | | |
| Revenue | 25.4 | 24.2 | 24.4 | 25.8 | 20.2 | 21.8 | 23.9 | 25.8 | 86.0 | 99.8 | 91.7 | 105.5 | 112.8 |
| EBITDA | 0.1 | -2.8 | 1.4 | 0.8 | 1.1 | 0.1 | 0.6 | 0.9 | -9.0 | -0.5 | 2.7 | 4.9 | 9.6 |
| Eliminations | | | | | | | | | | | | | |
| Revenue | -3.34 | -2.90 | -2.57 | -2.30 | -1.91 | -2.71 | -2.98 | -3.24 | -9.9 | -11.1 | -10.8 | -13.3 | -14.4 |
| EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Group | | | | | | | | | | | | | |
| Revenue | 37.3 | 36.9 | 37.3 | 39.9 | 32.4 | 33.4 | 36.8 | 39.9 | 120.4 | 151.4 | 142.5 | 163.4 | 177.2 |
| COGS | -6.9 | -6.4 | -6.3 | -7.8 | -6.4 | -6.9 | -7.5 | -8.1 | -20.5 | -27.4 | -28.9 | -32.5 | -34.1 |
| Gross profit | 30.5 | 30.5 | 30.9 | 32.1 | 26.0 | 26.5 | 29.2 | 31.9 | 99.9 | 124.0 | 113.6 | 130.9 | 143.1 |
| Marketing cost | -11.9 | -13.2 | -10.6 | -11.6 | -8.6 | -9.7 | -10.2 | -11.0 | -47.1 | -47.2 | -39.5 | -44.0 | -45.5 |
| Marketing cost/revenue | -32% | -36% | -29% | -29% | -26% | -29% | -28% | -28% | -39% | -31% | -28% | -27% | -26% |
| Other OPEX | -14.3 | -15.7 | -15.3 | -15.4 | -13.3 | -13.3 | -14.1 | -14.8 | -40.3 | -60.7 | -55.5 | -57.4 | -59.1 |
| Other OPEX/revenue | -38% | -43% | -41% | -39% | -41% | -40% | -38% | -37% | -33% | -40% | -39% | -35% | -33% |
| EBITDA | 4.3 | 1.7 | 5.0 | 5.0 | 4.1 | 3.6 | 4.9 | 6.1 | 12.5 | 16.1 | 18.6 | 29.6 | 38.5 |
| EBITDA (%) | 12% | 5% | 14% | 13% | 13% | 11% | 13% | 15% | 10% | 16% | 28% | 31% | 131% |
| EBIT | -0.4 | -3.2 | 0.0 | -14.1 | -2.5 | -2.8 | -1.3 | 0.2 | 1.6 | -17.7 | -6.4 | 7.9 | 19.0 |
| EBIT (%) | N/A | N/A | 0% | N/A | N/A | N/A | N/A | 0% | 1% | 5% | 19% | 23% | 123% |
| NI | 0.9 | -4.5 | -2.6 | -16.6 | -2.9 | -3.4 | -2.1 | -0.8 | -0.4 | -22.8 | -9.3 | 3.0 | 12.9 |
| EPS | -0.02 | 0.00 | 0.00 | -0.02 | -0.01 | 0.00 | 0.00 | 0.00 | 0.00 | -0.25 | -0.10 | 0.03 | 0.14 |

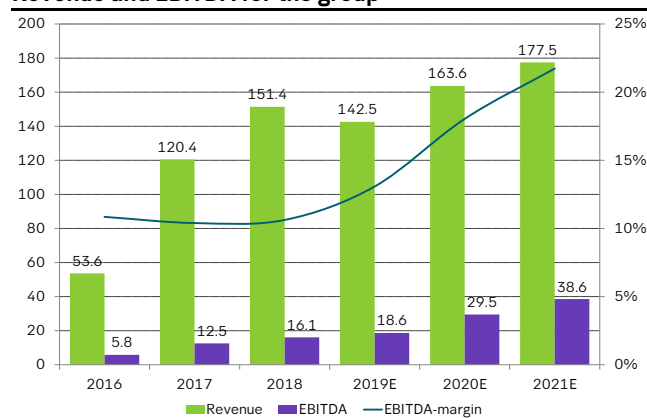
Source: SEB

Revenue per segment



Source: SEB

Revenue and EBITDA for the group



Source: SEB

Valuation

The stock currently trades at EV/EBIT of 19.4x for 2020 and 7.1x for 2021 on our updated estimates. Our SOTP valuation of GiG suggests a value of SEK 26 per share, on the assumption that the company delivers on our estimates. As the businesses are in different stages of their lifecycles and have different growth and earnings potential, we argue that an SOTP valuation is the fairest method to value Gaming Innovation Group.

Sum of the parts valuation

| (EURm) | 2018 | 2019E | 2020E | EV/EBITDA SEB 2019E | EV/Sales 2019E | EV Contribution 2019E |
|-----------------------------------|------|-------|-------|------------------------|-------------------|--------------------------|
| GiG Media | | | | | | |
| Revenues | 34.0 | 36.1 | 38.6 | | | |
| EBITDA | 18.3 | 19.9 | 19.6 | 8.0x | | 159.3 |
| GiG Core | | | | | | |
| Revenues | 27.1 | 22.4 | 27.5 | | | |
| EBITDA | 5.9 | 1.1 | 6.1 | | 4.0x | 89.6 |
| GiG Sports & Games | | | | | | |
| Revenues | 1.5 | 2.6 | 4.8 | | | |
| EBITDA | -7.0 | -4.6 | -0.2 | | 4.0x | 10.3 |
| GiG Gaming | | | | | | |
| Revenues | 99.8 | 91.7 | 105.5 | | | |
| EBITDA | -0.5 | 2.7 | 4.9 | | 0.5x | 45.8 |
| Group Eliminations | | | | | | |
| EBITDA | 0.0 | -0.6 | -0.9 | 10.0x | | -6.0 |
| Enterprise Value | | | | | | 299 |
| NIBD YE 2019E | | | | | | 49 |
| Equity value | | | | | | 250 |
| NOS | | | | | | 90 |
| Equity value / share (EUR) | | | | | | 2.79 |
| EURSEK | | | | | | 9.4 |
| Equity value / share (SEK) | | | | | | 26.3 |

Source: SEB

Peer valuation

| Company | Mkt cap. (SEKbn) | PER | | | EV/EBITDA | | | EV/EBIT | | | EV/sales | | | Div.Yield (%) | | NIBD/EBITDA | |
|---------------------|---------------------|-------|-------|-------|-----------|-------|-------|---------|-------|-------|----------|------|------|---------------|------|-------------|-------|
| | | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2018 | 2019 | 2018 | 2019 |
| Operators | | | | | | | | | | | | | | | | | |
| Kindred | 18.5 | 14.4 | 11.9 | 12.9 | 8.7 | 7.4 | 7.7 | 12.5 | 10.3 | 11.1 | 1.6 | 1.4 | 1.2 | 6.9% | 7.2% | 0.2 | 0.2 |
| LeoVegas | 3.9 | 26.6 | 15.5 | 8.9 | 9.6 | 7.4 | 4.9 | 24.2 | 14.5 | 7.7 | 1.1 | 0.9 | 0.7 | 3.1% | 3.4% | 1.0 | 1.2 |
| Betsson | 8.1 | 9.9 | 8.9 | 9.3 | 6.3 | 5.5 | 5.2 | 8.8 | 7.7 | 7.6 | 1.5 | 1.3 | 1.2 | 5.7% | 6.7% | 0.4 | 0.1 |
| JackpotJoy | 6.3 | 7.1 | 6.0 | 5.1 | 7.8 | 4.5 | 4.1 | 12.3 | 6.1 | 5.5 | 2.3 | 1.4 | 1.3 | 0.0% | 5.3% | 2.7 | 2.2 |
| Global Gaming | 0.2 | (1.8) | (4.7) | (5.2) | (0.7) | (3.1) | (4.4) | (0.7) | (2.8) | (3.9) | 0.2 | 0.5 | 0.6 | 0.0% | 0.0% | (1.7) | 1.0 |
| Paddy Power Betfair | 59.4 | 21.5 | 19.0 | 16.0 | 14.7 | 13.0 | 11.2 | 20.4 | 17.6 | 15.0 | 2.7 | 2.4 | 2.2 | 2.9% | 2.8% | (0.5) | 0.8 |
| 888 Holding | 6.6 | 13.3 | 12.1 | 11.2 | 6.8 | 6.2 | 5.7 | 9.3 | 8.5 | 7.8 | 1.1 | 1.0 | 0.9 | 8.7% | 7.4% | (1.6) | (0.8) |
| William Hill | 16.0 | 15.8 | 12.0 | 9.5 | 7.1 | 6.3 | 5.7 | 12.4 | 9.8 | 8.3 | 1.0 | 1.0 | 0.9 | 7.6% | 5.3% | 0.8 | 2.6 |
| GVC | 39.9 | 10.2 | 8.2 | 6.5 | 8.3 | 7.2 | 6.2 | 11.7 | 9.7 | 8.0 | 1.5 | 1.5 | 1.4 | 5.5% | 5.8% | 2.5 | 3.0 |
| Average | | 13.0 | 9.9 | 8.3 | 7.6 | 6.0 | 5.1 | 12.3 | 9.1 | 7.4 | 1.4 | 1.3 | 1.2 | 0.0 | 0.0 | 0.4 | 1.2 |
| Suppliers | | | | | | | | | | | | | | | | | |
| Evolution Gaming | 35.4 | 27.1 | 25.1 | 22.0 | 20.7 | 17.9 | 15.3 | 24.9 | 21.7 | 18.5 | 9.5 | 8.0 | 6.9 | 2.4% | 1.8% | (0.7) | (0.8) |
| Kambi | 4.6 | 40.4 | 21.4 | 18.9 | 15.4 | 10.2 | 9.2 | 29.8 | 16.2 | 14.3 | 4.4 | 3.5 | 3.2 | 0.0% | 0.0% | (1.5) | (1.5) |
| NetEnt | 7.6 | 14.1 | 13.3 | 12.5 | 8.1 | 7.5 | 7.0 | 12.1 | 11.1 | 10.3 | 4.0 | 3.7 | 3.5 | 6.7% | 7.4% | (0.6) | (0.7) |
| Playtech | 15.7 | 9.1 | 8.1 | 6.8 | 4.4 | 4.1 | 3.8 | 7.1 | 6.6 | 6.0 | 1.1 | 1.0 | 1.0 | 7.7% | 5.6% | 1.4 | 1.1 |
| Aspire Global | 2.0 | 10.2 | 9.3 | 8.5 | 6.1 | 5.6 | 4.9 | 7.0 | 6.4 | 5.9 | 1.1 | 1.0 | 0.8 | 2.5% | 3.6% | (1.1) | (1.2) |
| Catena Media | 3.6 | 16.7 | 11.3 | 9.4 | 10.2 | 8.4 | 7.4 | 14.0 | 11.0 | 9.7 | 4.4 | 3.9 | 3.6 | n.a. | n.a. | 2.5 | 3.1 |
| Raketech | 0.6 | 5.8 | 4.8 | 4.3 | 3.2 | 2.2 | 1.0 | 4.1 | 2.7 | 1.3 | 1.6 | 1.2 | 0.6 | n.a. | n.a. | 0.0 | (0.8) |
| Better Collective | 3.5 | 19.2 | 17.0 | 14.7 | 10.8 | 8.8 | 6.9 | 13.7 | 11.2 | 8.8 | 4.7 | 3.9 | 3.1 | n.a. | n.a. | (0.6) | (0.1) |
| XL Media | 1.7 | 7.1 | 6.8 | 6.5 | 3.6 | 3.5 | 3.3 | 4.5 | 4.3 | 4.3 | 1.5 | 1.5 | 1.5 | 10.7% | 8.4% | (1.0) | (1.1) |
| Net Gaming | 0.3 | - | - | - | - | - | - | - | - | - | - | - | - | n.a. | n.a. | n.a. | n.a. |
| Average | | 16.6 | 13.0 | 11.6 | 9.2 | 7.6 | 6.6 | 13.0 | 10.1 | 8.9 | 3.5 | 3.0 | 2.6 | 0.0 | 0.0 | (0.2) | (0.2) |
| GiG | 1.1 | n.a. | 42.8 | 9.1 | 8.7 | 5.2 | 3.5 | n.a. | 19.5 | 7.1 | 1.1 | 0.9 | 0.8 | n.a. | n.a. | 3.0 | 2.6 |

Source: SEB, Reuters

Our DCF model with 10% WACC yields a mid-point value of SEK 23 and a range of SEK 14-33 if we adjust our base case EBITDA margin and growth forecasts by +/- 2pp.

DCF Summary

| DCF valuation (EURm) | | Weighted average cost of capital (%) | |
|---|--------------|--------------------------------------|-------------|
| NPV of FCF in explicit forecast period | 1,544 | Risk free interest rate | 5.0 |
| NPV of continuing value | 1,033 | Risk premium | 5.0 |
| Value of operation | 2,577 | Cost of equity | 10.0 |
| Net debt | 514 | After tax cost of debt | 4.5 |
| Share issue/buy-back in forecast period | - | WACC | 10.0 |
| Value of associated companies | - | Assumptions | |
| Value of minority shareholders' equity | - | Number of forecast years | 10 |
| Value of marketable assets | - | EBIT margin - steady state (%) | 10.7 |
| DCF value of equity | 2,063 | EBIT multiple - steady state (x) | 9.1 |
| DCF value per share (SEK) | 23 | Continuing value (% of NPV) | 40.1 |
| Current share price (SEK) | 13.40 | | |
| DCF performance potential (%) | 75 | | |

Source: SEB

DCF Sensitivity analysis

| | | Cost of equity | | | | |
|---|------------|--|-------------|-------------|-------------|-------------|
| | | 9.0 | 9.5 | 10.0 | 10.5 | 11.0 |
| Equity capital weight (%) | 80 | 34.0 | 32.0 | 30.1 | 28.4 | 26.9 |
| | 90 | 29.7 | 27.8 | 26.2 | 24.7 | 23.3 |
| | 100 | 26.2 | 24.5 | 23.0 | 21.7 | 20.4 |
| | | Relative change in EBITDA margin - all years | | | | |
| | | -20% | -10% | 0 | +10% | +20% |
| Rel. change in sales growth - all years | -2% | 13.6 | 17.7 | 21.8 | 25.9 | 30.1 |
| | -1% | 14.0 | 18.2 | 22.4 | 26.6 | 30.9 |
| | 0 | 14.4 | 18.7 | 23.0 | 27.4 | 31.7 |
| | +1% | 14.8 | 19.2 | 23.6 | 28.1 | 32.5 |
| | +2% | 15.2 | 19.7 | 24.3 | 28.8 | 33.4 |

Source: SEB

DCF – assumption details

| (EURm) | 2019E | 2020E | 2021E | 2022E | 2023E | Average year 6 | Average year 7-8 | Average year 9-10 |
|--|------------|-----------|-----------|-----------|-----------|----------------|------------------|-------------------|
| Sales growth (%) | (5.8) | 14.8 | 8.4 | 9.0 | 7.0 | 5.0 | 2.5 | 2.0 |
| EBITDA margin (%) | 13.1 | 18.0 | 21.7 | 21.7 | 21.7 | 21.7 | 21.7 | 21.7 |
| EBIT margin (%) | (4.5) | 4.8 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 |
| Gross capital expenditures as % of sales | 10.9 | 8.8 | 8.5 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 |
| Working capital as % of sales | (4.8) | (4.6) | (4.5) | (4.5) | (4.5) | (4.5) | (4.5) | (4.5) |
| Sales | 143 | 164 | 177 | 193 | 207 | 217 | 226 | 235 |
| Depreciation | (25) | (22) | (20) | (21) | (23) | (24) | (25) | (26) |
| Intangibles amortisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBIT | (6) | 8 | 19 | 21 | 22 | 23 | 24 | 25 |
| Taxes on EBIT | 1 | (1) | (2) | (2) | (2) | (3) | (3) | (3) |
| Increase in deferred taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NOPLAT | (6) | 7 | 17 | 18 | 20 | 21 | 22 | 22 |
| Gross capital expenditure | (15) | (14) | (15) | (15) | (16) | (17) | (17) | (18) |
| Increase in working capital | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 |
| Free cash flow | 5 | 15 | 22 | 26 | 27 | 29 | 30 | 31 |
| ROIC (%) | (3.9) | 4.6 | 10.4 | 11.9 | 13.4 | 14.9 | 16.9 | 20.2 |
| ROIC-WACC (%) | (13.9) | (5.3) | 0.4 | 1.9 | 3.4 | 4.9 | 6.9 | 10.2 |
| Share of total net present value (%) | 0.0 | 5.5 | 7.4 | 7.9 | 7.7 | 7.3 | 13.0 | 11.2 |

Source: SEB

Overview

Investment case

GiG has invested heavily over the past years in creating a fully integrated iGaming conglomerate. We find the business model interesting and rational, but for the time being we believe there are too many moving parts and too much uncertainty.

Company profile

Gaming Innovation Group is an internet gambling (iGaming) conglomerate, aiming to consolidate the online gambling industry. The company offers services throughout the value chain, from fully owned operators (GiG Gaming) to affiliate marketing (GiG Media), software platform solutions (GiG Core) and proprietary games and odds production (GiG Sports & Games).

Valuation approach

To address the structural differences in margins and risk between the different business areas, we use a sum-of-the-parts valuation based on peers that are pure breed operators, game suppliers or affiliates. This is supported by a group DCF valuation.

Target price risks

The main risks are unfavourable regulatory changes and a shift in focus to in-house production of platforms, games, sportsbooks and affiliate services

| Profit & loss statement - Gaming Innovation Group | | | | | | |
|--|-------------|-------------|-------------|--------------|--------------|--------------|
| (EURm) | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
| Net Sales | 54 | 120 | 151 | 143 | 164 | 177 |
| Other revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| Total revenues | 54 | 120 | 151 | 143 | 164 | 177 |
| Total expenses | (48) | (108) | (135) | (124) | (134) | (139) |
| Profit before depreciation | 6 | 13 | 16 | 19 | 30 | 39 |
| Depreciation - Fixed assets | (3) | (11) | (20) | (25) | (22) | (20) |
| Depreciation - Other assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortisation - Goodwill | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortisation - Other intangibles | 0 | 0 | (14) | 0 | 0 | 0 |
| Operating profit | 3 | 2 | (18) | (6) | 8 | 19 |
| Net interest expenses | 0 | (1) | (2) | (5) | (5) | (5) |
| Foreign exchange items | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial items | (1) | 0 | 0 | 0 | 0 | 0 |
| Value changes - Fixed assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Value changes - Financial assets | 1 | 0 | (3) | 0 | 0 | 0 |
| Value changes - Other assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported pre-tax profit | 3 | 1 | (22) | (11) | 3 | 14 |
| Minority interests | 0 | 0 | 0 | 0 | 0 | 0 |
| Total taxes | (0) | (1) | (1) | 1 | (0) | (2) |
| Reported profit after tax | 2 | (0) | (23) | (10) | 3 | 13 |
| Discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary items | (0) | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 2 | (0) | (23) | (10) | 3 | 13 |
| Adjustments: | | | | | | |
| Discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on convertible debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority interests (IFRS) | 0 | 0 | 0 | 0 | 0 | 0 |
| Value changes | (1) | 0 | 3 | 0 | 0 | 0 |
| Goodwill/intangibles amortisations | 0 | 0 | 14 | 0 | 0 | 0 |
| Restructuring charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Other adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax effect of adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted profit after tax | 1 | (0) | (6) | (10) | 3 | 13 |
| Margins, tax & returns | | | | | | |
| Operating margin | 5.2 | 1.3 | (11.6) | (4.5) | 4.8 | 10.7 |
| Pre-tax margin | 5.1 | 0.5 | (14.4) | (7.8) | 1.8 | 8.0 |
| Tax rate | 13.2 | 175.2 | (3.4) | 6.6 | 11.0 | 11.0 |
| ROE | 4.6 | (0.4) | (23.0) | (12.6) | 3.4 | 14.6 |
| ROCE | 5.3 | 1.1 | (10.6) | (4.2) | 5.3 | 12.2 |
| Growth rates y-o-y (%) | | | | | | |
| Total revenues | n.a. | 124.6 | 25.7 | (5.8) | 14.8 | 8.4 |
| Operating profit | n.m. | (41.9) | n.m. | n.m. | n.m. | 143.5 |
| Pre-tax profit | n.m. | (79.9) | n.m. | n.m. | n.m. | 372.7 |
| EPS (adjusted) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 372.7 |
| Cash flow | | | | | | |
| (EURm) | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
| Net profit | 2 | (0) | (23) | (10) | 3 | 13 |
| Non-cash adjustments | 2 | 11 | 36 | 25 | 22 | 20 |
| Cash flow before work cap | 4 | 10 | 14 | 15 | 24 | 32 |
| Ch. in working capital / Other | 6 | (2) | 3 | 1 | 1 | 1 |
| Operating cash flow | 10 | 8 | 16 | 15 | 25 | 33 |
| Capital expenditures | (5) | (67) | (11) | (15) | (14) | (15) |
| Asset disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| L/T financial investments | 0 | 0 | (1) | (0) | 0 | 0 |
| Acquisitions / adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Free cash flow | 5 | (58) | 4 | (0) | 11 | 18 |
| Net loan proceeds | 2 | 62 | 2 | 0 | 2 | 0 |
| Dividend paid | 0 | 0 | 0 | 0 | 0 | 0 |
| Share issue | 5 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | (0) | 0 | 0 | (0) | 0 |
| Net change in cash | 12 | 4 | 6 | (0) | 12 | 18 |
| Adjustments | | | | | | |
| C/flow bef chng in work cap | 4 | 10 | 14 | 15 | 24 | 32 |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Int on conv debt net of tax | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash earnings | 4 | 10 | 14 | 15 | 24 | 32 |
| Per share information | | | | | | |
| Cash earnings | 0.01 | 0.01 | 0.02 | 0.16 | 0.27 | 0.36 |
| Operating cash flow | 0.02 | 0.01 | 0.02 | 0.17 | 0.28 | 0.36 |
| Free cash flow | 0.01 | (0.06) | 0.0 | 0.0 | 0.12 | 0.2 |
| Investment cover | | | | | | |
| Capex/sales (%) | 9.4 | 55.3 | 7.6 | 10.8 | 8.8 | 8.5 |
| Capex/depreciation (%) | 166 | 610 | 57 | 62 | 66 | 77 |

Source for all data on this page: SEB

| Balance sheet - Gaming Innovation Group | | | | | | |
|--|-------------|-------------|-------------|--------------|--------------|--------------|
| (EURm) | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
| Cash and liquid assets | 6 | 12 | 19 | 19 | 31 | 49 |
| Debtors | 13 | 25 | 29 | 28 | 31 | 33 |
| Inventories | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Current assets | 19 | 37 | 48 | 47 | 62 | 82 |
| Interest bearing fixed assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial assets | 0 | 0 | (2) | (2) | (2) | (2) |
| Capitalized development cost | 0 | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 64 | 69 | 69 | 69 | 69 | 69 |
| Other intangibles | 41 | 92 | 78 | 78 | 78 | 78 |
| Fixed tangible assets | 0 | 0 | (9) | (18) | (25) | (30) |
| Other fixed assets | 2 | 7 | 7 | 7 | 7 | 7 |
| Fixed assets | 108 | 169 | 145 | 135 | 128 | 123 |
| Total assets | 126 | 206 | 192 | 182 | 190 | 206 |
| Creditors | 15 | 29 | 34 | 34 | 38 | 41 |
| Other trade financing | 0 | 0 | 0 | 0 | 0 | 0 |
| S/T interest bearing debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 3 | 0 | 1 | 1 | 1 | 1 |
| Current liabilities | 18 | 29 | 35 | 35 | 38 | 41 |
| L/T interest bearing debt | 0 | 66 | 68 | 68 | 70 | 70 |
| Other long-term liabilities | 3 | 1 | 1 | 1 | 1 | 1 |
| Convertible debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Pension provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Other provisions | 0 | 0 | (0) | (0) | 0 | 0 |
| Deferred tax | 0 | 1 | 1 | 1 | 1 | 1 |
| Long term liabilities | 3 | 68 | 70 | 70 | 72 | 72 |
| Minority interests | 0 | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 105 | 109 | 88 | 77 | 80 | 93 |
| Total liabilities and equity | 126 | 206 | 192 | 182 | 190 | 206 |
| Net debt (m) | (6) | 54 | 49 | 49 | 38 | 21 |
| Working capital (m) | (6) | (4) | (6) | (7) | (8) | (8) |
| Capital employed (m) | 105 | 175 | 156 | 145 | 150 | 162 |
| Net debt/equity (%) | (6) | 50 | 56 | 63 | 48 | 23 |
| Net debt/EBITDA (x) | (1.0) | 4.3 | 3.0 | 2.6 | 1.3 | 0.5 |
| Equity/total assets (%) | 83 | 53 | 46 | 42 | 42 | 45 |
| Interest cover | 0.0 | 1.5 | (11.0) | (1.3) | 1.6 | 3.9 |

| Valuation | | | | | | |
|--------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|
| (EUR) | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
| No of shares, fully dil. (y/e) | 629.6 | 895.7 | 895.7 | 895.7 | 895.7 | 895.7 |
| No of shares, fully dil. avg. | 632.1 | 900.0 | 895.7 | 895.7 | 895.7 | 895.7 |
| Share price, y/e | 31.0 | 49.3 | 22.9 | 12.3 | 12.3 | 12.3 |
| Share price, high | 51.2 | 61.8 | 64.6 | 25.0 | | |
| Share price, low | 17.5 | 27.0 | 20.6 | 10.1 | | |
| Share price, avg | 33.1 | 46.2 | 42.5 | 16.3 | | |
| EPS (reported) | 0.00 | (0.00) | (0.03) | (0.12) | 0.03 | 0.14 |
| EPS (adjusted) | 0.00 | (0.00) | (0.01) | (0.12) | 0.03 | 0.14 |
| Cash earnings/share | 0.01 | 0.01 | 0.02 | 0.16 | 0.27 | 0.36 |
| Dividend/share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Enterprise value/share | 3.4 | 5.1 | 2.4 | 1.8 | 1.7 | 1.5 |
| Book value/share | 0.2 | 0.1 | 0.1 | 0.9 | 0.9 | 1.0 |
| Adjusted equity/share | 0.2 | 0.1 | 0.1 | 0.9 | 0.9 | 1.0 |
| PER (adjusted) | n.m. | n.m. | n.m. | n.m. | 42.8 | 9.1 |
| CEM | 563.1 | 430.4 | 150.9 | 7.8 | 4.7 | 3.5 |
| Dividend yield | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EV/EBITDA | 368.6 | 363.4 | 131.9 | 8.7 | 5.2 | 3.5 |
| EV/EBITA | 774.0 | 2,828.7 | (545.1) | (25.7) | 19.5 | 7.1 |
| EV/EBIT | 774.0 | 2,828.7 | (120.4) | (25.7) | 19.5 | 7.1 |
| EV/Sales (x) | 39.99 | 37.78 | 14.01 | 1.14 | 0.93 | 0.76 |
| Price/Book value | 20.44 | 41.34 | 23.61 | 1.47 | 1.42 | 1.23 |
| Price/adjusted equity | 20.44 | 41.34 | 23.61 | 1.47 | 1.42 | 1.23 |
| Free cash flow/Market cap (%) | n.a. | n.a. | 0.2 | (0.1) | 9.3 | 15.4 |
| Operating cash flow/EV (%) | 0.4 | 0.2 | 0.8 | 9.4 | 16.4 | 24.2 |
| EV/Capital employed (x) | 20.4 | 26.0 | 13.6 | 1.1 | 1.0 | 0.8 |

| Main shareholders | | | Management | | Company information | |
|--------------------------|------------|--------------|-------------------|--------------|----------------------------|----------------|
| Name | (%) | Votes | Capital | Title | Name | Contact |
| Bryggen Holding AS | 13.2 | 13.2 | | COB | Helge Nielsen | Internet |
| Optimizer Invest Ltd. | 11.5 | 11.5 | | CEO | Robin Reed | Phone number |
| Robin Reed | 7.2 | 7.2 | | CFO | Tore Formo | |
| | | | | IR | Anna-Lena Ahström | |

Source for all data on this page: SEB

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