Gaming Innovation Group

Sector: Betting/Entertainment

Pure B2B

Redeye increases the fair value of GiG on the back of lower financial risk and improved valuation multiple for the sector. With the divestment of the B2C operations, GiG is now a pure B2B focused company. Furthermore, the divestment also improved the company´s financial position substantially and lowered the risk in the case. The outlook for the B2B operations remains promising with the Corona Crisis fueling the online shift, which is reflected in the higher valuation multiple for the sector.

B2C divestment

The divestment of the B2B operations to Betsson was finalized in April, which ensures a better financial position and increased focus on the B2B operations.

B2B focus

With the B2C divestment, GiG can focus entirely on the B2B segment. We believe that the growth prospects are strong for the company´s omnichannel solution, which is confirmed by the partnerships with Hard Rock and SkyCity. Furthermore, the Corona Crisis will most likely have a long-term positive effect on the online shift, which will benefit the company. The Media segment, on the other hand, has less growth potential, but will continue to deliver strong cash flows, we believe. Moreover, 2020 has started well, but we see a potential risk that the many changes within the organization can have some short-term consequences on the group's performance.

Improved financial position

GiG´s financial position has improved substantially due to the divestment of the B2C segment. As projected, the important NIBD/EBITDA ratio is now below the critical 3.0, which lowers the financial risk.

Hidden value

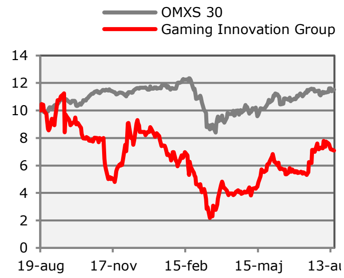
In the midst of the company's transformation, we believe there are hidden values. The remaining B2B operations have an excellent position to deliver profitable growth, and earnings multiples are below its peers. Accordingly, we regard the stock's current level as unjustified and risk/reward as attractive, with a potential upside of around 40% to our base case valuation of SEK 10 (8.5).

KEY FINANCIALS (EURm)	2018	2019	2020E	2021E	2022E	2023E
Net sales	151	44	64	77	81	87
EBITDA	16	3	13	22	23	21
EBIT	-18	-24	-6	8	10	10
EPS (adj.)	-0.3	-0.7	-0.1	0.0	0.1	0.1
EV/Sales	13.0	18.6	1.8	1.4	1.2	1.1
EV/EBITDA	121.9	237.5	8.9	4.8	4.2	4.7
EV/EBIT	-111.3	-33.9	-18.1	13.1	9.4	9.2
P/E	-83.9	-11.5	-5.6	18.2	11.4	10.2

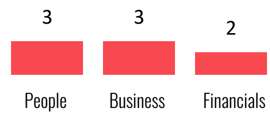
FAIR VALUE RANGE

BEAR	BASE	BULL
4	10	19

GIGSEK.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	GIG / GIGSEK
Market	Oslo / Nasdaq
Share Price (NOK/SEK)	7.15 / 7.00
Market Cap (MSEK)	630
Net Debt 20E (MSEK)	300
Free Float	45 %
Avg. daily volume ('000)	250

ANALYSTS

Jonas Amnesten

jonas.amnesten@redeye.se

Tomas Otterbeck

tomas.otterbeck@redeye.se

Q2: Becoming a pure B2B company

GiG: Expected vs. Actual

(EURm)	Q2'19	Q2'20	Q2'20E	Diff
Revenues	31.0	16.7	16.8	-1%
Gross Profit	24.4	15.9	15.4	3%
EBITDA	2.5	2.8	2.6	9%
EBIT	-4.0	-2.2	-1.2	n.m.
EPS (EUR)	-0.07	-0.06	-0.02	n.m.
Sales growth Y/Y	*-16%*	*-46%*	*-46%*	
Sales growth Q/Q	*-4%*	*-46%*	*-46%*	
EBITDA margin	*8%*	*17%*	*16%*	
EBIT margin	*-13%*	*-13%*	*-7%*	

Source: GiG, Redeye Research

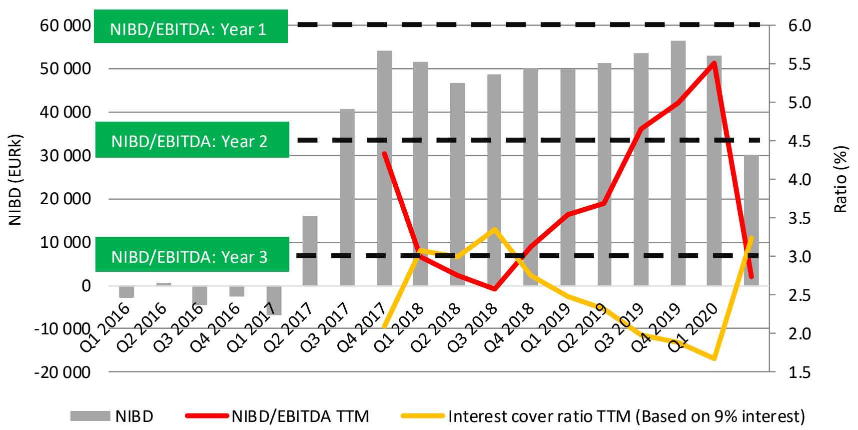
In the second quarter, GiG´s revenues were skewed by the changed accounting structure. The revenues were inflated by the SkyCity revenues as GiG is recognizing the full operation in its PnL, as long as it is operating on GiG Malta license. Meanwhile, the B2C operations were included as discontinuing operations in the PnL, which meant that only the net income was included. Adjusted for this, the revenues for the Platform Services came in somewhat below our estimates, while the revenues for the Media Segment came 5% above our estimates.

The EBITDA was also impacted as is it did not include the negative net income from the divested B2C operations. Adjusted for this, the EBITDA would have come in around EUR 0.5m below our estimates. However, we do not make any long-term conclusions of these deviations during this transformation period for GiG. The group is now more focused and ready to take on the opportunities for the omnichannel product and the online shift.

Financial position

GiG´s financial position has improved substantially with the divestment of the B2C segment. The important NIBD/EBITDA ratio is now, as projected, below the critical 3.0x mark. We expect the ratio to improve further as the company´s EBITDA increase.

GiG: Bond covenants. NIBD/EBITDA & Interest cover ratio (Q1 2016-Q2 2020)



Source: GiG, Redeye Research

Forecast

Our forecasts are affected by many different factors, none of which are guaranteed, especially from quarter to quarter. Nevertheless, some of them are very likely to occur over time.

With the divestment of the B2C segment, the company becomes a pure B2B company. The B2B operations offer higher scalability as the gross profit margin is much stronger, which is reflected in the table below. However, the company is reorganizing the full SkyCity revenues, which is impacting the profit margin. Also, we expect that the Other OPEX will decline during 2020 with full effect from Q4. Furthermore, we expect the Platform revenues to increase further in Q3 as the divested B2C operations will pay platform fees for the whole quarter.

GiG: Financial forecasts summary

(EURm)	Q1'20	Q2'20	Q3'20E	Q4'20E	2020E	2021E	2022E
Revenues	11.2	16.7	17.5	18.2	63.5	77.0	81.3
Adj. B2B Net Revenues*	***12.2***	***13.5***	***13.8***	***14.4***	***53.8***	***61.0***	***64.1***
Gross Profit	10.7	15.9	16.7	17.3	60.7	73.5	77.7
Marketing	-1.7	-4.5	-4.7	-4.9	-15.8	-20.6	-22.0
Other OPEX	-8.5	-8.5	-7.8	-7.5	-32.3	-31.2	-32.8
EBITDA	**0.6**	**2.8**	**4.2**	**5.0**	**12.6**	**21.8**	**22.9**
EBIT	**-4.7**	**-2.2**	**-0.2**	**1.0**	**-6.2**	**8.1**	**10.4**
EPS, EUR	**-0.05**	**-0.06**	**-0.02**	**0.00**	**-0.12**	**0.04**	**0.06**
Growth Y/Y (%)	-9%	47%	-42%	-38%	-24%	21%	6%
Growth Q/Q (%)	-62%	49%	5%	4%			
EBITDA (%)	5%	17%	24%	27%	20%	28%	28%
EBIT (%)	-42%	-13%	-1%	5%	-10%	10%	13%

Source: GiG, Redeye Research

**B2B revenues adjusted for SkyCity revenues*

Growth potential

- Underlying market: Underlying growth in existing markets and the main verticals is estimated at a CAGR of about 5% for 2018-23, according to H2GC.
- New partnerships: New land-based partners like Hard Rock and SkyCity will be a key long-term growth driver for GiG. On top of that, we expect new online partners to add additional growth. Increasing demand for the Media products should also increase the number of partners and revenue within the Media Business.
- New markets: Entering new markets will be important for growth as the European market mature. The deals in Argentina and Macedonia are evidence of this development.
- Products improvements: With fewer new projects within additional verticals, we expect that the company will focus on improving the products within the core business and increase modular sales. This will be important to stay competitive.
- Acquisitions: The current financial position makes it difficult for GiG to take advantage of M&A opportunities. However, we do not rule out that smaller acquisitions will be added to the portfolio or a more significant merger.

Cost allocation

- Cost of sales: With the new business structure with purely B2B operations, we will see a much lower cost of sales going forward, adjusted for the SKyCitry revenues.
- Marketing: Minor marketing expenses will primarily be maintained within the Media segment and the cost related to SkyCity.
- Other operating expenses: We expect the company to slim the OpEx during 2020 for a more efficient use of resources.

Segments

For the Media Services, had a strong quarter in the second quarter, which is much related to positive Corona effects. The FTDs were in line with ATH levels from Q1 2019, which is very promising, especially as the Rev Share agreements generated 61% of revenues. As a result, we expect further growth in 2020. However, increased investment in the segment will likely lower the EBITDA margin slightly going forward, but maintain it around 50%.

For the Platform Services, the company is shifting its focus towards a fixed fee model and will increase its focus on large long-term partnerships. As a result, we expect that the company will phase out the white label deals. The Betsson deal is also boosting the revenues from Q2’20 and the following 24 months. Moreover, we believe that the increased focus on the B2B with major partnerships, such as Hard Rock and Sky City, will drive underlying growth going forward. The segment I also highly scalable, which will drive increased margins, while the growth focus will mitigate some of the scalability effects in the short-run.

For the Sports Betting Services, we have low expectations on the growth as the focus is on lowering cost and reach break-even by the end of 2020.

GiG: Financial forecasts - B2B segments

(EURm)	Q1'20	Q2'20	Q3'20E	Q4'20E	2020E	2021E	2022E
Media Services							
Revenue	8.2	8.6	8.6	8.9	34.3	36.8	38.7
EBITDA	4.5	4.8	4.7	4.7	18.7	18.8	19.2
EBITDA margin (%)	55%	56%	54%	53%	54%	51%	50%
Platform Services							
Revenue	4.3	8.2	8.7	9.1	30.3	39.0	41.1
Adj. Revenues*	***3.8***	***4.7***	***5.0***	***5.3***	***18.8***	***23.0***	***23.9***
EBITDA	-1.6	-0.9	-0.1	0.2	-2.3	3.0	3.6
EBITDA margin (%)	-36%	-11%	-1%	3%	-8%	8%	9%
Adj. EBITDA margin (%)	***-41%***	***-19%***	***-2%***	***5%***	***-12%***	***13%***	***15%***
Sports Betting Services							
Revenue	0.2	0.1	0.2	0.2	0.7	1.1	1.4
EBITDA	-1.7	-0.9	-0.3	0.0	-2.9	0.0	0.0
EBITDA margin (%)	-830%	-900%	-205%	0%	-432%	0%	0%

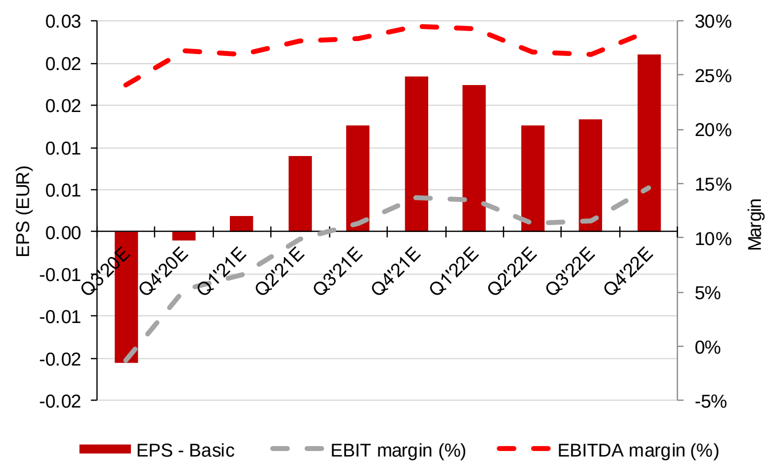
Source: GiG, Redeye Research

**Revenues adjusted for SkyCity revenues*

EPS and Profit margins

Over 2020, we expect to see a rapid improvement of the EBITDA margin, despite the addition of fully recognized SkyCity revenues, as the B2C operation, with its low-profit margin, is divested to Betsson, and the running costs are reduced. Meanwhile, Betsson has started to pay the platform fee premium, which is having a direct positive effect on both the group´s top- and bottom-line. The EBIT margin and EPS will also be positively impacted by lower amortization and lower financial expenses.

GiG: EBITDA margin, EBIT margin and EPS (Q2'20E-Q4'22E)



Source: GiG, Redeye Research

Forecast changes

Adjusted for the fully recognized SkyCity revenues, we only make minor adjustments to our estimates.

GiG: B2B segment									
Estimate revisions		**2020E**			**2021E**			**2022E**	
(EURm)	**New**	**Old**	***% chg***	**New**	**Old**	***% chg***	**New**	**Old**	***% chg***
Adj. Revenues	54	55	*-2%*	61	62	*-1%*	64	63	*1%*
EBITDA	12.6	13.1	*-3%*	21.8	22.4	*-3%*	22.9	22.5	*2%*
EBITDA margin	23%	24%		36%	36%		36%	36%	

Source: Redeye Research

Investment Thesis

- Attractive SOTP valuation
- Platform and omnichannel
- Potential turnaround

Attractive SOTP valuation

Based on our sum-of-the-parts valuation, GiG is undervalued. On our 2021 estimates, GiGs Platform and Media services offer significant upside to the fair value. We assign no value to GiG Sports as its revenue is limited, and it's loss-making.

Platform and omnichannel

The GiG Core business area will be one of the company's main long-term growth drivers going forward, in combination with a solid media business. Improving its platform will add value to the whole business. Moreover, GiG´s partnerships and land-based operator niche could become a major market for it. While the vast majority of gambling is still conducted offline, many land-based operators would like to participate in the industry's digitalization. We believe that GiG has the potential to achieve decent market share here. Its partnership with SkyCity in New Zealand and Hard Rock Casino in several US states underscores this potential and has positioned GiG well in the huge US market.

More focused business

We believe GiG´s main issue in recent years has been a lack of focus. The company has tried to realize its vision of becoming a diversified global player active in all gambling verticals. However, the company is now increasing its focus on its core business to achieve profitable growth, and we see several signs of this positive development:

- It has divested the B2C segment
- It has made changes in both the board and management. We believe this signals the start of a new direction and vision for GiG.
- We see room to slim other operating expenses and use resources more efficiently.
    - Sports Betting Service is reducing its burn rate
    - The company has decided to halt the investments in GiG Games.
    - The company will decrease the number of employees until the end of 2020

Counter-Thesis – Bear Points

Organizational changes

The company has made several management and board changes, as well as the divestment of the B2B segment. Moreover, we anticipate more changes further down in the organization, given the relatively large head-count. This could reduce its efficiency for a while, hurting operations and increasing negative momentum further.

Regulatory uncertainty

GiG focuses on regulated markets as these offer better scope for attractive B2B partners and are less risky. Even so, regulated markets are not risk-free. Moreover, we also expect that the gaming tax expenses will pressure profit margins in the next coming years.

Valuation

Redeye wants to understand and value the companies we cover better than anyone else. So we're refining our unique approach to assessing investment cases. Our new rating model evaluates companies across as many as 100 criteria. It is ultimately designed to generate more appropriate estimations of WACC than traditional financial theory. In Redeye's view, a realistic hands-on approach that combines fundamentals with common sense is called for in analyzing small growth stocks. These lack the market visibility and trading liquidity of large-cap names. Our new model is a bold and important move in Redeye's pursuit of leadership in our sectors.

We derive our fair value from a fundamental DCF framework with three scenarios - Base case (most likely), Bear case (pessimistic), and Bull case (optimistic). A central part of the valuation is the weighted average cost of capital (WACC). Based on Redeye Rating and the debt ratio, we estimate a WACC of 12.6%, which is used in all three scenarios.

DCF-valuation – Base Case

Summary:

- Sales CAGR of about 9% between 2020-2028
- An average EBIT margin of approximately 17% during the same period
- Terminal growth of 2% and terminal EBIT margin of 19%
- Our base case assumes that GiG will focus on the Platform and Media segments. We believe the increased focus will lead to improved growth with more efficient use of resources as well as lower amortizations, which will improve the profit margins. We expect the Media segment to continue delivering strong cash flows, while the Platform segment holds the growth opportunity. Moreover, the group´s financial position is substantially improved with the divestment of the B2C operations.

Our Base case yields a fair value of SEK 10 (8.5) per share.

Gaming Innovation Group					
Assumptions:	**2020-28**	**2020-23**	**2023-28**	**DCF-value**	
CAGR Sales	8.6%	11.0%	6.7%	WACC	12.6%
EBIT-margin (avg.)	16.5%	11.7%	19.4%	PV of FCF	82
ROE (avg.)	31%	28%	33%	PV of Terminal Value	63
Terminal				EV	145
Growth of FCF	2%			Net cash (Start of 2020)	-57
EBIT margin	19.0%			Dividend correction	0
EV/S Exit multiple	1.6x			Associated companies	0
EV/EBIT Exit multi	8x			Minorities	-1
				DCF-value (EUR)	**87**
				Fair value per share (SEK)	**10.0**
				Todays price	7.0
				Potential/Risk	**42%**

Source: Redeye Research

SOTP Valuation

Due to GiG´s negative revenue momentum, financial situation, reorganization, and complex company structure. We believe a SOTP valuation is a good complement to the DCF valuation.

SOTP valuation						
Segment	**(EURm)**	**Sales 2021**	**EBITDA 2021**	**Sales Multiple**	**EBITDA Multiple**	**Value**
B2B - GiG Core (Platform)		23.0		2.0x		46
B2B - GiG Media (Affiliation)			18.8		4.0x	75
B2B - Sports Betting		1.1				0
Sum (EURm)						**121**
EV	**121**					
Net debt	-30					
SOTP value	**92**					
Per share (SEK)	**10.8**					

Source: Redeye Research

Based on our estimates for 2021 and modest multiples, the SOTP valuation indicates a higher value (SEK 10.6 vs. SEK 10) than for the DCF, which shows further potential.

The GiG Platform services are currently incurring losses, which we believe merits a discounted sales multiple compared to peers. The segment will make profits during 2021, but much of this will be driven by the platform fee premium from the divested B2C segment.

The GiG Media services are profitable, and we expect the cash flow levels to be maintained in 2021, with increased investment costs mitigated by increased growth. We believe the overall outlook for GiG Media services is roughly the same as for the peers, with the outlier Better Collective as the exception.

We have added zero value for GiG Sports Betting Services as we don´t expect it to generate any profits in the near future.

Peer table

In the peer table, we have added peers relevant to GiG´s different business areas. The comparison for 2020E becomes a bit distorted due to the divestment of the B2C segment. Therefore, the most relevant year is 2021E, which indicates that GiG is valued far below peers.

Peer valuation

		EV/Sales			EV/EBITDA			SALES CAGR	EBIT CAGR	EBIT margin		
Company	**EV (MSEK)**	**2019**	**2020E**	**2021E**	**2019**	**2020E**	**2021E**	**19-21E**	**19-21E**	**2019**	**2020E**	**2021E**
Suppliers												
Scientific Games	96 520	3.0x	4.1x	3.5x	8.3x	14.2x	9.1x	-7%	1%	16%	7%	19%
IGT	88 918	2.0x	3.0x	2.4x	6.6x	10.3x	7.1x	-10%	5%	13%	9%	18%
NetEnt	21 634	12.2x	9.7x	8.8x	25.5x	18.2x	15.1x	18%	38%	30%	34%	40%
PlayTech	15 829	1.0x	1.2x	1.1x	6.0x	5.5x	4.7x	-4%	146%	2%	10%	12%
Kambi	6 985	7.2x	7.1x	5.2x	22.7x	22.1x	14.1x	17%	38%	16%	15%	22%
GAN	6 178	21.8x	18.6x	14.1x	90.5x	71.1x	51.6x	24%	84%	8%	13%	18%
Aspire Global	1 500	1.1x	1.0x	0.9x	6.5x	6.5x	6.4x	9%	-3%	14%	12%	11%
Median	**15 829**	**3.0x**	**4.1x**	**3.5x**	**8.3x**	**14.2x**	**9.1x**	**9%**	**38%**	**14%**	**12%**	**18%**
Affiliates												
Better Collective	6 758	9.5x	7.5x	5.5x	23.3x	17.9x	12.4x	31%	41%	31%	31%	36%
Catena Media	3 415	3.1x	2.9x	2.7x	38.4x	6.0x	5.4x	8%	n.m.	-6%	37%	37%
Raketech	379	1.5x	1.3x	1.2x	3.4x	3.1x	2.7x	14%	9%	25%	21%	23%
Net Gaming Europe	280	1.8x	2.1x	2.0x	3.2x	3.9x	3.9x	-3%	-6%	53%	46%	50%
Median	**1 897**	**2.5x**	**2.5x**	**2.3x**	**13.3x**	**4.9x**	**4.7x**	**11%**	**9%**	**28%**	**34%**	**37%**
GiG	**948**	**1.1x**	**1.4x**	**1.2x**	**7.9x**	**7.1x**	**4.1x**	**n.m.**	**n.m.**	**n.m.**	**-10%**	**10%**
At Base case	***1 218***	***1.4x***	***1.8x***	***1.5x***	**10.2x**	**9.1x**	**5.3x**					

Source: Bloomberg & Redeye Research

Catalysts

We see several potential catalysts within the next 12 months that may close the valuation gap between the share's current level and our base case.

- Turnaround: We believe that GiG has all the prerequisites for turning around its business. However, in the end, we believe the market wants to see it black on white.
- Improved EPS: GiG is amortizing much on its acquired affiliate assets, and when the amortizations start to decrease during 2020, we will see a large improvement of the EPS. More efficient use of resources should also increase the EPS further.
- Omnichannel: GiG has sign interesting partnerships with the land-based giants Hard Rock and SkyCity. Additional and extended deals like these together will clear effects on the revenue levels should take the valuation to a new level.
- Increased multiples: The valuation multiples within the online gambling segment, especially affiliation, has been pressured very much during the last year. The current levels indicate a very gloomy future, especially for the affiliate segment. This can change swiftly.

Scenarios analysis

Bull case

Summary:

- Sales CAGR of about 12% between 2020 and 2028
- Average EBIT margin of approximately 21% during the period
- Terminal growth of 2% and terminal EBIT margin of 24%
- Our bull case scenario assumes much success for GiGs omnichannel product amongst land-based operators as a result of the Corona Crisis. The increased online penetration will also benefit GiG in the long-term, which boosted growth as well as healthier profit margins.

Our Bull case yields a fair value of SEK 19 (19) per share.

Bear case

Summary:

- Sales CAGR of about 6% between 2020 and 2028
- Average EBIT margin of approximately 12% during the period
- Terminal growth of 2% and terminal EBIT margin of 15%
- Our Bear case scenario assumes a delayed turnaround with a slow improvement of growth and profit margins. The challenging financial position will also force GiG to focus on maintaining acceptable EBITDA levels to meet bond covenants. This will limit GiG´s ability to make any rapid, costly expansions.

Our Bear case yields a fair value of SEK 4 (3) per share.

Valuation summary

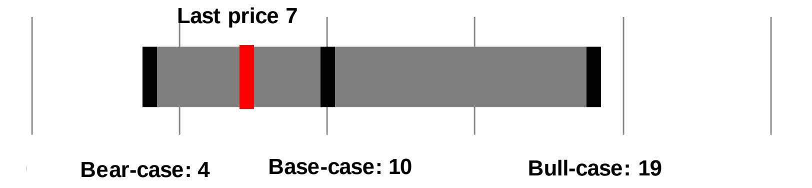
GiG has, with the divestment of the B2C segment, taken strong measures to increase focus and improve the financial position. For the remaining B2B segment, we see strong growth possibilities for the Platform Service, while the Media Services will contribute with significant cash flows.

We recognize the improved financial position, which lowers the financial risk in the case. However, we see an increased risk, in the short-term, due to the reorganization of the group, which can hamper the daily operations.

The SOTP valuation indicates a significant upside in the case beyond the DCF valuation. All in all, it gives support to the case and the picture that GiG´s assets are undervalued.

In conclusion, we still see a substantial upside in the stock, which is supported by both the DCF valuation and the SOTP valuation. Our fair value range span from SEK 4 per share to SEK 19 per share, with the base case at SEK 10 per share.

GiG: Fair value range



Source: Redeye Research

Bear Case 4.0 SEK

Sales CAGR of about 6% between 2020 and 2028

Average EBIT margin of approximately 12% during the period

Terminal growth of 2% and terminal EBIT margin of 15%

Our Bear case scenario assumes a delayed turnaround with a slow improvement of growth and profit margins. The challenging financial position will also force GiG to focus on maintaining acceptable EBITDA levels to meet bond covenants. This will limit GiG´s ability to make any rapid, costly expansions.

Base Case 10.0 SEK

Sales CAGR of about 9% between 2020-2028

An average EBIT margin of approximately 17% during the same period

Terminal growth of 2% and terminal EBIT margin of 19%

Our base case assumes that GiG will focus on the Platform and Media segments. We believe the increased focus will lead to improved growth with more efficient use of resources as well as lower amortizations, which will improve the profit margins. We expect the Media segment to continue delivering strong cash flows, while the Platform segment holds the growth opportunity. Moreover, the group´s financial position is substantially improved with the divestment of the B2C operations.

Bull Case 19.0 SEK

Sales CAGR of about 12% between 2020 and 2028

Average EBIT margin of approximately 21% during the period

Terminal growth of 2% and terminal EBIT margin of 24%

Our bull case scenario assumes much success for GiGs omnichannel product amongst land-based operators as a result of the Corona Crisis. The increased online penetration will also benefit GiG in the long-term, which boosted growth as well as healthier profit margins.

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report

People: 3

Our Rating for People is highly tilted to the experience and track record of the management team and the CEO in particular. Richard Brown has only held the CEO position for a short time. Our Rating focuses, among others, on; communications and execution. Due to the limited timeframe, we cannot answer most of our check-list questions reliably. Despite this, we find the board as strong and Richard Browns experience as highly valuable for GiG future.

Business: 3

The transformation from land-based to digital gambling continues and the Online Gambling industry is expected to show healthy growth and profitability in the coming years. GiG has operations throughout the whole value-chain. Some of these segments, like GiG Gaming and Sportbook Services, is yet to show true traction and profitability. We see a significant opportunity in the USA as a platform provider should benefit when the large US land-based casinos start to move into Online, but the regulation of USA will take time. On the negative side, as for all companies within the industry, there are general and political risks associated with Online Gambling. itself.

Financials: 2

The current profitability levels of GiG is low. The core cash generator engine of GiG is the Media business while the Platform Services was hit but a loss of larger clients during 2019. We believe the earnings levels will improve going forward as some product segments might be discounted, and the focus on profitability increases under the new board and management. The divestment of the B2C operations has also improved the financial position.

INCOME STATEMENT	2018	2019	2020E	2021E	2022E
Net sales	151	44	64	77	81
Total operating costs	-135	-41	-51	-55	-58
EBITDA	16	3	13	22	23
Depreciation	-34	-14	-19	1	1
Amortization	0	-9	0	-15	-13
Impairment charges	0	-4	0	0	0
EBIT	-18	-24	-6	8	10
Share in profits	0	0	0	0	0
Net financial items	-4	-8	-5	-4	-4
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-22	-32	-11	4	6
Tax	-1	-1	0	0	0
Net earnings	-23	-66	-11	3	5

BALANCE SHEET	2018	2019	2020E	2021E	2022E
Assets					
Current assets					
Cash in banks	7	10	6	8	8
Receivables	28	22	12	15	16
Inventories	0	0	0	0	0
Other current assets	8	0	0	0	0
Current assets	43	32	18	22	24
Fixed assets					
Tangible assets	5	6	-8	-4	-1
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	70	41	24	24	24
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	69	41	47	39	32
O non-current assets	3	16	16	16	16
Total fixed assets	147	103	79	75	71
Deferred tax assets	0	0	0	0	0
Total (assets)	190	136	97	97	95
Liabilities					
Current liabilities					
Short-term debt	1	34	13	10	14
Accounts payable	34	33	16	19	20
O current liabilities	0	0	0	0	0
Current liabilities	35	66	29	30	34
Long-term debt	66	33	43	40	29
O long-term liabilities	0	13	12	11	11
Convertibles	0	0	0	0	0
Total Liabilities	101	112	84	81	74
Deferred tax liab	1	1	1	1	1
Provisions	0	0	0	0	0
Shareholders' equity	88	22	11	15	20
Minority interest (BS)	0	0	0	0	0
Minority & equity	88	22	11	15	20
Total liab & SE	190	136	97	97	95

FREE CASH FLOW	2018	2019	2020E	2021E	2022E
Net sales	151	44	64	77	81
Total operating costs	-135	-41	-51	-55	-58
Depreciations total	-34	-28	-19	-14	-13
EBIT	-18	-24	-6	8	10
Taxes on EBIT	-1	-1	0	0	-1
NOPLAT	-18	-25	-6	8	10
Depreciation	34	28	19	14	13
Gross cash flow	15	3	13	21	22
Change in WC	-2	13	-6	0	-1
Gross CAPEX	-13	16	6	-10	-9
Free cash flow	1	32	12	12	13

CAPITAL STRUCTURE	2018	2019	2020E	2021E	2022E
Equity ratio	46%	16%	12%	15%	21%
Debt/equity ratio	76%	301%	506%	350%	217%
Net debt	60	57	50	43	35
Capital employed	148	79	61	58	55
Capital turnover rate	0.8	0.3	0.7	0.8	0.9

GROWTH	2018	2019	2020E	2021E	2022E
Sales growth	26%	-71%	44%	21%	6%
EPS growth (adj)	1,215%	190%	-83%	-131%	59%

DCF VALUATION	
WACC (%)	12.6 %

PROFITABILITY	2018	2019	2020E	2021E	2022E
ROE	-23%	-120%	-67%	27%	32%
ROCE	-11%	-20%	-8%	12%	16%
ROIC	-11%	-17%	-8%	13%	17%
EBITDA margin	11%	8%	20%	28%	28%
EBIT margin	-12%	-55%	-10%	10%	13%
Net margin	-15%	-150%	-18%	4%	7%

DATA PER SHARE	2018	2019	2020E	2021E	2022E
EPS	-0.25	-0.73	-0.12	0.04	0.06
EPS adj	-0.25	-0.69	-0.12	0.04	0.06
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	0.67	0.63	0.55	0.48	0.39
Total shares	89.60	90.00	90.00	90.50	90.60

VALUATION	2018	2019	2020E	2021E	2022E
EV	1,960.6	818.0	112.0	105.2	97.3
P/E	-83.9	-11.5	-5.6	18.2	11.4
P/E diluted	-83.9	-11.5	-5.6	18.2	11.4
P/Sales	12.6	17.3	1.0	0.8	0.8
EV/Sales	13.0	18.6	1.8	1.4	1.2
EV/EBITDA	121.9	237.5	8.9	4.8	4.2
EV/EBIT	-111.3	-33.9	-18.1	13.1	9.4
P/BV	21.6	34.2	5.6	4.3	3.1

SHARE PERFORMANCE		GROWTH/YEAR	18/20E
1 month	13.9 %	Net sales	-35.2 %
3 month	24.3 %	Operating profit adj	-40.8 %
12 month	-28.9 %	EPS, just	-30.0 %
Since start of the year	-15.9 %	Equity	-64.5 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Andre Lavold	8.4 %	8.4 %
Swedbank Robur Ny Teknik	7.6 %	7.6 %
Myrlid AS	6.8 %	6.8 %
Henrik Persson Ekdahl	5.4 %	5.4 %
Morten Hillestad Holding AS	4.3 %	4.3 %
Hans Mikael Hansen	3.9 %	3.9 %
SEB	3.0 %	3.0 %
Stenshagen Invest AS	2.8 %	2.8 %
G.F. Invest AS	2.3 %	2.3 %
Kvasshøgdi AS	2.2 %	2.2 %

SHARE INFORMATION	
Reuters code	GIG / GIGSEK
List	Oslo Börs / Nasdaq
Share price SEK	7.00
Total shares, million	90.0
Market Cap, MSEK	630

MANAGEMENT & BOARD	
CEO	Richard Brown
CFO	Tore Formo
IR	
Chairman	Petter Nylander

FINANCIAL INFORMATION

ANALYSTS	Redeye AB
Jonas Amnesten	Mäster Samuelsgatan 42, 10tr
jonas.amnesten@redeye.se	111 57 Stockholm
Tomas Otterbeck	
tomas.otterbeck@redeye.se	

Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

Redeye Equity Research team

Management

Björn Fahlén
bjorn.fahlen@redeye.se

Håkan Östling
hakan.ostling@redeye.se

Technology Team

Jonas Amnesten
jonas.amnesten@redeye.se

Henrik Alveskog
henrik.alveskog@redeye.se

Havan Hanna
havan.hanna@redeye.se

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Erika Madebrink
erika.madebrink@redeye.se

Fredrik Nilsson
fredrik.nilsson@redeye.se

Tomas Otterbeck
tomas.otterbeck@redeye.se

Eddie Palmgren
eddie.palmgren@redeye.se

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Viktor Westman
viktor.westman@redeye.se

Editorial

Eddie Palmgren
eddie.palmgren@redeye.se

Mark Siöstedt
mark.siostedt@redeye.se

Life Science Team

Gergana Almquist
gergana.almquist@redeye.se

Oscar Bergman
oscar.bergman@redeye.se

Anders Hedlund
anders.hedlund@redeye.se

Arvid Necander
arvid.necander@redeye.se

Erik Nordström
erik.nordstrom@redeye.se

Klas Palin
klas.palin@redeye.se

Jakob Svensson
jakob.svensson@redeye.se

Ludvig Svensson
ludvig.svensson@redeye.se

Niklas Elmhammer
niklas.elmhammer@redeye.se

Mats Hyttinge
mats.hyttinge@redeye.se

Disclaimer

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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Redeye Rating (2020-08-19)

Rating	People	Business	Financials
5p	16	12	3
3p - 4p	108	85	35
0p - 2p	6	33	92
Company N	130	130	130

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CONFLICT OF INTERESTS

Jonas Amnesten owns shares in the company : No

Tomas Otterbeck owns shares in the company : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.