REDEYE

Update

Equity Research

11 November 2020

Gaming Innovation Group

Sector: Betting/Entertainment

Fueled by the Online Shift

Redeye increases the fair value of GiG on the back of a stabile quarter, where the customer intake triumphed higher costs. The company signed six new agreements for Platform Services in the third quarter, and the positive development seems to continue in the fourth quarter. The OPEX came in higher than estimated, but we expect it to decrease in the coming quarters. Meanwhile, GiG saw a breakthrough for the Media Services in the US. As a result, we continue to see a considerable upside in the stock.

B2B focus

With the B2C divestment, GiG is now purely focusing on the B2B segment and has the long-term ambition of becoming a top-three company within the B2B iGaming space. We believe this new focus will help the company to improve its positions within both the Platform segment and the Media segment.

High demand

We view the growth prospects as strong for GiG´s platform solution, and we especially find the omnichannel solution interesting. The boosted online shift due to COVID-19 has already resulted in several new deals for the omnichannel solution with land-based operators. GiG is also sending positive signals about the Media segment as the strong cash flow generating segment has reached a breakthrough in the massive US market.

Improved financial position

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

Hidden values

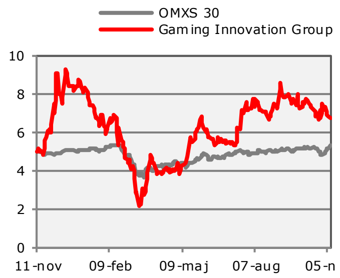
In the midst of the company's transformation, we believe there are hidden values. The remaining B2B operations have an excellent position to deliver profitable growth, and earnings multiples are below its peers. We believe that the Media Service alone holds a value greater than the current enterprise value for the whole group. Accordingly, we regard the stock's current level as unjustified and risk/reward as attractive, with a potential upside of around 50% to our base case valuation of SEK 12 (10).

KEY FINANCIALS (EUR)	2018	2019	2020E	2021E	2022E	2023E
Net sales	151	44	64	78	83	88
EBITDA	16	3	11	21	24	26
EBIT	-18	-24	-8	7	11	14
EPS (adj.)	-0.3	-0.7	-0.2	0.0	0.1	0.1
EV/Sales	13.0	18.6	1.5	1.3	1.2	1.1
EV/EBITDA	121.9	237.5	8.6	4.9	4.1	4.4
EV/EBIT	n.m.	n.m.	n.m.	15.5	8.7	6.7
P/E	n.m.	n.m.	n.m.	29.3	10.2	6.4

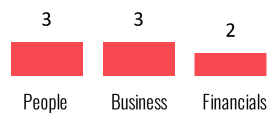
FAIR VALUE RANGE

BEAR	BASE	BULL
5	**12**	21

GIGSEK.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	GIG / GIGSEK
Market	Oslo / Nasdaq
Share Price (EUR	8.46 / 8.19
Market Cap (MEUR	740
Net Debt 20E (MEUR	300
Free Float	45 %
Avg. daily volume ('000)	120

ANALYSTS

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Q3: Strong top-line outlook and one-off costs

GiG: Expected vs. Actual

(EURm)	Q3'19	Q3'20	Q3'20E	Diff
Revenues	10.1	17.9	17.5	2%
Gross Profit	9.8	17.0	16.7	2%
EBITDA	-0.4	3.2	4.2	-24%
EBIT	-9.2	-1.6	-0.2	n.m.
EPS (EUR)	-0.12	-0.03	-0.02	n.m.
Sales growth Y/Y	*-73%*	*78%*	*-42%*	
Sales growth Q/Q	*-11%*	*8%*	*5%*	
EBITDA margin	*-4%*	*18%*	*24%*	
EBIT margin	*-92%*	*-9%*	*-1%*	

Source: GiG, Redeye Research

In the third quarter, GiG´s revenues were in line with our expectations, but the platform segment's customer intake outperformed our expectations. Furthermore, the company also highlighted its making progress in the US market, with the Media segment being present in nine states. In the third quarter, the company saw a breakthrough in customer intake for the Media segment in the US market.

On a segment level, the Platform segment, adjusted for SkyCity, was the only segment that deviated from our estimates. The revenue for the Platform segment came in 7% above our estimates.

On the cost side, the company took several high one-off costs that lowered the earnings. EUR 250k relating to the Sports Betting segment's cost optimization program and another EUR 500k for restructuring the group´s overall business. However, even adjusted for these one-offs, the Other operating expenses were higher than expected. The main reason for this was the strong B2B customer intake that meant that GiG had to maintain a larger workforce than previously estimated to handle the strong pipeline of new customers.

As a result, for the more considerable expenses, the EBITDA came in well below our estimates. However, we view the large expenses as a result of increased revenue expectations going into 2021 with a strong pipeline of new B2B deals.

Financial position

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

Forecast

GiG is now a pure B2B company. The B2B operations offer higher scalability as the gross profit margin is much stronger, which is reflected in the table below. However, the company is reorganizing the full SkyCity revenues, which is impacting the profit margin. Also, we expect the Other OPEX to decline much in Q4 due to minimal one-offs and generally lower expenses. The OPEX has, as mentioned, been substantially impacted by one-offs in the last few quarters.

GiG: Financial forecasts summary

(EURm)	Q1'20	Q2'20	Q3'20	Q4'20E	2020E	2021E	2022E
Revenues	11.2	16.7	17.9	18.2	64.0	77.5	82.6
Adj. B2B Net Revenues*	***12.2***	***13.5***	***14.2***	***14.4***	***54.3***	***61.6***	***65.4***
Gross Profit	10.7	15.9	17.0	17.3	61.0	73.9	78.8
Marketing	-1.7	-4.5	-4.5	-4.7	-15.5	-20.2	-21.7
Other OPEX	-8.5	-8.5	-9.3	-8.2	-34.5	-32.5	-33.6
EBITDA	**0.6**	**2.8**	**3.2**	**4.3**	**11.0**	**21.2**	**23.5**
EBIT	**-4.7**	**-2.2**	**-1.6**	**0.1**	**-8.4**	**6.7**	**11.0**
EPS, EUR	**-0.05**	**-0.06**	**-0.03**	**-0.01**	**-0.15**	**0.03**	**0.07**
Growth Y/Y (%)	-9%	47%	78%	-38%	1%	21%	7%
Growth Q/Q (%)	-62%	49%	8%	1%			
EBITDA (%)	5%	17%	18%	24%	17%	27%	28%
EBIT (%)	-42%	-13%	-9%	0%	-13%	9%	13%

Source: GiG, Redeye Research

**B2B revenues adjusted for SkyCity revenues*

Growth potential

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

Cost allocation

- Cost of sales: With the new business structure with purely B2B operations, we will see a much lower cost of sales going forward, adjusted for the SkyCity revenues.
- Marketing: Minor marketing expenses will primarily be maintained within the Media segment and the cost related to SkyCity.
- Other operating expenses: We expect the company to slim the OPEX some more to improve the efficient use of resources. However, as the business grows, the operation needs to expand as well, but we expect the OPEX to decrease going forward in relation to revenues.

Segments

The Media Services continued to perform well during the third quarter. The growth driver was the Paid Media segment that reported a Y/Y growth of 50%. However, the Paid Media segment's expansion is driven by increased marketing spending. Hence, lower profit margins for the Media Services. Furthermore, the overhead costs adjustment has resulted in higher overhead expenses for the Media Services and lower EBITDA margin as a result.

Nonetheless, the Media Services possibilities are substantially, especially in the massive US market, where the company saw a breakthrough in the third quarter. GiG is now up and running in nine states, which we find very impressive and should result in a good increase in the revenues over the coming year.

The Platform Services has shifted focus towards a fixed fee model and will increase its focus on large long-term partnerships. As a result, we expect that the company will phase out the white label deals. The Betsson deal has boosted the revenues from Q2'20 and will continue to do so in the coming two years.

Moreover, we believe that the increased focus on the B2B with major partnerships, such as Tipwin and Sky City, will drive underlying growth going forward. The strong customer pipeline should ensure strong growth in 2021. The segment is also highly scalable, which will drive increased margins, while the growth focus will mitigate some of the scalability effects in the short-run.

The Sports Betting Services is showing improved performance. However, we have low expectations for growth as the focus is on lowering costs in the short-term. Nonetheless, there is still long-term potential for the product, and we find the deal with Betgenius interesting.

GiG: Financial forecasts - B2B segments

(EURm)	Q1'20	Q2'20	Q3'20	Q4'20E	2020E	2021E	2022E
Media Services							
Revenue	8.2	8.6	8.6	8.7	34.2	36.5	39.0
EBITDA	4.5	4.8	4.0	4.2	17.5	18.1	19.4
EBITDA margin (%)	55%	56%	47%	48%	51%	49%	50%
Platform Services							
Revenue	4.3	8.2	9.1	9.2	30.9	39.8	41.9
Adj. Revenues*	***3.8***	***4.7***	***5.4***	***5.4***	***19.4***	***23.8***	***24.7***
EBITDA	-1.6	-0.9	-0.1	0.3	-2.3	3.1	4.1
EBITDA margin (%)	-36%	-11%	-1%	3%	-7%	8%	10%
Adj. EBITDA margin (%)	***-41%***	***-19%***	***-2%***	***5%***	***-12%***	***13%***	***16%***
Sports Betting Services							
Revenue	0.2	0.1	0.2	0.2	0.7	1.3	1.7
EBITDA	-1.7	-0.9	-0.7	-0.1	-3.4	0.0	0.0
EBITDA margin (%)	-830%	-900%	-350%	-60%	-460%	0%	0%

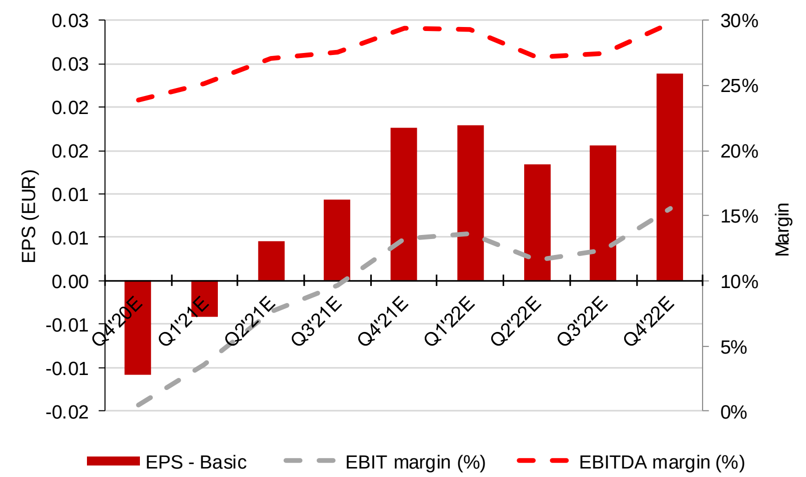
Source: GiG, Redeye Research

**Revenues adjusted for SkyCity revenues*

EPS and Profit margins

Over the next two years, we expect to see a steady increase in the EBITDA margin and the EPS. Together with the scalable platform, the increased revenues will have a direct positive effect on the profit margins. Lower depreciation and amortization will help boost the EPS further.

GiG: EBITDA margin, EBIT margin and EPS (Q3'20E-Q4'22E)



Source: GiG, Redeye Research

Forecast changes

We estimate with slightly increased expenses due to the B2B pipeline, which will require significant onboarding efforts. The robust pipeline will also lead to higher revenues.

GiG: B2B segment

Estimate revisions	2020E			2021E			2022E		
(EURm)	New	Old	*% chg*	New	Old	*% chg*	New	Old	*% chg*
Adj. Revenues	54	54	*1%*	62	61	*1%*	65	64	*2%*
EBITDA	11.0	12.6	*-13%*	21.2	21.8	*-3%*	23.5	22.9	*3%*
EBITDA margin	20%	23%		34%	36%		36%	36%	

Source: Redeye Research

Investment Thesis

- Attractive SOTP valuation
- Platform and omnichannel
- Potential turnaround

Attractive SOTP valuation

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

Platform and omnichannel

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

More focused business

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

- New B2B agreements
- Good performance for the Media Services in the US
- Divested the B2C segment
- Made changes in both the board and management.
- Slimed the other operating expenses and use resources more efficiently
    - Sports Betting Service is reducing its burn rate
    - The company has decided to halt the investments in GiG Games
    - The company has decreased the number of employees

Counter-Thesis – Bear Points

Organizational changes

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

Regulatory uncertainty

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

Valuation

GiG has, with the divestment of the B2C segment, taken strong measures to increase focus and improve the financial position. For the remaining B2B segment, we see strong growth possibilities for the Platform Service with its omnichannel solution. It is a strong fit for land-based operators taking its brands online. Furthermore, Media Services is not only generating strong cash flows, but growth opportunities are emerging, with the vast US market being the most interesting.

The previous considerable uncertainty related to the financial position is now under control, thanks to the divestment of the B2C business and improved underlying operations. Increased regulations have been a significant challenge for the online gambling sector in the last few years, including GiG. However, GiG is also showing that it can take advantage of the situation by signing up partnerships with land-based operators like Tipwin and SkyCity. As a result of the lower uncertainty, we have lowered the WACC for the company to 11.5%

In conclusion, we still see a substantial upside in the stock, which is supported by both the DCF valuation and the SOTP valuation. The GiG is currently traded well below its peers, and we see strong signs of improvement. As a result, we increase our fair value in base case to SEK 12 per share, and the fair value range span from SEK 5 per share to SEK 21 per share.

Gaming Innovation Group					
Assumptions:	**2020-28**	**2020-23**	**2023-28**	**DCF-value**	
CAGR Sales	8.7%	11.4%	6.7%	WACC	11.5%
EBIT-margin (avg.)	17.4%	12.6%	20.2%	PV of FCF	89
ROE (avg.)	37%	39%	36%	PV of Terminal Value	75
Terminal				EV	164
Growth of FCF	2%			Net cash (Start of 2020)	-57
EBIT margin	19.0%			Dividend correction	0
EV/S Exit multiple	1.6x			Associated companies	0
EV/EBIT Exit multi|	9x				
				DCF-value (EUR)	**105**
				Fair value per share (SEK)	**12.0**
				Todays price	8.2
				Potential/Risk	**46%**

Source: Redeye Research

Bear Case SEK 5

Sales CAGR of about 6% between 2020 and 2028

Average EBIT margin of approximately 14% during the period

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

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

Base Case SEK 12

Sales CAGR of about 9% between 2020-2028

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

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

Our Bear case scenario assumes a gradual improvement of the Platform Services and a steady stream of new deals with land-based operators. The Media Services will expand to new markets and we expect a healthy profitable growth.

Bull Case SEK 21

Sales CAGR of about 11% between 2020 and 2028

Average EBIT margin of approximately 22% during the period

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

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

SOTP Valuation

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

SOTP valuation

Segment	(EURm)	Sales 2021	EBITDA 2021	Sales Multiple	EBITDA Multiple	Value	Disc. Value
B2B - GiG Core (Platform)		23.8		2.0x		48	42
B2B - GiG Media (Affiliation)			18.1		6.0x	108	96
B2B - Sports Betting		1.3				0	0
Sum (EURm)						**156**	**138**
EV	**138**						
Net debt	-32						
SOTP value	**106**						
Per share (SEK)	**12.5**						

Source: Redeye Research

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

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

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

Peer table

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

Peer valuation

		EV/Sales			EV/EBITDA			SALES CAGR	EBIT CAGR	EBIT margin		
Company	**EV (MSEK)**	**2019**	**2020E**	**2021E**	**2019**	**2020E**	**2021E**	**19-21E**	**19-21E**	**2019**	**2020E**	**2021E**
Suppliers												
Scientific Games	107 661	3.3x	4.6x	3.9x	9.3x	15.4x	10.3x	-8%	-2%	16%	6%	18%
IGT	89 383	2.0x	3.1x	2.5x	6.6x	10.2x	7.3x	-10%	4%	13%	9%	18%
NetEnt	23 014	13.0x	10.5x	9.5x	27.1x	19.6x	16.2x	17%	37%	30%	34%	41%
PlayTech	14 744	0.9x	1.1x	0.9x	5.6x	4.9x	4.3x	-1%	132%	2%	10%	10%
Kambi	9 126	9.3x	8.5x	6.3x	29.6x	23.2x	15.5x	22%	57%	16%	20%	27%
GAN	4 396	15.5x	12.9x	10.0x	64.6x	45.3x	34.3x	25%	77%	8%	-9%	16%
Aspire Global	1 247	0.9x	0.8x	0.7x	5.4x	4.9x	4.6x	15%	4%	14%	12%	12%
Median	**14 744**	**3.3x**	**4.6x**	**3.9x**	**9.3x**	**15.4x**	**10.3x**	**15%**	**37%**	**14%**	**10%**	**18%**
Affiliates												
Better Collective	5 948	8.3x	6.4x	3.7x	20.4x	15.3x	9.5x	49%	51%	31%	32%	32%
Catena Media	3 712	3.4x	3.2x	2.9x	41.7x	6.6x	5.8x	8%	n.m.	-6%	37%	39%
Raketech	436	1.7x	1.5x	1.3x	3.9x	3.8x	3.3x	13%	5%	25%	21%	22%
Net Gaming Europe	250	1.7x	2.0x	2.2x	2.8x	4.8x	4.8x	-13%	-29%	54%	33%	36%
Median	**2 074**	**2.6x**	**2.6x**	**2.6x**	**12.2x**	**5.7x**	**5.3x**	**10%**	**5%**	**28%**	**33%**	**34%**
GiG	**1 067**	**1.2x**	**1.6x**	**1.3x**	**9.2x**	**9.4x**	**4.9x**	**n.m.**	**n.m.**	**n.m.**	**-13%**	**9%**
At Base case	***1 410***	***1.6x***	***2.1x***	***1.8x***	**12.1x**	**12.4x**	**6.5x**					

Source: Bloomberg & Redeye Research

Catalysts

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

- 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 several land-based operators. Additional and extended deals like these together will clear effects on the revenue levels should take the valuation to a new level.
- Increased multiples: The valuation multiples within the online gambling segment, especially affiliation, has been pressured very much during the last year. The current levels indicate a very gloomy future, especially for the affiliate segment. This can change swiftly.

Summary Redeye Rating

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

Rating changes in the report

People: 3

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

Business: 3

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

Financials: 2

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

INCOME STATEMENT	2018	2019	2020E	2021E	2022E
Net sales	151	44	64	78	83
Total operating costs	-135	-41	-53	-56	-59
EBITDA	16	3	11	21	24
Depreciation	-34	-14	-19	0	0
Amortization	0	-9	0	-14	-13
Impairment charges	0	-4	0	0	0
EBIT	-18	-24	-8	7	11
Share in profits	0	0	0	0	0
Net financial items	-4	-8	-5	-4	-4
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-22	-32	-13	3	7
Tax	-1	-1	0	0	0
Net earnings	-23	-66	-15	2	6

BALANCE SHEET	2018	2019	2020E	2021E	2022E
Assets					
Current assets					
Cash in banks	7	10	6	8	8
Receivables	28	22	12	15	16
Inventories	0	0	0	0	0
Other current assets	8	0	0	0	0
Current assets	43	32	18	22	24
Fixed assets					
Tangible assets	5	6	-9	-6	-3
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	70	41	24	24	24
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	69	41	39	31	25
O non-current assets	3	16	16	16	16
Total fixed assets	147	103	70	65	62
Deferred tax assets	0	0	0	0	0
Total (assets)	190	136	88	88	86
Liabilities					
Current liabilities					
Short-term debt	1	34	5	10	14
Accounts payable	34	33	32	19	20
O current liabilities	0	0	0	0	0
Current liabilities	35	66	37	30	34
Long-term debt	66	33	35	40	29
O long-term liabilities	0	13	12	11	11
Convertibles	0	0	0	0	0
Total Liabilities	101	112	83	81	73
Deferred tax liab	1	1	1	1	1
Provisions	0	0	0	0	0
Shareholders' equity	88	22	4	6	12
Minority interest (BS)	0	0	0	0	0
Minority & equity	88	22	4	6	12
Total liab & SE	190	136	88	88	86

FREE CASH FLOW	2018	2019	2020E	2021E	2022E
Net sales	151	44	64	78	83
Total operating costs	-135	-41	-53	-56	-59
Depreciations total	-34	-28	-19	-14	-13
EBIT	-18	-24	-8	7	11
Taxes on EBIT	-1	-1	0	0	-1
NOPLAT	-18	-25	-9	6	10
Depreciation	34	28	19	14	13
Gross cash flow	15	3	11	21	23
Change in WC	-2	13	10	-16	-1
Gross CAPEX	-13	16	14	-10	-9
Free cash flow	1	32	34	-5	13

CAPITAL STRUCTURE	2018	2019	2020E	2021E	2022E
Equity ratio	46%	16%	4%	6%	14%
Debt/equity ratio	76%	301%	1,117%	895%	365%
Net debt	60	57	33	43	34
Capital employed	148	79	37	48	46
Capital turnover rate	0.8	0.3	0.7	0.9	1.0

GROWTH	2018	2019	2020E	2021E	2022E
Sales growth	26%	-71%	45%	21%	7%
EPS growth (adj)	1,215%	190%	-78%	-114%	186%

DCF VALUATION	
WACC (%)	11.5 %

PROFITABILITY	2018	2019	2020E	2021E	2022E
ROE	-23%	-120%	-115%	46%	70%
ROCE	-11%	-20%	-13%	14%	20%
ROIC	-11%	-17%	-11%	18%	21%
EBITDA margin	11%	8%	17%	27%	28%
EBIT margin	-12%	-55%	-13%	9%	13%
Net margin	-15%	-150%	-23%	3%	7%

DATA PER SHARE	2018	2019	2020E	2021E	2022E
EPS	-0.25	-0.73	-0.16	0.02	0.07
EPS adj	-0.25	-0.69	-0.16	0.02	0.07
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	0.67	0.63	0.37	0.47	0.38
Total shares	89.60	90.00	90.00	90.50	90.60

VALUATION	2018	2019	2020E	2021E	2022E
EV	1,960.6	818.0	94.5	103.9	95.3
P/E	-83.9	-11.5	-4.1	29.3	10.2
P/E diluted	-83.9	-11.5	-4.1	29.3	10.2
P/Sales	12.6	17.3	1.0	0.8	0.7
EV/Sales	13.0	18.6	1.5	1.3	1.2
EV/EBITDA	121.9	237.5	8.6	4.9	4.1
EV/EBIT	-111.3	-33.9	-11.2	15.5	8.7
P/BV	21.6	34.2	17.3	10.8	5.3

SHARE PERFORMANCE		GROWTH/YEAR	18/20E
1 month	-10.9 %	Net sales	-35.0 %
3 month	-8.5 %	Operating profit adj	-30.8 %
12 month	38.0 %	EPS, just	-19.4 %
Since start of the year	-18.3 %	Equity	-79.9 %

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

SHARE INFORMATION	
Reuters code	GIG / GIGSEK
List	Oslo / Nasda
Share price, SEK	8.19
Total shares, million	90
Market Cap, MSEK	740

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

FINANCIAL INFORMATION

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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

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Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.
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Redeye Rating (2020-11-11)

Rating	People	Business	Financials
5p	21	16	3
3p - 4p	108	88	40
0p - 2p	5	30	91
Company N	134	134	134

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CONFLICT OF INTERESTS

Jonas Amnesten owns shares in the company : No
Tomas Otterbeck owns shares in the company : No
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.