REDEYE

Equity Research

Update

25 September 2019

Gaming Innovation Group

Sector: Betting/Entertainment

Rebooting

While GiG has struggled lately after its exceptional growth up to 2018, we view its strategic refocusing on execution and earnings positively - and see the share's plunge (down over 80% from its all-time high) as overdone. The company's expansion from a poker room sole affiliate to a 700 employee company pushing into both B2C and B2B areas was too rapid, but its new start towards a turnaround is encouraging.

Aiming too high

GiG's recent story looks like Greek mythology's Icarus flying too close to the sun. The vision of becoming a global player and entering all verticals was supposed to carry it to success, but has been its curse – evidenced by the past year's weakness and the underperformance of the acquired Betit brands. Increased debt and OpEx, plus negative momentum in both B2B and B2C, have put the company in a challenging position.

Turnaround potential

Unlike Icarus, however, GiG is still far from falling into the sea. Its financials are still under control, and with changes in the management the company can increased focus on the core business. With improved efforts within GiG Core, Media and Rizk we believe the company can turn around its business. More efficient use of resources should also lead to a decrease in OpEx over the next 12 months.

Hidden values

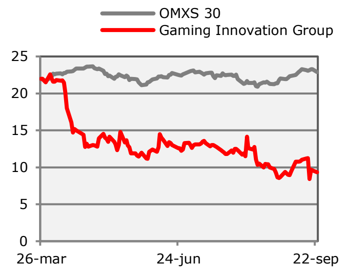
Our sum-of-the-parts valuation indicates hidden value on both current performance and 2020 estimates. Only the Affiliate business merits a valuation not far from GiG´s current Enterprise Value. Accordingly, we regard the stock's current trading level as unjustified and see potential upside of over 40% to our base case valuation of SEK 13.

KEY FINANCIALS (MEUR)	2017	2018	2019E	2020E	2021E	2022E
Net sales	120	151	126	134	148	162
EBITDA	13	16	12	21	27	29
EBIT	2	-18	-15	5	14	18
EPS (adj.)	0.0	-0.3	-0.2	0.0	0.1	0.1
EV/Sales	34.2	13.0	1.1	1.0	0.8	0.7
EV/EBITDA	329.0	121.9	11.7	6.4	4.6	4.0
EV/EBIT	2559.7	-111.3	-9.5	25.7	8.7	6.6
P/E	-2375.9	-83.9	-3.5	-23.6	10.1	7.0

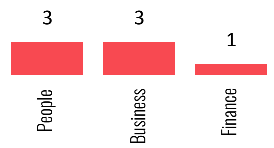
FAIR VALUE RANGE

BEAR	BASE	BULL
SEK 4	SEK 13	SEK 29

GIGSEK.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	GIG / GIGSEK
Market (Dual-listed)	Oslo / Nasdaq
Share Price (NOK/SEK)	8.46 / 8.99
Market Cap (MSEK)	810
Net Debt 19E (MEUR)	67
Free Float	40 %
Avg. daily volume ('000)	120

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Attractive SOTP valuation

Based on our sum-of-the-parts valuation, GiG is undervalued. On our 2020 estimates, GiG Core, Media, and Rizk and other B2C brands offer significant upside to the fair value. We assign no value to GiG Sports as its revenue is limited and it's loss-making, but we see long-term potential in GiG Sports.

Platform and omnichannel

The GiG Core business area will be one of the company's main long-term growth drivers going forward, in combination of B2C expansion and 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.

Potential turnaround

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, we see several signs that the company is moving to increase focus on its core business to achieve profitable growth.

- It has made changes in both the board and management. We believe this signals the start of a new direction and vision for GiG.
- Divesting Highroller.com indicates that the company will focus more on the flagship brand Rizk. The company has also announced that it will enter several new markets with Rizk.com.
- We see room to slim other operating expenses and use resources more efficiently.
    - Sports Betting Service is reducing its burn rate and targeting breakeven in H1'20.
    - The company has decided to halt the investments in GiG Games.
    - Third-party data also indicates a trend towards fewer new employees.

Counter-Thesis – Bear Points

Negative momentum

GiG's momentum is negative, with declining B2B and B2C revenues. Although the company has the prerequisites to turn this around, it often takes longer than estimated.

Organizational changes

The company has made several management and board changes. 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.

Debt burden

GiG has substantial net debt and weak cash flow. Moreover, the new bond increases the interest rate to 9% from 7%, and the company's EBITDA is not trailing far from the covenants leverage ratio limits. This exposes it to further operational negatives, as well as limiting its ability to take advantage of M&A opportunities.

Background

Gaming Innovation Group Inc. (GiG) is a technology company within the iGaming industry. GiG. was incorporated in Malta 2008 as Donkr International Ltd which was the holding company of Innovation Labs Ltd., known as the company operating the online poker forum Donkr.com. Robin Reed and Frode Fagerli, which were two of the founders of Donkr.com became the sole owners in 2012 and then named the company as Gaming Innovation Group Ltd. In 2015 the company conducted a reverse IPO through Nio Inc and listed on the Oslo Stock Exchange. GiG has developed from a poker room, sole affiliate to a business with B2C and B2B offerings and now have 700+ FTE's. The road has not been without speed-bumps, and during 2019 GiG has divested some of their B2C brands to focus on the most profitable ones. The history of the company in summary:

2008

- Donkr International (later Gaming Innovation Group) incorporated in Malta by Frode Fagerli and Robin Reed

2013

- Guts.com launched, as a website offering sports betting and casino games

2014

- GIG obtains remote gaming licenses in the UK and Malta allowing for full-fledged online gaming operations

2015

- Reverse IPO through Nio Inc in February. Subsequently listed on the Oslo Stock Exchange
- Betspin.com launched in February 2015, offering online casino games
- iGamingCloud (Now GiG Core) launched as a B2B service for the iGaming industry, first external client signed in April
- Optimizer Invest Ltd acquired 10% of GIGs iGaming Cloud and signs strategic partnership
- Listed on Oslo Stock Exchange in June
- Nordic affiliate network Spaseeba AS acquired with share settlement
- GIG acquires both a Finnish and an Estonian network of affiliate marketing sites in June/July

2016

- Rizk.com launched, offering online casino games
- Dutch affiliate network Delta Markets B.V. acquired for EUR 4.2m and Swedish affiliate network Magenti Media AB for SEK 47.5m
- Sports betting company OddsModel AS acquired for NOK ~75m, a milestone acquisition for the Company's sportsbook ambitions
- Acquisition of Betit Holdings, adding the gaming brands SuperLenny, Thrills, and Kaboo with effect from 1 September
- GIG obtains a license in Malta to supply its sports betting product to other licensed operators through BettingCloud Ltd.

2017

- Placement of SEK 400m senior secured bonds
- Acquisition of Casinotopsonline
- Acquisition of Scandinavian affiliate network Stk Marketing
- Acquisition of the Rebel Penguin, performance-based marketing company based in Denmark
- Signed partnership with Hard Rock International for US market
- Launch of Highroller.com
- New headquarters and campus in Malta

2018

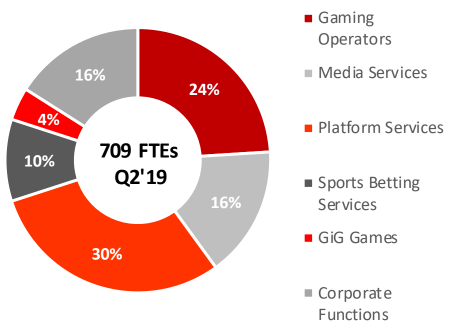
- Sports betting license obtained for Schleswig-Holstein during Q1
- Signed agreement with Hard Rock International for online gaming platform and US launch
- Entered the sports betting vertical through enterprise offering
- GiG Core was licensed in New Jersey and live on HardRockCasino.com
- GiG Comply, the new compliance tool was launched in September
- First external Sportsbook agreement signed with 11.lv during Q3
- Reversed stock split 10:1 and applied for Nasdaq Stockholm listing
- SuperLenny brand converted into an affiliate
- GiG awarded two Swedish licenses
- Strengthening of the board

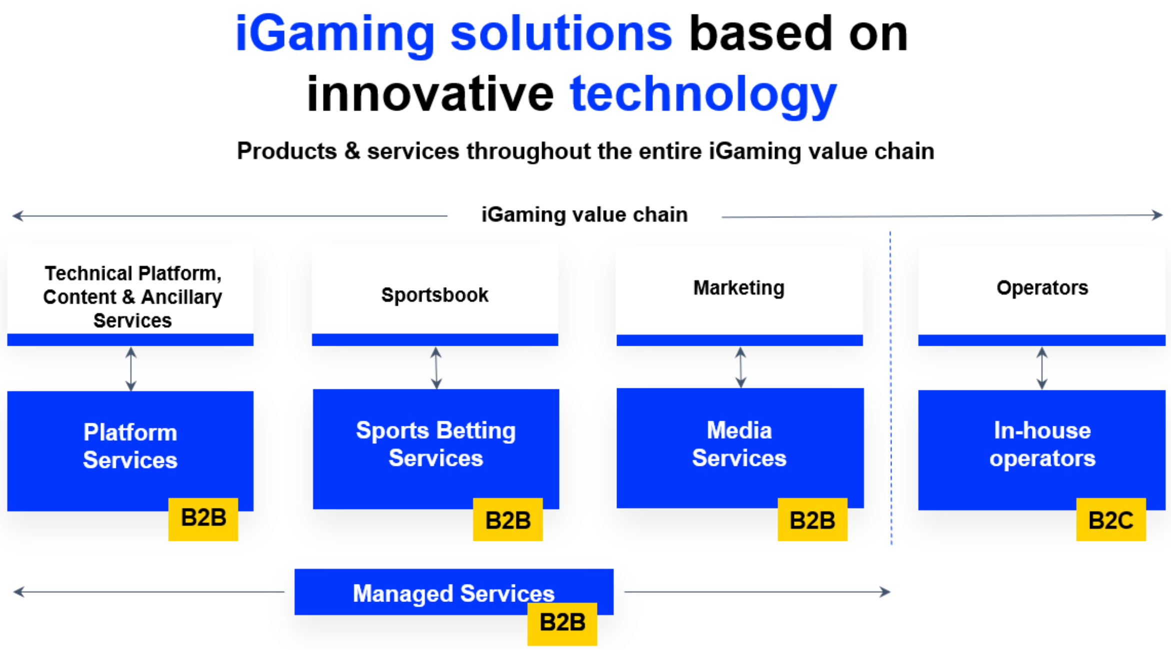
2019

- Launch of omnichannel sportsbook with Hard Rock in New Jersey in January
- Swedish re-regulation came into force
- 10+ new customers for GiG Comply
- Listed on Nasdaq Stockholm on the 26 of March
- Turnkey online casino launched with SkyCity Entertainment Group in the new geographic region New Zealand
- Awarded two Spanish licenses
- Awarded one Romanian affiliate license
- Divestment of Highroller and Betspin closed
- Replacement of CEO Robin Reed, COO Richard Brown steps up as acting CEO
- Extends Hard Rock´s sportsbook to Iowa
- Halts investments in GiG Games

Product and services

Today GiG is a technology company that provides products and services through the whole value chain within the iGaming industry. The operations can be divided into B2B (37% of revenue during Q2'19) and B2C (63% of revenue during Q2'19). In terms of employees Platform services and Gaming operators are the largest.



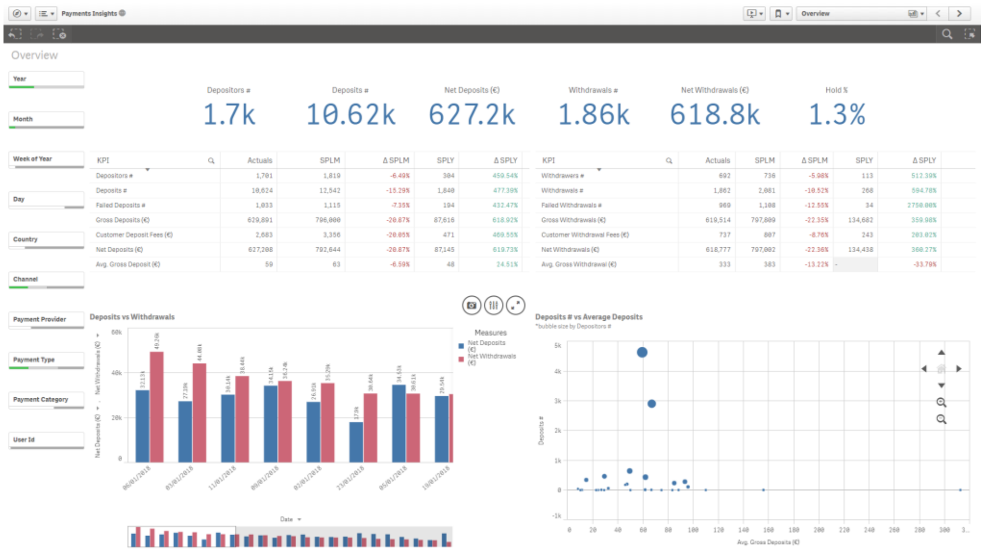


B2B

Platform Services – GiG Core

GiG Core is a cloud-based platform solution. It is a player profile management system with integrated KYC tools to verify end users. This service consists of the technical foundation which operators need in order to create a stable and secure platform. All other GiG solutions can be accessed through the Platform. Features include:

- Payment Gateway
- Internal and third-party games
- Responsible gaming tools
- Affiliate management system
- Bonus management system
- Regulatory adaption engine
- Content management system



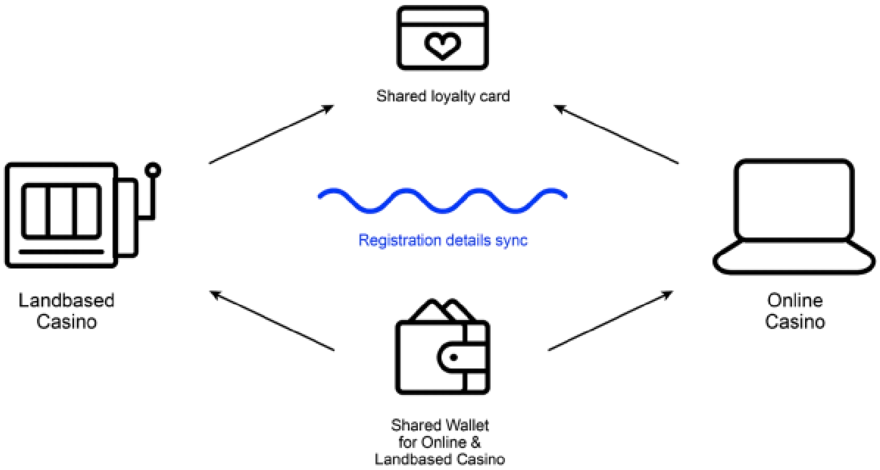
The customers

The platform is licensed in Malta, the UK, New Jersey (US), Spain and Sweden. The main customers are different iGaming operators and lately also land-based casinos that want to move into an omni-offering. As of Q2'19, there were 35 brands operating on the platform with roughly 4.7bn database transactions. During 2018 GiG announced a partnership with Hard Rock International for a full omnichannel solution in the USA. In May 2019 GiG signed a long-term agreement with SKYCITY Malta Ltd, subsidiary of New Zealand based SKYCITY Entertainment Group for the land-based casinos new online offering with a fully managed casino solution. We believe that GiG's omnichannel capabilities played a crucial role in SKYCITY for choosing them.

The omni-offering

The main selling point of the omnichannel is to create a seamless multi-channel (Online and Offline) gaming experience for the customers. Main features include:

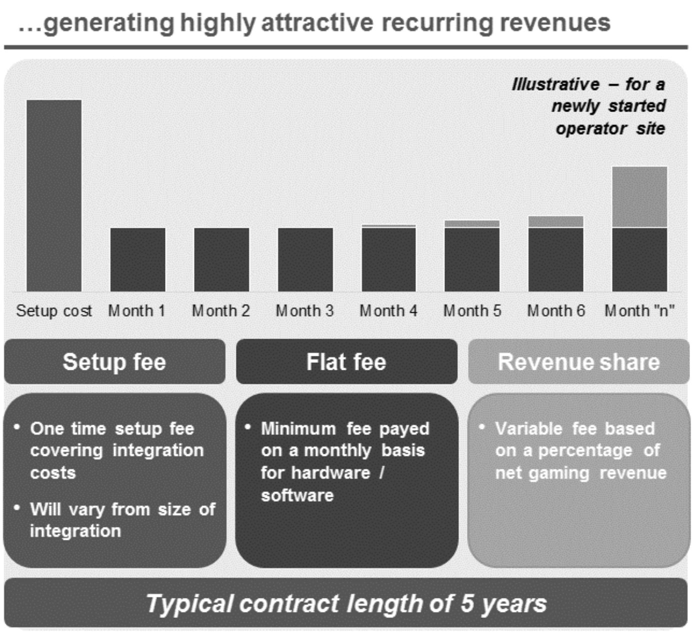
- One-time registration
- Automatic conversion of offline players to online
- Shared loyalty
- Withdrawal online and offline
- Shared payment-wallet



The potential is for the omni-offering could be significant, as there are more and more traditional land-based casinos that also want to offer and online experience.

Business model

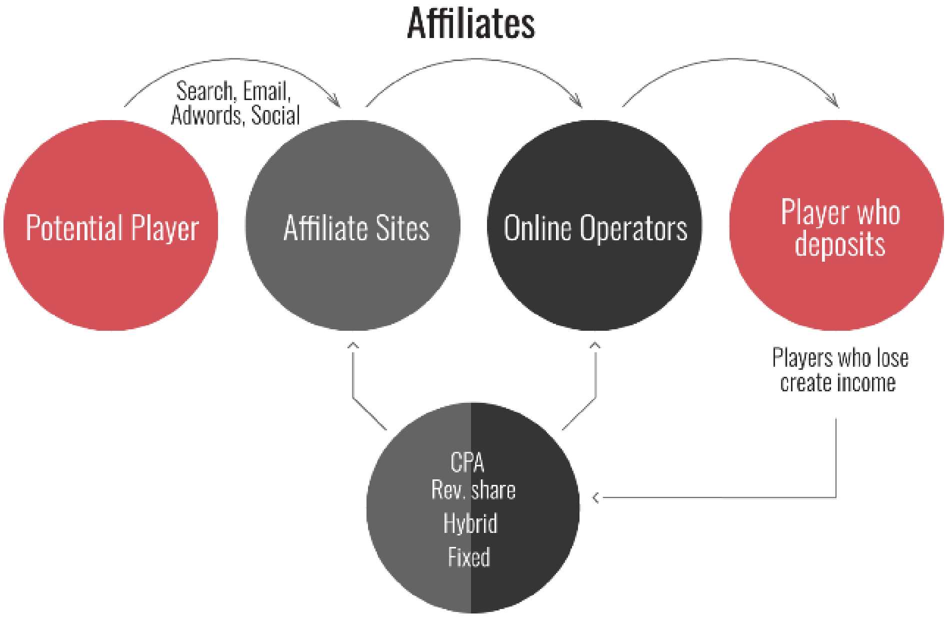
The Platform is structured with a SaaS model where operators can add "apps" through the GiG Core "store". The business model is briefly exemplified below, but in general; there is a setup fee for integration, flat fee on a monthly basis, and a variable revenue share fee that usually kick-in after roughly six months.



Marketing – Media services

GIG's digital marketing services (GiG Media) refer traffic across casino, poker, and sports betting by operating websites which rank high in search results for specific keywords. The vision of GiG Media is to improve the touchpoints where people are finding iGaming online. This is done through highlighting educational, informational and valuable content about the industry online, promoting the best of the breed games, operators and offerings through reviews, articles, guides, and comparisons made available on various web portals. The media segments revenues are generated through shares of perpetual revenues, Cost Per Acquisition (CPA), or a hybrid between revenue share and CPAs. During Q2'19 60% of the revenue came from revenue share agreements, 17% from CPA, 21% from listing fees and 2% from other services (GiG Comply and agency services)

Below, we briefly explain the two primary revenue models; CPA (Cost Per Acquisition) and Revenue share. Depending on the type of players, an affiliate site attracts one of the models, or a hybrid version could be preferable. Overall, we believe a revenue share will generate long-term results as the affiliate will focus on bringing high-quality traffic to their partners.



Revenue share: The affiliate company receives a percentage of the income generated to an online operator from an online player referred to the operator's casino or sportsbook, through the 'affiliate's site. The lengths of the agreements most often stretch over the whole lifetime of the player — low risk for the operator.

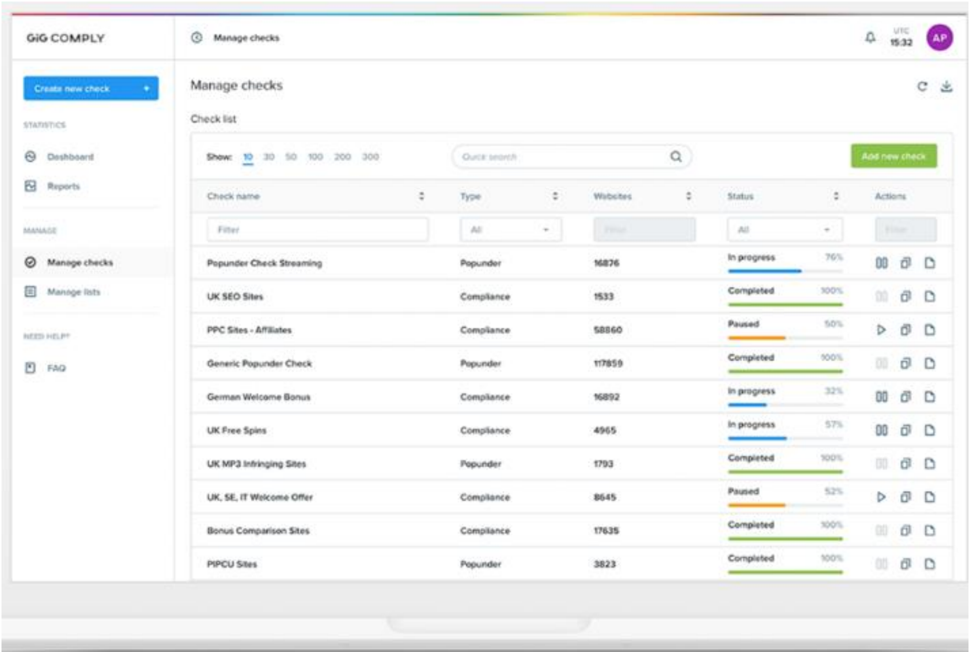
CPA: Based on a fixed fee. By the performance-based commission model, the affiliate is entitled to a defined sum for each end-user who creates a new profile and deposits money on an Online Gambling operator's website. CPA is a higher risk for the operator than Revenue share, due to uncertainty of the player value from the affiliate.

Position fee: Is a fixed fee for a specific position on the affiliate site, usually used to be granted the top spots on the site. The revenue model is not as common as Revenue share or CPA and is normally used after testing Revenue share or CPA. In many cases, the operator still pays a Revenue share at the same time as they have paid for the position.

Paid Media: A large plus for iGaming companies that comes through the regulation is the ability to use different types of Paid Media channels like Facebook and AdWords. Affiliates are able to acquire users through Paid Media and resend them to operators for a profit.

GiG Comply

With the regulation comes different types of compliance issues. GiG Comply is a relatively new offer and is a self-service B2B marketing compliance tool. The primary use case is to helps operators manage and monitor their marketing partners' online advertising message. The solution can be tailored to cover market-specific legislation and advertising standards. GiG Comply can scan over 25,000 web pages daily, ensuring our customers can protect their brand online.



Content services

GiG also have one type of "venture" legs within the content services; GiG sports.

Sportsbook

GiG's sportsbook solution can offer the end users a seamless betting experience, tailored to their brand on both offline or online channels. Operators can individually customize their front-end look and feel, risk management, number of events, and user experience, as well as odds and marketing features. The sportsbook is sold stand-alone or integrated with GiG's casino and platform solutions. During Q2'19 the Sports betting services generated EUR 0.3m in revenue with a negative *EBITDA of EUR -1.5m. GiG expects that the offering reaches break-even (incl contribution from B2C NGR) in H1 2020, there are currently four external customers live with Sports Betting Services and two internal.

B2C

GiG has recently conducted a strategic review of its B2C brands; the company has decided that the best route forward is to focus their marketing spend on the flagship brand Rizk.com. The new strategy was decided on at the end of 2018 and can be summarized as follows:

- Fewer and larger brands
- Improved EBITDA driven by lower marketing spend
- Focus on Rizk to drive growth through the use of more efficient marketing channels
- Healthy margins and earnings quality to be achieved through:
    - Expansion in less mature and high-potential markets such as Spain (newly acquired licenses), Latin America and parts of Asia
- Key focus on a sustainability model for regulated markets by focusing on player safety and UX

The Swedish re-regulation has impacted the revenue levels, just like for all B2C operators in the Swedish market. The Highroller brand was divested for EUR 7m on the 13th of August to Ellmount Gaming. During H1'19, Highroller had revenues of EUR 1.4m (<5% of total B2C revenue) with an EBITDA of €-0.2 million.

After the Highroller divestment GiG will have four brands; Rizk, Guts, Kaboo, and Thrills. The Rizk brand is the best performing brand and represents roughly 70% of total B2C revenues. The second-largest brand is Guts, which will be further developed as a sports betting brand.

Industry and market

The gambling industry consists of several different gambling verticals. In this section, we describe the different verticals and give examples of suppliers. We also look more closely at the Industry Value Chain, which the ongoing digitalization is changing dramatically. Classic land-based casino under local regulation dominated the landscape until the millennium. Since then the online offerings have exploded, and today all gambling verticals are available to the players anywhere anytime.

Gambling verticals

Betting

In betting you place bets on the outcome of an event, and if you bet on the right outcome, you win the bet multiplied with the odds. Mostly sport-related events, especially football, but e-sports is on the way to become the next rising stars. Betting is, by far, the largest gambling vertical globally and very suitable for the “mobile-first” concept.

Casino

Casino includes several subcategories such as slot machines, video slots, table games, live casino, etc. The largest online categories are Slot and video slots, but live casino has grown rapidly for several years. In general, quite high return to player on each bet.

Lotteries

Small stake but potential to win big. Often local lotteries in different countries that are state-owned. But with some major lotteries that are global. Only a very small part of the lottery vertical has moved online compared to the casino vertical. The risk of addiction is considered low. Scratch cards are usually included in this category as well.

Poker

Play against other players online. Texas hold’em is the most popular game, the interest peaked around 2010 with broadcasted tournaments and huge prize-pots. Since then, the interest has decreased. But poker is still big business for some operators.

Bingo

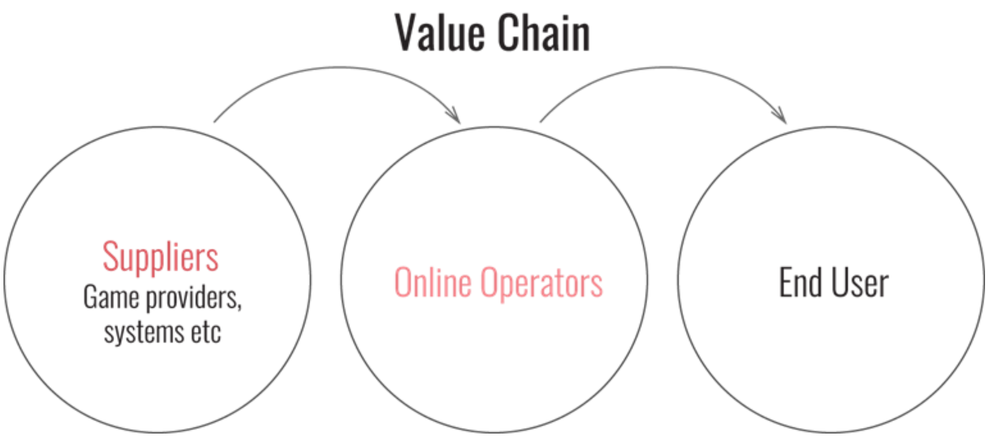
A small but growing vertical that want to bring the bingo venues online. In bingo, you need five numbers in a row to get bingo. Just as lotteries, this vertical is seen as low risk when it comes to addiction.

Other

The are several alternative gambling options. Virtual gambling and fantasy sport are two examples. Virtual gambling offers the players to bet in computer-generated virtual sports events. In fantasy sport, the player selects a team by picking the team’s players before a game or tournament starts. The score is, in turn, based on the player’s performance.

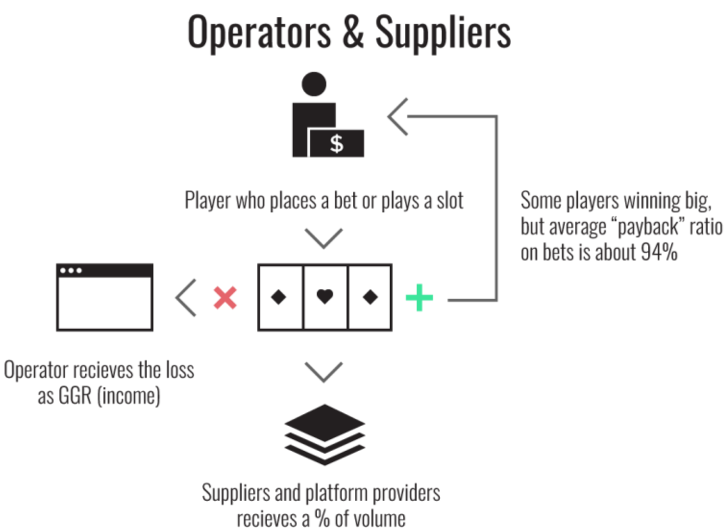
Industry value chain

In a simplified, the value chain within the online gambling industry consists of the following players: Game suppliers, Payment providers, Platform providers, Operators, White labels, Affiliates and the Players (End users).



Business model

In the following section, we will go into how the business model works for the different players in the online gambling industry and how they are connected to each other.



Game suppliers

The game suppliers usually focus on one specific gambling vertical, and the business models work slightly different for the verticals. Therefore, we will present these separately.

Betting suppliers provide their betting platform (sportsbook) to platform providers and operators. The betting platform needs to be constantly updated with new events, and the odds need to be closely monitored to provide odds that are in the “Sweet spot”; Not so good that players win in the long run, but not so bad that the player prefers a competitor. Normal RTP (Return to Player) is between 90-95%, and the supplier takes around 10% in commission, +/-5% depending on the size of the customer.

Casino suppliers can be focusing on different parts of the casino subgroups. Game studios focus on developing slot machines, video games, and virtual table games where their skills in graphics, mathematics, and game creativity are essential for success. RTP is between 90-98%. Live casino suppliers provide the possibility to play table games live with a real dealer. The video function, streaming quality, and skilled dealers are essential for the success of the live casino supplier. RTP is around 98%. Casino suppliers take around 10% in commission, +/-5% depending on the size of the customer.

Lotteries are quite simple - it is all about the jackpot. To have a large jackpot, that is won at least a couple of times a year, you need many players. RTP is between 50-70%. The commission fees for the lotteries are, in general, paid by the operators based on a large percentage of the lottery ticket price.

Poker suppliers offer a platform where players can play against each other, and a rake (Commission fee) is taken from the pot of each hand. Usually between 2%-10% depending on the pot size.

Bingo suppliers offer a platform where players can play bingo or bingo related games. The RTP is around 50%.

Payment providers

The payment providers offer payment solutions to the platform providers and operators. In the end, it is about enabling the players to transfer money between their bank accounts and their player accounts at the online gambling sites. The payment provider takes a fee based on the number of transactions and/or the size of the transaction amounts. In general, the fee will be around 1-2% of the transaction amounts. However, this varies much depending on the solution and the market. Overall, the payment providers tend to take a higher fee for unregulated markets, since it is riskier for the payment provider to operate there.

In some cases, the operator charges the player a fee for withdrawals. This is a way for the operator to lower the player´s incitement to withdraw money from the operator´s site.

Lately, the Pay’n’Play concept has become very popular where you can play without an account through a Bank-ID solution. This enables the players to deposit and withdraw money within minutes instead of hours or, even, days.

Platform Providers

The platform providers offer a platform to an operator or a white label. The structure can be different depending on who holds the agreements with game suppliers and who holds the gambling license, as well as several other services such as customer support and design team. Commission fee can be based on several parameters, but normally connected to the revenue or transaction volumes. The commission fee in relation to the revenue varies greatly depending on the setup, from 10% to more than 50%.

Operators

Operators can use an external gambling platform or have their own developed platform, which is more common for larger operators. The operators´ mission is to offer their brands (gambling sites) to the end consumer, the players. This is achieved through long-term brand building with marketing campaigns focused on marketing channels that hit the brand's target group. The efficiently of the marketing campaign is extremely important for the operators and is easily seen in their P&Ls, where the marketing expenses are the largest expense category.

Nevertheless, having a strong product is just as important as the marketing campaigns, both when it comes to acquiring new players and especially when it comes to retention. Therefore, the platform and the technical parts are essential for the operator as well.

The operators' revenue is based on the players Bet minus Win less Bonus/Loyalty costs less Jackpot Contribution.

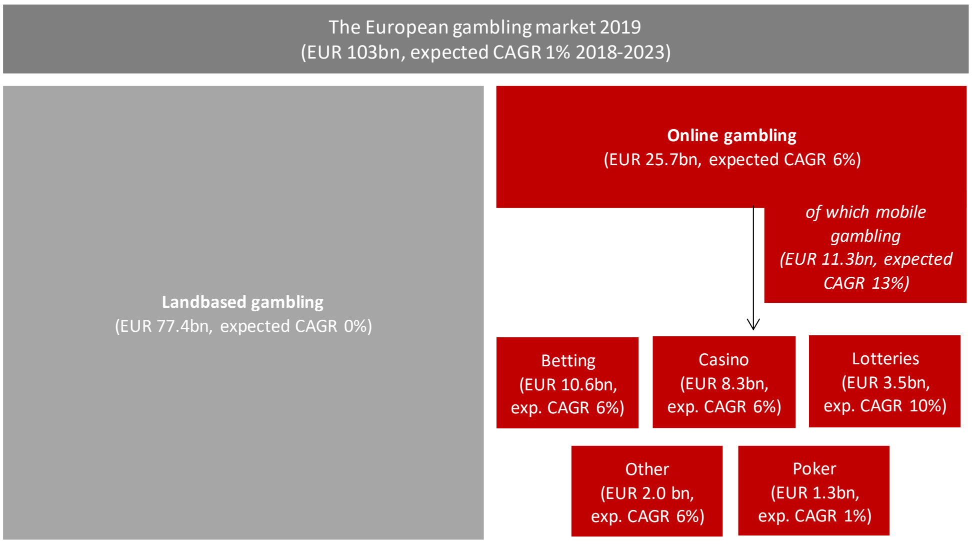
White Labels

White labels have an agreement with either an operator or a platform provider that can provide the full solution. The white-label does not hold any licenses or have a tech team working on the platform. They focus only on the marketing and acquiring players to their white label site. But the white label set up can differ slightly, depending on the desired solution.

Affiliates

The prime business for affiliate companies is to generate traffic to their sites and then forward the traffic to operators' gambling sites. The traffic is produced thought SEO (Search engine optimization), e-mail lists, social media, TV or other forms of paid media such as Adwords. If the forwarded player deposits money and plays, then the affiliate sites receive a payment. Typically, this fee amounts to roughly 30-50% of the income the new players generate, after direct costs.

Size and growth



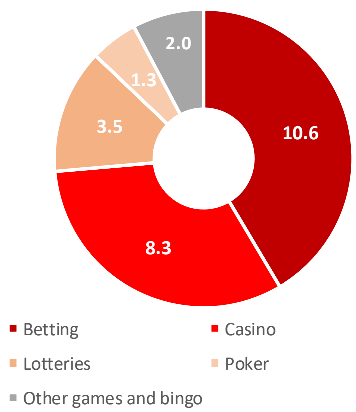
Source: H2GC & Redeye Research

In general, the gambling industry is non-cyclical, meaning that the risk is somewhat lower than in most of the traditional industries. On the other hand, the online casino market can be argued to be saturated, and there is an increasing number of online casinos that operate and compete for the players. The industry is also affected by regulation impacting the "risk" due to the implementation of gaming duties, changed dynamics in competition. Even so, the online casino markets expect to show healthy growth during coming years, and we argue that innovative casinos, with new technical solutions, have the opportunity to show decent growth.

Europe

Gambling is a huge business in Europe. The combined market of Land-based and Online Gambling is estimated at a Gross Gaming Revenue (GGR) of EUR 103bn during 2019. In the coming years, Online Gambling is expected to grow at a much faster rate than its older brother, Land-based. Within the Online Gambling market, mobile gambling is expected to generate a GGR of EUR 11.3bn and is expected to grow with an annual rate of 13% in the coming years.

European online gambling segments (EUR bn) 2019



Source: H2GC

The Online Gambling market can subsequently be divided into Casino, Sports Betting, Poker, Lotto, Bingo, and other gambling products. We will briefly discuss the two largest verticals; Sports Betting and Casino.

Sports betting

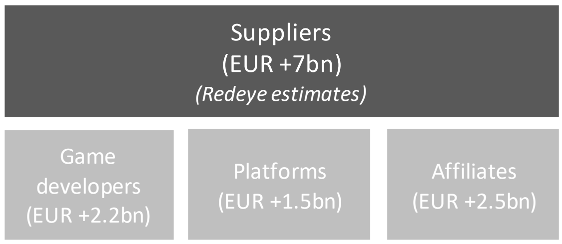
The total GGR in Europe for online betting was estimated at roughly EUR 10.6bn in 2019. For the last ten years, the CAGR has amounted to about 15%, and the market is expected to grow annually by 6% in the coming five years. Players mainly bet on sports events. New technology has enabled instant and live betting during matches with "micro" stakes on different types of events like; which team scores the next goal or who wins the tennis set.

Casino

The total GGR for online casino is estimated at roughly EUR 8.3bn in 2019. During the last ten years, the CAGR has amounted to about 14% and the market is expected to grow annually by 6% in the coming years. The market comprises mainly slots machines, roulette, and blackjack. Live casino (live dealers through a streaming service) has become a major growth driver.

The market of suppliers

Suppliers of Online Gambling technology consist of many different players. There are game developers, technology platform providers, payment service providers, lead marketing affiliates, and more. Redeye estimates that the European Online Gambling market for suppliers was worth about EUR 7bn in 2019. Growth is affected by vertical focus and niche, but overall the suppliers grow at the same rates as the larger main market for Online Gambling.

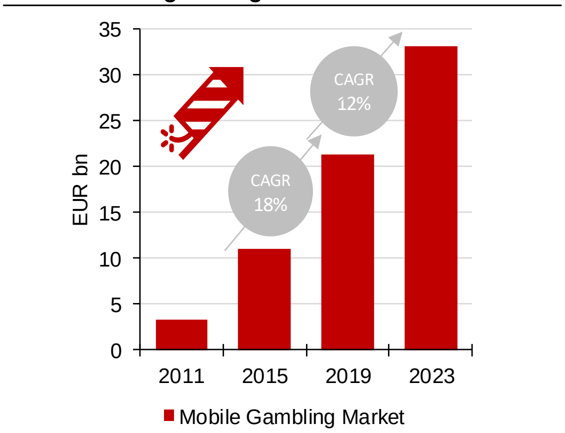


Source: H2GC & Redeye Research

Mobile

The mobile gambling segment has been the "hot spot" for several years, with its "two-step rocket" effect. This because; being a fast-growing segment, mobile, within a fast-growing segment, online. The mobile usage has taken the gambling availability very close to the saying "anywhere anytime" and the rapid growth is expected to continue, but not with the same CAGR as for the last few years.

Global mobile gambling market



Source: H2GC

Management, board and ownership

During the past year, there have been some significant changes both to the board of directors and the management team of GiG. Most recently the CEO and co-founder Robin Reed was replaced as CEO of the Group by Richard Brown who now is Acting CEO and COO. In conjunction with the Nasdaq listing, the board was also strengthened significantly. More info on the members of the board and the management team can be found on GiG IR site on the following link. Here we only make a brief description.

Management team

GROUP CEO (Acting) AND COO - RICHARD BROWN,

Richard joined GiG in February 2016 as Managing Director for GiG Media, and after almost two years, progressed to Chief Digital Officer, and subsequently took the position of Chief Operating Officer. He now also holds the interim CEO position. Before GiG, Richard worked in various senior and directorial roles in companies such as Highlight Media Group, Web Guide Partner and THG Sports delivering exceptional results in line with strategic goals.

GROUP CFO - TORE FORMO

Tore has acted as Chief Financial Officer in the Company since 2005 and has fostered the Investor Relations ever since. Tore has more than 25 years of financial experience, from both the equity and the debt markets as an analyst.

CIO - CHRIS ARMES,

Chris joined GIG as Chief Information Officer in August 2019 with the strategic responsibility for GiG's multiple technology assets. Previously having been the CTO for SGDigital leading the technology team at NYX through the integration into SGDigital. Chris has worked for Sun Microsystems and Oracle managing global Software Engineering teams.

CFO - JUSTIN PSAILA

Justin has 10+ years of experience in iGaming, of which eight years were as Management Accountant for Betsson Group, and has been with GiG since 2015.

CCO - BEN CLEMES

Ben oversees the Commercial team, with responsibility for commercial agreements with our various suppliers and pricing models. His background is casino management. Ben joined GiG in 2013, as Head of Casino Operations and co-founder of Guts, and progressed to Managing Director of iGaming Cloud (a vertical in GiG now called GiG Core) in 2016 and was announced as CCO in late 2017.

CSO - CRISTINA NICULAE

Cristina was appointed as Chief Strategy Officer in November 2018 after joining GiG in early 2017 as COO of GiG Core. Cristina has 15 years of experience in scaling technology companies such as Oracle and Ericsson and specialises in strategic planning.

CMO - TIM PARKER

Tim was appointed as GiG's Chief Marketing Officer in November 2018. He comes from a role as Managing Director of GiG's in-house casino operator Rizk. Tim has worked in the iGaming industry for almost 20 years.

Board of directors

CHAIRMAN - PETTER NYLANDER

Petter has a long career within iGaming and media enterprises. Petter has held various management positions such as CEO of Unibet (now Kindred Group), CEO of TV3 Scandinavia and CEO of OMD Sweden (part of Omnicom Group). Petter has also held positions of trust such as Chairman of the Board of G5 Entertainment AB and board member of Besedo and Cint AB.

DIRECTOR - HELGE NIELSEN

Helge owns 1.1% of GiG through Helida AS. Helge has broad and diverse senior management experience both nationally and internationally, including listed companies.

DIRECTOR - ROBERT BUREN

Robert has a strong technical background. He has held positions such as CTO of Unibet, CIO at SBAB Bank and CIO at Bisnode. He has also held several positions of trusts such as board member of Cygni, Bredband2, Eaton Gate Gaming Ltd and Verkkokauppa.com Oyj.

DIRECTOR - HENRIK PERSSON EKDAHL

Henrik Persson Ekdahl is Partner & Co-founder at Optimizer Invest. Persson has launched, grown and sold leading Scandinavian gaming operations such as BestGames Holdings Plc, Betsafe Ltd and Betit Group. Persson Ekdahl 5.2% of GiG.

DIRECTOR - PAUL FISCHBEIN

Paul is a well-known entrepreneur and business leader. Founder of Tretti.se and he has held positions including CEO of Qliro Group, Chairman of Nelly.com, Chairman of the Investment Advisory Committee of EQT Ventures and Chairman of Barnebys.

DIRECTOR - FRODE FAGERLI

Frode is one of the founders of GiG Besides co-founding GiG, Frode has launched various successful iGaming businesses and he is the founder, owner and organizer of the Norwegian Poker Championship. Fagerli owns 4% in GiG.

Ownership

Management and the board of directors hold roughly 10% of the capital, which in our view is a little on the lower-end. The previous CEO, Robin Reed, owned 7.2% of the shares through his company Super Innovative Limited. The primary institutional owner is Swedbank Robur Ny Teknik which holds a 9.2% position, which is a sign of quality. We believe that the listing on Nasdaq Stockholm was a way to attract new institutional investors into the company.

GiG Ownership structure

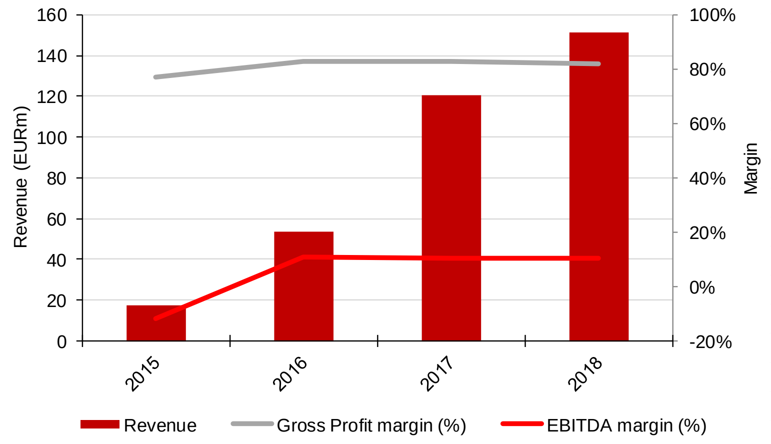
Shareholder	# shares	%
Swedbank Robur Ny Teknik	8.3	9.2%
Super Innovative Limited	6.4	7.2%
Andre Lavold	4.9	5.4%
Henrik Ekdahl Persson	4.7	5.2%
Hans Michael Hansen	4.4	4.8%
Myrlid AS	4.2	4.7%
Frode Fagerli	3.6	4.0%
Stenshagen Invest AS	2.5	2.8%
Ben Clemes	1.9	2.1%
Saxo Bank A/S nom.	1.9	2.1%
Other	47.2	52.5%
Total issued shares	90.0	

Source: GiG

Financials

GiG´s journey since its incorporation in 2008 is mainly a growth success story, as illustrated in the graph below. The company has grown very rapidly from the start-up to 2018. The growth was driven by both acquisitions and organic growth. The acquisitions of the Betit group was a key growth driver during 2016-2017 while the affiliate acquisitions during the period 2015-2017 were key growth driver during this period. The increase of the B2B and the expansion of the B2C brand Rizk has been the main organic growth drivers.

GiG: Revenue, Gross Profit margin and EBITDA margin (2015-2018)

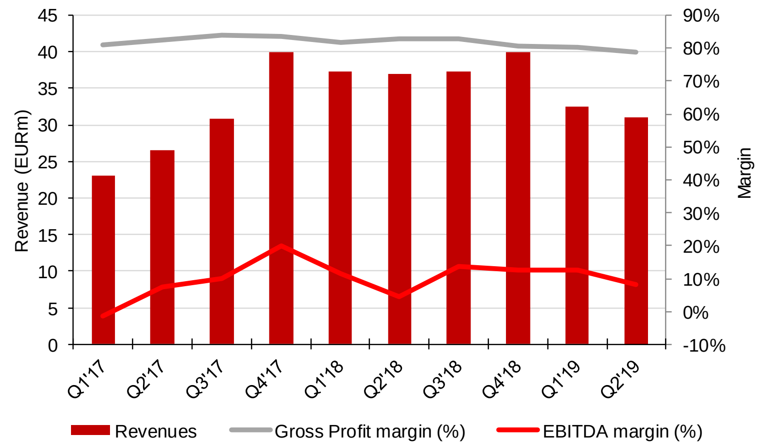


Source: GiG, Redeye Research

However, since 2018 the growth has leveled out, and we have seen a revenue decrease during 2019. There are several reasons for this. The first one is fewer acquisitions that previously has fuelled growth within the Media and B2C segments. The acquired Betit group has also underperformed. The second reason is regulatory challenges that have hit both the B2B and the B2C segment.

The third reason is terminated agreements with platform customers. One large customer acquired the base code in 2017 to continue the development by its own. As a result, GiG got a large one-time revenue boost in Q4 2017, but in the quarters after the customer has paid less recurring fees. GiG also terminated a contract with a large customer in 2019 as the customer wanted to focus on other markets than GiG.

GiG: Revenue, Gross Profit margin and EBITDA margin (Q1'17-Q2'19)

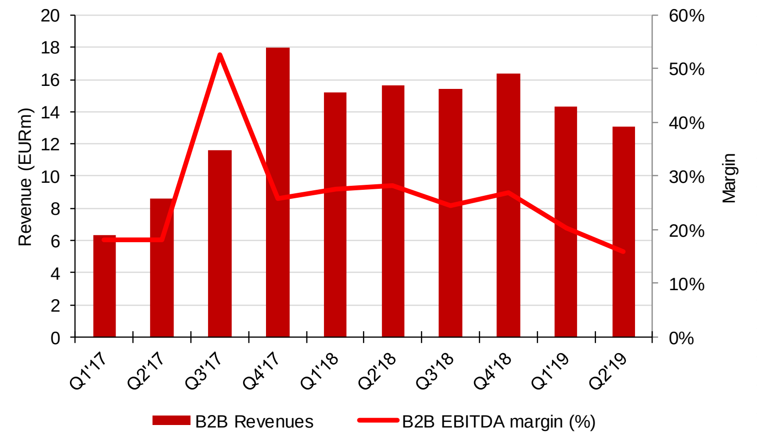


Source: GiG, Redeye Research

We believe that the underlying issue behind these reasons and the inability to handle these challenges is caused by the lack of focus. The vision to go global and enter all verticals has its cost. For sure, we find the deal with Hard Rock and SkyCity impressive and the entry into both sports betting and game development as bold. Nevertheless, the company has expressed that these endeavours have locked up much of the group's resources.

As illustrated in the graph below the regulatory challenges and the terminated customer has had a negative effect on both revenues and margins for the B2B operations during H1'19.

GiG: B2B Segment - Revenue and EBITDA margin (Q1'17-Q2'19)

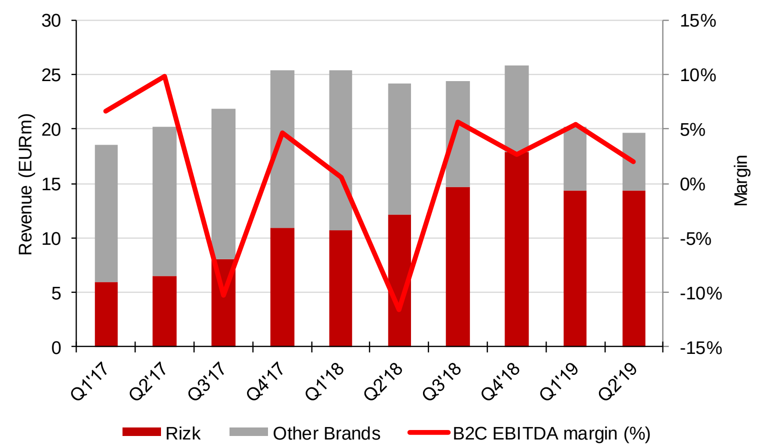


Source: GiG, Redeye Research

The increased focus on the flagship brand, Rizk, has also lead to a decline in revenues for the other brands, as illustrated in the graph below. The company has also communicated that it will focus more on Rizk.com. The Rizk brand has performed very well and has become a good show-case for its platform. As a result, the remaining brands need to be niched, closed or divested. The brand Thrills.com has become a Play´N´Play focused brand, Guts.com focus on sports, and SuperLenny.com has been converted into an affiliate site. Moreover, the Betspin brand was closed in Q2, and the Highroller.com was divested in August this year.

The B2C segment has, in general, focus much on growth, and the profit has been secondary. This is also illustrated in the graph below, with a low EBITDA margin. The margin has been negatively impacted by the losses incurred by the other brands. Rizk, on the other hand, has a TTM EBITDA margin of close to 15%. The B2C EBITDA margin has stabilized around 5%.

GiG: B2C Segment - Revenue and EBITDA margin (Q1'17-Q2'19)

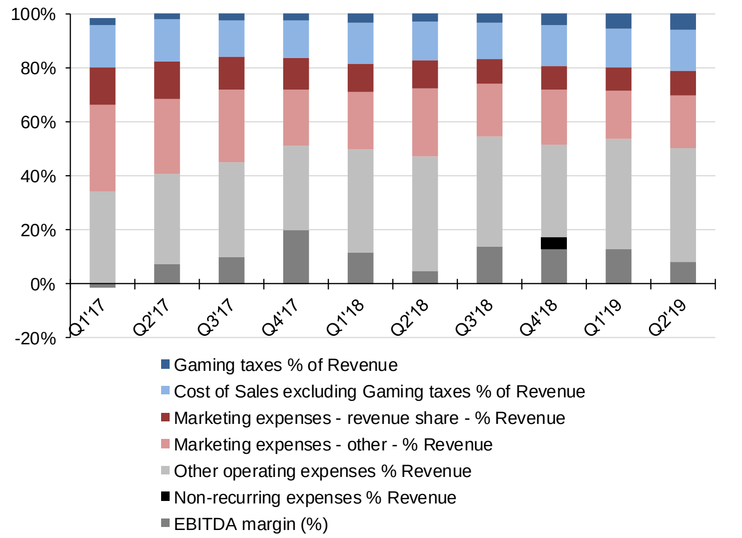


Source: GiG, Redeye Research

Cost allocation

The cost allocation has changed some during the last two years. The increased B2B focus has increased other OpEx as the workforce has increased, and the new office, GiG Beach, has required some investments. The marketing expenses have decreased as the marketing investments in the B2C business has been lowered, and reallocated to more efficient marketing channels, especially during H1 2019. The B2C segment´s revenue has decreased some in relation to the total revenue since 2017. Gaming taxes have increased as more markets have become regulated. The increase in H1 2019 is related to the Swedish market.

GiG: Expenses in relation to revenue and EBITDA margin (Q1'17-Q2'19)

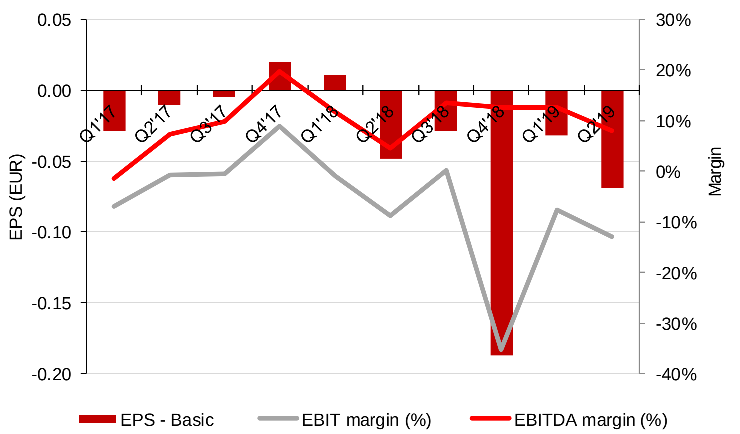


Source: GiG, Redeye Research

EPS and Profit margins

While the EBITDA margin been positive in general, the EPS has been negatively affected by both large depreciation and amortizations as well as interest expenses. The amortization pace on the acquired affiliate assets has also been fast (three years for customer contracts). The focus for GiG has been growth and building out the verticals to cover the whole value chain in online gambling, as well as benefit from shared economy. The weak EPS is a result of the focus on expansion, and we expect the EPS to improve as amortization decreases.

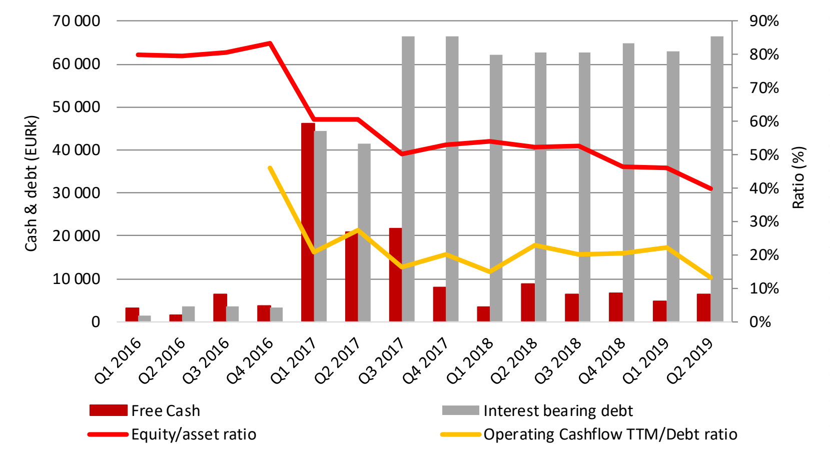
GiG: Revenue, Gross Profit margin and EBITDA margin (Q1'17-Q2'19)



Source: GiG, Redeye Research

Balnce sheet and Cashflow

GiG: Free Cash, Debt, Equity/asset ratio and Operating CF/Debt ratio (Q1 2016-Q2 2019)



Source: GiG, Redeye Research

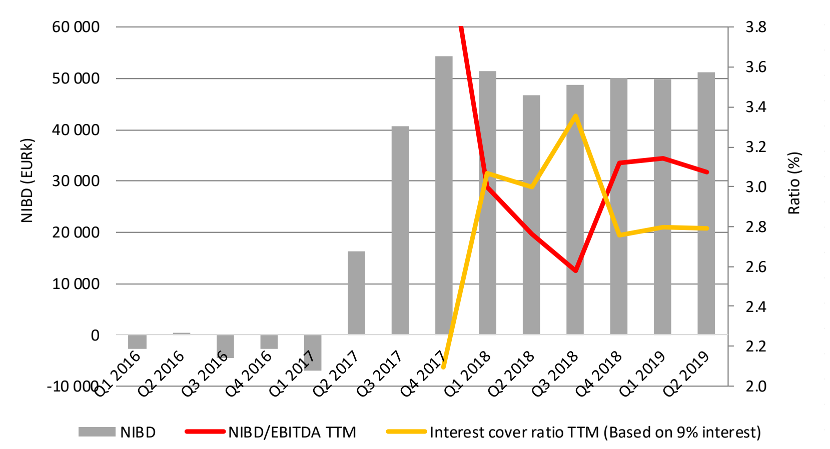
GiG has since 2016 expanded its balance sheet and increased debt due to several acquisitions. Since the Q3 2017, the interest-bearing debt has been maintained at, more or less, the same level. The operating cash flow in relation to the interest-bearing debt has been maintained around 20%, which is an acceptable margin to the bond interest of 9%. We believe the slight decline in the Operating Cashflow TTM/Debt ratio in Q2 2019 is nothing to worry about as the operating cash flow was unusually low in Q3 2018, dragging down the TTM.

Looking at the new bond structure, the interest rate increases from 7% to 3m STIBOR +9% (STIBOR currently 0%). The financial covenants are: Leverage ratio (NIBD/EBITDA) of maximum 5.0x in year 1, 4.0x in year 2, 3.0x in year 3. If GiG like to take up additional debt the company need to pass the flowing test matrix:

- Leverage ratio (NIBD/EBITDA) of max 4.0x in year 1, 3.0x in year 3, 2.0x in year 3
- Interest cover ratio (EBITDA to net interest expenses) > 2.25x

As illustrated in the graph below, the company has the financial covenants under control for year 1 and 2, based on the current EBITDA level. We expect a slight decline in the EBITDA TTM for year 1 that will increase the ratio to around 3.5x but still well below 5x. For year 3 and 4, the company needs to improve the EBITDA or lower the debt. All in all, GiG´s financial situation is under control, and the large marketing expenses are easy to adjust if necessary. However, there is little room for the company to take advantage of M&A opportunities without major dilution for the current owners.

GiG: Bond covenants. NIBD/EBITDA & Interest cover ratio (Q1 2016-Q2 2019)



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.

GiG's growth has been strong up to 2018. However, the trend has been negative since then, and we expect that it will take some time to really turnaround the business. The company can also not expand too rapidly with heavy investments in marketing or tech as the financial position is challenging. We also expect the company to focus on its core business and slim its other OpEx for more efficient use of resources.

GiG: Financial forecasts summary

(EURm)	2018	Q1'19	Q2'19	Q3'19E	Q4'19E	2019E	Q1'20E	Q2'20E	Q3'20E	Q4'20E	2020E	2021E
Revenues	**151.4**	**32.4**	**31.0**	**30.7**	**31.8**	**125.8**	**31.6**	**32.6**	**33.8**	**35.6**	**133.6**	**148.5**
Gross Profit	124.0	26.0	24.4	24.1	25.1	99.6	25.0	25.8	26.7	28.2	105.7	117.0
Marketing	-47.2	-8.6	-8.9	-8.5	-8.9	-34.8	-8.4	-8.7	-9.2	-10.0	-36.3	-40.9
Other OPEX	-58.8	-13.3	-13.0	-12.8	-12.2	-51.3	-12.0	-11.9	-11.5	-11.4	-46.8	-47.9
EBITDA	**16.1**	**4.1**	**2.5**	**2.2**	**3.6**	**12.4**	**4.2**	**4.9**	**5.7**	**6.5**	**21.2**	**27.3**
D&A	-33.7	-6.6	-6.5	-6.4	-8.1	-27.6	-5.0	-4.1	-3.5	-3.4	-16.0	-12.9
EBIT	**-17.6**	**-2.5**	**-4.0**	**-4.2**	**-4.5**	**-15.2**	**-0.8**	**0.8**	**2.2**	**3.1**	**5.2**	**14.4**
Net Income	-22.6	-2.9	-6.2	-5.9	-6.3	-21.2	-2.5	-0.9	0.6	1.4	-1.4	8.7
EPS, EUR	**-0.25**	**-0.03**	**-0.07**	**-0.07**	**-0.07**	**-0.24**	**-0.03**	**-0.01**	**0.01**	**0.02**	**-0.02**	**0.10**
Growth Y/Y (%)	26%	-13%	-16%	-18%	-20%	-17%	-3%	5%	10%	12%	6%	11%
Growth Q/Q (%)		-19%	-4%	-1%	4%		-1%	3%	4%	5%		
Gross Profit (%)	82%	80%	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%
EBITDA (%)	11%	13%	8%	7%	11%	10%	13%	15%	17%	18%	16%	18%
EBIT (%)	-12%	-8%	-13%	-14%	-14%	-12%	-3%	2%	7%	9%	4%	10%

Source: GiG, Redeye Research

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 numbers of partners and revenue within the Media Business.
- New markets: New markets for both the Rizk brand and B2B, in general, will be important to maintain high growth as the European market mature.
- Products improvements: With less 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. Larger acquisitions can only be made if the company issue new shares or divest a business area.

Cost allocation

- Cost of sales: We expect the cost of sales within the B2C segment to increase with a presence on more regulated markets. This effect will be countered by a more rapid growth within the B2B segment with, in general, higher gross margin, as well as new markets without gaming taxes.
- Marketing: The company has decreased its marketing expenses to about 28% in relation to revenues. We expect the company to maintain this ratio as the company focus on more efficient digital marketing channels rather than traditional media such as TV.

- **Other operating expenses:** We expect the company to slim the OpEx during the 12 months as the company will use resources more efficiently. We do, however, not expect a major decrease in the expense as we estimate that the revenues will level out and start to increase during 2020.

Business areas

We expect that the B2B segment will continue to be a profitable segment with strong gross profit and high EBITDA margins. We also believe that the B2B segment will be the contribute most to the growth with large growth opportunities within Platform Services. We expect that the B2C segment will grow in line with the underlying market on existing markets and additional markets with the Rizk brand will add growth. The B2C EBITDA margin will increase as the B2C segment grows and reaches critical mass on more markets.

GiG: Financial forecasts - B2B vs. B2C

(EURm)	2018	Q1'19	Q2'19	Q3'19E	Q4'19E	2019E	Q1'20E	Q2'20E	Q3'20E	Q4'20E	2020E	2021E
B2B revenues (incl. inter-seg. rev.)	62.6	14.3	13.1	13.3	13.9	54.6	13.9	14.4	15.0	15.9	59.3	67.8
B2B inter-segment revenues	11.1	1.9	1.8	1.8	1.9	7.4	1.9	2.0	2.0	2.1	8.1	8.8
B2B EBITDA	16.8	2.9	2.1	1.9	3.1	10.0	3.6	4.1	4.8	5.5	17.9	22.5
B2B EBITDA margin	27%	20%	16%	14%	22%	18%	26%	28%	32%	34%	30%	33%
B2C revenues	99.8	20.2	19.6	19.2	19.8	78.8	19.6	20.2	20.8	21.8	82.4	89.5
B2C EBITDA	-0.6	1.1	0.4	0.3	0.5	2.3	0.6	0.8	0.9	1.0	3.3	4.8
B2C EBITDA margin	-1%	5%	2%	2%	3%	3%	3%	4%	5%	5%	4%	5%

Source: GiG, Redeye Research

Looking closer on the B2B segments, we expect Media Services to grow in line with the underlying market. However, increased regulations will add some margin pressure. Moreover, we expect that Platform Services will grow as the number of partners increase. The large partnerships with Hard Rock and SkyCity will also boost growth, but we have added modest assumptions regarding the royalty percentage on these partnerships. Furthermore, we expect improved margins as the OpEx decreases while the revenue increases.

The company has communicated that it expects the Sports Betting Services to reach breakeven in H1'20. We do, however, have a more modest approach. We expect strong growth within the business area, but also assumes that it will take a couple of years to reach a critical mass.

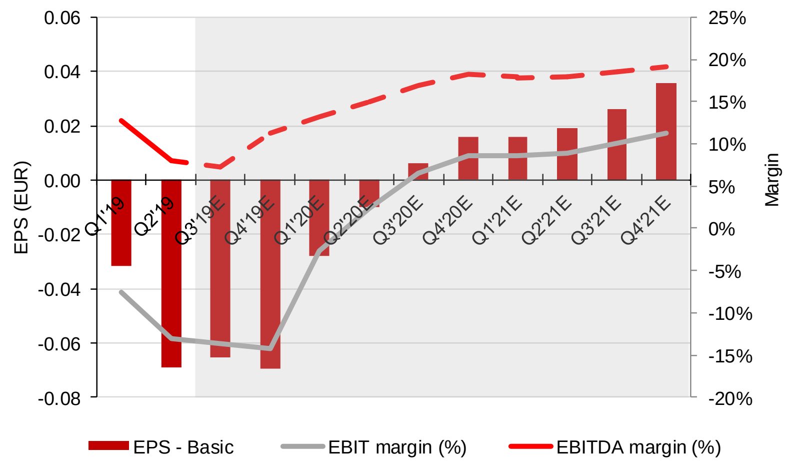
GiG: Financial forecasts - B2B segments

(EURm)	2018	Q1'19	Q2'19	Q3'19E	Q4'19E	2019E	Q1'20E	Q2'20E	Q3'20E	Q4'20E	2020E	2021E
Media Services												
Revenue	34.0	9.1	8.6	8.6	8.9	35.2	8.8	8.9	9.1	9.4	36.2	38.4
EBITDA	18.3	5.2	4.7	4.7	4.9	19.5	4.7	4.7	4.7	4.7	18.7	17.9
EBITDA margin (%)	54%	57%	55%	55%	55%	55%	54%	52%	51%	50%	52%	46%
Platform Services												
Revenue	27.1	4.9	4.2	4.3	4.5	18.0	4.5	4.7	5.0	5.4	19.6	23.2
EBITDA	5.7	-0.5	-1.1	-1.4	-0.7	-3.7	-0.2	0.1	0.6	1.1	1.6	4.7
EBITDA margin (%)	21%	-10%	-26%	-33%	-15%	-21%	-5%	3%	12%	20%	8%	20%
Sports Betting Services												
Revenue	1.5	0.3	0.3	0.3	0.5	1.5	0.6	0.8	1.0	1.2	3.5	6.1
EBITDA	-7.1	-1.8	-1.5	-1.4	-1.1	-5.8	-0.9	-0.7	-0.5	-0.3	-2.4	-0.1
EBITDA margin (%)	-476%	-600%	-500%	-400%	-210%	-392%	-160%	-90%	-50%	-25%	-69%	-1%

Source: GiG, Redeye Research

EPS and Profit margins

GiG: EBITDA margin, EBIT margin and EPS (Q1'19-Q4'21E)



Source: GiG, Redeye Research

We expect to see a slow improvement in the EBITDA margin as the operating expenses decrease, and the revenues start to pick up the pace again. Both the EBIT margin and the EPS will have an accelerating improvement as the amortizations of the acquisitions (Mainly affiliates) will decrease rapidly during 2020. The majority of the Affiliate assets are written-off over three years. Development work will, however, continue within the group and we expect the D&A to level out during 2021.

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 12.3%, which is used in all three scenarios.

DCF-valuation – Base Case

Summary:

- Sales CAGR of about 3% between 2018-2028
- An average EBIT margin of approximately 9% during the same period
- Terminal growth of 2% and terminal EBIT margin of 14%
- Our base case assumes that GiG will focus on the GiG core, GiG Media and Rizk. We believe the increased focus will bring GiG back to growth. The growth together with more efficient use of resources as well as lower amortizations will improve the profit margins.

After several years of rapid expansion, GiG lost its growth pace in 2018, and the revenues started to decline in 2019. Adding to this is a challenging financial situation with larger debts and increased interest rates. However, GiG has made several changes in the board and management. We expect that the changes will lead to increased focus on the core business as well as more efficient use of resources. As a result of this we see a good chance of turning the negative revenue momentum during 2020 and generate profitable growth onwards.

We believe the platform segment has the best potential for long-term growth and profit improvement. Nevertheless, we believe that the Media segment will continue to contribute with stable cash flows, and the Rizk will continue to contribute with profitable growth.

Our Base case yields a fair value of SEK 13 per share.

Gaming Innovation Group					
Assumptions:	**2018-28**	**2018-21**	**2022-28**	**DCF-value**	
CAGR Sales	3.4%	-0.6%	5.1%	WACC	12.3%
EBIT-margin (avg.)	9.2%	0.5%	12.9%	PV of FCF	110
ROE (avg.)	9%	-5%	16%	PV of Terminal Value	62
Terminal				EV	172
Growth of FCF	2%			Net cash	-60
EBIT margin	13.5%			Dividend correction	0
EV/S Exit multiple	0.9x			Associated companies	0
EV/EBIT Exit multiple	6x			Minorities	0
				DCF-value (EUR)	**112**
				Fair value per share (SEK)	**13**
				Todays price	9
				Potential/Risk	**49%**

Source: Redeye Research

SOTP Valuation

Due to GiG´s negative revenue momentum, challenging financial situation, management changes, and complex company structure. We believe a SOTP valuation is a good complement to the DCF valuation. Moreover, due to the risk connected to the negative momentum, the financial position, and the management changes, we have added a general discount to the multiples. As a result, the multiples are slightly modest.

SOTP valuation

Segment	(EURm)	Sales 2020	EBITDA 2020	Sales Multiple	EBITDA Multiple	Value	Disc. Value
B2C - The Rizk brand		66.3		1.0x		66	57
B2C - Other brands		16.0		0.4x		6	6
B2B - GiG Core (Platform)		19.6		2.1x		41	35
B2B - GiG Media (Affiliation)			18.7		4.6x	86	74
Sum (EURm)						**200**	**173**
EV	**173**						
Net debt	-60						
SOTP value	**112**						
Per share (SEK)	**13**						

Source: Redeye Research

Based on our estimates for 2020 and modest multiples, the SOTP valuation confirms the DCF valuation. For the Rizk brand we have used a sales multiple of 1.0x for 2020, which is lower than the median for operators (1.5x-1.4x), see the peer table on the next page. However, the median is increased by several large and very profitable operators. 1.0x is, more or less, in line with LeoVegas and 888, which operations resembles the development of Rizk.com the most.

The other operator brands have declining revenues and incur losses. As a result, we consider the value for these brands as very low and add a sales multiple of 0.4x. However, it is worth mentioning that there might be hidden values here if GiG can divest any of the brands at similar multiples as for the Highroller brand.

The GiG core platform services are currently incurring losses which we believe merits a discount sales multiple compared to peers. We have added a 20% discount to reflect both the losses as well as the group’s overall challenges, which leads to a sales multiple of 2.1x.

The GiG Media is profitable, and it seems to be quite stable compared to several of its peers that have declining sales and profits. We believe that this merits a slight premium. However, due to the risk connected to the group´s overall challenges, we believe that an EBITDA multiple in line with peers is reasonable.

All in all, despite slightly modest multiples we see a clear upside in the SOTP valuation compared to the current share price.

Peer table

In the peer table, we have added peers relevant to GiG´s different business areas. Based on our estimates and the consensus estimate for the peers from Bloomberg, we see that the general peer is expected to be both more profitable and generate higher growth rate than GiG. As a result, this merits a discount. However, we believe the current discount is too large, which is illustrated in the EV/Sales increase from 1.0x to 1.3x for 2020.

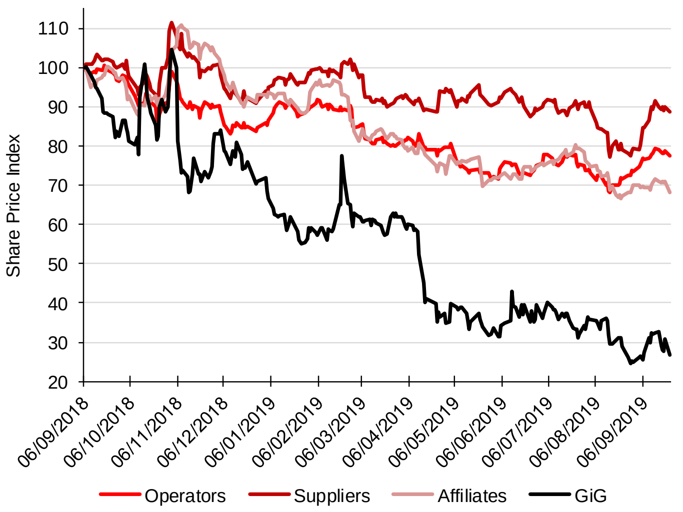
Peer valuation

		EV/Sales			EV/EBITDA			SALES CAGR	EBIT CAGR	EBIT margin		
Company	**EV (MSEK)**	**2018E**	**2019E**	**2020E**	**2018E**	**2019E**	**2020E**	**18-20E**	**18-20E**	**2018E**	**2019E**	**2020E**
Operators												
Star Group	88 284	5.0x	3.6x	3.3x	18.9x	10.0x	9.2x	24%	45%	12%	16%	17%
Flutter Ent.	77 964	3.6x	3.1x	2.8x	17.1x	16.7x	15.1x	13%	25%	11%	12%	13%
GVC	77 678	2.3x	1.8x	1.8x	13.4x	10.0x	8.6x	13%	195%	2%	10%	14%
William Hill	27 162	1.4x	1.4x	1.4x	n.m.	9.9x	8.8x	2%	n/a	-43%	8%	10%
Kindred	14 903	1.4x	1.3x	1.2x	6.3x	8.4x	6.5x	9%	-5%	17%	10%	13%
JPJ Group	9 597	2.6x	1.8x	1.5x	8.0x	6.3x	4.9x	32%	60%	13%	18%	19%
Rank	8 546	1.1x	1.0x	0.9x	8.2x	5.9x	5.7x	9%	30%	7%	11%	10%
Betsson	7 965	1.5x	1.5x	1.4x	5.3x	6.1x	5.8x	2%	-6%	22%	19%	19%
888	5 849	1.2x	1.1x	1.0x	5.6x	7.1x	6.4x	10%	-15%	18%	10%	11%
Leovegas	4 429	1.4x	1.1x	1.0x	10.4x	8.9x	7.1x	22%	43%	6%	7%	9%
Enlabs	1 132	3.6x	2.6x	2.0x	14.2x	8.4x	6.2x	33%	47%	23%	26%	28%
Global Gaming	83	0.1x	0.2x	0.2x	0.6x	n.m.	22.7x	-35%	n/a	15%	-20%	-1%
Median	**9 072**	**1.5x**	**1.5x**	**1.4x**	**8.2x**	**8.4x**	**6.8x**	**11%**	**36%**	**13%**	**11%**	**13%**
Suppliers												
IGT	102 913	2.4x	2.2x	2.2x	8.7x	6.3x	6.2x	5%	29%	13%	20%	20%
Scientific Games	101 800	3.5x	3.1x	2.9x	12.3x	7.8x	7.5x	9%	63%	8%	16%	18%
PlayTech	20 325	1.6x	1.2x	1.2x	6.9x	4.9x	4.6x	15%	41%	11%	16%	16%
NetEnt	7 411	4.2x	4.2x	3.7x	9.1x	8.5x	7.2x	7%	7%	34%	32%	34%
Kambi	4 793	6.1x	4.8x	3.9x	20.7x	16.1x	10.9x	26%	44%	17%	15%	22%
Aspire Global	1 183	1.1x	0.8x	0.7x	5.4x	4.3x	3.9x	29%	12%	19%	16%	14%
Median	**13 868**	**3.0x**	**2.7x**	**2.6x**	**8.9x**	**7.1x**	**6.7x**	**12%**	**35%**	**15%**	**16%**	**19%**
Affiliates												
Catena Media	3 915	3.6x	3.5x	3.1x	8.0x	8.0x	6.3x	9%	9%	37%	31%	37%
Better Collective	3 675	8.8x	5.1x	3.9x	29.5x	11.5x	8.6x	50%	90%	22%	34%	36%
XL Media	1 059	1.0x	1.4x	1.4x	3.8x	3.4x	3.0x	-14%	9%	22%	31%	35%
Raketech	572	2.2x	2.1x	2.0x	4.3x	3.7x	3.9x	4%	-5%	44%	42%	37%
Net Gaming	541	2.8x	3.1x	2.8x	4.3x	5.1x	4.6x	0%	-7%	64%	56%	55%
Median	**1 059**	**2.8x**	**3.1x**	**2.8x**	**4.3x**	**5.1x**	**4.6x**	**4%**	**9%**	**37%**	**34%**	**37%**
GiG	**1 445**	**0.9x**	**1.1x**	**1.0x**	**8.4x**	**n.m.**	**25.9x**	**-6%**	**n/a**	**-12%**	**-12%**	**4%**
At Base case	***1 805***	***1.1x***	***1.3x***	***1.3x***	***10.5x***	***n.m.***	***32.4x***					

Source: Bloomberg & Redeye Research

Share price development

Share Price Index for Operators, Suppliers, Affiliates and GiG, LTM



Source: Bloomberg, Redeye Research

The share price development for the online gambling industry has been weak during the last twelve months. The Affiliate and Operator segments have shown major drops, with decreases of -32% respectively -22%. The Supplier segment has managed better but still dropped -11%. GiG, on the other hand, has decreased with staggering -73%. The decrease has been driven by both declining profits as well as declining sales multiples. This indicates that the market has very low expectations on GiG, creating a good opportunity for positive "surprises".

Please note that Gaming Innovation Group is dual-listed on Nasdaq Stockholm (Ticker: GIGSEK) and Oslo Børs (Ticker: GIG). We convert our valuation into SEK.

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.

- Divestments: GiG divested the Highroller brand at an impressive 2.5x sales multiple. We believe further divestments will show the true value of GiG´s assets.
- 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 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 8% between 2018 and 2028
- Average EBIT margin of approximately 13% during the period
- Terminal growth of 2% and terminal EBIT margin of 18%
- Our bull case scenario assumes a turnaround already at the end of 2019 and profitable growth going forward. The growth is driven by the GiG Core business area with a focus on the omnichannel. The Rizk brand is expected to contribute with growth from new markets and strong profit margins on established markets.

Our Bull case yields a fair value of SEK 29 per share.

Bear case

Summary:

- Sales CAGR of about 2% between 2018 and 2028
- Average EBIT margin of approximately 5% during the period
- Terminal growth of 2% and terminal EBIT margin of 9%
- 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, within any of the business areas.

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

Sensitivity analysis

It is always good to perform a sensitivity analysis of the assumptions that form the basis of the DCF model. Also, a sensitivity analysis can show an approximation of the fundamental assumptions that are factored into the current share price.

Fair value estimate					
WACC \ CAGR sales 2018-28	1%	2%	3%	5%	6%
10.3%	15	16	18	20	21
11.3%	13	14	15	17	18
12.3%	11	12	**13**	15	16
13.3%	10	11	12	13	14
14.3%	9	9	10	11	12

Source: Redeye Research

The valuation is obviously sensitive to assumptions of the WACC and sales growth. These assumptions are varied in the sensitivity analysis above. We can see that an increase in sales growth during the years 2018-2028 has a significant impact on the valuation. Moreover, the WACC impacts the valuation sharply, and a WACC range of 10.3%-14.3% indicates a fair value range of SEK 10-18 per share.

Fair value estimate					
WACC \ EBIT margin avg. 2018-2028	6%	7%	9%	11%	13%
10.3%	9	13	18	22	27
11.3%	7	11	15	19	23
12.3%	6	10	**13**	17	21
13.3%	5	8	12	15	18
14.3%	4	7	10	13	16

Source: Redeye Research

The valuation is also sensitive to changes in the average EBIT margin. Increasing our EBIT margin assumptions by four percentage points indicates a fair value of about SEK 21 per share.

Fair value estimate					
CAGR 2018-27 \ EBIT margin avg. 2018-2027	6%	7%	9%	11%	13%
1%	5	8	11	14	17
2%	6	9	12	16	19
3%	6	10	**13**	17	21
5%	7	11	15	18	22
6%	7	12	16	20	24

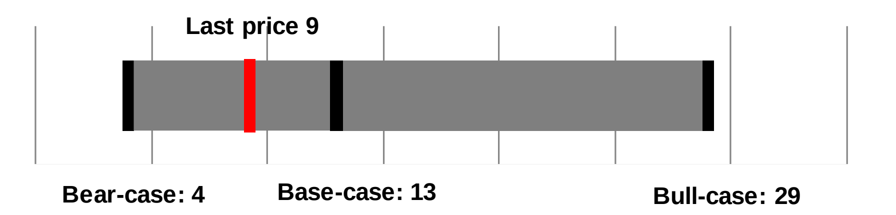
Source: Redeye Research

Valuation summary

Both our base case DCF analysis and SOTP valuation indicates a fair value of SEK 13 per share. We have made modest assumptions in our base case, as the uncertainties are many, but we see positive signs of GiG increasing focus on its core business operations. Our bull case scenario indicates a very large upside if GiG can utilize the large omnichannel potential that we see. Moreover, the Rizk brand has much potential, and the Media segment can become a growing cash-cow.

However, GiG´s financial position is very challenging, and there is very little room for errors in GiG´s operations from this point. Furthermore, changes within the management and the negative momentum add further uncertainty and risk to the case. As a result, the fair value range span from SEK 4 per share to SEK 29 per share.

GiG: Fair value range



Source: Redeye Research

Bear Case SEK 4

Sales CAGR of about 2% between 2018 and 2028

Average EBIT margin of approximately 5% during the period

Terminal growth of 2% and terminal EBIT margin of 9%

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, within any of the business areas.

Base Case SEK 13

Sales CAGR of about 3% between 2018-2028

An average EBIT margin of approximately 9% during the same period

Terminal growth of 2% and terminal EBIT margin of 14%

Our base case assumes that GiG will focus on the GiG core, GiG Media and Rizk. We believe the increased focus will bring GiG back to growth. The growth together with more efficient use of resources as well as lower amortizations will improve the profit margins.

Bull Case SEK 29

Sales CAGR of about 8% between 2018 and 2028

Average EBIT margin of approximately 13% during the period

Terminal growth of 2% and terminal EBIT margin of 18%

Our bull case scenario assumes a turnaround already at the end of 2019 and profitable growth going forward. The growth is driven by the GiG Core business area with a focus on the omnichannel. The Rizk brand is expected to contribute with growth from new markets and strong profit margins on established markets.

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 is only acting CEO and has only held that tole 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 Rochard 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: 1

The current profitability levels of GiG is low. Many of the new "venture" segments are yet to be proven commercially viable. 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. However, our checklist questions focus on historical figures which leads to the low rating.

INCOME STATEMENT	2017	2018	2019E	2020E	2021E
Net sales	120	151	126	134	148
Total operating costs	-108	-135	-113	-113	-121
EBITDA	13	16	12	21	27
Depreciation	-11	-34	-28	-1	-1
Amortization	0	0	0	-14	-12
Impairment charges	0	0	0	0	0
EBIT	2	-18	-15	5	14
Share in profits	0	0	0	0	0
Net financial items	-1	-4	-6	-8	-6
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	1	-22	-21	-3	8
Tax	-1	-1	0	0	0
Net earnings	-2	-23	-22	-3	8

BALANCE SHEET	2017	2018	2019E	2020E	2021E
Assets					
Current assets					
Cash in banks	8	7	13	13	15
Receivables	25	28	23	25	28
Inventories	0	0	0	0	0
Other current assets	4	8	4	4	4
Current assets	37	43	39	42	47
Fixed assets					
Tangible assets	4	5	6	5	6
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	69	70	70	65	65
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	92	69	57	47	45
O non-current assets	2	3	25	25	25
Total fixed assets	168	147	157	142	140
Deferred tax assets	1	0	0	0	0
Total (assets)	206	190	196	183	187
Liabilities					
Current liabilities					
Short-term debt	0	1	1	0	0
Accounts payable	29	34	33	34	37
O current liabilities	0	0	0	0	0
Current liabilities	29	35	33	35	38
Long-term debt	67	66	79	69	63
O long-term liabilities	0	0	17	16	15
Convertibles	0	0	0	0	0
Total Liabilities	96	101	129	120	115
Deferred tax liab	1	1	1	1	1
Provisions	0	0	0	0	0
Shareholders' equity	109	88	66	63	71
Minority interest (BS)	0	0	0	0	0
Minority & equity	109	88	66	63	71
Total liab & SE	206	190	196	183	187

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	120	151	126	134	148
Total operating costs	-108	-135	-113	-113	-121
Depreciations total	-11	-34	-28	-16	-13
EBIT	2	-18	-15	5	14
Taxes on EBIT	0	-1	0	0	-1
NOPLAT	2	-18	-15	5	14
Depreciation	11	34	28	16	13
Gross cash flow	12	15	12	21	27
Change in WC	11	-2	9	-1	0
Gross CAPEX	-70	-13	-38	0	-11
Free cash flow	-46	1	-17	20	15

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	53%	46%	34%	34%	38%
Debt/equity ratio	62%	76%	120%	111%	89%
Net debt	60	60	67	57	48
Capital employed	168	148	133	119	119
Capital turnover rate	0.6	0.8	0.6	0.7	0.8

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	125%	26%	-17%	6%	11%
EPS growth (adj)	-157%	1,215%	-4%	-85%	-334%

DCF VALUATION		CASH FLOW, MEUR	
WACC (%)	12.3 %	NPV FCF (2018-2020)	26
		NPV FCF (2021-2027)	69
		NPV FCF (2028-)	62
		Non-operating assets	7
		Interest-bearing debt	-67
		Fair value estimate MEUR	97
Assumptions 2017-2023 (%)			
Average sales growth	7.4 %	Fair value e. per share, SEK	13
EBIT margin	7.0 %	Share price, SEK	8.99

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	-2%	-23%	-28%	-5%	12%
ROCE	1%	-11%	-10%	4%	11%
ROIC	1%	-11%	-10%	4%	12%
EBITDA margin	10%	11%	10%	16%	18%
EBIT margin	1%	-12%	-12%	4%	10%
Net margin	-1%	-15%	-17%	-2%	5%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	-0.02	-0.25	-0.24	-0.04	0.09
EPS adj	-0.02	-0.25	-0.24	-0.04	0.09
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	0.67	0.67	0.74	0.63	0.53
Total shares	88.90	89.60	90.00	90.00	90.50

VALUATION	2017	2018	2019E	2020E	2021E
EV	4,118.6	1,960.6	144.2	133.8	125.4
P/E	-2,375.9	-83.9	-3.5	-23.6	10.1
P/E diluted	-2,375.9	-83.9	-3.5	-23.6	10.1
P/Sales	33.7	12.6	0.6	0.6	0.5
EV/Sales	34.2	13.0	1.1	1.0	0.8
EV/EBITDA	329.0	121.9	11.7	6.4	4.6
EV/EBIT	2,559.7	-111.3	-9.5	25.7	8.7
P/BV	37.3	21.6	1.2	1.2	1.1

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	-8.4 %	Net sales	2.2 %
3 month	-27.3 %	Operating profit adj	n/a
12 month	-	EPS, just	256.2 %
Since start of the year	-	Equity	-22.0 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Swedbank Robur Fonder	9.2 %	9.2 %
Super Innovative Limited	7.2 %	7.2 %
Andre Lavold	5.4 %	5.4 %
Henrik Persson Ekdahl	5.2 %	5.2 %
Hans Michael Hansen	4.8 %	4.8 %
Myrlid AS	4.7 %	4.7 %
Frode Fagerli	4.0 %	4.0 %
Stenshagen Invest AS	2.8 %	2.8 %
Ben Clemes	2.1 %	2.1 %
Saxo Bank A/S nom.	2.1 %	2.1 %

SHARE INFORMATION	
Reuters code	GIG / GIGSEK.ST
List	Oslo Børs / Nasdaq Stockholm
Share price, (NOK/SEK)	8.46 / 8.99
Total shares, million	90.0
Market Cap, MSEK	810

MANAGEMENT & BOARD	
CEO	Richard Brown
CFO	Tore Formo
IR	Anna-Lena Åström
Chairman	Petter Nylander

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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.

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Disclaimer

Important information
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Redeye Rating (2019-09-25)

Rating	People	Business	Financials
5p	11	8	1
3p - 4p	68	56	28
0p - 2p	12	27	62
Company N	91	91	91

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CONFLICT OF INTERESTS

Jonas Amnesten owns shares in the company : No

Kristoffer Lindström owns shares in the company : No