

Headwinds abating, outlook improving

The Q1 results were in line with our expectation, revenue declined y/y, with a small bottom line loss, but there was positive EBITDA and optimism in the outlook. We were positively surprised by performance in the Media unit, and the cost profile continued to improve. With the worst effect from the Swedish regulation now over, investors may shift focus towards outlined growth opportunities. We have made minor changes to our estimates.

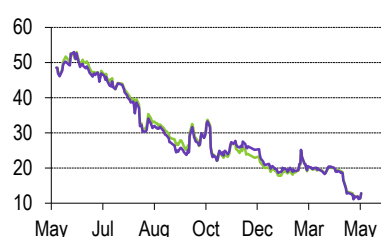
Key Data (2019E)

Price (NOK)	12.86
Reuters	GAMIG.OL
Bloomberg	GIG.NO
Market cap (NOKm)	1,152
Market cap (USDm)	131
Market cap (EURm)	118
Net debt (EURm)	50
Net gearing	66%
Net debt/EBITDA (x)	2.9
Shares fully dil. (m)	895.7
Avg daily turnover (m)	0.0
Free float	54%

Estimate Revisions (%)

	2019E	2020E	2021E
Revenues	(0)	(0)	(0)
Adj. EBIT	(179)	(26)	(2)
Adj. EPS	(74)	(47)	(3)

Share Price (12M)



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

**Marketing communication
commissioned by:
Gaming Innovation Group**

Report in line with expectations

The overall results were affected by the reregulation in Sweden and Q1 revenue was EUR 32.4m, corresponding to a decline of 13% y/y, while the net loss was EUR -2.9m. Both were in line with our forecasts of EUR 32.7m and EUR -2.7m, respectively. We were positively surprised by the continued good performance in GIG Media which reported growth to a new all-time high in revenue, despite the weak trends for operators in Q1. Overall trends in the report were in line with expectations and we have made minor changes to our estimates.

Increased optimism in outlook and investment case drivers lined up

The outlook is intact, and management reiterated its ambition to continue to derive efficiency from the organisation and leverage the tech and product investments over the previous years to expand all its business units. We expect marketing investments to increase somewhat in the short-term as the company aims to recover revenue in the Gaming unit in the Nordics and fuel expansion of its core brands into Spain and Asia in the second half of the year. The deal flow in GIG core will remain one of the key investment case drivers in 2019.

Valuation update

The stock currently trades at EV/EBIT of 19.5x for 2020E and 7.2x for 2021E on our updated estimates. Our SOTP valuation of GiG suggests a value of SEK 27 per share and for the DCF valuation using a 10% WACC we get a valuation range of SEK 13-33, which yields a mid-point value of SEK 23 per share.

Financials (EUR)

Year end: Dec	2017	2018	2019E	2020E	2021E
Revenues (m)	120	151	147	166	179
Adj. EBIT	2	(4)	(8)	8	19
Pre-tax profit (m)	1	(22)	(13)	3	15
EPS	(0.00)	(0.03)	(0.13)	0.03	0.14
Adj. EPS	(0.00)	(0.01)	(0.13)	0.03	0.14
DPS	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	124.6	25.7	(3.1)	13.2	7.8
Adj. EBIT growth (%)	(41.9)	n.m.	n.m.	n.m.	140.9
Adj. EPS growth (%)	n.m.	n.m.	n.m.	n.m.	348.6
Adj. EBIT margin (%)	1.3	(11.6)	(5.3)	4.9	10.9
ROE (%)	(0.4)	(23.0)	(14.3)	3.7	15.2
ROCE (%)	1.1	(10.6)	(5.2)	5.5	12.5
PER (x)	n.m.	n.m.	n.m.	40.9	9.1
Free cash flow yield (%)	n.a.	0.2	(1.0)	9.2	15.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	41.34	23.61	1.55	1.50	1.29
EV/Sales (x)	37.78	14.01	1.15	0.95	0.78
EV/Adj. EBITDA (x)	363.4	131.9	9.8	5.3	3.6
EV/Adj. EBIT (x)	2,828.7	(545.1)	(21.4)	19.5	7.2
Operating cash flow/EV (%)	0.2	0.8	8.4	16.1	23.6
Net debt/Adj. EBITDA (x)	4.34	3.03	2.92	1.32	0.55

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

Q1 results analysis

Revenue amounted to EUR 32.4m, in line with our estimate of EUR 32.7m, corresponding to a decline of 13% y/y and explained by the Swedish regulation which took its toll on the Gaming unit revenue. EBITDA amounted to EUR 4.1m and a margin of 12.7%, this was better than our estimates of EUR 1.8m and 5.4% and was primarily explained by continued improvements in the cost profile, other opex was EUR 1.8m lower than our estimates, i.e. headcount and other costs.

FTE's at quarter-end amounted to 706 vs 695 at the end of Q4 2018. IFRS 16 was reported to have affected EBITDA positively by EUR 0.7m. Marketing as % of sales was 26.5% vs our estimate of 26.6%. Net loss amounted to EUR -2.9m which was in line with our EUR -2.7m estimate.

Gaming unit revenue declined somewhat more than we estimated, to EUR 20.2m vs our estimate of EUR 21.6m, but was offset by good cost control, and profitability was better than we expected, primarily explained by reduced losses in "other brands". We were surprised by the strong performance in the Media unit in the quarter, which continued to grow sequentially and maintain good profitability, despite a weak quarter for many of the Nordic operators.

Q1 results deviation

(EURm)	Actual Q1/19	SEB Q1/19E	Deviation		Actual	
			Abs	Rel (%)	Q1/18	y/y (%)
Sales	32.4	32.7	-0.3	-1%	37.3	-13%
- growth (%)	-13.2%	-12.3%			-13.2%	
Cost of sales	-6.4	-7.2	0.7	-10%	-6.9	-6%
Gross profit	26.0	25.6	0.4	2%	30.5	-15%
Marketing expenses - revenue share	-2.8	-3.1	0.2	-7%	-4.0	-29%
Marketing expenses - other	-5.7	-5.7	-0.1	1%	-7.9	-27%
Other opex	-13.3	-15.1	1.8	-12%	-14.3	-7%
EBITDA	4.1	1.8	2.3	132%	4.3	-5%
D&A	-6.6	-3.7	-2.9	79%	-4.7	40%
EBIT	-2.5	-1.9	-0.5	29%	-0.4	569%
Fico	-0.3	-1	0.8	-75%	1.2	-123%
Tax	-0.1	0.3	-0.5	-140%	0.0	-714%
Net Income	-2.9	-2.7	-0.2	6%	0.9	-424%
EPS	-0.03	-0.03	0.0	6%	0.01	-424%
Marketing as % of sales	-26.5%	-26.6%	0.2pp		-31.8%	5.3pp
EBITDA margin (%)	12.7%	5.4%	7.3pp		11.6%	1.1pp
Adj. EBITDA margin (%)	12.7%	5.4%	7.3pp		11.6%	1.1pp
EBIT margin (%)	-7.6%	-5.8%	-1.7pp		-1.0%	-6.6pp
Adj. EBIT margin (%)	-7.6%	-5.8%	-1.7pp		-1.0%	-6.6pp
Sales by division						
Gaming	20.2	21.6	-1.4	-6%	25.4	-20%
Media	9.0	8.0	1.0	13%	8.2	10%
Core	4.9	5.4	-0.5	-10%	6.8	-28%
Sports & Games	0.3	0.4	-0.1	-25%	0.2	50%
Total	32.4	32.7	-0.3	0%	37	-13%
Adj. EBITDA by division						
Gaming	1.1	-1.1	2.2	-202%	0.1	1000%
Media	5.2	4.0	1.2	31%	4.4	18%
Core	-0.5	-0.3	-0.2	84%	1.5	-133%
Sports & Games	-1.8	-0.7	-1.1	165%	-1.7	6%
Total	4.1	1.8	2.3	132%	4.3	-5%
Adj. EBITDA margin (%)						
Gaming	5.4%	-5.0%	10.4pp		0.4%	5.1pp
Media	57.8%	50.0%	7.8pp		53.7%	4.1pp
Core	-10.2%	-5.0%	-5.2pp		22.1%	-32.3pp
Sports & Games	-600.0%	-170.0%	-430.0pp		-850.0%	250.0pp
Total	12.7%	5.4%	7.3pp		11.6%	1.1pp

Source: SEB, Gaming Innovation Group

We believe 2019 will become a bump in the road for GiG, mostly explained by a weak start to the year from the Swedish re-regulation. We expect flat revenue growth y/y and positive EBITDA in 2019, but negative net profit. Q1 was in line with our expectations and we have not made any major estimate changes.

On the earnings call management reiterated that it is still in negotiations with a new land-based customer for its platform product. Moreover, the company is planning to expand into less mature markets such as Spain, Latin America, and parts of Asia during the year.

Main estimate changes:

- **GiG Gaming:** We have cut our revenue estimate by 3% for 2019, 2020, 2021 following a revenue decline in Q1 which was slightly larger in magnitude than we expected. Incremental recovery in growth throughout the year should be possible as the market stabilises and geographical expansion continues and negative contribution from the smaller underperforming brands should continue to diminish. We forecast increase in marketing cost as of Q2.
- **GiG Media:** We have raised our revenue estimates 8-9% for 2019-2021, and EBITDA 17-8%. We were positively surprised by the performance in Media where revenue continued to grow sequentially, with strong profitability, despite weak performance among many operators and general industry seasonality. The EBITDA margin was 58% in Q1, if this proves sustainable there is further upside potential to our forecasts.
- **GiG Sport & Games:** Estimate changes have a minor effect on the group level. We continue to expect around breakeven EBITDA in 2020.
- **GiG Core:** We have cut our revenue estimates 5% for 2019, 2020, and 2021 following reported results which were slightly weaker than our expectation.

Estimate update

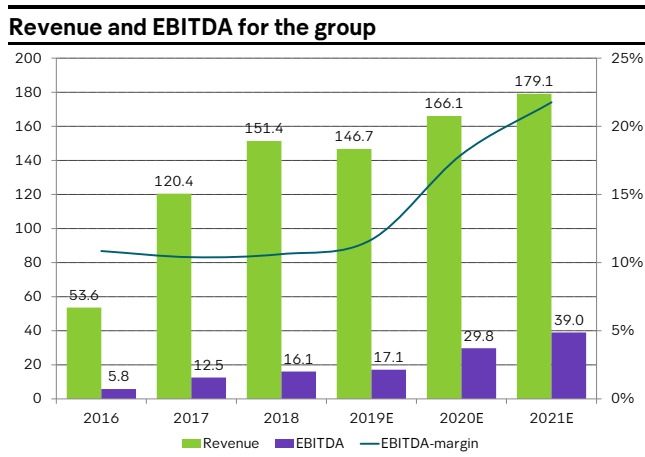
	Q2/19E	Updated forecasts			2019E	Old		Revisions (%)		
		2019E	2020E	2021E		2020E	2021E	2019E	2020E	2021E
Group P&L										
Revenues	34.6	146.7	166.1	179.1	146.8	166.8	179.8	0%	0%	0%
Gross profit	27.5	116.9	133.0	144.8	115.7	132.7	144.4	1%	0%	0%
EBITDA	2.3	17.1	29.8	39.0	11.8	25.5	34.4	45%	17%	13%
EBIT	-4.1	-7.8	8.1	19.4	-2.8	10.9	19.8	180%	-26%	-2%
Net results	-4.6	-10.6	3.2	13.3	-3.5	5.7	13.6	203%	-44%	-2%
GiG Core										
Revenue	5.4	24.1	28.5	32.2	25.2	30.0	33.8	-5%	-5%	-5%
EBITDA	-0.3	1.2	6.3	7.7	2.8	8.4	10.1	-59%	-25%	-24%
margin (%)	-6.0%	4.8%	22.2%	24.0%	30.0%	30.0%	29.9%			
GiG Sport & Games										
Revenue	0.6	2.7	4.8	6.8	2.6	4.0	5.8	4%	19%	17%
EBITDA	-1.3	-4.9	-0.2	1.9	-2.5	0.0	2.1	94%	n.a.	-10%
Margin (%)	-223.0%	-179.7%	-4.1%	28.0%	-96.2%	0.0%	36.2%			
GiG Gaming										
Revenue	22.3	94.4	107.1	113.5	97.3	110.0	116.5	-3%	-3%	-3%
EBITDA	-0.8	1.7	5.0	9.7	-4.5	-0.2	4.0	-138%	-2577%	143%
margin (%)	-3.5%	1.8%	4.6%	8.6%	-4.6%	-0.2%	3.4%			
GiG Media										
Revenue	9.1	36.8	39.2	41.2	33.7	36.3	38.2	9%	8%	8%
EBITDA	4.9	19.6	19.6	20.6	16.8	18.2	19.1	17%	8%	8%
Margin (%)	54.0%	53.4%	50.0%	50.0%	50.0%	50.0%	50.0%			

Source: SEB, Gaming Innovation Group

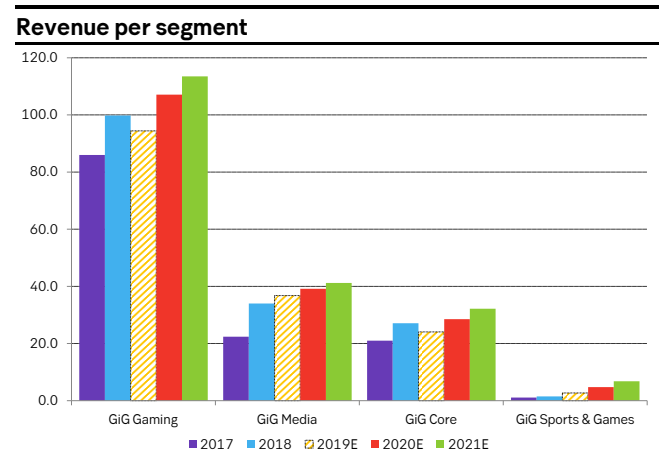
Investment case drivers

GiG aspires to become “The Global Operator and Partner for strong brands in iGaming”. 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.

We believe 2019 will be a bump in the road on the financial profile, but growth to be recouped. We assume that the company will reach positive bottom line in 2020 and retain profitable growth beyond. Signing new key partners in its B2B offering will remain a trigger for the shares and estimate upgrades.



Source: SEB



Source: SEB

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	4.9	4.8	4.7	14.9	18.3	19.6	19.6	20.6
GiG Core													
Revenue	6.8	6.3	6.8	7.2	4.9	5.4	6.5	7.3	21.0	27.1	24.1	28.5	32.2
EBITDA	1.5	1.1	1.7	1.6	-0.5	-0.3	0.6	1.4	10.0	5.9	1.2	6.3	7.7
GiG Sports & Games													
Revenue	0.2	0.6	0.2	0.5	0.3	0.6	0.8	1.0	1.1	1.5	2.7	4.8	6.8
EBITDA	-1.7	-1.4	-2.1	-1.8	-1.8	-1.3	-1.0	-0.7	-3.2	-7.0	-4.9	-0.2	1.9
GiG Gaming													
Revenue	25.4	24.2	24.4	25.8	20.2	22.3	24.9	27.1	86.0	99.8	94.4	107.1	113.5
EBITDA	0.1	-2.8	1.4	0.8	1.1	-0.8	0.5	0.9	-9.0	-0.5	1.7	5.0	9.7
Eliminations													
Revenue	-3.34	-2.90	-2.57	-2.30	-1.91	-2.80	-3.10	-3.36	-9.9	-11.1	-11.2	-13.5	-14.5
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	34.6	38.3	41.5	120.4	151.4	146.7	166.1	179.1
COGS	-6.9	-6.4	-6.3	-7.8	-6.4	-7.0	-7.8	-8.5	-20.5	-27.4	-29.8	-33.1	-34.3
Gross profit	30.5	30.5	30.9	32.1	26.0	27.5	30.4	33.0	99.9	124.0	116.9	133.0	144.8
Marketing cost	-11.9	-13.2	-10.6	-11.6	-8.6	-10.5	-10.9	-11.7	-47.1	-47.2	-41.7	-44.8	-45.9
Marketing cost/revenue	-32%	-36%	-29%	-29%	-26%	-30%	-29%	-28%	-39%	-31%	-28%	-27%	-26%
Other OPEX	-14.3	-15.7	-15.3	-15.4	-13.3	-14.7	-14.8	-15.3	-40.3	-60.7	-58.1	-58.4	-60.0
Other OPEX/revenue	-38%	-43%	-41%	-39%	-41%	-43%	-39%	-37%	-33%	-40%	-40%	-35%	-33%
EBITDA	4.3	1.7	5.0	5.0	4.1	2.3	4.7	6.0	12.5	16.1	17.1	29.8	39.0
EBITDA (%)	12%	5%	14%	13%	13%	7%	12%	15%	10%	16%	28%	31%	131%
EBIT	-0.4	-3.2	0.0	-14.1	-2.5	-4.1	-1.5	0.1	1.6	-17.7	-7.8	8.1	19.4
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	-4.6	-2.3	-0.9	-0.4	-22.8	-10.6	3.2	13.3
EPS	-0.02	0.00	-0.01	-0.03	-0.01	0.00	0.00	0.00	0.00	-0.25	-0.12	0.04	0.15

Source: SEB

Valuation

The stock currently trades at EV/EBIT of 19.5x for 2020E and 7.2x for 2021E on our updated estimates. Our SOTP valuation of GiG suggests a value of SEK 27 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 believe 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	19.6	19.6	8.0x		157.1
GiG Core						
Revenues	27.1	24.1	28.5			
EBITDA	5.9	1.2	6.3		4.0x	96.2
GiG Sports & Games						
Revenues	1.5	2.7	4.8			
EBITDA	-7.0	-4.9	-0.2		4.0x	10.8
GiG Gaming						
Revenues	99.8	94.4	107.1			
EBITDA	-0.5	1.7	5.0		0.5x	47.2
Group Eliminations						
EBITDA	0.0	-0.6	-0.9	10.0x		-6.2
Enterprise Value						305
NIBD YE 2019E						49
Equity value						256
NOS						90
Equity value / share (EUR)						2.86
EURSEK						9.4
Equity value / share (SEK)						26.9

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	18.8	13.3	9.9	9.4	8.1	6.4	5.9	11.6	8.5	7.9	1.5	1.3	1.1	6.9%	8.3%	0.2	0.1
eoVegas	3.5	29.4	13.9	8.0	9.4	6.7	4.4	26.4	13.3	6.9	1.0	0.8	0.6	3.1%	3.7%	1.0	1.4
Betsson	10.2	9.7	9.3	8.9	8.9	8.5	8.0	8.9	8.5	8.0	1.8	1.6	1.4	5.3%	5.8%	0.4	0.2
JackpotJoy	6.1	6.9	6.3	5.7	8.3	8.0	7.6	10.3	9.7	10.9	2.5	2.3	2.2	0.0%	5.1%	2.7	2.2
Global Gaming	0.3	(7.9)	18.1	8.8	(2.7)	4.1	1.7	(2.6)	4.9	1.9	0.2	0.1	0.1	0.0%	0.0%	(1.7)	4.9
Paddy Power Betfair	57.1	20.5	18.0	15.4	14.1	12.5	10.8	19.1	16.5	13.8	2.6	2.3	2.1	3.1%	3.0%	(0.5)	0.2
888 Holding	5.9	11.9	10.9	9.8	6.2	5.7	5.1	8.3	7.4	6.7	1.0	0.9	0.9	9.7%	8.5%	(1.6)	(1.1)
William Hill	15.5	13.9	11.1	8.6	6.7	6.1	5.3	10.8	8.9	7.6	0.9	0.9	0.9	7.9%	5.8%	0.8	2.3
GVC	42.0	11.1	9.2	7.1	8.5	7.5	6.5	11.3	10.1	8.3	1.6	1.5	1.5	5.2%	5.5%	2.5	2.9
Average		12.1	11.9	9.1	7.5	7.3	6.1	11.6	9.8	8.0	1.4	1.3	1.2	0.0	0.1	0.4	1.5
Suppliers																	
Evolution Gaming	34.3	26.5	24.5	21.5	20.3	17.5	14.9	24.4	21.3	18.1	9.3	7.9	6.7	2.4%	1.8%	(0.7)	(0.8)
Kambi	5.5	46.0	25.2	22.1	17.9	12.1	10.9	34.5	19.0	16.9	5.3	4.2	3.8	0.0%	0.0%	(1.5)	(1.4)
NetEnt	7.3	13.3	12.6	11.9	7.6	7.1	6.6	11.4	10.4	9.7	3.8	3.6	3.3	6.2%	7.7%	(0.6)	(0.7)
Playtech	15.1	9.2	7.9	6.7	4.5	4.2	3.8	7.3	6.7	6.2	1.1	1.0	1.0	8.0%	6.8%	1.4	1.2
Aspire Global	2.0	10.4	9.5	8.6	6.4	6.0	5.3	6.9	6.6	6.2	1.2	1.1	0.9	2.5%	3.3%	(1.1)	(1.3)
Catena Media	3.5	14.9	10.3	8.7	9.5	7.7	6.8	12.9	10.1	8.9	4.2	3.7	3.4	n.a.	n.a.	2.5	3.0
Raketech	0.7	6.3	5.5	4.9	4.0	2.9	1.6	4.9	3.6	2.0	2.1	1.5	0.9	n.a.	n.a.	0.0	(0.7)
Better Collective	3.1	19.8	17.3	15.3	10.9	9.2	7.6	14.1	11.9	9.7	4.8	4.1	3.4	n.a.	n.a.	(0.6)	(0.6)
XL Media	1.2	5.3	5.1	4.8	2.5	2.4	2.3	2.9	2.9	2.7	1.1	1.0	1.0	15.2%	11.9%	(1.0)	(1.1)
Net Gaming	0.5	5.0	5.4	-	2.9	3.1	-	-	-	-	1.8	1.5	-	n.a.	n.a.	n.a.	n.a.
Average		16.1	12.6	11.4	9.1	7.6	6.8	13.4	10.4	9.0	3.4	2.9	2.6	0.1	0.1	(0.0)	(0.2)
GiG	1.2	n.a.	40.9	9.1	9.8	5.3	3.6	n.a.	19.5	7.2	1.1	0.9	0.8	n.a.	n.a.	3.0	2.9

Source: SEB, Reuters

Our DCF model with 10% WACC yields a mid-point value of SEK 23 and a range of SEK 13-33 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	1,520	Risk free interest rate	5.0
NPV of continuing value	1,028	Risk premium	5.0
Value of operation	2,548	Cost of equity	10.0
Net debt	521	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 (%)	10.9
DCF value of equity	2,027	EBIT multiple - steady state (x)	9.1
DCF value per share (EUR)	23	Continuing value (% of NPV)	40.3
Current share price (EUR)	13.64		
DCF performance potential (%)	66		

Source: SEB

DCF Sensitivity analysis

		Cost of equity				
		9.0	9.5	10.0	10.5	11.0
Equity capital weight (%)	80	33.7	31.6	29.8	28.1	26.5
	90	29.3	27.5	25.8	24.3	22.9
	100	25.8	24.1	22.6	21.3	20.0
		Relative change in EBITDA margin - all years				
		-20%	-10%	0	+10%	+20%
Rel. change in sales growth - all years	-20%	13.3	17.4	21.4	25.5	29.5
	-10%	13.7	17.9	22.0	26.2	30.3
	0	14.1	18.4	22.6	26.9	31.1
	+10%	14.5	18.9	23.2	27.6	32.0
	+20%	14.9	19.4	23.9	28.3	32.8

Source: SEB

DCF – assumption details

(EURm)	2019E	2020E	2021E	2022E	2023E	Average year 6	Average year 7-8	Average year 9-10
Sales growth (%)	(3.1)	13.2	7.8	9.0	7.0	5.0	2.5	2.0
EBITDA margin (%)	11.7	17.9	21.8	21.8	21.8	21.8	21.8	21.8
EBIT margin (%)	(5.3)	4.9	10.9	10.9	10.9	10.9	10.9	10.9
Gross capital expenditures as % of sales	10.6	8.7	8.4	7.6	7.6	7.6	7.6	7.6
Working capital as % of sales	(4.9)	(4.7)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)
Sales	147	166	179	195	209	219	228	237
Depreciation	(25)	(22)	(20)	(21)	(23)	(24)	(25)	(26)
Intangibles amortisation	0	0	0	0	0	0	0	0
EBIT	(8)	8	19	21	23	24	25	26
Taxes on EBIT	1	(1)	(2)	(2)	(2)	(3)	(3)	(3)
Increase in deferred taxes	0	(0)	0	0	0	0	0	0
NOPLAT	(7)	7	17	19	20	21	22	23
Gross capital expenditure	(15)	(14)	(15)	(15)	(16)	(17)	(17)	(18)
Increase in working capital	1	1	0	1	1	0	0	0
Free cash flow	3	15	22	26	28	29	30	31
ROIC (%)	(4.8)	4.8	10.7	12.2	13.7	15.2	17.3	20.6
ROIC-WACC (%)	(14.8)	(5.2)	0.7	2.2	3.7	5.2	7.3	10.6
Share of total net present value (%)	0.0	5.5	7.4	7.9	7.6	7.2	12.9	11.1

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).

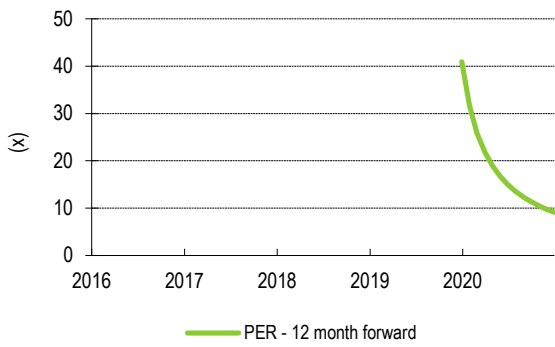
Valuation approach

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

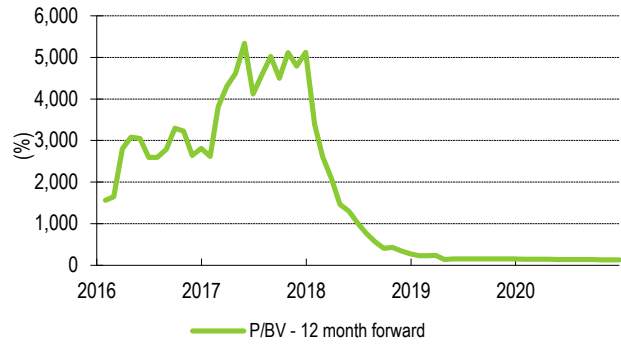
The main risks are unfavourable regulatory changes and a shift in focus to in-house production of platforms, games, sportsbooks and affiliate services

PER - 12 month forward



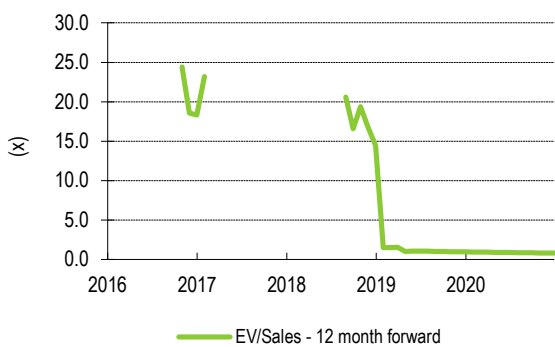
Source: SEB

P/BV - 12 month forward



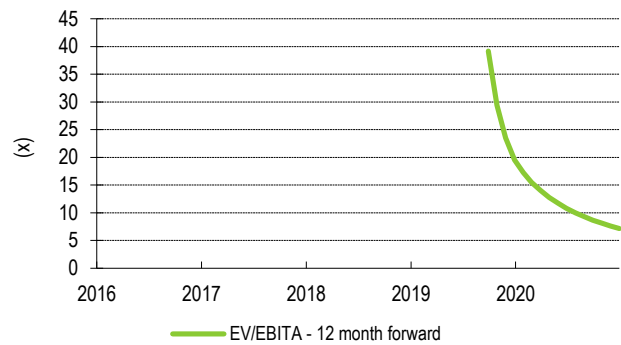
Source: SEB

EV/Sales - 12 month forward



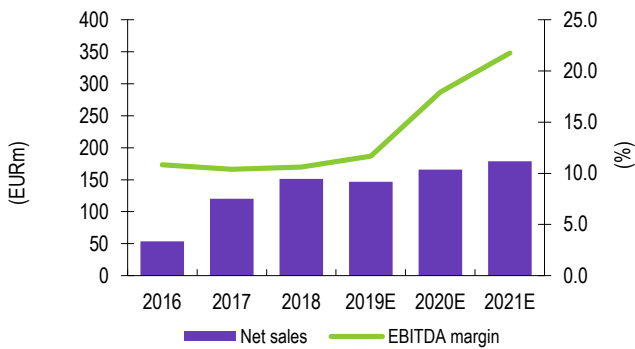
Source: SEB

EV/EBITA - 12 month forward



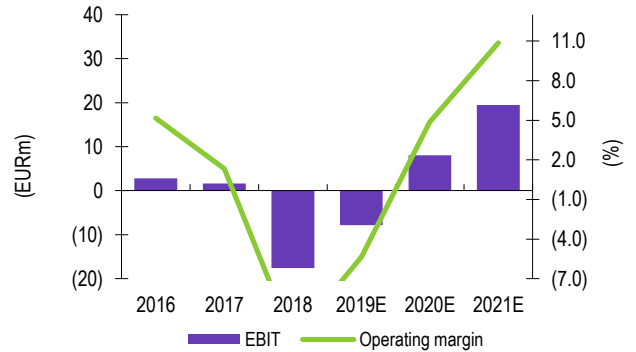
Source: SEB

Net sales & EBITDA margin



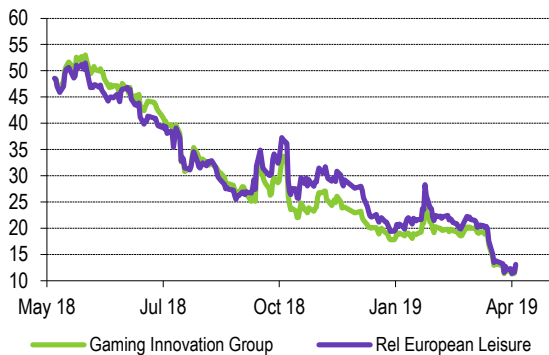
Source: SEB

EBIT & Operating margin



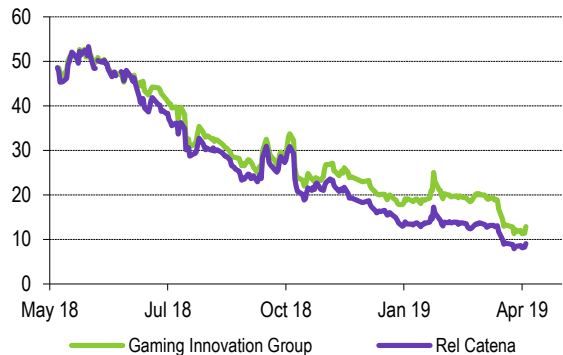
Source: SEB

Comparison with sector index - 1 year



Source: SIX

Comparison with Catena - 1 year



Source: SIX

Profit & loss statement - Gaming Innovation Group						
(EURm)	2016	2017	2018	2019E	2020E	2021E
Net Sales	54	120	151	147	166	179
Other revenues	0	0	0	0	0	0
Total revenues	54	120	151	147	166	179
Total expenses	(48)	(108)	(135)	(130)	(136)	(140)
Profit before depreciation	6	13	16	17	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)	(8)	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)	(13)	3	15
Minority interests	0	0	0	0	0	0
Total taxes	(0)	(1)	(1)	1	(0)	(2)
Reported profit after tax	2	(0)	(23)	(12)	3	13
Discontinued operations	0	0	0	0	0	0
Extraordinary items	(0)	0	0	0	0	0
Net Profit	2	(0)	(23)	(12)	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)	(12)	3	13
Margins, tax & returns						
Operating margin	5.2	1.3	(11.6)	(5.3)	4.9	10.9
Pre-tax margin	5.1	0.5	(14.4)	(8.6)	2.0	8.1
Tax rate	13.2	175.2	(3.4)	7.2	11.0	11.0
ROE	4.6	(0.4)	(23.0)	(14.3)	3.7	15.2
ROCE	5.3	1.1	(10.6)	(5.2)	5.5	12.5
Growth rates y-o-y (%)						
Total revenues	n.a.	124.6	25.7	(3.1)	13.2	7.8
Operating profit	n.m.	(41.9)	n.m.	n.m.	n.m.	140.9
Pre-tax profit	n.m.	(79.9)	n.m.	n.m.	n.m.	348.6
EPS (adjusted)	0.0	0.0	0.0	0.0	0.0	348.6
Cash flow						
(EURm)	2016	2017	2018	2019E	2020E	2021E
Net profit	2	(0)	(23)	(12)	3	13
Non-cash adjustments	2	11	36	25	22	20
Cash flow before work cap	4	10	14	13	25	32
Ch. in working capital / Other	6	(2)	3	1	1	0
Operating cash flow	10	8	16	14	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	(1)	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	(1)	13	18
Adjustments						
C/flow bef chng in work cap	4	10	14	13	25	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	13	25	32
Per share information						
Cash earnings	0.01	0.01	0.02	0.15	0.27	0.36
Operating cash flow	0.02	0.01	0.02	0.16	0.28	0.37
Free cash flow	0.01	(0.06)	0.0	(0.01)	0.12	0.2
Investment cover						
Capex/sales (%)	9.4	55.3	7.6	10.5	8.7	8.4
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	18	31	49
Debtors	13	25	29	29	32	34
Inventories	0	0	0	0	0	0
Other	0	0	0	0	0	0
Current assets	19	37	48	47	63	83
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	191	206
Creditors	15	29	34	36	39	42
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	36	40	43
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	76	79	92
Total liabilities and equity	126	206	192	182	191	206
Net debt (m)	(6)	54	49	50	39	21
Working capital (m)	(6)	(4)	(6)	(7)	(8)	(8)
Capital employed (m)	105	175	156	144	149	162
Net debt/equity (%)	(6)	50	56	66	50	23
Net debt/EBITDA (x)	(1.0)	4.3	3.0	2.9	1.3	0.5
Equity/total assets (%)	83	53	46	42	41	45
Interest cover	0.0	1.5	(11.0)	(1.6)	1.7	4.0

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	12.9	12.9	12.9
Share price, high	51.2	61.8	64.6	25.0		
Share price, low	17.5	27.0	20.6	11.3		
Share price, avg	33.1	46.2	42.5	18.7		
EPS (reported)	0.00	(0.00)	(0.03)	(0.13)	0.03	0.14
EPS (adjusted)	0.00	(0.00)	(0.01)	(0.13)	0.03	0.14
Cash earnings/share	0.01	0.01	0.02	0.15	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	1.9	1.8	1.6
Book value/share	0.2	0.1	0.1	0.8	0.9	1.0
Adjusted equity/share	0.2	0.1	0.1	0.8	0.9	1.0
PER (adjusted)	n.m.	n.m.	n.m.	n.m.	40.9	9.1
CEM	563.1	430.4	150.9	8.9	4.8	3.6
Dividend yield	0.0	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	368.6	363.4	131.9	9.8	5.3	3.6
EV/EBITA	774.0	2,828.7	(545.1)	(21.4)	19.5	7.2
EV/EBIT	774.0	2,828.7	(120.4)	(21.4)	19.5	7.2
EV/Sales (x)	39.99	37.78	14.01	1.15	0.95	0.78
Price/Book value	20.44	41.34	23.61	1.55	1.50	1.29
Price/adjusted equity	20.44	41.34	23.61	1.55	1.50	1.29
Free cash flow/Market cap (%)	n.a.	n.a.	0.2	(1.0)	9.2	15.1
Operating cash flow/EV (%)	0.4	0.2	0.8	8.4	16.1	23.6
EV/Capital employed (x)	20.4	26.0	13.6	1.2	1.1	0.9

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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