

Below expectations, but growing optimism

The Q2 results were below our expectations. revenue declined 16% y/y and LBIT increased sequentially. The quarter was characterized by similar trends to Q1, with a challenging operator market in Sweden and continued effects from the termination of a contract in B2B. We have cut our EBIT estimates 7-16% as earnings recovery is pushed further into the future. As deal flow and seasonality is improving, we expect a sequential improvement in H2.

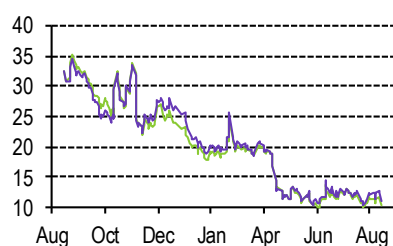
Key Data (2019E)

Price (NOK)	10.20
Reuters	GAMIG.OL
Bloomberg	GIG.NO
Market cap (NOKm)	914
Market cap (USDm)	102
Market cap (EURm)	92
Net debt (EURm)	50
Net gearing	66%
Net debt/EBITDA (x)	2.8
Shares fully dil. (m)	895.7
Avg daily turnover (m)	0.0
Free float	54%

Estimate Revisions (%)

	2019E	2020E	2021E
Revenues	(7)	(6)	(5)
Adj. EBIT	(16)	(7)	(9)
Adj. EPS	(16)	(21)	(11)

Share Price (12M)



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

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

Earnings recovery pushed farther into the future, EBIT cut 7-16% 2019-21

The sequential improvement we had anticipated did not materialize as the performance was hampered by the same trends as in Q1: a challenging market in Sweden and new B2B customers not yet compensating for the termination of a larger contract at 2018 year end. Revenue declined 16% y/y and 4% q/q and LBIT increased from EUR -2.5m Q1 to EUR -4.0m. Business in the Media unit held up well as did performance in in-house operator brands. As a result the pending recovery is pushed further out into the future and we have cut our EBIT estimates 7-16% for 2019-21.

Slow start to 2019, but increased optimism in outlook

2019 has seen a weak start financially, but the reasons are known and passing in nature, we argue. The latter part of the year is typically the strongest for online casino and recent customer launches should be able to recover performance in B2B, including the launch of SkyCity. Management reiterates its ambition to continue to derive more efficiency from the organization and expects sequential revenue growth and improved bottom line in H2, as do we.

Valuation update

The stock currently trades at an EV/EBIT of 18.2x for 2020E and 6.6x for 2021E on our updated estimates. Our SOTP valuation of GiG suggests a value of SEK 23 per share and for the DCF valuation using a 10% WACC we get a valuation range of SEK 13-32, which yields a mid-point value of SEK 22.

Financials (EUR)

Year end: Dec	2017	2018	2019E	2020E	2021E
Revenues (m)	120	151	133	154	168
Adj. EBIT	2	(4)	(7)	7	17
Pre-tax profit (m)	1	(22)	(12)	2	13
EPS	(0.00)	(0.03)	(0.13)	0.02	0.12
Adj. EPS	(0.00)	(0.01)	(0.13)	0.02	0.12
DPS	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	124.6	25.7	(12.2)	16.2	8.9
Adj. EBIT growth (%)	(41.9)	n.m.	n.m.	n.m.	139.8
Adj. EPS growth (%)	n.m.	n.m.	n.m.	n.m.	430.1
Adj. EBIT margin (%)	1.3	(11.6)	(5.6)	4.7	10.3
ROE (%)	(0.4)	(23.0)	(14.8)	2.7	13.4
ROCE (%)	1.1	(10.6)	(4.9)	4.9	11.4
PER (x)	n.m.	n.m.	n.m.	43.5	8.2
Free cash flow yield (%)	n.a.	0.2	(1.5)	11.4	17.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	41.34	23.61	1.21	1.18	1.03
EV/Sales (x)	37.78	14.01	1.07	0.85	0.69
EV/Adj. EBITDA (x)	363.4	131.9	7.9	4.5	3.1
EV/Adj. EBIT (x)	2,828.7	(545.1)	(19.2)	18.2	6.6
Operating cash flow/EV (%)	0.2	0.8	9.5	18.9	27.1
Net debt/Adj. EBITDA (x)	4.34	3.03	2.80	1.36	0.64

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

Q2 results analysis

Q2 presented a challenging quarter for Gaming Innovation Group and the sequential improvement we had anticipated did not materialize as the performance was hampered by the same trends as in Q1. The Media business unit however held up well in the quarter as did the in-house operator brands.

Revenue amounted to EUR 31.0m, 7% below our estimate of EUR 33.4m, corresponding to a decline of 16% y/y and explained by the Swedish operator market being very challenging and the company still being effected by the termination of a B2B contract at end of Q4 2018. EBITDA amounted to EUR 2.5m with a margin of 8.0%. This was worse than our estimate of EUR 3.6m and 10.8% and was primarily explained by operational leverage and an increase in betting duties. The company did however see a decline in other opex of 2% q-o-q as a result of cost control initiatives. FTE at quarter end amounted to 709 vs 706 at the end of Q1 2019, underlining that the reduction from 737 in Q2 2018 has levelled out. Marketing as a percentage of sales was 28.8% vs our estimate of 28.9%. The net loss amounted to EUR -6.1m, higher than our EUR -2.7m estimate.

A new SEK 400m senior bond was issued in the quarter, refinancing part of the existing bond.

Q2 results deviation							
(EURm)	Actual Q2/19	SEB est. Q2/19E	Deviation Abs	Rel	Actual Q2/18	y/y	
Sales	31.0	33.4	-2.4	-7%	36.9	-16%	
- growth	-16.0%	-9.4%			-16.0%		
Cost of sales	-6.6	-6.9	0.3	-4%	-6.4	3%	
Gross profit	24.4	26.5	-2.1	-8%	30.5	-20%	
Marketing expenses - revenue share	-2.8	-3.4	0.6	-19%	-3.8	-29%	
Marketing expenses - other	-6.2	-6.3	0.1	-2%	-9.3	-34%	
Other Opex	-13.0	-13.3	0.3	-2%	-15.7	-17%	
EBITDA	2.5	3.6	-1.1	-31%	1.7	49%	
Depreciation	-6.5	-6.4	-0.1	2%	-4.9	33%	
EBIT	-4.0	-2.8	-1.2	45%	-3.2	25%	
Fico	-2.0	-1	-1.0	87%	-1.0	100%	
Tax	-0.1	0.4	-0.5	-115%	-0.2	-69%	
Net Income	-6.1	-3.4	-2.7	78%	-4.5	38%	
EPS	-0.07	-0.04	0.0	78%	-0.05	38%	
Marketing as % of sales	-28.8%	-28.9%	0.1pp		-35.7%	6.9pp	
EBITDA margin	8.0%	10.8%	-2.8pp		4.5%	3.5pp	
Adj. EBITDA margin	8.0%	10.8%	-2.8pp		4.5%	3.5pp	
EBIT margin	-13.0%	-8.3%	-4.7pp		-8.8%	-4.3pp	
Adj. EBIT margin	-13.0%	-8.3%	-4.7pp		-8.8%	-4.3pp	
Sales by division							
Gaming	19.6	21.8	-2.2	-10%	24.2	-19%	
Media	8.6	9.1	-0.5	-6%	8.7	-1%	
Platform	4.2	4.7	-0.5	-11%	6.3	-33%	
Sports & Games	0.3	0.5	-0.2	-38%	0.6	-50%	
Total	31.0	33.4	-2.4	0%	37	-16%	
Adj. EBITDA by division							
Gaming	0.4	0.1	0.3	267%	-2.8	-114%	
Media	4.7	5.0	-0.3	-6%	4.7	0%	
Platform	-1.1	-0.3	-0.8	288%	1.1	-200%	
Sports & Games	-1.8	-1.1	-0.7	68%	-1.4	29%	
Total	2.5	3.6	-1.1	-31%	1.7	49%	
Adj. EBITDA margin							
Gaming	2.0%	0.5%	1.5pp		-11.6%	13.6pp	
Media	54.7%	55.0%	-0.3pp		54.0%	0.6pp	
Platform	-26.2%	-6.0%	-20.2pp		17.5%	-43.7pp	
Sports & Games	-600.0%	-223.0%	-377.0pp		-233.3%	-366.7pp	
Total	8.0%	10.8%	-2.8pp		4.5%	3.5pp	

Source: SEB, Gaming Innovation Group

We believe 2019 will become a bump in the road for GIG. Q1 and Q2 ended up worse than we expected, mostly explained by a weak start to the year from the Swedish re-regulation and a slower than expected revenue ramp up in the Platform and Games segment. We however regard these as passing issues: business momentum should improve and management expects both sequential revenue growth and an improved bottom line in H2.

The company signed a new large customer, SkyCity Entertainment, which is New Zealand's largest entertainment company, for a fully managed online casino solution. The launch date was 8 August. Two new customers were launched on the platform in Q2, one signed, and three are waiting for launch.

Main estimate changes:

- **GIG Gaming:** We have cut our revenue estimates by 11%, 8% and 6% for 2019, 2020 and 2021. Growing revenue remained challenging in Q2. Incremental recovery in growth throughout the year should be possible as the market stabilizes and geographical expansion continues and the negative contribution from the smaller underperforming brands should continue to diminish.
- **GIG Media:** Only minor negative estimate changes of 1-2% as the business segment continues to show stable development.
- **GiG Sport & Games:** We have lowered mainly our 2019 estimate as the business unit has faced a tough start. The opex run rate however declined somewhat sequentially. Management reiterates the ambition to have the unit profitable in H1 2020, supported by more traffic from platform customers and in-house brands.
- **GiG Platform:** We have cut our revenue estimates 12-16% for 2019-2021 following a quarter with revenue and profitability below expectations as new clients are not yet compensating for the termination of a contract at year end 2018.

Estimate revisions

	Updated forecasts			2019E	Old		2019E	Revisions	
	2019E	2020E	2021E		2020E	2021E		2020E	2021E
Group P&L									
Revenues	132.9	154.4	168.1	146.7	166.1	179.1	-9%	-7%	-6%
Gross profit	106.1	124.0	136.1	116.9	133.0	144.8	-9%	-7%	-6%
EBITDA	17.9	29.2	37.0	17.1	29.8	39.0	5%	-2%	-5%
EBIT	-7.4	7.2	17.4	-7.8	8.1	19.4	-5%	-11%	-10%
Net results	-11.9	2.4	11.5	-10.6	3.2	13.3	12%	-24%	-14%
GiG Platform									
Revenue	20.3	25.1	28.3	24.1	28.5	32.2	-16%	-12%	-12%
EBITDA	-0.4	5.5	6.8	1.2	6.3	7.7	-135%	-12%	-12%
margin	-2.0%	22.0%	24.0%	5.0%	22.1%	23.9%			
GiG Sport & Games									
Revenue	1.9	4.6	6.5	2.7	4.8	6.8	-30%	-5%	-4%
EBITDA	-3.8	0.6	1.8	-4.9	-0.2	1.9	-23%	n.a.	-5%
margin	-199.6%	13.0%	27.8%	-181.5%	-4.2%	27.9%			
GiG Gaming									
Revenue	83.8	98.7	106.3	94.4	107.1	113.5	-11%	-8%	-6%
EBITDA	2.9	4.6	9.0	1.7	5.0	9.7	68%	-7%	-7%
margin	3.4%	4.7%	8.5%	-4.9%	-0.2%	-3.4%			
GiG Media									
Revenue	36.2	38.6	40.6	36.8	39.2	41.2	-2%	-2%	-1%
EBITDA	19.6	19.3	20.3	19.6	19.6	20.6	0%	-2%	-1%
margin	54.1%	50.0%	50.0%	53.3%	50.0%	50.0%			

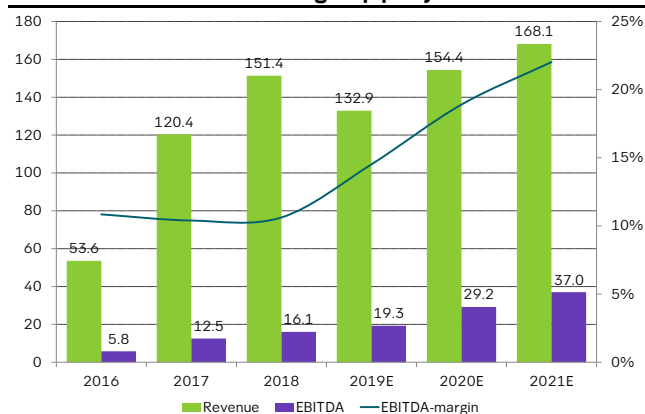
Source: SEB

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.

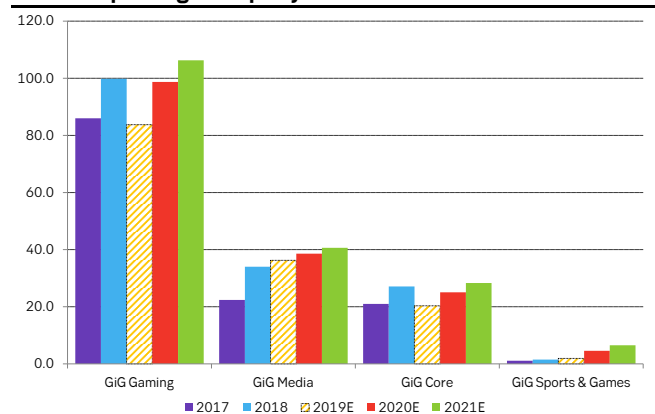
We believe 2019 will be a bump in the road for the financial profile, and that growth will resume. We model that the company will reach a positive bottom line in 2020 and sustain profitable growth beyond that. Signing new key partners in its B2B offering will remain a trigger for the shares and estimate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

Revenue and EBITDA for the group per year



Source: SEB

Revenue per segment per year



Source: SEB

P&L

(EURm)	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19E	Q4/19E	2017	2018	2019E	2020E	2021E
GiG Media													
Revenue	8.2	8.7	8.4	8.7	9.0	8.6	9.2	9.4	22.4	34.0	36.2	38.6	40.6
EBITDA	4.4	4.7	4.3	4.9	5.2	4.7	4.9	4.8	14.9	18.3	19.6	19.3	20.3
GiG Core													
Revenue	6.8	6.3	6.8	7.2	4.9	4.2	4.8	6.5	21.0	27.1	20.3	25.1	28.3
EBITDA	1.5	1.1	1.7	1.6	-0.5	-1.1	0.0	1.2	10.0	5.9	-0.4	5.5	6.8
GiG Sports & Games													
Revenue	0.2	0.6	0.2	0.5	0.3	0.3	0.4	0.9	1.1	1.5	1.9	4.6	6.5
EBITDA	-1.7	-1.4	-2.1	-1.8	-1.8	-1.5	-0.5	0.0	-3.2	-7.0	-3.8	0.6	1.8
GiG Gaming													
Revenue	25.4	24.2	24.4	25.8	20.2	19.6	20.7	23.2	86.0	99.8	83.8	98.7	106.3
EBITDA	0.1	-2.8	1.4	0.8	1.1	0.4	0.5	0.8	-9.0	-0.5	2.9	4.6	9.0
Eliminations													
Revenue	-3.34	-2.90	-2.57	-2.30	-1.91	-1.77	-2.64	-3.00	-9.9	-11.1	-9.3	-12.5	-13.6
EBITDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1	-0.1	0.0	0.0
Group													
Revenue	37.3	36.9	37.3	39.9	32.4	31.0	32.5	37.0	120.4	151.4	132.9	154.4	168.1
COGS	-6.9	-6.4	-6.3	-7.8	-6.4	-6.6	-6.5	-7.2	-20.5	-27.4	-26.7	-30.4	-32.0
Gross profit	30.5	30.5	30.9	32.1	26.0	24.4	26.0	29.8	99.9	124.0	106.1	124.0	136.1
Marketing cost	-11.9	-13.2	-10.6	-11.6	-8.6	-8.9	-8.8	-9.9	-47.1	-47.2	-36.3	-41.2	-42.9
Marketing cost/revenue	-32%	-36%	-29%	-29%	-26%	-29%	-27%	-27%	-39%	-31%	-27%	-27%	-26%
Other OPEX	-14.3	-15.7	-15.3	-15.4	-13.3	-13.0	-12.5	-13.2	-40.3	-60.7	-51.9	-53.7	-56.1
Other OPEX/revenue	-38%	-43%	-41%	-39%	-41%	-42%	-38%	-36%	-33%	-40%	-39%	-35%	-33%
EBITDA	4.3	1.7	5.0	5.0	4.1	2.5	4.7	6.6	12.5	16.1	17.9	29.2	37.0
EBITDA (%)	12%	5%	14%	13%	13%	8%	15%	18%	10%	11%	14%	19%	22%
EBIT	-0.4	-3.2	0.0	-14.1	-2.5	-4.0	-1.5	0.6	1.6	-17.7	-7.4	7.2	17.4
EBIT (%)	N/A	N/A	0%	N/A	N/A	N/A	N/A	2%	1%	N/A	N/A	5%	10%
NI	0.9	-4.5	-2.6	-16.6	-2.9	-6.1	-2.4	-0.5	-0.4	-22.8	-11.9	2.4	11.5
EPS	-0.02	0.00	-0.01	-0.03	-0.01	0.00	0.00	0.00	0.00	-0.25	-0.13	0.03	0.13

Source: SEB

Valuation

The stock currently trades at an EV/EBIT of 18.2x for 2020E and 6.6x for 2021E on our updated estimates. Our SOTP valuation of GiG suggests a value of SEK 23 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	Contribution 2019E	EV C
GiG Media							
Revenues	34.0	35.5	38.0				
EBITDA	18.3	19.6	19.3	8.0x			156.7
GiG Core							
Revenues	27.1	20.3	25.1				
EBITDA	5.9	-0.4	5.5		3.0x		61.0
GiG Sports & Games							
Revenues	1.5	1.9	4.6				
EBITDA	-7.0	-3.8	0.6		3.0x		5.7
GiG Gaming							
Revenues	99.8	83.8	98.7				
EBITDA	-0.5	2.9	4.6		0.5x		41.9
Group Eliminations							
EBITDA	0.0	-0.4	-0.8	8.0x			-3.0
Enterprise Value							262
NIBD YE 2019E							49
Equity value							214
NOS							90
Equity value / share (EUR)							2.38
EURSEK							9.7
Equity value / share (SEK)							23.1

Source: SEB

Peer group valuation

Company	Mkt cap.		PER			EV/EBITDA			EV/EBIT			EV/sales			Div.Yield		NIBD/EBITDA	
	SEKbn	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2018	2019	2018	2019	
Operators																		
Kindred	11.2	13.7	8.9	9.8	7.4	5.5	5.8	12.1	8.1	8.9	1.1	1.0	0.9	6.9%	11.6%	0.2	0.6	
LeoVegas	3.6	19.7	15.2	8.4	8.2	7.0	4.5	18.5	14.2	7.2	1.0	0.8	0.6	3.1%	3.7%	1.0	1.1	
Betsson	6.5	7.9	7.3	7.6	5.0	4.4	4.2	7.0	6.2	6.1	1.3	1.1	0.9	5.7%	8.3%	0.4	0.1	
JackpotJoy	5.8	6.7	5.5	4.8	6.5	4.2	3.9	10.1	5.9	5.3	2.0	1.4	1.2	0.0%	4.2%	2.7	2.6	
Global Gaming	0.2	(1.7)	(4.5)	(4.9)	(0.6)	(2.9)	(4.2)	(0.6)	(2.6)	(3.7)	0.2	0.5	0.6	0.0%	0.0%	(1.7)	1.0	
Paddy Power Betfair	58.0	21.4	18.7	15.9	15.2	13.4	11.4	21.5	18.1	14.9	2.7	2.4	2.2	3.0%	2.9%	(0.5)	0.8	
888 Holding	6.0	11.7	10.6	9.9	5.8	5.3	4.8	8.3	7.4	6.9	0.9	0.9	0.8	9.6%	8.2%	(1.6)	(0.8)	
William Hill	14.9	15.1	11.2	9.0	8.4	7.4	6.6	15.2	12.0	10.0	1.2	1.2	1.1	8.3%	5.6%	0.8	2.5	
GVC	36.3	9.2	7.4	5.9	7.7	6.6	5.8	10.6	9.1	7.5	1.4	1.4	1.3	6.1%	6.5%	2.5	3.0	
Average		11.5	8.9	7.4	7.1	5.7	4.8	11.4	8.7	7.0	1.3	1.2	1.1	0.0	0.1	0.4	1.2	
Suppliers																		
Evolution Gaming	31.2	22.2	19.5	16.9	17.1	13.8	11.6	20.3	16.6	13.9	8.1	6.6	5.5	2.4%	2.2%	(0.7)	(0.8)	
Kambi	4.0	37.6	20.1	17.5	12.7	8.9	8.0	26.1	14.7	12.8	3.8	3.1	2.7	0.0%	0.0%	(1.5)	(1.4)	
NetEnt	5.6	10.2	9.8	9.5	5.7	5.3	5.0	8.6	7.9	7.5	2.9	2.8	2.6	6.7%	9.6%	(0.6)	(0.6)	
Playtech	13.9	7.8	6.9	6.0	3.8	3.6	3.3	6.2	5.7	5.3	0.9	0.9	0.9	8.7%	6.3%	1.4	1.0	
Aspire Global	1.8	9.4	8.6	7.9	5.6	5.2	4.5	6.5	5.9	5.5	1.0	0.9	0.8	2.7%	3.8%	(1.1)	(1.2)	
Catena Media	2.9	13.3	8.9	7.5	8.8	7.2	6.4	12.0	9.3	8.2	3.8	3.4	3.1	n.a.	n.a.	2.5	3.1	
Raketech	0.5	4.4	3.7	3.3	2.3	1.4	0.3	2.9	1.7	0.3	1.1	0.7	0.2	n.a.	n.a.	0.0	(0.8)	
Better Collective	3.6	20.4	17.4	14.9	11.7	9.3	7.3	14.7	11.5	9.1	5.2	4.2	3.4	n.a.	n.a.	(0.6)	0.5	
XL Media	1.8	7.4	6.9	6.7	3.8	3.6	3.4	4.9	4.6	4.8	1.6	1.6	1.5	10.0%	7.8%	(1.0)	(1.0)	
Net Gaming	0.3	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	n.a.	n.a.	n.a.	
Average		14.7	11.3	10.1	7.9	6.5	5.6	11.3	8.7	7.5	3.1	2.6	2.2	0.1	0.0	(0.2)	(0.1)	
GiG	0.9	n.a.	43.5	8.2	7.9	4.5	3.1	n.a.	18.2	6.6	1.1	0.9	0.7	n.a.	n.a.	3.0	2.8	

Source: SEB, Reuters

Our DCF model with 10% WACC yields a mid-point value of SEK 22 and a range of SEK 13-32 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	1,537	Risk free interest rate	5.0
NPV of continuing value	970	Risk premium	5.0
Value of operation	2,507	Cost of equity	10.0
Net debt	538	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 (%)	10.3
DCF value of equity	1,969	EBIT multiple - steady state (x)	9.1
DCF value per share (EUR)	22	Continuing value (% of NPV)	38.7
Current share price (EUR)	12.23		
DCF performance potential (%)	80		

Source: SEB

DCF Sensitivity analysis

		9.0	9.5	10.0	10.5	11.0
Equity capital weight (%)	80	32.3	30.4	28.7	27.1	25.6
	90	28.2	26.5	25.0	23.6	22.3
	100	25.0	23.4	22.0	20.7	19.5
Relative change in EBITDA margin - all years						
		-20%	-10%	0	+10%	+20%
Rel. change in sales growth - all years	-20%	12.7	16.8	20.8	24.9	29.0
	-10%	13.1	17.2	21.4	25.6	29.7
	0	13.4	17.7	22.0	26.3	30.5
	+10%	13.8	18.2	22.6	27.0	31.3
	+20%	14.2	18.7	23.2	27.7	32.2

Source: SEB

DCF – assumption details

(EURm)	2019E	2020E	2021E	2022E	2023E	Average year 6	Average year 7-8	Average year 9-10
Sales growth (%)	(12.2)	16.2	8.9	9.0	7.0	5.0	2.5	2.0
EBITDA margin (%)	13.5	18.9	22.0	22.0	22.0	22.0	22.0	22.0
EBIT margin (%)	(5.6)	4.7	10.3	10.3	10.3	10.3	10.3	10.3
Gross capital expenditures as % of sales	11.2	9.3	9.0	7.6	7.6	7.6	7.6	7.6
Working capital as % of sales	(4.8)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)
Sales	133	154	168	183	196	206	214	223
Depreciation	(25)	(22)	(20)	(21)	(23)	(24)	(25)	(26)
Intangibles amortisation	0	0	0	0	0	0	0	0
EBIT	(7)	7	17	19	20	21	22	23
Taxes on EBIT	1	(1)	(2)	(2)	(2)	(2)	(2)	(3)
Increase in deferred taxes	0	0	0	0	0	0	0	0
NOPLAT	(7)	6	15	17	18	19	20	20
Gross capital expenditure	(15)	(14)	(15)	(14)	(15)	(16)	(16)	(17)
Increase in working capital	0	1	0	1	1	0	0	0
Free cash flow	4	15	20	25	27	28	29	30
ROIC (%)	(4.5)	4.4	9.8	11.3	12.8	14.3	16.6	20.5
ROIC-WACC (%)	(14.5)	(5.6)	(0.2)	1.3	2.8	4.3	6.6	10.5
Share of total net present value (%)	0.0	5.8	7.3	8.1	7.9	7.5	13.3	11.5

Source: SEB

Overview

Investment considerations

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).

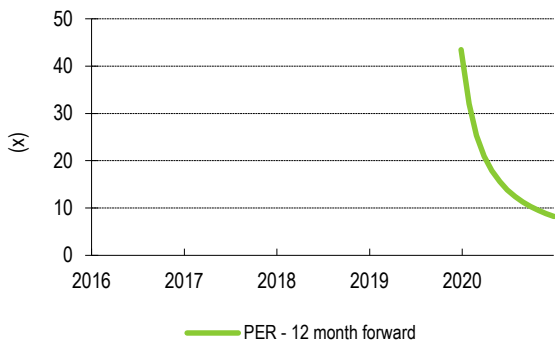
Valuation approach

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.

Investment risks

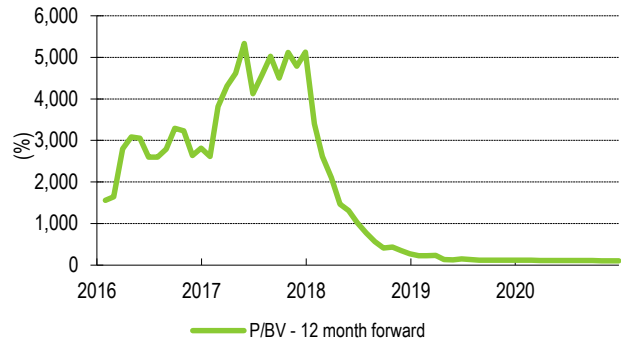
The main risks are unfavourable regulatory changes and a shift in focus to in-house production of platforms, games, sportsbooks and affiliate services

PER - 12 month forward



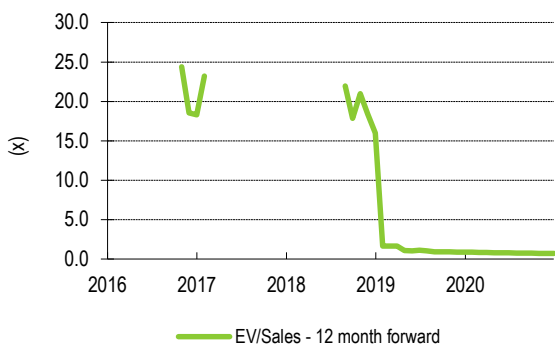
Source: SEB

P/BV - 12 month forward



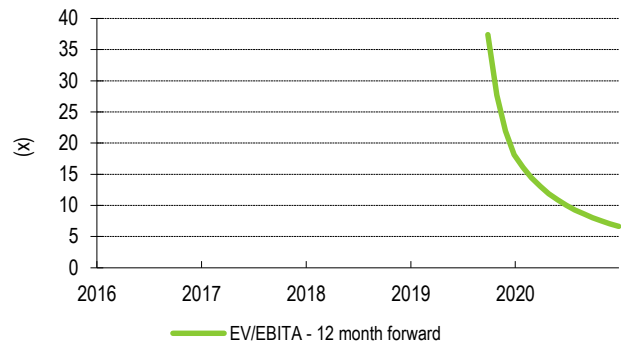
Source: SEB

EV/Sales - 12 month forward



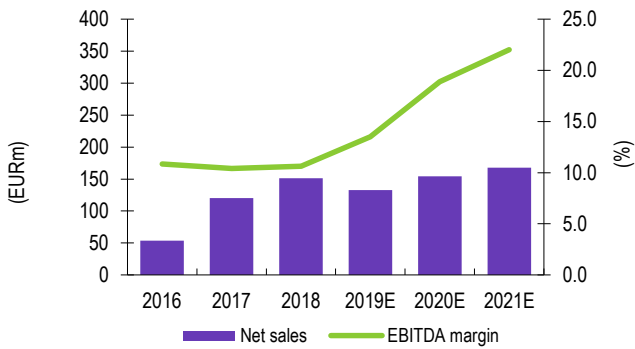
Source: SEB

EV/EBITA - 12 month forward



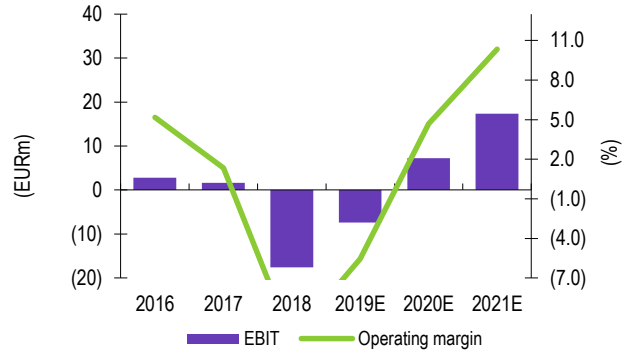
Source: SEB

Net sales & EBITDA margin



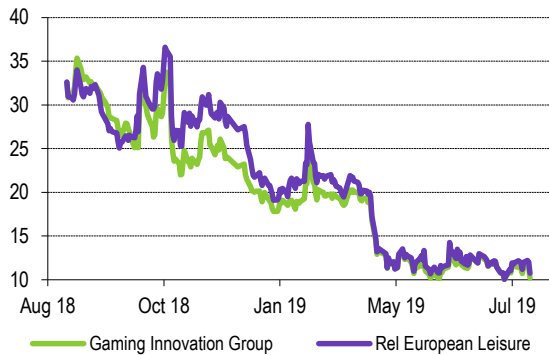
Source: SEB

EBIT & Operating margin



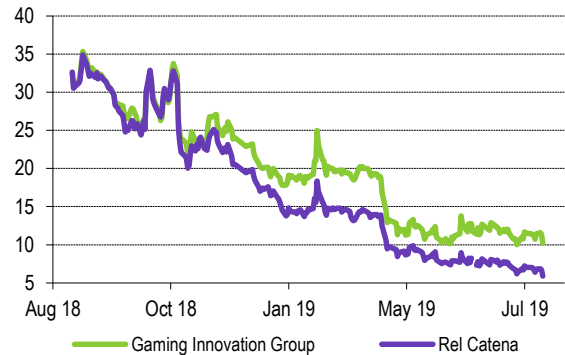
Source: SEB

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	133	154	168
Other revenues	0	0	0	0	0	0
Total revenues	54	120	151	133	154	168
Total expenses	(48)	(108)	(135)	(115)	(125)	(131)
Profit before depreciation	6	13	16	18	29	37
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)	(7)	7	17
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)	(12)	2	13
Minority interests	0	0	0	0	0	0
Total taxes	(0)	(1)	(1)	0	(0)	(1)
Reported profit after tax	2	(0)	(23)	(12)	2	11
Discontinued operations	0	0	0	0	0	0
Extraordinary items	(0)	0	0	0	0	0
Net Profit	2	(0)	(23)	(12)	2	11
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)	2	11
Margins, tax & returns						
Operating margin	5.2	1.3	(11.6)	(5.6)	4.7	10.3
Pre-tax margin	5.1	0.5	(14.4)	(9.2)	1.5	7.5
Tax rate	13.2	175.2	(3.4)	1.3	11.0	11.0
ROE	4.6	(0.4)	(23.0)	(14.8)	2.7	13.4
ROCE	5.3	1.1	(10.6)	(4.9)	4.9	11.4
Growth rates y-o-y (%)						
Total revenues	n.a.	124.6	25.7	(12.2)	16.2	8.9
Operating profit	n.m.	(41.9)	n.m.	n.m.	n.m.	139.8
Pre-tax profit	n.m.	(79.9)	n.m.	n.m.	n.m.	430.1
EPS (adjusted)	0.0	0.0	0.0	0.0	0.0	430.1
Cash flow						
(EURm)	2016	2017	2018	2019E	2020E	2021E
Net profit	2	(0)	(23)	(12)	2	11
Non-cash adjustments	2	11	36	25	22	20
Cash flow before work cap	4	10	14	13	24	31
Ch. in working capital / Other	6	(2)	3	0	1	0
Operating cash flow	10	8	16	13	25	31
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)	10	16
Net loan proceeds	2	62	2	2	(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	9	16
Adjustments						
C/flow bef chng in work cap	4	10	14	13	24	31
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	24	31
Per share information						
Cash earnings	0.01	0.01	0.02	0.15	0.27	0.34
Operating cash flow	0.02	0.01	0.02	0.15	0.28	0.35
Free cash flow	0.01	(0.06)	0.0	(0.02)	0.12	0.18
Investment cover						
Capex/sales (%)	9.4	55.3	7.6	11.2	9.3	9.0
Capex/depreciation (%)	166	610	57	59	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	20	29	45
Debtors	13	25	29	26	29	31
Inventories	0	0	0	0	0	0
Other	0	0	0	0	0	0
Current assets	19	37	48	46	58	77
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)	(19)	(27)	(31)
Other fixed assets	2	7	7	7	7	7
Fixed assets	108	169	145	134	127	122
Total assets	126	206	192	180	185	199
Creditors	15	29	34	32	36	39
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	32	37	39
L/T interest bearing debt	0	66	68	70	69	69
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	72	71	71
Minority interests	0	0	0	0	0	0
Shareholders' equity	105	109	88	76	78	89
Total liabilities and equity	126	206	192	180	185	199
Net debt (m)	(6)	54	49	50	40	24
Working capital (m)	(6)	(4)	(6)	(6)	(7)	(8)
Capital employed (m)	105	175	156	146	147	158
Net debt/equity (%)	(6)	50	56	66	51	27
Net debt/EBITDA (x)	(1.0)	4.3	3.0	2.8	1.4	0.6
Equity/total assets (%)	83	53	46	42	42	45
Interest cover	0.0	1.5	(11.0)	(1.5)	1.5	3.6

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	10.2	10.2	10.2
Share price, high	51.2	61.8	64.6	25.0		
Share price, low	17.5	27.0	20.6	10.0		
Share price, avg	33.1	46.2	42.5	15.5		
EPS (reported)	0.00	(0.00)	(0.03)	(0.13)	0.02	0.12
EPS (adjusted)	0.00	(0.00)	(0.01)	(0.13)	0.02	0.12
Cash earnings/share	0.01	0.01	0.02	0.15	0.27	0.34
Dividend/share	0.00	0.00	0.00	0.00	0.00	0.00
Enterprise value/share	3.4	5.1	2.4	1.6	1.5	1.3
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.	43.5	8.2
CEM	563.1	430.4	150.9	6.9	3.8	3.0
Dividend yield	0.0	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	368.6	363.4	131.9	7.9	4.5	3.1
EV/EBITA	774.0	2,828.7	(545.1)	(19.2)	18.2	6.6
EV/EBIT	774.0	2,828.7	(120.4)	(19.2)	18.2	6.6
EV/Sales (x)	39.99	37.78	14.01	1.07	0.85	0.69
Price/Book value	20.44	41.34	23.61	1.21	1.18	1.03
Price/adjusted equity	20.44	41.34	23.61	1.21	1.18	1.03
Free cash flow/Market cap (%)	n.a.	n.a.	0.2	(1.5)	11.4	17.7
Operating cash flow/EV (%)	0.4	0.2	0.8	9.5	18.9	27.1
EV/Capital employed (x)	20.4	26.0	13.6	1.0	0.9	0.7

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 Ahnström	

Source for all data on this page: SEB

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