



REDEYE

Redeye Online Gambling Seminar

September 26, 2019



AGENDA

12:30	Registration
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13:00	Redeye Welcoming and Intro
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13:15	Suppliers Company presentations Aspire Global Finnplay Zimpler Interactive
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13:40	Panel discussion
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14:00	Coffee break
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14:15	Developers Company presentations Quickspin Push Gaming Nolimit City
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14:30	Panel discussion
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14:45	Regulation Panel Wiklund Law Nordic Gambling Betsson
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15:00	Coffee break
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15:15	Affiliates Company presentations Better Collective GiG Net Gaming Dilanti Media Raketech
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15:40	Panel discussion
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16:00	Operators Company presentations LeoVegas Svenska Spel Enlabs Hero Gaming Coolbet Glitnor
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16:30	Panel discussion
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17:00 -19:00	Drinks and mingle
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Johan Ekström
Head of Digital Entertainment

Johan has a MSc in finance from Stockholm School of Economic and has studied e-commerce and marketing at MBA Haas School of Business, University of California, Berkeley. Johan has worked as analyst and portfolio manager at Swedbank Robur, equity PM at Alfa Bank and Gazprombank in Moscow and as hedge fund PM at EME Partners. At Redeye, Johan works in the Corporate Advisory team with special focus on Digital Entertainment and Tech.

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David Myslinski
Equity Capital Markets

Dawid Myslinski holds a Master's degree in Finance from Stockholm University, School of Business. Dawid has covered the online gambling sector since 2005, first as an equity analyst and then as a financial advisor. Currently Dawid focuses on growing Redeye's network of institutional investors.

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Christian Avenäs
Corporate Advisor

Christian has been in the financial industry for 10+ years, working as a trader and a broker before going in to corporate finance. Previous employer includes Skandia Liv, Jarl Securities and CMC Markets. Today Christian is a part of Redeye's corporate finance team with focus on the vast and growing digital entertainment sector.

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Jonas Amnesten
Senior Analyst

Jonas Amnesten is an equity analyst within Redeye's technology team, with focus on the online gambling industry. He holds a Master's degree in Finance from Stockholm University, School of Business. He has more than 6 years' experience from the online gambling industry, working in both Sweden and Malta as Business Controller within the Cherry Group.

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Kristoffer Lindström
Senior Analyst

Kristoffer Lindström has both a BSc and an MSc in Finance. He has previously worked as a financial advisor, stockbroker and equity analyst at Swedbank. Kristoffer started to work for Redeye in early 2014, and today works as an equity analyst covering companies in the tech sector with a focus on the Gaming and Gambling industry.

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Operators

LeoVegas

The business concept behind LeoVegas is to use the mobile to create the ultimate gaming experience. LeoVegas offers world-leading gaming entertainment through product, technology and marketing innovation. Their main brand LeoVegas was launched in 2012 and has become the market leader of mobile casino.

Enlabs

Enlabs stands for Entertainment Laboratories. Enlabs is a company that creates entertainment through innovative thinking within three business areas: Gaming, Media and Solutions. The corporate group has offices in Tallinn, Riga, Vilnius, Malta, Marbella and Stockholm. The operating subsidiaries hold national licenses for their operations and the Group employs approximately 200 employees.

Coolbet

Coolbet's own-developed gaming site and sportsbook software is based in Estonia with a head office in Tallin. The group has about 160 employees in total. Coolbet's objective is to create a product that is a bit different from everyone else, having less betting options and on being better at what they do.

Svenska Spel

Svenska Spel's mandate is based on protecting the customer. The mandate is to deliver attractive games in a responsible manner. Svenska Spel includes well-known brands such as Lotto, Triss, Stryktipset, Oddset, Vegas and Casino Cosmopol. Svenska Spel's vision is that gaming is for everyone's enjoyment. The Company works actively to counter gaming problems through information and concrete tools for customers to allow them to control their gaming habits.

Hero Gaming

Hero Gaming was founded in 2013 by Georg Westin with an idea that casino gaming can be more fun and engaging by combining it with features found in non-gambling games. Casino Heroes was launched in 2014 with an initial focus on Scandinavia and they have launched several other brands since then.

Glitnor

Glitnor strives to be the most entrepreneurial and fastest growing business group in the iGaming industry. The ambition is to take global leadership and change the competitive landscape for Game Studios, Game Operators and Lead Generation. Glitnor is present in Europe and Asia and has a unique and proven track record achieved through the expertise of the founders and key people.

Aspire Global

Aspire Global is an online gambling company operating in the B2B and B2C segment. In the B2B segment, the company offers a platform solution targeting non-gambling companies as well as established gambling operators. In addition to the platform solution, the company develops proprietary games and distributes them to both internal and external partners. In the B2C segment, the company operates proprietary online casino brands, sportsbook brands and brands that offer both online casino and sportsbook.

Gaming Innovation Group

GIG offer cutting edge Cloud-based services and Performance Marketing through its B2B products. It provides its B2B customers with the technology, products and services to create an amazing experience for the end users. GIG also owns seven consumer facing brands that offer a gaming experience like no other in the form of casino games, sports betting and poker tables.

Finnplay

Founded in 2008, Finnplay specialises in developing a real money gaming platform and solutions for the iGaming industry. Finnplay caters to start-ups as well as large established companies looking to replace existing legacy gaming systems or improve them. Its spearhead product is the gaming platform BillFold, which is compliant in the regulated gaming jurisdictions of Malta, UK, Belgium, Denmark, Sweden, Hungary, Romania, Bulgaria, Mexico and Curacao.

Interactive

In 2008, Interactive was founded with the mission to help iGaming operators reactivate churned players and get them back in the game. They decided to develop and perfect a methodology to re-engage with inactive players, reactivate them and keep them loyal to the operator over time. Thus, generating significant organic re-growth and bottom line profits, whilst at the same time maintaining responsible gaming commitments.

Zimpler

Zimpler is a Swedish fintech company which was founded in Stockholm and Gothenburg in 2012. Zimpler's main product is a modern, mobile wallet that gives the user control over their spending. This is done through spending limits, nudging and behavioural science methods. Zimpler has offices in Stockholm, Gothenburg, Berlin and Haparanda. Today, Zimpler has more than 112 000 users who can make, and get control over, their payments.

Developers

Quickspin

Quickspin is a Swedish game studio developing innovative video slots for real money online gambling and free to play social market. Video slots is the most important part of Quickspins offering but the company has also created innovative promotional tools. Quickspins platform provides a complete casino management system for all Quickspin video slots and promotional tools.

Push Gaming

Push Gaming is a games development studio which specialises in creating premium, mobile-optimised HTML5 games. With a wide range of global partners which includes some of the world's most influential operators, Push Gaming is successfully taking on a competitive industry in order to provide more entertaining mobile game play than ever before.

Nolimit City

Nolimit City is a gambling software provider with the operator in focus and the mobile future on their minds. The company's mission is to offer a fast, reliable and flexible team that cooperates with a select few operators, taking gambling software to the next level.

Affiliates

Better Collective

Better Collective is the leading developer of educational platforms within the iGaming industry. Through their products, they aim to make sports betting and gambling entertaining, transparent and fair for the global network of online bettors. The company has increased its focus towards the huge US sports betting market through two strategic acquisitions.

Net Gaming

Net Gaming is a fast-growing global challenger that owns, operates and develops 130 comparison and news sites under strong digital brands across the world. Net Gaming was founded in 2003 with the simple concept of making it easier for users to find, compare and make the right choice in digital services based on their needs.

Dilanti Media

Dilanti Media was Founded in January 2018 and is operating affiliate marketing properties in several industries including Online gambling and the FinTech industry, including crypto currencies.

Raketech

Raketech is an online affiliate and content marketing company that was founded to guide and inspire people to the best available services. Raketech ensures, that in the world of digital information overload, its users always find exactly what they are looking for – quality and relevancy. Regardless of the chosen vertical, which can vary from financial comparison products, engaging online sports communities and reliable casino guides, Raketech provide customer-tailored solutions to over 400+ partners worldwide.

Nordic Gambling

Nordic Gambling is a well-known legal firm which specialises in gambling related law such as licensing, compliance advice and public affairs. The law firm has gained extensive experience in the industry from working with operators, suppliers, service providers and government regulators. Nordic Gambling has been closely involved in the development of the law and regulation in a number of European jurisdictions, including Denmark and Sweden.

Wiklund LAW

Dr. Wiklund has been advising major online gaming operators for almost 15 years. His sector expertise ranges from commercial and regulatory to M&A and litigation. He has acted as counsel in proceedings before the European Courts in Luxemburg and Strasbourg. He has also represented clients in the European Commission and the Swedish Competition Authority. He is acting for clients in a number of pending high profile monopoly EU law suits (gaming, tax and alcohol) against the Swedish government.

Betsson

Betsson AB is a Swedish company that offers a number of online gambling products, such as casino, poker, bingo, sports betting and scratch cards through more than 20 online gaming brands including Betsson, Betsafe and NordicBet.

Redeye Online Gambling Guide 2019



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Client company **interviews**

The questions we asked the CEOs of our client companies were:

- A) What were the major highlights the last twelve months for your company?
- B) What will be your main focus in the coming twelve months?
- C) Which trend(s) will have the biggest impact on the industry in the coming years?





Jesper Søgaard,
Better Collective
(Market cap. SEK 3.5bn)

A) Growth comes out as key when reviewing the last year. We have grown on all parameters: employees, offices, geography, and not least business performance, including organic growth. Acquisitions is of course one of the drivers behind this, and we have significantly strengthened our position in key markets such as the US and Sweden. Last but not least, we have added a new leg to our business by entering a media partnership with nj.com, the leading local news media in New Jersey.

B) We give high priority to the integration of acquired entities. Our main focus is on the US, positioning and utilising our new sites as well as sharing best practices across the group, leveraging the specialist knowledge and experience of the new teams. We strive to enter more media partnerships and overall keep delivering growth.

C) We continue to see the ongoing US regulation as a key driver. We are following the upcoming trend of ad bans and other restrictions as it has the potential to shift dynamics in the industry. In the end, this comes down to creating a transparent and safe environment for the user. For Better Collective, compliance and responsible gambling have always been core focus areas due to our commitment and vision to empower iGamers. Earlier this year, we co-founded Responsible Affiliates in Gambling (RAiG) which we believe can be a game-changer for compliance standards for affiliates and which will ensure a lift of the entire industry in terms of responsible behaviour for the benefit of the users.



Tsachi Maimon,
Aspire Global
(Market cap. SEK 1.5bn)

A) The last 12 months were very good for Aspire Global. We were able to grow although our peers were challenged. It's 12 months where Aspire:

1. That B2B segment surpassed the B2C and now represent more than 60% of the company's income and ebitda. B2C was able to grow as well but the platform's B2B partners were able to grow faster. We were able to find a very good commercial solution for taxed and regulated markets so our partners will be able to continue to be very profitable also in this environment.
2. The sport income is growing nicely and succeeded reaching more than 8% of the overall income in its very first period. Sport is known to be a very complex vertical, and together with some new product initiatives ("robotip" for example), we believe we created a very strong position to continue to grow in this very important vertical.
3. We did our first M&A acquisition by acquiring Pariplay. Pariplay is a B2B company, owning proprietary games and studios and act as an aggregator for many 3rd party games developers. Pariplay is a great addition to the B2B arm and also holds license to enter the attractive US market in the future. Pariplay is only the first acquisition in this direction, and we are excited about what we want to achieve in the future.

B) Our main focus in the coming 12 months will be two main areas:

1. On the tech side – we are building an even stronger team to take the platform to the next level, being able to scale up our offering, have a better product for our partners and being able to perform the same all around the world through the cloud based platform we integrate to.
2. On the business side, we are focusing on strengthening our B2B offering. We want to own more important verticals (similar to what we did with Pariplay) so Aspire will be able to offer the best in class products, not only to its own partners, but also outside the platform and grab more and more market share through its own different companies.

C) We believe that when more and more markets are becoming regulated or taxed, companies will have more challenges to keep up and survive. Some companies will need to find their own path; if its through acquisitions or product innovations. The companies will need to think differently, act differently, be leaner and faster. Aspire is building its business and group around this scenario in order to be one of the few companies to grab market share through smart operations and acquisitions. Not only now, but also in the future.



Robert Andersson,
Enlabs
(Market cap. SEK 1.3bn)

A) It's hard to pick just a few highlights since there are so many achievements during the last year that I'm proud of, but I'll try to boil it down to three highlights that have had a big impact.

- **Rebranding to Enlabs** from our old name Nordic Leisure, which has meant a lot in terms of employer branding and is an ongoing project with company culture in order to attract the most talented people in the industry. With the transition to Enlabs we have also improved our communication to our investors and trying to be more visible within the investor communities.
- **Launching new products** and content in a high pace during the spring of 2019 with for example Evolution Gaming and poker in both Latvia and Estonia.
- **Sportsbook launch in Lithuania** to complement our current casino offering in our fastest growing market.

B) We have a very clear focus on driving growth in what we like to call "The Baltics and beyond". In our core markets which are Estonia, Latvia and Lithuania we will continue to launch new content and products in a high pace. Beyond the Baltics we have recently signed an LOI for an acquisition in Belarus which is a market we are following closely, and we are also looking at Finland as a market now that our new platform has been certified by MGA. Beyond growing our revenues, we will continue the work of migrating our brands to the new platform which will decrease the administrative work of maintaining multiple platforms.

C) I think that regulation and compliance will have a big impact on the industry in many ways. I believe that we will continue to see more markets getting regulated throughout Europe which will be a change for the ones who are active on unregulated markets today. But I also believe that the regulators will become much tougher on the non-licensed operators with for example payment blockings, which will be positive for the licensed companies.



Tobias Fagerlund,
Global Gaming
(Market cap. SEK 0.3bn)

A) Without a doubt the growth we've experienced and the events in Sweden, both during the spring and later. Everything is overshadowed by the event in June of course and the process after with the court case. The restructuring of the Group and our immediate action.

B) Coming back into the Swedish market in the partnership with Finnplay Group, and nanocasino.com on our own license. Secondly, expanding into new markets in order not to be dependent in one market as before.

C) Continued product development on payments and more regulated markets, which have effects on gaming tax and regulations on marketing.



Petter Nylander,
Gaming Innovation Group
(Market cap. SEK 1.0bn)

A) In the last twelve months GiG completed the last component in the vision to control the whole value chain in the industry. We entered new continents with our online and retail sportsbook solution with Hard Rock in New Jersey, USA and our fully managed casino solution with SkyCity in New Zealand and launched our marketing site wsn.com in New Jersey. GiG was granted a licence in New Jersey, US, two licences in Sweden and two licences in Spain, permitting the Company to offer online casino and sports betting and a Class II licence in Romania for affiliate marketing. We launched the successful marketing compliance tool, GiG Comply. The solid Media Services vertical reached all-time-high revenues. A new Board was elected in December 2018. The GiG share was listed on Nasdaq Stockholm in March 2019, a dual-listing with Oslo Børs and a new SEK400m bond was issued.

B) GiG will accelerate B2B sales, both turnkey solutions to land-based operators and modular sales. A new front end framework was launched with SkyCity and migration of all GiG hosted brands are to follow suit in the coming quarters which will improve efficiency. We will continue growing our largest B2C brand Rizk and reduce non-marketing related OPEX through strong focus on execution.

C) With a sharp focus on sustainability models, the operators' product development roadmaps are increasingly focused on compliance and code refactoring. The increased complexity of a regulated operation, coupled with increased taxation, will create a need amongst operators for further outsourcing of the exterior layers of the technology stack and operations such as integrations, aggregations, content and compliance functionality. The use of AI and other smart tools will increase and find new routes to support sustainable business models and a safe and entertaining gambling experience for the end users.

Why invest in Gambling

The gambling industry offers investors the opportunity to benefit from massive secular growth trends. These factors are, among others, improved living standards and more free-time, digitalization, the smart phone penetration and the re-regulation of the market.



Secular Growth Trends

DIGITALIZATION OF TRADITIONAL GAMBLING

The main driver behind the substantial growth of Online Gambling is that Land-based betting and casino experience is moving to the internet and becoming interactive. During 2019 only 12% of the total amount spent on gambling activities took place online; the room to grow is still significant. Accessibility of internet connection, low-cost computers, an increasingly vibrant online experience, and conveniences drive the digitalization of gambling.

Total global gambling market



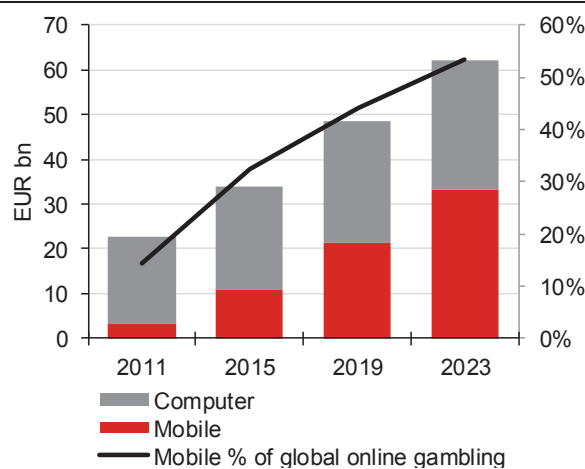
Source: H2GC

SMARTPHONE IS THE NEXT STEP

If Online or Interactive gambling was the first wave, then mobile gambling is the following. An increasing share of the total Online Gambling Gross Gaming Revenue (GGR) is conducted through mobiles. The rise of the smartphone has resulted in an even increased accessibility which reduces the "hurdle" to Gamble. The mobile has also lead to game developers focusing on short and fun experiences to increase the entertainment factor of gambling. We view gamification of

gambling as the third "step"; all this is enabled by the mobile experience. The "mobile-first" concept is today well established in the online gambling industry, and the strong growth is expected to continue for the next coming years.

Global online gambling market



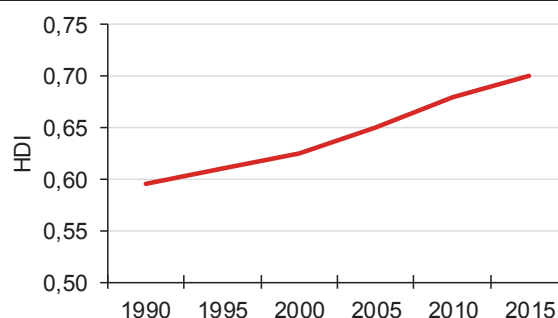
RE-REGULATION

For many years countries ignored the growing Online Gambling market and tried to create state monopolies. In most countries, this did not work out that well, and there is an ongoing wave of re-regulation of the European market. Re-regulation is now regarded as one of the most critical drivers of growth in the industry, and it will create opportunities for the industry innovators.

GLOBALLY INCREASED DEMAND FOR FREE TIME ENTERTAINMENT

Global living standards are improving steadily, here visualized by the rising average World Human Development Index. For the gambling industry, this leads to more free time and increased demand for entertainment, and more money to spend on entertainment globally.

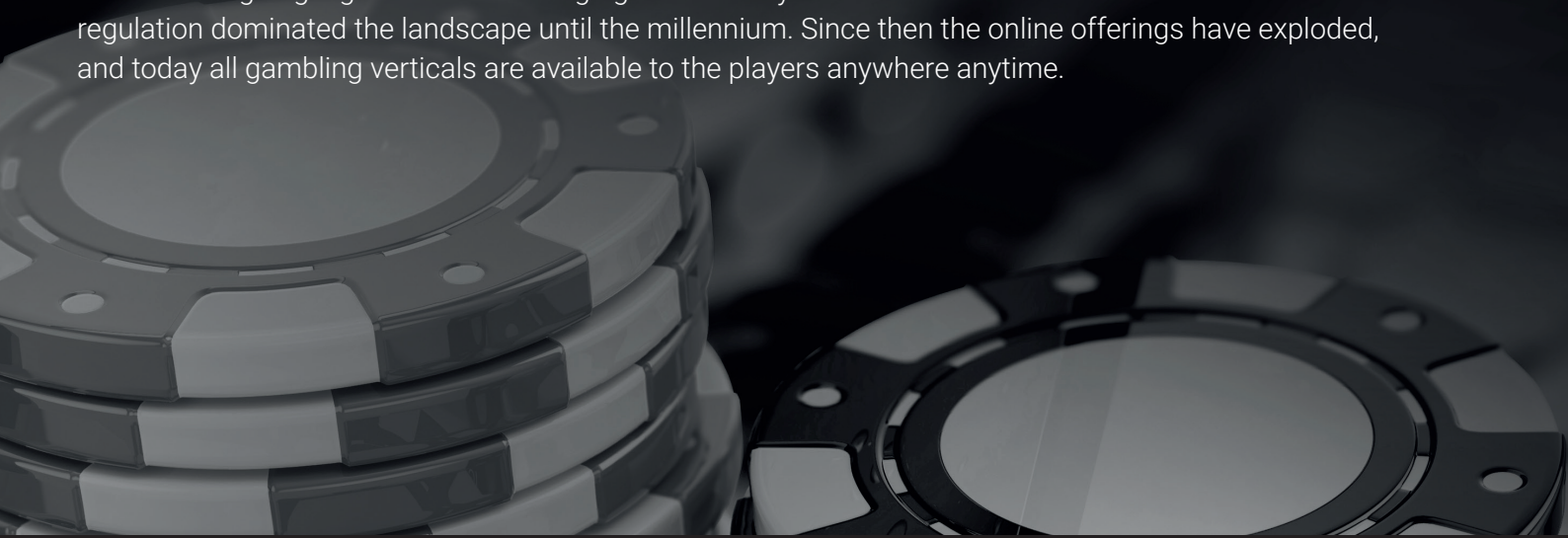
Human Development Index, world average



Source: <http://hdr.undp.org>

Industry description

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 casinos 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.

Examples: Kambi, SB-tech

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.

Examples: NetEnt, Yggdrasil, Play’n Go, Nolimit City, Quickspin, Evolution Gaming, Pariplay



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.

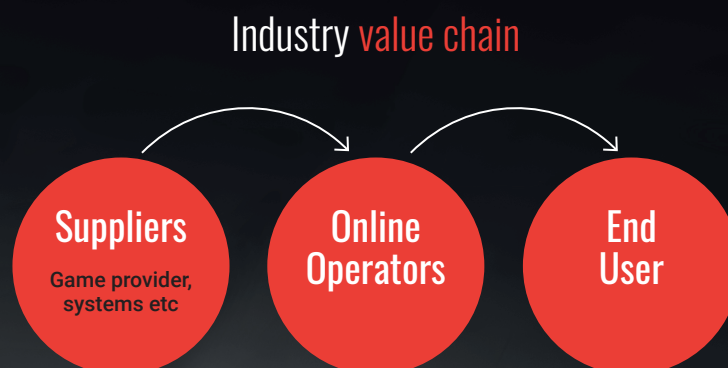
Examples: Power Ball, Mega Millions, Euro Jackpot

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.

Examples: Playtech, PokerStars

In a simplified way, 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).



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.

Examples: Playtech

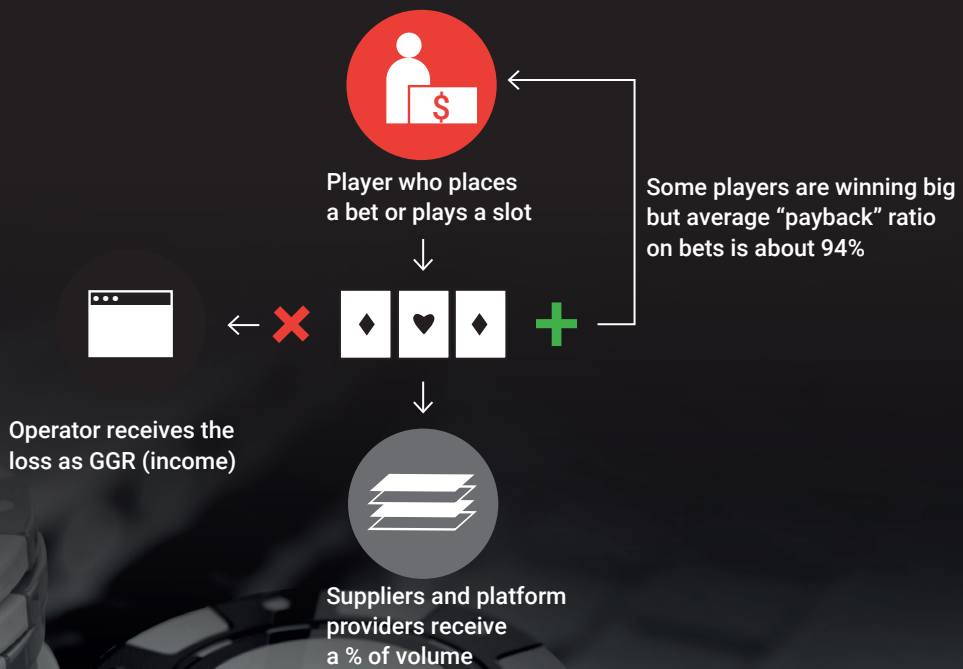
Other

There 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.

Examples: Highlight Games, Scout Gaming, Fsport



Operators & Suppliers



Operators & Suppliers

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.

Operators & Suppliers

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 efficiency 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.

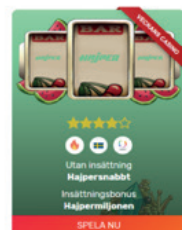
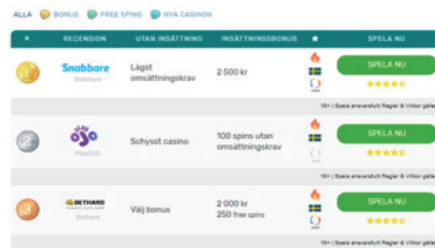


White Labels

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 through 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.



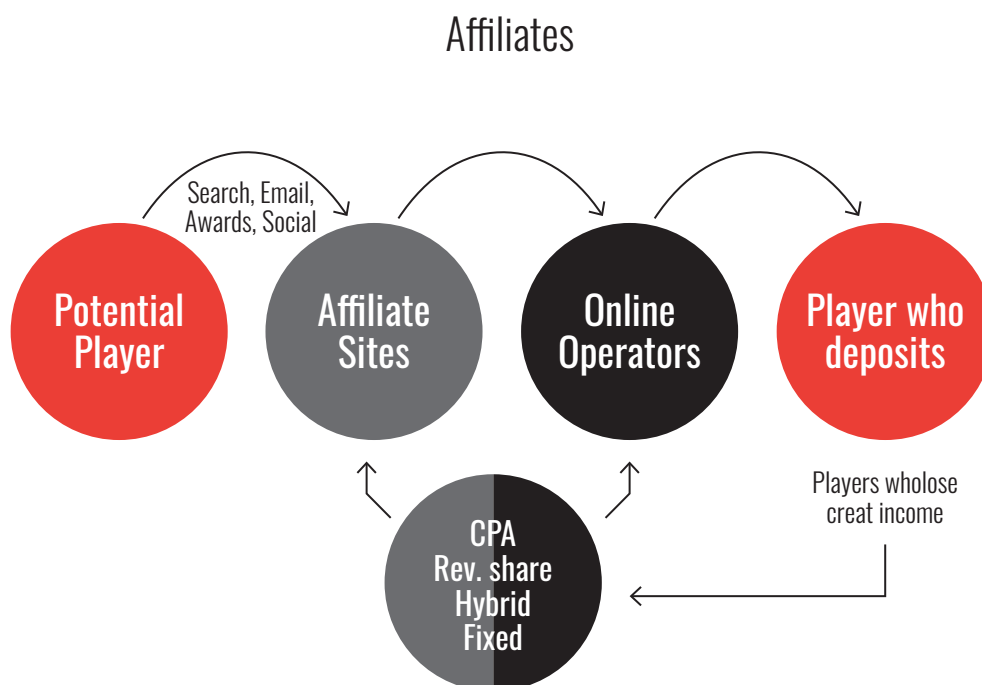
Affiliate revenue model

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 share 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.

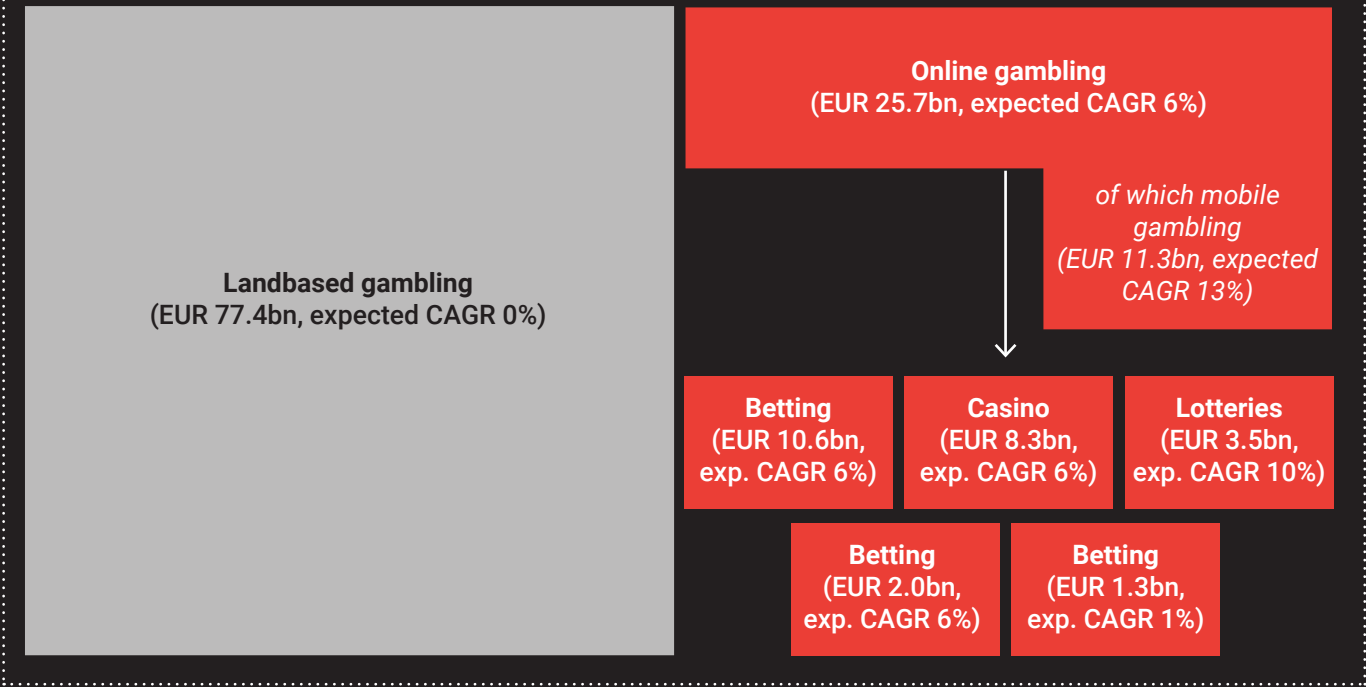
CPA: Based on a fixed fee. By the performance-based commission model, the affiliate is entitled to a defined sum for each end-user who creates a new profile and deposits money on an Online Gambling operator's website. Higher risk for the operator than Revenue share, due to uncertainty of the player value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

Position fee: Fixed fee for a specific position on the affiliate site, usually used to be granted the top positions 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.



The market

The European gambling market 2019
(EUR 103bn, expected CAGR 1% 2018-2023)



Source: H2GC & Redeye Research

Size and growth

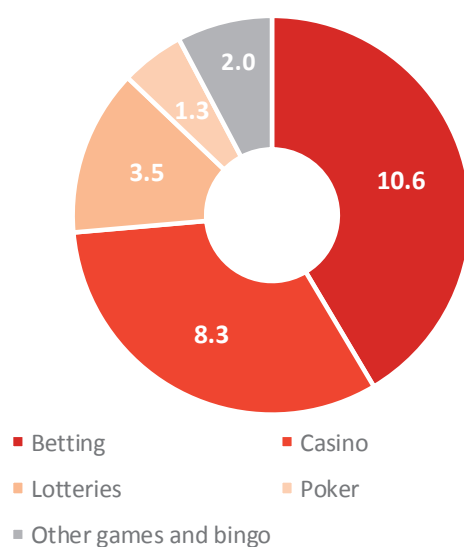
In general, the gambling industry is non-cyclical, meaning that the risk is somewhat lower than in most of the traditional industries. On the other hand, the online casino market can be argued to be saturated, and there is an increasing number of online casinos that operate and compete for the players. 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.

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

European online gambling segments (EUR bn) 2019



Source: H2GC

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.

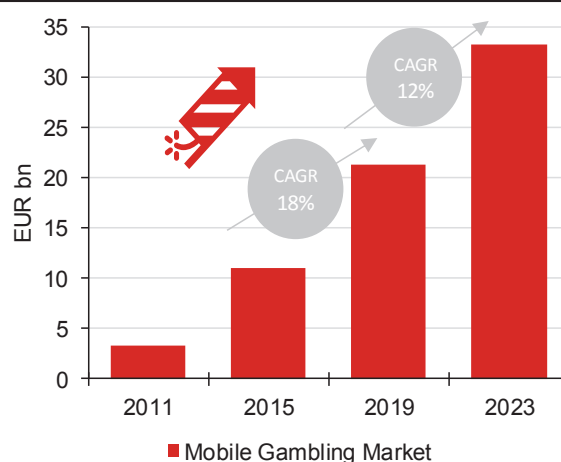


Source: H2GC & Redeye Research

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

E-sports and Fantasy sports

See the section "eSport and Fantasy sport – Rising stars?"

The big players

The gambling market is fragmented with a large number of small companies, especially in the unregulated markets. However, there are some big players, mainly British, but also a few rising stars from the Swedish gambling wonder. Beside you will find some of the largest, publicly-traded, online gambling companies.

Operators

Kindred is the biggest operator on Nasdaq Stockholm. Kindred has been showing strong growth for over a decade, but still, have a long way to go before reaching the top globally. Star Group, GVC and Paddy Power are the major players, largely driven by M&A activities.

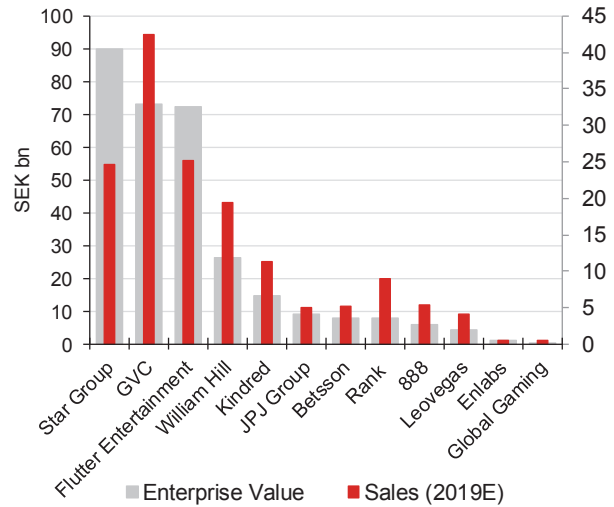
Suppliers

Evolution Gaming and Net Entertainment are the big players when it comes to listed Game suppliers in Stockholm. But, yet again there are bigger players globally, with Scientific Games (SG) and IGT as major players with EV's of around SEK 100 bn. However, both IGT and SG have most of their revenue from land-based activities. But their online gambling-related revenues is still so large that they are big players online as well. Note that Evolution Gaming has a clear organic growth strategy while both IGT and SG have an acquisition strategy, SG acquired the online gambling supplier NYX in early 2018.

Affiliates

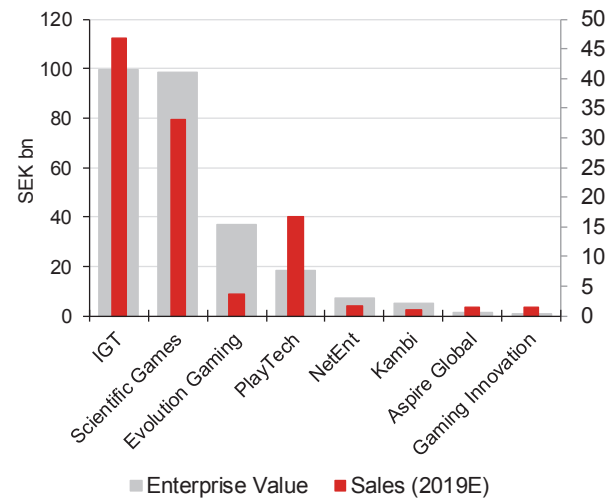
Better Collective is the new rising star within the Affiliate segment. Catena Media still has a strong position after a large number of acquisitions during several years. However, Catena Media's debt ratio is strained and organic growth low.

Operators Enterprise Value and Sales (2019E) (SEK m)



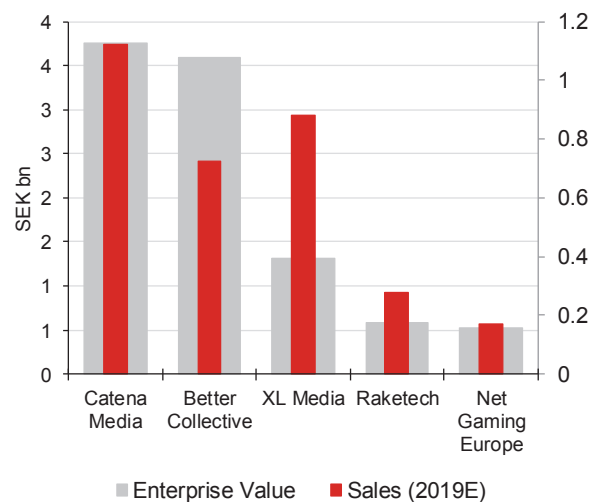
Source: Bloomberg & Redeye research

Suppliers Enterprise Value and Sales (2019E) (SEK m)



Source: Bloomberg & Redeye research

Affiliates Enterprise Value and Sales (2019E) (SEK m)



Source: Bloomberg & Redeye research

Regulations and Markets

The regulation trend continues with several new regulations in the last years and more coming. The Swedish market was regulated from 1st of January 2019 and has so far been a major hassle for the license holders. However, zooming out there are much bigger players on the other side of the Atlantic. The United States (US) is the biggest gambling market by far and has started to open the online gambling market. New Jersey was first out in 2014, and several others have followed. The terms of the regulations in the different states vary much, but in general, we can expect boom times ahead for the online segment in US.

No.	Nation	GGR (€bn)	% of Total	Online %
1	United States	100.9	25.4%	3%
2	China (Inc SARs)	72.9	18.3%	6%
3	Japan	41.6	10.5%	10%
4	Italy	18.9	4.7%	9%
5	United Kingdom	17.2	4.3%	43%
6	Australia	15.8	4.0%	13%
7	Germany	14.4	3.6%	17%
8	Canada	11.5	2.9%	10%
9	France	10.6	2.7%	18%
10	South Korea	9.3	2.3%	9%

Source: H2GC

In Europe, the regulation development has come much further, but with different results. In some countries, such as Austria and France, the regulates gaming tax levels have been so high that the canalization has ended up on such low level that the system has, more or less, broken down. The gambling tax levels have a direct negative correlation with the canalization levels, i.e. low tax >>> high canalization and high tax >>> low canalization.

The canalization level is essential for the regulation to work. If the canalization level is too low, fewer third parties such as payment providers, marketing channels, etc. will respect the

regulation. If the operators with license see that the operators without a license can operate unimpeded, soon no one will hold a license. The canalization in the regulated markets of Denmark and, UK, with tax levels of 20% respectively 15-21%, are seen as healthy.

Taxation systems in Europe

Country	Taxation	Lic. intro.
Italy	20-25%	2006
Poland	12% bet turn., casino not reg.	2009
Estonia	5%	2010
France	Varies, up to 44%	2010
Belgium	15% on GGR	2011
Spain	20% on GGR	2011
Denmark	20% on GGR	2012
Germany	20% casino, 5% bet turn.	2012
UK	21% casino, 15% sport (POC)	2014
Latvia	10%	2015
Greece	35% on GGR	2015
Lithuania	10%	2016
Czech Rep.	23-35% on GGR	2016
Austria	40% on GGR	2016
Portugal	15-30%	2017
Sweden	18% on NGR	2019

Coming (proposed)

Slovakia	22% on GGR	2019-2020
Netherlands	25-29%	2020-2021

Source: Redeye Research

The increased number of regulations and adjustments of already regulated markets has increased the need for compliance investments in both tech and personnel. Increasing the operators OPEX on top of the gaming taxes. This development benefits the large operators with experience from other regulated markets, as they can mitigate the additional expenses and utilize their compliance experience from other markets.

Moreover, we believe that license systems are fragile. The system can't afford to have several large operators outside the system, as the canalization will be too low. If it becomes too difficult to stay compliant even for the larger and experienced operators, then the license system will become obsolete. This is another reason why the increased regulatory environment will favor the larger operators.

On the 1st of January 2019, the new Swedish regulation came into force. The interest for a gambling license was large, and a large number of operators applied for a license. At the 31st of August, there were 70 online gambling licenses holders.

The regulation has initially had a major negative effect on the online operators' revenues. The main reasons for the negative effect are deposit limits, three-second rule, and Spelpaus, as well as increased competition from the state-owned Svenska Spel and ATG. We estimate that the revenue decreased by more than 30% for several of the online operators. Moreover, the licensed operators must pay 18% gaming tax on their NGR, which creates additional pressures on the profit margins. Quarterly reports from the publicly listed gambling company confirms both the revenue decrease and the margin pressure.

The Swedish Gambling Authority (Spelinspektionen) has also been very active when it comes to penalizing the license holders. Up to 31st of August, the Swedish Gambling Authority had publicly communicated 23 warnings, remarks, and sanction. The total sanctions amount to SEK 118.3m, of which the majority (SEK 61.3m) is connected to offering betting on matches with underage players. Furthermore, the Swedish Gambling Authority also revoked SafeEnt Ltd's license in June. The matter is not settled yet as SafeEnt Ltd has appealed the decision. However, the effect has been devastating for SafeEnt Ltd as it has closed its operations on the Swedish market.

After the major revenue drop at the start of the new regulation, the Swedish online gambling market has slowly started to grow. The Q/Q growth for online gambling was 2.9%. However, a part of this increase can be explained by a large number of welcome bonuses decreasing the revenues in January. With the new regulation operators are only allowed to offer their players one welcome bonus.

Including all types of gambling licenses, the total Swedish licensed gambling market amounted to SEK 6 084m in the second quarter. Compared to the first quarter, this was an increase of 3.2%. The increase was mainly driven by the increase in online gambling as well as a large increase in games for non-profit purposes. The license category "Online gambling and betting" was the largest category and accounted for 56.7% of all licensed gambling revenues.

Furthermore, the Swedish Gambling Authority concluded that, based on numbers from H2 Gambling Capital, the canalization for online gambling was 91% in the second quarter. This was an improvement from 90% in the first quarter. We consider these levels as good, especially given the regulation only has been active for six months. The levels also in line with expectations and line up well with other regulated markets, such as the UK and Denmark. However, the numbers are not verified and should not be considered an exact science. Additional, information about the revenue for the license holders and their performance month to month is found on the following pages.

Looking beyond 2019, we expect that the Swedish online gambling market will continue to increase with the current setup. The increase will be driven by the digitalization megatrend and increased smartphone usage. Furthermore, we believe that the license system increases legitimacy, the competitive conditions, and the trustworthiness for companies providing online gambling. We still await this development. Moreover, so far, the Swedish authorities have focused on making sure that the license holder operates in accordance with the legislation. We expect that the authorities will increase focus on improving the canalization further going forward either with blocking IP addresses or by prohibiting payment services.

We also expect to see some changes in the regulation in the next few years as the outcome of the existing regulation is reviewed. The Swedish authorities have already launched an investigation to find suitable measures to limit the marketing of gambling. The result of the investigation will be reported and published in October 2020, at the latest. We believe this will include some marketing restrictions that will benefit brands with strong brand awareness.

The Swedish market development

We have collected the gaming taxation data for all online gambling license holders for the period Jan-Jul 2019 and converted it to Net Gaming Revenue (NGR). In the table on next page, we present the NGR data for the publicly listed companies (1/1 2019) and their online gambling licenses. On page 28, we present the NGR data for all online gambling licenses in the Swedish market.

*This license is an Online gambling and betting-license. The license holder ATG include both land-based and online operations.

Online gambling licenses – Public companies (1/1 2019)

Public companies (1/1 2019)	NGR (mSEK)											Market share
	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'20	Q1'19	Q2'19	Q2 vs Q1	H1'19	
Kindred	51	81	83	93	100	77	89	214	270	26%	485	7.1%
Spooniker LTD	50.8	80.5	83.2	92.8	99.8	77.4	89.2					
Cherry	74	74	77	87	82	92	107	225	262	16%	487	7.2%
Casinostugan Ltd	7.3	8.1	9.4	9.6	11.3	9.6	14.0	24.7	30.5	23%	55.2	0.8%
Cherry Casino Sweden Ltd	1.2	1.1	1.1	1.6	0.7	2.7	2.5	3.5	5.0	43%	8.5	0.1%
Co-Gaming Sweden Ltd	0.9	0.2	0.9	0.7	0.6	1.2	1.2	2.1	2.6	23%	4.7	0.1%
ComeOn Sweden Ltd	14.3	16.6	17.0	22.7	19.3	21.1	21.3	47.9	63.1	32%	111.0	1.6%
Hajper Ltd	14.7	16.0	13.3	19.3	19.9	18.7	23.4	44.0	57.9	32%	101.9	1.5%
MOA Gaming Sweden Ltd	2.3	1.4	1.7	1.0	2.5	2.3	0.8	5.4	5.8	6%	11.2	0.2%
Snabbare Ltd	31.1	29.3	32.2	30.6	25.7	35.1	42.3	92.6	91.4	-1%	184.0	2.7%
XC Gaming Sweden Ltd	2.5	1.1	1.4	2.0	2.2	1.2	1.5	5.0	5.4	9%	10.4	0.2%
Leovegas	47	56	62	65	73	82	80	165	220	33%	384	5.6%
LeoVegas Gaming plc	46.7	55.9	60.9	64.1	71.8	79.9	76.6	163.5	215.8	32%	379.3	5.6%
Pixel Digital Ltd	0.0	0.2	0.9	0.9	0.9	1.9	3.5	1.1	3.7	234%	4.8	0.1%
Betsson	23	44	32	38	31	34	24	100	103	3%	202	3.0%
Auto Nordic Ltd	2.2	2.3	0.1	1.9	1.8	2.2	1.3	4.6	5.9	30%	10.5	0.2%
Betsson Nordic Ltd	15.5	24.4	19.7	21.2	16.5	19.4	12.2	59.6	57.0	-4%	116.7	1.7%
BS Nordic Ltd	2.4	6.3	6.8	5.2	6.7	4.6	4.8	15.5	16.5	7%	32.0	0.5%
NGG Nordic Ltd	3.3	11.2	5.6	10.2	5.5	7.3	5.5	20.0	23.1	15%	43.1	0.6%
Global Gaming	44	33	34	37	30	14	0	112	81	-27%	193	2.8%
SafeEnt Ltd	44.4	33.4	33.8	36.8	30.3	14.0	0.0					
William Hill	20	14	19	16	19	22	23	53	56	6%	109	1.6%
Evoke Gaming Ltd	2.2	1.9	2.3	2.1	2.5	1.8	1.9	6.4	6.3	-2%	12.7	0.2%
Mr Green Ltd	17.4	12.3	16.9	13.8	16.1	20.1	21.1	46.6	50.1	7%	96.7	1.4%
GIG	23	17	14	15	16	13	14	55	43	-21%	98	1.4%
MT SecureTrade Ltd	14.2	8.9	6.5	6.8	7.8	6.1	7.0	29.7	20.7	-30%	50.4	0.7%
Zecure Gaming Ltd	8.9	8.3	7.7	8.2	7.8	6.5	6.5	24.9	2.5	-10%	47.5	0.7%
Flutter Entertainment	7	10	6	8	6	5	3	22	19	-14%	41	0.6%
Betfair International Plc	6.6	9.6	5.8	7.8	5.7	5.4	2.9					
Jackpotjoy	10	12	15	15	14	13	7	37	43	14%	80	1.2%
Dumarca Gaming Ltd	10.2	11.7	15.4	15.2	14.2	13.2	6.5					
GVC	3	4	5	5	2	5	0	12	11	-7%	23	0.3%
ElectraWorks Ltd	2.9	4.2	4.8	4.5	1.5	1.3	0.0	11.9	7.3	-38%	19.2	0.3%
ElectraWorks (Svenska) Ltd	0.0	0.0	0.0	0.0	0.0	3.7	0.4	0.0	3.7	n/a	3.7	0.1%
Angler Gaming	0	3	5	4	2	5	5	9	12	31%	21	0.3%
Premiergaming Ltd	0.3	3.3	5.5	4.4	2.3	5.1	4.9					
AHA World	0	0	1	1	0	1	1	1	1	9%	3	0.0%
AHA Bingo Ltd	0.4	0.5	0.5	0.6	0.4	0.5	0.5					
888	2	4	4	4	7	7	8	11	18	73%	29	0.4%
888 Sweden Ltd	2.4	4.0	4.0	4.3	6.8	7.1	7.6					
Aspire Global	4	3	1	1	2	1	1	8	4	-53%	12	0.2%
AG Communications Ltd	3.8	2.8	1.5	0.8	1.9	1.1	0.8					
ENLABS	0	0	0	0	0	0	0	0	0	n/a	0	0.0%
Enlabs AB	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Total public	309	356	359	389	383	371	360	1023	1142	11.6%	2166	31.8%
Total market	1070	1116	1168	1187	1165	1101	1138	3354	3452	0	6806	

Online gambling licenses – Swedish market (1/1 2019)

Parent company	Online license holder (NGR mSEK)	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Q1'19	Q2'19	Q2 vs Q1	H1'19	Market share
ATG	AB Trav och Galopp	352.3	323.1	401.0	387.7	391.3	404.9	421.9	1076.5	1184.0	10%	2260.4	33.2%
Svenska Spel	Svenska Spel Sport & Casino	188.4	196.9	191.6	165.8	168.2	128.0	133.5	576.9	462.0	-20%	1038.9	15.3%
Kindred	Spooniker Ltd	50.8	80.5	83.2	92.8	99.8	77.4	89.2	214.5	270.0	26%	484.5	7.1%
Leovegas	LeoVegas Gaming plc	46.7	55.9	60.9	64.1	71.8	79.9	76.6	163.5	215.8	32%	379.3	5.6%
Bet366	Hillside (Sports) ENC	43.6	73.2	40.3	77.0	55.9	44.1	53.2	157.1	177.0	13%	334.1	4.9%
Global Gaming	SafeEnt Ltd	44.4	33.4	33.8	36.8	30.3	14.0	0.0	111.5	81.0	-27%	192.6	2.8%
Hero Gaming	Hero Gaming Ltd	43.4	36.7	29.5	29.5	25.3	27.5	23.5	109.6	82.3	-25%	191.9	2.8%
Cherry	Snabbare Ltd	31.1	29.3	32.2	30.6	25.7	35.1	42.3	92.6	91.4	-1%	184.0	2.7%
Mandalorian	Mandalorian Technologies Ltd	22.6	25.4	35.3	32.3	31.9	25.7	24.0	83.3	90.0	8%	173.3	2.5%
Betsson	Betsson Nordic Ltd	15.5	24.4	19.7	21.2	16.5	19.4	12.2	59.6	57.0	-4%	116.7	1.7%
Cherry	ComeOn Sweden Ltd	14.3	16.6	17.0	22.7	19.3	21.1	21.3	47.9	63.1	32%	111.0	1.6%
Cherry	Hajper Ltd	14.7	16.0	13.3	19.3	19.9	18.7	23.4	44.0	57.9	32%	101.9	1.5%
William Hill	Mr Green Ltd	17.4	12.3	16.9	13.8	16.1	20.1	21.1	46.6	50.1	7%	96.7	1.4%
Jackpotjoy	Dumarc Gaming Ltd	10.2	11.7	15.4	15.2	14.2	13.2	6.5	37.2	42.6	14%	79.9	1.2%
Casumo	Casumo Services Ltd	11.7	11.7	12.6	12.4	13.6	12.7	13.6	36.0	38.8	8%	74.8	1.1%
Videoslots	Videoslots Ltd	7.8	11.9	13.1	9.2	13.1	19.7	17.9	32.8	42.0	28%	74.8	1.1%
The Stars Group	TSG Interactive PLC	16.1	22.4	11.4	10.2	13.9	0.0	11.8	49.8	24.1	-52%	73.8	1.1%
Bethard	Bethard Group Ltd	8.4	9.6	10.7	9.7	11.7	8.2	14.3	28.6	29.7	4%	58.3	0.9%
Cherry	Casinostugan Ltd	7.3	8.1	9.4	9.6	11.3	9.6	14.0	24.7	30.5	23%	55.2	0.8%
Bet365	Hillside (Gaming) ENC	9.1	7.6	9.5	10.2	8.2	8.7	8.4	26.2	27.1	4%	53.3	0.8%
GIG	MT SecureTrade Ltd	14.2	8.9	6.5	6.8	7.8	6.1	7.0	29.7	20.7	-30%	50.4	0.7%
	SuprPlay Ltd	5.6	8.8	7.8	8.8	9.6	9.6	9.6	22.2	28.1	26%	50.3	0.7%
GIG	Zecure Gaming Ltd	8.9	8.3	7.7	8.2	7.8	6.5	6.5	24.9	22.5	-10%	47.5	0.7%
Betsson	NGG Nordic Ltd	3.3	11.2	5.6	10.2	5.5	7.3	5.5	20.0	23.1	15%	43.1	0.6%
Flutter Entertain.	Betfair International Plc	6.6	9.6	5.8	7.8	5.7	5.4	2.9	22.0	18.9	-14%	40.9	0.6%
	Skill On Net Ltd	6.0	4.9	5.9	6.3	6.1	8.3	7.6	16.9	20.7	23%	37.6	0.6%
Betsson	BS Nordic Ltd	2.4	6.3	6.8	5.2	6.7	4.6	4.8	15.5	16.5	7%	32.0	0.5%
	Betway Ltd	3.5	2.4	8.9	3.9	6.1	4.5	5.4	14.8	14.5	-2%	29.2	0.4%
888	888 Sweden Ltd	2.4	4.0	4.0	4.3	6.8	7.1	7.6	10.5	18.2	73%	28.7	0.4%
Genesis Global	Genesis Global Ltd	10.9	3.1	6.3	3.3	3.1	1.2	1.1	20.3	7.6	-63%	27.8	0.4%
Finnplay	Viral Interactive Ltd	6.9	5.8	7.9	2.9	1.7	0.9	1.3	20.6	5.4	-74%	26.1	0.4%
	White Hat Gaming Ltd	5.6	1.1	4.9	4.6	5.3	2.9	3.7	11.6	12.8	10%	24.4	0.4%
Paf	Paf Consulting Abp	0.0	3.8	3.4	4.6	5.4	4.9	4.7	7.1	14.9	108%	22.0	0.3%
Angler Gaming	Premiergaming Ltd	0.3	3.3	5.5	4.4	2.3	5.1	4.9	9.1	11.8	31%	20.9	0.3%
GVC	ElectraWorks Ltd	2.9	4.2	4.8	4.5	1.5	1.3	0.0	11.9	7.3	-38%	19.2	0.3%
	United Lottery Solutions Ltd	2.5	2.3	3.0	3.3	2.7	3.4	3.0	7.9	9.4	20%	17.3	0.3%
Gamesys Group	Leisure Spin Ltd	12.1	3.1	0.0	0.0	0.0	0.0	0.0	15.2	0.0	n/a	15.2	0.2%
Expekt	Expekt Nordics Ltd	1.4	2.4	0.9	3.6	2.4	2.7	2.8	4.7	8.6	85%	13.3	0.2%
William Hill	Evoke Gaming Ltd	2.2	1.9	2.3	2.1	2.5	1.8	1.9	6.4	6.3	-2%	12.7	0.2%
Aspire Global	AG Communications Ltd	3.8	2.8	1.5	0.8	1.9	1.1	0.8	8.1	3.8	-53%	11.9	0.2%
Cherry	MOA Gaming Sweden Ltd	2.3	1.4	1.7	1.0	2.5	2.3	0.8	5.4	5.8	6%	11.2	0.2%
Betsson	Auto Nordic Ltd	2.2	2.3	0.1	1.9	1.8	2.2	1.3	4.6	5.9	30%	10.5	0.2%
Cherry	XC Gaming Sweden Ltd	2.5	1.1	1.4	2.0	2.2	1.2	1.5	5.0	5.4	9%	10.4	0.2%
L&L Europe	L&L Europe Ltd	1.5	1.7	2.9	3.5	0.0	0.0	0.0	6.1	3.5	-43%	9.5	0.1%
Cherry	Cherry Casino Sweden Ltd	1.2	1.1	1.1	1.6	0.7	2.7	2.5	3.5	5.0	43%	8.5	0.1%
Glitnor	Glitnor Services Ltd	0.0	0.0	0.0	2.0	0.0	5.9	6.3	0.0	7.9	n/a	7.9	0.1%
	Bayton Ltd	0.1	0.2	0.6	4.0	0.8	0.7	1.0	0.9	5.5	521%	6.4	0.1%
Coolbet	Polar Ltd	1.2	1.2	0.0	1.5	0.6	1.4	1.8	2.4	3.5	44%	6.0	0.1%
Leovegas	Pixel Digital Ltd	0.0	0.2	0.9	0.9	0.9	1.9	3.5	1.1	3.7	234%	4.8	0.1%
Cherry	Co-Gaming Sweden Ltd	0.9	0.2	0.9	0.7	0.6	1.2	1.2	2.1	2.6	23%	4.7	0.1%
GVC	ElectraWorks (Svenska) Ltd	0.0	0.0	0.0	0.0	0.0	3.7	0.4	0.0	3.7	n/a	3.7	0.1%
AHA World	AHA Bingo Ltd	0.4	0.5	0.5	0.6	0.4	0.5	0.5	1.4	1.5	9%	2.8	0.0%
	Dreambox Games OÜ	0.3	0.4	0.5	0.4	0.7	0.4	0.5	1.2	1.5	20%	2.7	0.0%
	Blue Star Planet Ltd	0.0	0.0	0.0	0.3	1.4	0.9	0.8	0.0	2.6	n/a	2.6	0.0%
	Ellmount Gaming Ltd	0.1	0.3	0.5	0.3	0.3	0.5	0.5	0.9	1.1	24%	2.0	0.0%
	More Tech Group Ltd	0.0	0.1	0.3	0.4	0.5	0.3	0.2	0.5	1.1	140%	1.6	0.0%
Legolas	Legolas Invest Ltd	0.1	0.5	0.0	0.1	0.2	0.2	0.5	0.6	0.5	-8%	1.1	0.0%
	Yobetit.com	0.0	0.0	0.0	0.0	0.5	0.6	0.5	0.0	1.1	n/a	1.1	0.0%
Interwetten	Interwetten Gaming Ltd	0.3	0.0	0.0	0.0	0.5	0.1	0.1	0.3	0.7	114%	1.0	0.0%
	Tombola (International) PLC	0.0	0.0	0.0	0.0	0.3	0.4	0.9	0.0	0.8	>1000%	0.8	0.0%
	River Game Operations	0.0	0.0	0.0	0.0	0.4	0.2	0.4	0.0	0.6	n/a	0.6	0.0%
	Lottomatrix Operations Ltd	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.1	0.5	600%	0.5	0.0%
Betspawn	Betspawn AB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0%
	Cerbenus Technology Ltd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0%
Enlabs	Enlabs AB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0%
	Multi Brand Gaming Ltd	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	n/a	0.0	0.0%
	Tipwin Ltd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0%
Market total		1 070	1 116	1 168	1 187	1 165	1 101	1 138	3 354	3 452	2.9%	6 806	

Regulations and Markets – United States

The US market is opening up for business! New Jersey was first out offering an online license for Casino in 2014 and started to offer Sports Betting in 2018. The regulation is separate for each state. We expect additional states to regulate their markets when they see the opportunity for additional tax revenues. The states will also see the need to defend their existing tax revenues on gambling when neighboring states legalizes online gambling. For example, this is the case in New York, adjacent to New Jersey and Pennsylvania; two states that both have legalized online gambling.

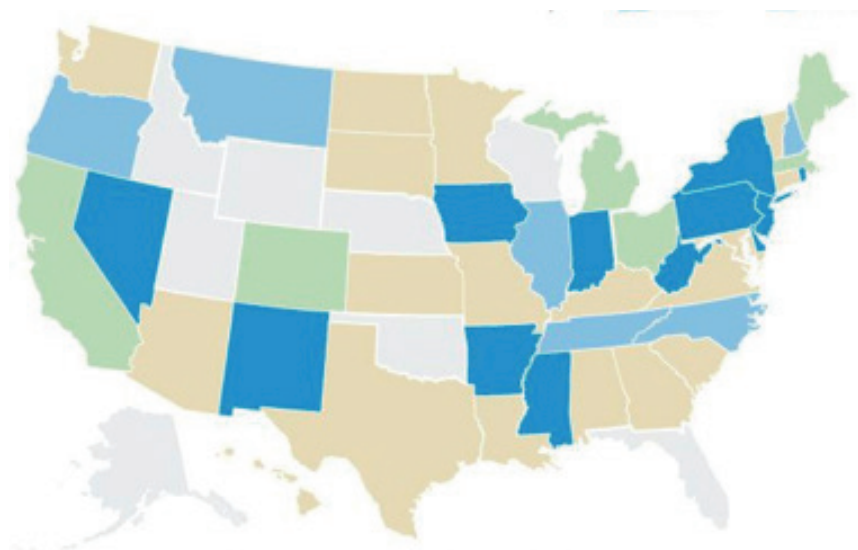
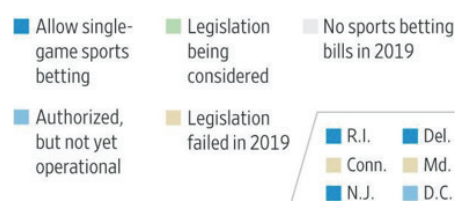
The barriers to entry are lower for the suppliers as they don't have to establish brand awareness and compete with the already established brands and casinos. However, several of the largest European operators have established partnerships with American land-based casinos. We believe this development will continue.

Casino

The online casino market has started off well in New Jersey. TTM (Jul'19-Aug'18) showed a CAGR of 35% since 2015/16, with an accelerating growth; 56% Y/Y for Jul'19. However, the established and proposed tax varies much between states. In Pennsylvania, the tax rate on online slots is 54 percent which can be compared to 17.5 percent in New Jersey. The tax rates will have a direct effect on how well the regulation will work and how many online casinos that will apply for a license.

Place Your Bets

A state-by-state look at where sports betting is allowed or being considered.



Source: Americam Gaming Association

Sports betting

After the supreme court ruled 6-3 to strike down the Professional Amateur Sports Protection Act in May 2018, several states are expected to offer sports betting. Much has happened since 2007 when sports betting got illegal in the US, and the technological development has been major, with the "iPhone era" and much better online functions. We can expect the online sports betting boom to be major and step by step new states will open for sports betting. The acceptance among Americans is wide, as nearly 8 in 10 Americans support legalizing sports betting in their state, according to the American Gaming Association.

The map below illustrates the current status of the US sports betting market. We believe it will take several years for the majority of the market to open, and the US players are not used to online sports betting as it has been illegal for a long time. However, the long-term potential is huge, and within ten years the US sports betting market is expected to be the largest in the world.

In New Jersey, the Sport Betting vertical generated close to 30% of all online gambling revenues in its first legalized 12-month period.



Trend insights

Main Trends

Acceleration of M&A

We believe that both the regulated Swedish and US market will result in increased consolidation. Small players, that see their profit vanish under 18% gaming tax and compliance costs, will either close down their business or sell their business, if possible. At the same time, the regulated Swedish market will probably attract some major players from either the UK or Asia, that want to seize the opportunity to acquire a Swedish tier-1 or -2 players. We believe that some of the Nordic online gambling companies have the technology and the knowledge of customer experience and brand building, that these major players are looking for.

In the US, the ongoing regulation of the online casino and betting market have already started to attract money. There are talks about Venture Capital (Sand Hill money) starting to pour into iGaming startups; this development will most likely continue. It is also possible that some larger US players will target the Nordic companies in an effort to acquire the technology and the "know-how".

The slower growth rates in the European market also force the bigger player's towards acquisitions, to boost growth and scalability.

Technology

The regulations will also increase the demand for new products and innovation. Politics will try to limit the gambling industry, but will always be at least one step behind. For example, limiting the bonus possibilities will, most likely, lead to new ways to attract the players, ways we only can imagine now. It might be personalized casino based on AI or specific "bonus" games only available to certain players at certain times.

But one thing that is certain is that the force to decrease the walls between the players and the entertainment will continue to change the landscape of the online gambling industry, just as the Pay'n'Play concept has done during the last year.

Compliance

Increased pressure from new and existing regulations is forcing the gambling industry to invest more in compliance. The number and the size of penalties from gambling authorities have increased the last years. The restrictions and complexity of existing regulations have also increased. As a result, gambling companies need to invest heavily in both tech and personnel to meet these new requirements.

Corporate Social Responsibility (CSR)

CSR has become a hot topic, driven by the increased focus on the players' wellbeing by both regulators and companies. The so-called "third wave" of regulations and re-regulations has a focus on protecting the players from harmful behaviors. "Spelpaus" in the Swedish regulation is a good example of this.

Additionally, gambling companies have focused more on the structure of its revenues; making them less dependant on Highrollers and "problem"-players. With a larger focus on their reputation and CSR actions, as a result.

Valuations and Investment opportunities

Some qualitative factors that we find affecting the valuations are; Innovation and ability to adapt new products/technology, graphical and product diversity to lower risk, regulated markets, number of customers (B2B) and dedicated/active owners. It all boils down to cash flow generating possibilities in the future for the company. On an overall level, the multiple valuations most often range from; 1-5x EV/S and 5-18 EV/EBIT. Our company sample is based on 25 companies with data gathered from Bloomberg. Several of the companies operate in many different segments and in those cases, we have added them to the segment that is most relevant for the specific company. There are more public gambling companies, but they have been excluded due to lack of consensus estimates, a too low percentage of the revenue from online or/and not the relevant market.

Segment valuations

The valuation multiples vary between industry players depending on which part of the industry value chain they operate in. In general, the operators have lower multiples than the other players in the value chain.

Suppliers

The Game Developers have high gross and operating margins, leading to high sales multiples. Sports and Live casino have higher barriers to entry, mainly due to larger initial investments. Hence, lower competition, but also more of “the winner takes it all” since the operators to a larger extent only integrate one sport and one live casino supplier. The online slot industry consists of a large number of studios that are launching several games a year. Quite small players can be profitable and prosper due to the low investments levels, except the personnel expenses, leading to very high gross profit levels.

The high sales multiple levels are expected to continue as a result of the maintained profit margins. The possible expansion into the US is another factor that increases the multiples for the Game Developers since it looks like it going to be much easier for them to enter the US market than for the operators.

The multiples for the platform providers differ a bit depending on the setup. If the platform provider also is the license holder they are the one that should recognize all revenue on their behalf, leading to lower sales multiples. If the operator is holding the license the platform provider will just receive a commission fee leading to higher sales multiples and margins.

However, the suppliers have, just as the operators, been affected by increased worries about regulations and limitations related to these.

Valuation Suppliers (MSEK)

Suppliers	EV	EV/S 19E	EV/EBIT 19E	S.CAGR 18-20E	EBIT-m 18-20E
IGT	99 621	2.1x	11x	6%	18%
Scientific Games	98 278	3.0x	18x	9%	14%
Evolution Gaming	36 718	10.0x	24x	32%	40%
PlayTech	18 155	1.1x	7x	16%	15%
NetEnt	7 303	4.2x	13x	1%	34%
Kambi	4 842	4.9x	32x	26%	18%
Aspire Global	1 174	0.8x	5x	29%	16%
Gaming Innovation	1 041	0.8x	-10x	2%	-5%
Median Suppliers	12 729	2.6x	12x	12%	17%
Agg. Suppliers	267 131	2.5x	14x	10%	17%
Excluding IGT&SG					
Median excl.	6 072	2.7x	10x	21%	17%
Agg. excl.	69 232	2.7x	14x	17%	19%

Source: Bloomberg & Redeye Research

The Suppliers group is valued, based on 2019 estimates, at 2.6x sales and 12x EBIT. The aggregated group is expected to grow annually by 10% in the coming two years, with an average EBIT margin of 17%. However, these figures are very much impacted by the big players SG and IGT, who have a

large part of their operations land-based. Excluding these two suppliers the multiples and ratios increases. Since last year, the multiples have in general decreased, with few exceptions.

Operators

The operator's multiples have decreased significantly since the beginning of 2018. Much is related to an increased worry for negative regulation effects as seen in several markets, such as the UK and Sweden. The worry is that the operators will not be able to compensate for restrictions and a high gambling tax. Also, the rules of existing regulations can change to the worse. Some also imagine the worst-case scenario with a market fighting for survival. However, we believe that this worry is exaggerative and that the regulation rather opens up possibilities than creating problems/threats, in the long-run.

Valuation Operators (MSEK)

Operators	EV	EV/S 19E	EV/EBIT 19E	S.CAGR 18-20E	EBIT-m 18-20E
Star Group	89 985	3.6x	24x	23%	15%
GVC	73 325	1.7x	16x	13%	10%
Flutter Entertainment	72 266	2.9x	24x	13%	12%
William Hill	26 194	1.3x	17x	2%	-8%
Kindred	14 622	1.3x	13x	8%	13%
JPJ Group	9 056	1.8x	10x	28%	18%
Betsson	7 893	1.5x	8x	2%	20%
Rank	7 881	0.9x	8x	9%	10%
888	5 984	1.1x	10x	11%	13%
Leovegas	4 369	1.1x	15x	22%	8%
Enlabs	1 226	2.9x	11x	33%	26%
Global Gaming	69	0.2x	-1x	-35%	3%
Median Operators	8 475	1.4x	12x	12%	13%
Agg. Operators	312 872	2.0x	18x	12%	10%

Source: Bloomberg & Redeye Research

The Operators group is valued, based on 2018 estimates, at 1.4x sales and 12x EBIT. The group is expected to grow annually by 12% in the coming three years, with an average EBIT margin of 13%. The EV/Sales multiple has decreased from 2.0x last year, much affected by increased margin pressure and lower growth rates. The larger operators with low exposure towards Sweden has managed to maintain their EV/Sales multiples.

Segment valuations

Affiliates

Acquiring affiliate companies and assets to a low multiple below 5x EBIT has been a very successful business strategy based on the segments actions during the last few years. The multiples for listed affiliate companies have been much higher than this, and one important reason behind that is the lower risk that comes with a large domain network. The affiliate companies have also started to diversify their networks by entering other industries than online gambling, such as finance. The acquisition strategy has been the main growth driver for the publicly listed affiliates.

However, as the debt ratio has increased and the listed companies multiple has decreased, the number of acquisitions has dropped significantly. Several of the listed affiliate companies are today struggling with low organic growth and large debts. Better Collective is an exception, as it has managed to maintain strong organic growth, high multiples, and an aggressive acquisition strategy.

Affiliates (MSEK)					
Affiliates	EV	EV/S 19E	EV/EBIT 19E	S.CAGR 18-20E	EBIT-m 18-20E
Catena Media	3 762	3.3x	11x	9%	35%
Better Collective	3 590	4.9x	14x	50%	33%
XL Media	1 312	1.5x	4x	-6%	29%
Rakotech	587	2.1x	5x	4%	41%
Net Gaming Europe	520	3.0x	5x	0%	59%
Median Affiliates	1 312	3.0x	5x	4%	35%
Agg. Affiliates	9 772	3.1x	9x	10%	35%

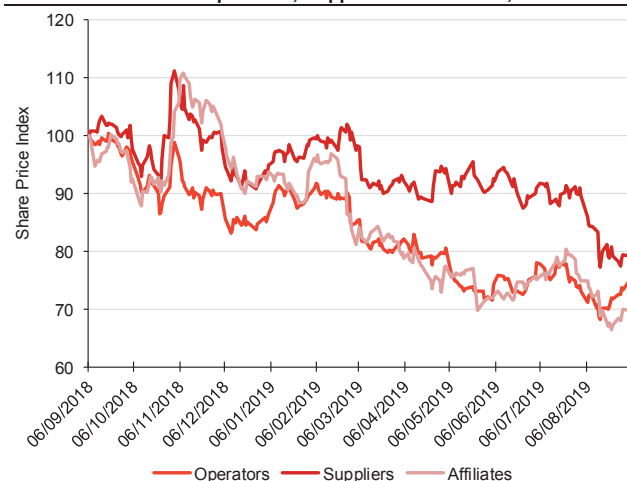
Source: Bloomberg & Redeye Research

The Affiliates group is valued, based on 2018 estimates, at

3.0x sales and 5x EBIT. The group is expected to grow annually by 4% the coming three years with an average EBIT margin of 35%. As mentioned, Better Collective is an exception with much higher multiples and estimated to grow much faster than its peers.

Share Price development

Share Price Index for Operators, Suppliers and Affiliates, LTM



Source: Bloomberg, Redeye Research

The last year, share prices within the online gambling industry have been under pressure. Mainly due to increased regulatory restrictions and increased gaming taxes. Large institutions have also decreased their exposure toward the gambling sector due to ESG-policies, which has worsened the share price drops further.

The affiliate and operator segments have decreased the most with drops of -30% respectively -23%. The suppliers have managed better but still decreased by -13%.



eSports and Fantasy sports – Rising stars?

eSport or Electronic Sport is a term for competitive gameplay of computer and video games. Having tournaments in video games is nothing new, the first more “regulated” tournament was held in 1972, however technology advances in games and streaming platforms have led to a rise in entertainment value for fans and availability to follow matches. The eSport industry is one of the fastest-growing in the world and the businesses opportunities that will emerge the coming decade are vast. Several e-sports events have a larger viewer audience, through online channels such as Twitch, than traditional sports and the viewers can easier access betting sites since they already are online. So, the opportunity to facilitate on the betting interested e-sport audience is huge.

Fantasy sports (FS) and Daily Fantasy Sports (DFS) started to become huge in the US after UIGEA made betting online illegal in 2007. In Daily fantasy sport you choose your team before a game or tournament in the specific sport and depending on the performance the players in your team will earn points. This can be done for all different sports and in several different ways. The close connection to sports makes DFS and FS players very attractive since they have the interest and are only one click away from making a bet on the sportsbook.

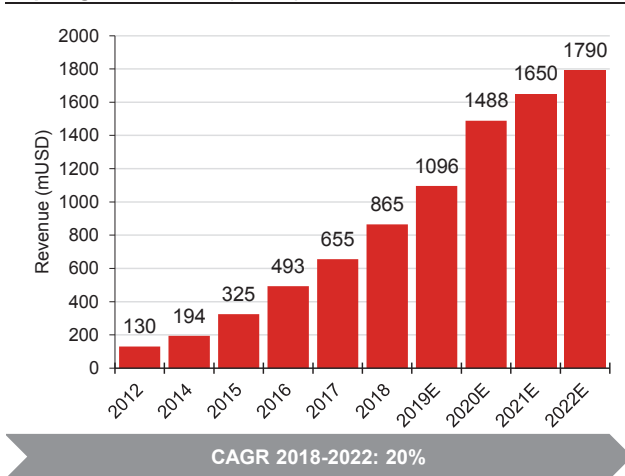
eSports

eSports is defined as competitive and professional gameplay of computer and video games. Not every game is an eSport. Most eSports are multiplayer games and played in teams.

Growth rate and size

eSports is the fastest growing sports industry in the world. During 2018 the estimated global revenue of the sector amounted to USD 865m and is expected to grow more than 20% annually over the coming years.

eSport global revenue (mUSD)

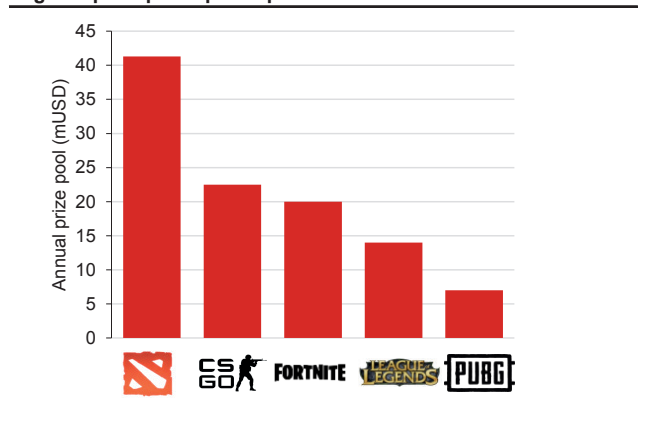


Source: statista

Top games

The top eSport titles during 2018 both in terms of prize pools where Dota 2 (ARTS), Counter-Strike: Global Offensive (FPS), Fortnite (Shooter), League of Legends (MOBA), and PUBG (Shooter).

Highest prize pools per eSport titles 2018

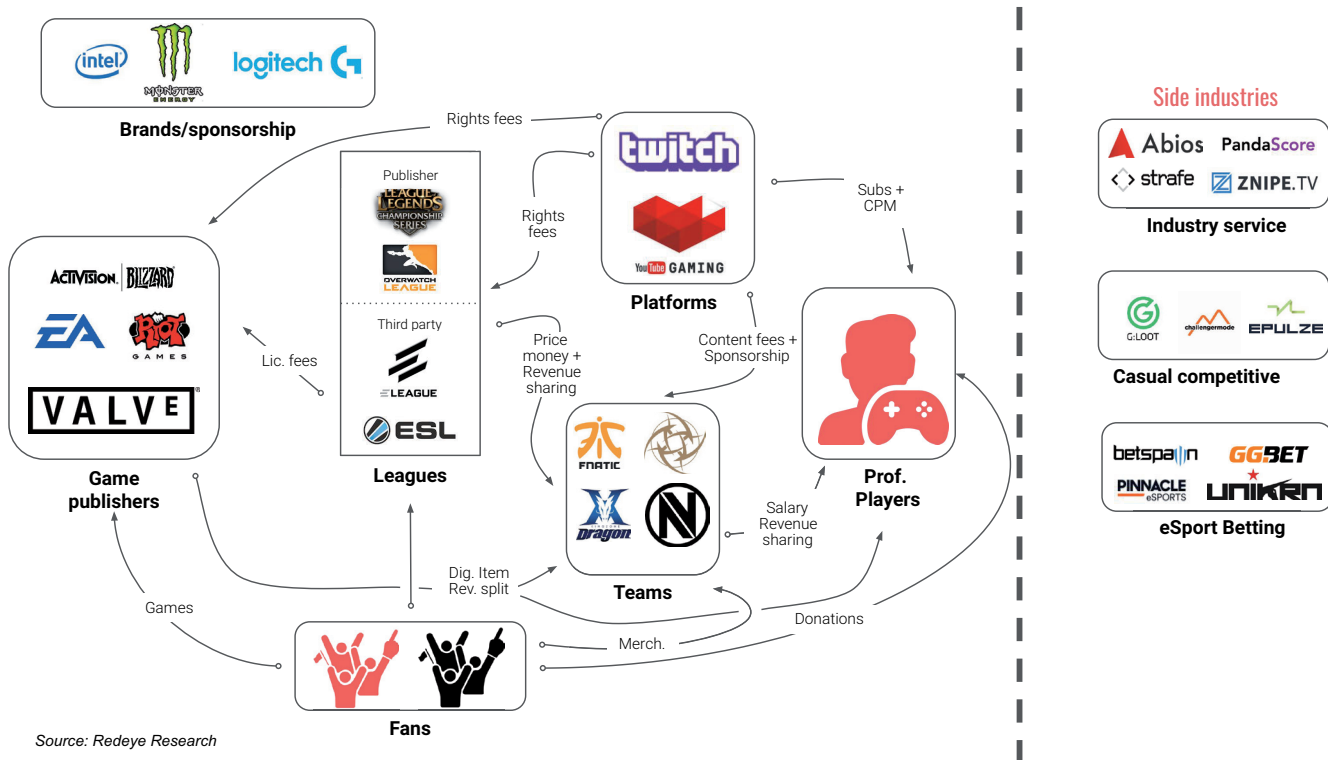


Source: esportearnings

Most notable was obviously the rise of the Shooter/Battle Royale titles Fortnite and PUBG. These two games had notable sizes of prize pool during last year but were not in the top 10.

Epic Games, the creator of Fortnite, announced in May 2018 that they would commit USD 100m in prize money for Fortnite eSport tournaments during 2018-19. By that, we expect to see an even higher prize pool during next year that possibly could exceed Dota 2

The ecosystem of eSports



The ecosystem of the eSports industry is both vast and evolving. Here we try to explain how the money and value flow within the value chain and the key stakeholders that exist. We also briefly describe some emerging side industries which are dependent on the primary industry but are growing to a noteworthy size on their own.

Game publishers

The game publishers create and distribute the games. As the publishers own the IP rights, all stakeholders in the ecosystem are dependent on the approval to broadcast, play, or host competitions. These are one of the main differences compared to traditional sports as no one “owns” football or ice-hockey. The IP holders yield the most power and influences within the ecosystem. Some publishers also act as league operators.

Leagues/Tournaments

Leagues are run by either the game publishers or third party event organizers. The event organizers gain permission and licenses to broadcast the competitions from the game publishers.

Teams and players

The teams and players are of course central to the eSport ecosystem. Broadcasting game session is a natural part of their career, so players get sponsored by brands. Some teams recruit influencers that only does streaming.

eSport teams are run like an enterprise and most often have multiple teams in different sports. The prize money is an essential part of the income for players and the teams as well. The growth of the prize pool is vital for the eSport industry as it will lead to even further professionalism among players and teams.

The global prize pool amounted to 102 mUSD during 2017. The prize pools have grown y an annual rate of 31% since 2005.

Even though the prize money is important the bulk of the income for teams comes from sponsorships. The teams sign brand deals with activation on jerseys, in-stream promotional content and hardware exclusivity deals.

Brands and advertisers

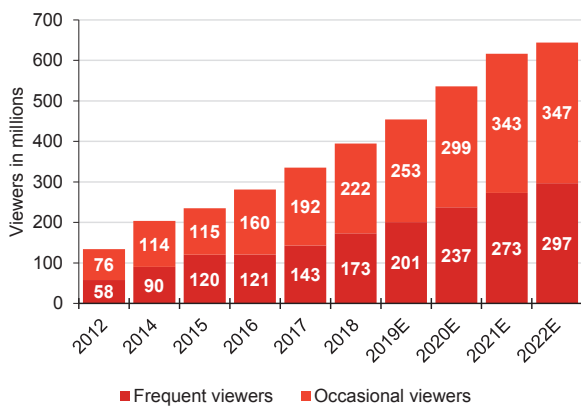
The most significant revenue contributors within the ecosystem are brands and advertisers with sponsorships.

The brands sponsor teams, make hardware deals, buy screen space at streaming platforms, have influencers, buy name placements at tournaments and more. The increased view ship of eSport is the primary driver of advertising growth.

Fans

The increasing fan base of eSport is the main driver of the revenue within the industry and is the reason why many brands have taken an interest in eSports. The amount of eSport viewers in 2018 amounted to 395 million and is expected to continue to grow in the coming years.

eSport viewers in millions and type



395 million viewers in 2018. CAGR 2018-2022 18%

Source: statista

The fans consume eSport both live and online. Many fans, but not all, play games, support teams (often multiple teams), consume ads on streaming platforms for both their favorite streamers and competitions, purchase merchandise and are exposed to sponsor's products through brand's marketing efforts. Each game most often has a unique community. Many fans participate in direct dialogue with stakeholders through chat systems and forums.

Many fans participate in direct dialogue with stakeholders through chat systems and forums.

Platforms

A dominating player within the ecosystem is the streaming networks and social media platforms. *The most notable is Twitch but lately the platform is facing competition from YouTube Gaming, Facebook and more.

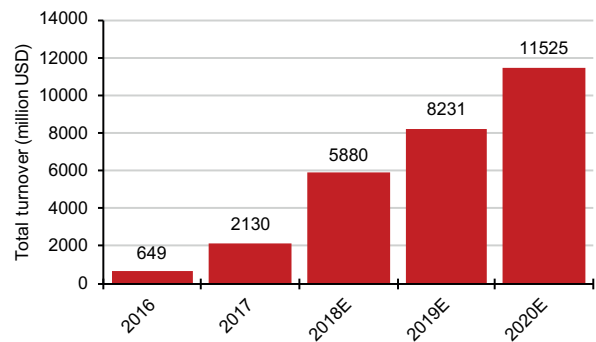
The platforms distribute both live and video-on-demand content. The networks and sites can often sponsor teams, players, tournaments, and leagues. Content is king for the platforms, and they work hard to get exclusive broadcast rights. The platforms do also to some degree make direct team or player sponsorships to obtain streaming rights.

eSport Betting

Within any sport, there is almost always a significant betting market. eSports is no different. Most eSport games make a perfect opportunity for live betting and different type of combination bets. Historically a type of "black market" for skin betting has emerged. However, this is shifting to a regulated cash betting market as Valve continues to try and hinder skin betting sites through API closedowns, etc.

Today the Cash betting on eSport is still in its infancy, but it's expected to grow vastly over the coming years. Some notable startups within this sub-industry: Unikrn, Betspawm, GG.bet

eSport cash betting annual turnover



CAGR 2017-2020 76%

Source: Narus Advisors / Eilers & Krejcik Gaming

Fantasy Sports and Daily Fantasy Sports

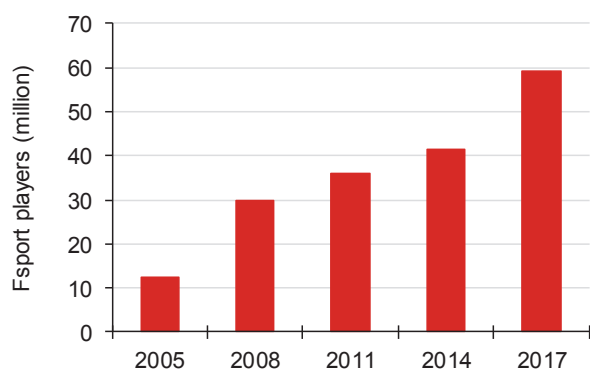
As previously mentioned, this is huge in the US and growing rapidly in Europe. It is seen as a very social game with low addiction risk, but with good opportunities to advertise sports betting, since Fantasy sport and sports betting are so closely related. Research has also shown that Fantasy Sports increase the interest in sport itself. 64% say they watch more sport because of fantasy and 61% say they read more about sport because of fantasy (FSTA).

Fantasy sport is normally divided into two parts Fantasy sport (FS) and Daily Fantasy Sport (DFS). FS is usually during a whole season while DFS is during the match or event day. DFS is a so-called pool game where the operator takes a rake based on the pot size while FS normally is not a game about money, the player pays a fee to participate.

Growth rate and size

The concept of picking players and running a contest based on the players' statistics have been around since the late 40s. Its popularity increased rapidly when the fantasy competition could be done online, and the development exploded after betting became illegal in US in 2007. Today there are almost 60 million fantasy sports players in US and Canada, and around 20% of the adult population is playing fantasy sport. The industry is considered being worth more than 7 bn USD, only on the US market.

Number of Fsports players in USA & Canada



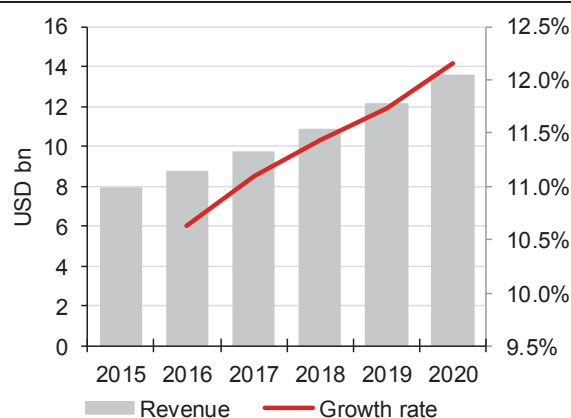
Source: <https://fsta.org>

The European market for FS was expected to amount to USD 2.0 bn during 2016 according to TechNavio and grow with a CAGR of 7.5 percentage for the next 4 years.

The markets in Asia and Australia, that mainly consist of FS, is growing rapidly and amounted to USD 1.62 bn in 2016, with a CAGR of 18% during the last four years according to TechNavio.

The global market amounted to USA 9.7 bn in 2017 and is estimated to grow with double digits for the coming years.

Global fantasy sports market



Source: Technavio

Sites and suppliers

In the US where the fantasy sport is huge, there are several options, but the most know are Yahoo Sports and ESPN, as well as the daily fantasy sites DraftKings and FanDuel having more than 90% of the market. The main focus for the sites is American Football, but looking at other markets the main sport is football.

Both FanDuel and DraftKings are entering Europe to spread fantasy sport. But there are B2B providers, such as Scout Gaming and Fsport, that are targeting the online gambling operators. Bringing the fantasy sports players to their sites. This is process is just in the early stages but the interest from the players and the operators is definitely there. Other DFS suppliers are GFM Clevergames, Swush and Chroma Sports



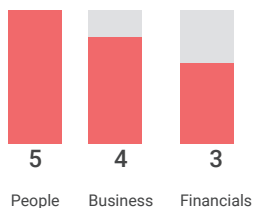
Investment Summary

Client companies

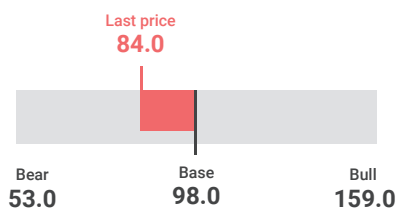


Redeye Rating

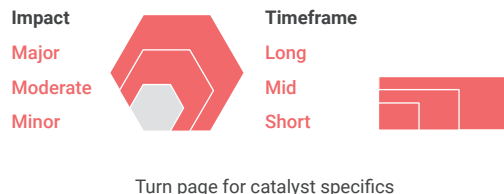
COMPANY QUALITY



FAIR VALUE RANGE

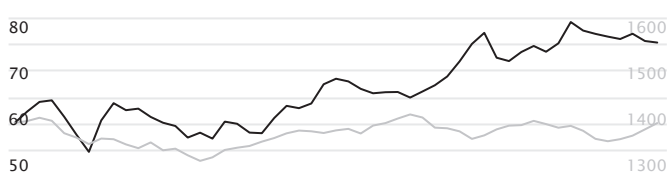


CATALYST POTENTIAL

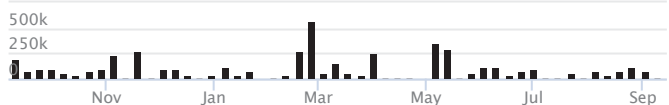


Snapshot

Better Collective OMXS30



Volume



Marketplace NASDAQ Stockholm

CEO Jesper Søggaard

Chairman Jens Bager

Share information

Share price (SEK) 84.0

Number of shares (M) 42.3

Market cap (MSEK) 3,550

Net debt (MSEK) 32

Analyst



Jonas Amnesten
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Conflict of interests

Jonas Amnesten owns shares in Better Collective: **Yes**

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

Financials

			Redeye Estimates		
	2017	2018	2019E	2020E	2021E
Revenue, MSEK	26	40	69	91	112
Growth	50.9%	54.2%	69.7%	31.8%	23.2%
EBITDA	11	12	31	42	53
EBITDA margin	40.4%	30.0%	44.6%	46.6%	47.7%
EBIT	10	9	24	34	45
EBIT margin	37.6%	22.4%	35.0%	37.7%	40.0%
Pre-tax earnings	10	8	22	31	43
Net earnings	7	5	16	23	32
Net margin	28.4%	13.5%	23.6%	25.8%	29.1%
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	0.28	0.28	0.40	0.56	0.76
P/E adj.	18.2	19.4	19.4	13.8	10.2
EV/S	5.6	4.4	5.2	3.7	2.7
EV/EBITDA	13.8	14.6	11.6	7.9	5.6

Last updated: 2019-08-23

Owner	Equity	Votes
Jesper Søggaard	23.5%	23.5%
Christian Kirk Rasmussen	23.5%	23.5%
Better Partners ApS	12.4%	12.4%
Chr. Augustinus Fabrikker A/S	4.7%	4.7%
Tredje AP-Fonden	3.1%	3.1%
Jens Bager	2.6%	2.6%
Öhman Bank	2.6%	2.6%
Andra AP-Fonden	2.4%	2.4%
Knutsson Holdings	2.4%	2.4%
Ribacka Group Holdings	1.7%	1.7%

Company description

Better Collective is the No. 1 sports betting affiliate in the world and a leading developer of educational platforms in the online gambling industry. In total, the group has a vast network of educational sites and several thousand content sites. Through its products, the company aims to make sports betting and gambling entertaining, transparent, and fair for the global network of online bettors.

Since 2018, Better Collective has been listed on Nasdaq Stockholm. The group has more than 350 employees globally and more than 2,000 content sites that receive over 7 million unique visits per month.

Investment case

- Quality communities
- Strong vertical
- Value-adding M&A
- 'Skin in the game'

Investment Thesis

Quality communities

Through sites like bettingexpert.com that create real value for customers, Better Collective is building its affiliate network for the long term and attracting revenue share-based partnership agreements. Its customers focus is generating strong organic growth and building a business that operators cannot afford to neglect.

Its community sites are also creating a network effect. Their increasing size increases their value for users and creates barriers against new competitors. Moreover, much of their traffic to the sites is direct, leading to limited dependence on both Google and expensive paid media.

Strong vertical

Better Collective's focus on sports betting positions it in an area with significant potential. Sports betting is growing faster than the casino segment and is less challenging from a regulatory perspective. The main driver is the shift from land-based to online and smartphones, that suites sports betting very well. The sports betting vertical is also suitable for communities as tips and knowledge-sharing are beneficial for the users. Moreover, the US market is opening up and could exceed its European counterpart within 10 years. In addition, several high potential markets are opening in South America too.

Value-adding M&A

Better Collective's good reputation within the industry and solid financial position enables it to acquire superior targets than competitors, in our view. To create long-term value Better Collective makes sure to integrate the employees and creators responsible for its acquisitions' past success. Keeping them on board is key to maintaining high performance. In addition, Better Collective's platform enables swift and smooth integration of the acquired site network.

'Skin in the game'

Better Collective's ownership structure involves almost all of senior management and the board having 'skin in the game'. The CEO and COO control more than 60%, while the CFO also owns a substantial stake. With this level of shareholder alignment in the business, we anticipate dedication and shareholder-friendly decisions.

Counter-Thesis – Bear Points

Google exposure

Better Collective is not as dependent on Google as many of its competitors. Even so, the traffic from search engines, mainly Google, is still the largest traffic source. Meaning, that changes to Google's search algorithms might worsen Better Collective's traffic volumes from Google, and in the end affecting the revenues.

Regulatory threats

Regulation and re-regulation could impact Better Collective negatively. Its B2B customers (operators) could be prevented from offering gambling and betting to their customers (players). As a result, Better Collective would not be able to lead players to the operators. Marketing restrictions enforced by regulators could also potentially limit the company's scope to bring players to operators.

Over-profitability

Most listed affiliates have EBIT margins of at least 40%. However, as operators' gaming taxes, compliance expenses and competition increase, their profit margins are under pressure. Over time, we can presume that, some of this pressure will affect other parts of the value chain, such as affiliation.

Valued at a premium

The high investor expectations embedded in Better Collective's premium valuation will only be met if it outperforms its affiliate peers. Failure to do so will hurt the share price.

Catalyst types

Improved multiples

Investors value the affiliate industry at very low multiples since they expect EPS to decline. If EPS is maintained or improved, however, we believe the multiples will increase.

Acquisitions

A large value-adding acquisition of a local brand in a new market at low multiples will enable multiple expansion.

Us market

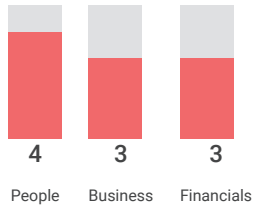
Promisingly strong NDC intake in the US for Better Collective's brands could be a major long-term growth driver.

Beneficial regulator changes

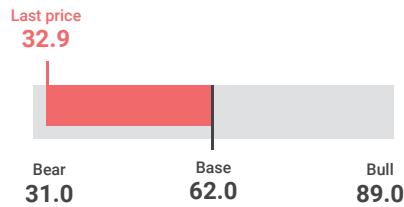
If the authorities, in a main market, prohibits conventional marketing, such as TV and radio, this could have major positive affect on Better Collective's operations in that market.

Redeye Rating

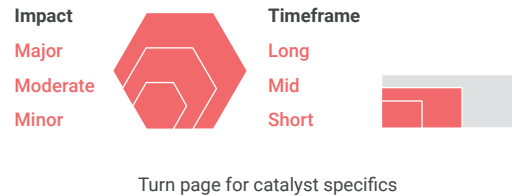
COMPANY QUALITY



FAIR VALUE RANGE

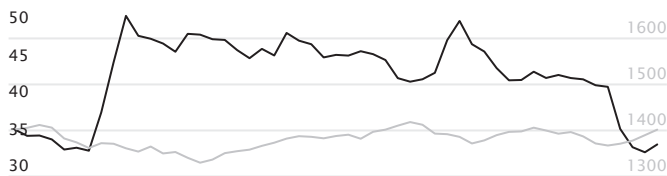


CATALYST POTENTIAL



Snapshot

Aspire Global OMXS30



Volume



Marketplace First North Stockholm

CEO Tsachi (Isaac) Maimon

Chairman Carl Klingberg

Share information

Share price (SEK) 32.9

Number of shares (M) 45.5

Market cap (MSEK) 1,509

Net debt (MEUR) -16

Analyst



Jonas Amnesten
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Conflict of interests

Jonas Amnesten owns shares in Aspire Global: **Yes**

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

Financials

			Redeye Estimates		
	2017	2018	2019E	2020E	2021E
Revenue, MEUR	72	105	140	169	206
Growth	17.9%	45.4%	33.9%	20.3%	22.0%
EBITDA	14	21	25	26	30
EBITDA margin	19.8%	20.3%	18.0%	15.5%	14.8%
EBIT	13	19	21	23	27
EBIT margin	18.1%	18.5%	15.1%	13.5%	13.0%
Pre-tax earnings	13	17	18	20	24
Net earnings	10	16	16	17	21
Net margin	13.8%	15.5%	11.5%	9.9%	10.4%
Dividend/Share	0.09	0.10	0.12	0.13	0.19
EPS adj.	0.23	0.36	0.36	0.37	0.47
P/E adj.	15.5	12.4	8.3	8.0	6.4
EV/S	1.9	1.7	0.8	0.6	0.4
EV/EBITDA	9.6	8.1	4.6	4.0	3.0

Last updated: 2019-08-29

Owner	Equity	Votes
Barak Matalon	26.0%	26.0%
Pini Zahavi	16.2%	16.2%
Eli Azur	16.2%	16.2%
Aharon Aran	6.5%	6.5%
Swedbank Robur Ny Teknik BTI	5.3%	5.3%
BNY MELLON (ESOP)	3.7%	3.7%
Avanza Pension	2.9%	2.9%
Fondita Nordic small CAP	1.9%	1.9%
Isaac Maimon	1.7%	1.7%
BPSS LDN	1.6%	1.6%

Company description

Aspire Global is an online gambling company operating in the B2B and B2C segment. In the B2B segment, the company offers a platform solution targeting non-gambling companies as well as established gambling operators. In addition to the platform solution, the company has developed proprietary games, which are integrated into the platform, and can be offered to external operators. In the B2C segment, the company operates proprietary online casino brands, sportsbook brands and brands that offer both online casino and sportsbook.

Investment case

- Strong lock-in effects
- A wide range of growth possibilities
- Own platform and strong financial position
- New gambling segments

Strong lock-in effects: Aspire Global has over the years shown that its B2B customers stay loyal and that the company is able to attract brands from external platforms. This indicates that Aspire Global has an attractive platform that adds value to its customers and creates significant exit barriers through lock-in effects. We believe that key drivers behind this look-in effect are; the wide range of licenses, strong product, exclusive games, and beneficial business model.

A wide range of growth possibilities: With Aspire Global's existing business model the company has a wide range of possibilities where the company can create growth. That range includes; improving existing product, adding on new partnerships, migrating brands from external platforms, marketing campaigns on the B2C brands, adding on new national gambling licenses, acquisitions, and commercialize the proprietary games.

Own platform and strong financial position: Aspire Global's proprietary platform and strong financial position is the perfect combo for future growth. The scalable proprietary platform gives Aspire Global very strong incitements to grow, and the strong financial position gives the company the means to do it. With the own platform, the growth can be realized both organically and through acquisitions. Without an own platform, acquisitions would not be considered a good option. Within some potential markets, it will be better to acquire an existing operator to acquire a license and to gain knowledge about the market. Owning the platform also gives Aspire Global the freedom to enter into any potential market that has the right conditions.

New gambling segments: We believe Aspire Global has a good possibility to facilitate on its existing game portfolio of over 200 games. It is hard to estimate what these games might give in terms of revenue and profit. But based on Aspire Global's information, several of the games are performing well, and generate about 20% of Aspire Global's GGR. We believe that a strategic acquisition of a smaller game developer/studio could potentially boost this development and enable

Aspire Global to faster facilitate on its existing game portfolio. Another potential segment is Affiliation; however, we believe that a strategic acquisition of an operator or a game developer will be prioritized.

Counter-Thesis – Bear Points

Low player retention: Comparing Aspire Global player data raises some questions. For sure the figures for customer intake, FTDs, are impressive as well as the strong Hold (Revenue/Deposit). However, Aspire Global's retention levels are lower than for the competitors.

Licenses: One of the main lock-in effects that Aspire Global has emphasized, is that the company hold licenses in many regulated markets. Which makes it harder for a customer to find an alternative platform with the same licenses, if the customer has players on several of these licensed markets. The issue with this is that we believe that in the long-run all the competing platforms will hold, more or less, the same licenses.

New markets and M&As: We expect Aspire Global to invest much in new markets and M&As the next few years to continue to drive growth at a high rate. However, it is important to choose markets and acquisitions wisely. What works in one market may not work in another due to culture or/and regulations differences. The market entries and acquisitions may require much more resources than initially estimated.

Uncertain regulations: Aspire Global is focusing in regulated markets as these markets offer better possibilities to find interesting B2B partners. The regulated markets are also seen as less risky than unregulated markets, which is true. However, we believe that the regulated markets also have some risk connected to them.

Catalyst types

Successfully executed m&a activities

Aspire Global has issued an EUR 27.5m secured bond under an EUR 80m framework, allowing for M&A activities. The company is mainly looking at three types of targets: operators, affiliates and game developers. We believe that successfully executed M&A activities at attractive multiples will, most likely, have a significant impact on the share price.

An acquisition target

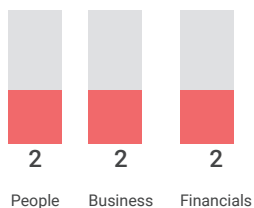
Aspire Global could be an interesting acquisition target for companies that like to acquire a strong B2B product on the European market.

Large media house partnership

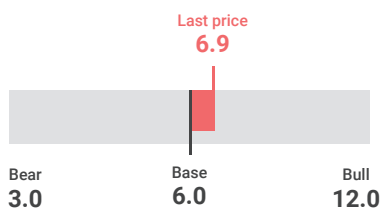
With Aspire Global's B2B strategy to enter regulated markets and find suitable partners. We believe that if Aspire Global are able to enter into a partnership with a major media house in any of these markets this will most likely become a strong growth driver.

Redeye Rating

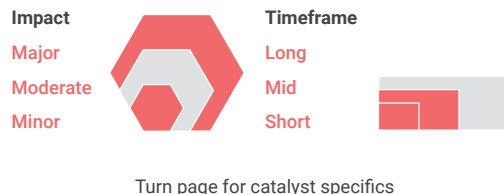
COMPANY QUALITY



FAIR VALUE RANGE

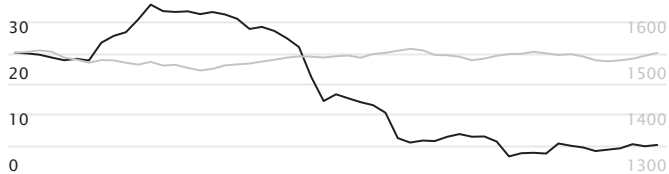


CATALYST POTENTIAL



Snapshot

Global Gaming 555 OMXS30



Volume



Marketplace First North Stockholm

CEO Tobias Fagerlund

Chairman Peter Eidensjö

Share information

Share price (SEK) 6.9

Number of shares (M) 40.9

Market cap (MSEK) 280

Net debt (MSEK) -155

Analyst



Jonas Amnesten
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Conflict of interests

Jonas Amnesten owns shares in Global Gaming 555: **No**

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

Financials

	2017	2018	Redeye Estimates		
			2019E	2020E	2021E
Revenue, MSEK	458	916	421	359	457
Growth	>100%	100.0%	-54.0%	-14.8%	27.2%
EBITDA	122	150	-75	-3	21
EBITDA margin	26.7%	16.4%	Neg	Neg	4.6%
EBIT	122	149	-94	-11	13
EBIT margin	26.6%	16.2%	Neg	Neg	2.8%
Pre-tax earnings	122	149	-94	-11	13
Net earnings	108	125	-93	-10	11
Net margin	23.7%	13.7%	Neg	Neg	2.5%
Dividend/Share	1.40	0.00	0.00	0.00	0.14
EPS adj.	2.73	3.06	-2.27	-0.24	0.28
P/E adj.	11.4	11.8	-3.1	-29.6	25.5
EV/S	2.3	1.3	0.3	0.4	0.3
EV/EBITDA	8.8	8.1	-1.8	-44.2	6.6

Last updated: 2019-08-31

Owner	Equity	Votes
DANSKE BANK INTERNATIONAL	16.2%	16.2%
CBLDN-POHJOLA BANK PLC CLIENT A/C	7.9%	7.9%
TIAINEN, AHTI	7.4%	7.4%
MIDDELBORG INVEST AS	5.0%	5.0%
LEOVILLE AS	4.4%	4.4%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	4.0%	4.0%
GIMLE INVEST AS	2.9%	2.9%
HAMBERG FÖRVALTNING AKTIEBOLAG	2.0%	2.0%
NORDNET PENSIONS FÖRSÄKRING AB	1.8%	1.8%
SKANDINAVISKA ENSKILDA BANKEN AB, Oslo Branch	1.8%	1.8%

Company description

Global Gaming is an online gambling operator with several brands and the company mainly focus on the casino vertical. Global Gaming revolutionized the online gaming industry with its Pay'n'Play solution on its proprietary platform, offering players a safe and seamless gaming experience. Global Gaming launched the Pay'n'Play focused flagship brand Ninja Casino in 2016, and the brand has since then grown to become one of the best-known brands in Sweden. In 2018, Global Gaming's sales were mainly generated from Sweden as well as some from Finland, and the group launched Ninja Casino on the Estonian market in November 2018.

Investment case

- Valuable flagship brand
- Pay'n'Play focus
- Strong financial position

Valuable flagship brand

Since the launch at the end of 2016 Global Gaming's flagship brand Ninja Casino has grown to become one of the Swedish online gambling market's largest brands. Its strong growth, during 2017 and 2018, was mainly the result of its first mover advantage with the disruptive Pay'n'Play concept. Since the Swedish license was revoked the brand has been closed in Sweden. However, it still has large potential in other markets and the brand awareness is still strong in the Swedish market, which will boost revenues when it goes live again.

Pay'n'Play focus

The Pay'n'Play concept has been a huge success since the launch in Sweden two years ago, and it has spread to more markets since then. However, it has only been introduced to a very small part of the total online gambling market. If it could work in larger gambling markets such as the UK, Italy, Japan or the US, the Pay'n'Play market could grow many times larger. If developments go in this direction, Global Gaming is very strongly positioned.

Strong financial position

With SEK 200m in cash the company can handle the losses in the coming quarters and focus on the long-term goals. It also opens up for several different options, such as acquisitions and aggressive marketing campaigns, if the ROI is strong.

Counter-Thesis – Bear Points

Losing ground

With the flagship brand, Ninja Casino, closed the brand is losing value for each day as brand awareness decreases. Meanwhile the competitors can focus on long-term goals and improving its products. A re-launch of the Ninja Casino brand in Sweden is crucial for Global Gaming.

Low transparency

Global Gaming does not report player KPIs such as active players and FTDs. For us these are very important KPIs to understand and monitor the underlying performance of the business. The reason for not reporting them, according to Global Gaming, is that the company does not want to give competitors too much insight into its business. We worry that the numbers would show low retention and too high ARPU which indicates "problem" players and/or a large number of high rollers creating high volatility and risk. Until Global Gaming reports these player KPIs this uncertainty will remain.

Fast-changing environment for Pay'n'Play

Pay'n'Play has changed the gambling industry and we expect that new ideas will continue to change the environment. These changes might make Global Gaming's solution redundant. Moreover, perception and acceptance of gambling, as well as different solutions connected to gambling, can also change very quickly. If the public or authorities' perception and acceptance of Pay'n'Play changes for the worse, this could be a major negative for Global Gaming.

Catalyst types

Acquisition target

In the light of the MRG bid from William Hill, Global Gaming could be a potential target for larger operators that want to obtain a strong position in Sweden.

Swedish license

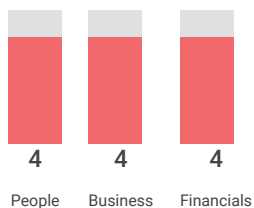
Regain its Swedish license in the legal dispute with the Swedish Gambling Authority.

Expands geographically

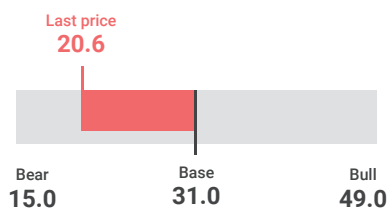
Entering into a new market with good conditions for the Pay'n'Play concept as well as reasonable size on the online gambling market.

Redeye Rating

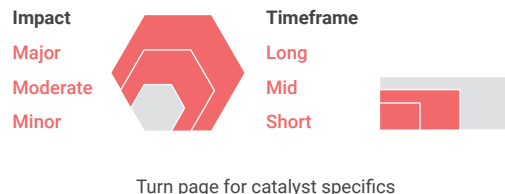
COMPANY QUALITY



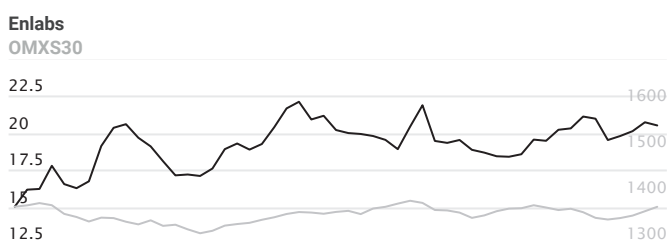
FAIR VALUE RANGE



CATALYST POTENTIAL



Snapshot



Marketplace	First North Stockholm
CEO	Robert Andersson
Chairman	Niklas Braathen
Share information	
Share price (SEK)	20.6
Number of shares (M)	62.8
Market cap (MSEK)	1,294
Net debt (MEUR)	-19

Analyst



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Conflict of interests

Jonas Amnesten owns shares in Enlabs: **Yes**
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2017	2018	2019E	2020E	2021E
Revenue, MEUR	24	31	41	54	67
Growth	45.6%	30.2%	33.0%	31.7%	24.9%
EBITDA	7	9	13	18	24
EBITDA margin	28.7%	30.3%	31.3%	34.1%	36.0%
EBIT	5	7	11	16	21
EBIT margin	22.4%	23.2%	26.3%	29.6%	31.8%
Pre-tax earnings	5	7	11	16	21
Net earnings	4	7	11	16	21
Net margin	19.1%	22.8%	26.3%	29.5%	31.6%
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	0.08	0.11	0.17	0.25	0.34
P/E adj.	33.2	20.2	10.9	7.4	5.5
EV/S	6.1	4.2	2.4	1.5	1.0
EV/EBITDA	21.4	14.0	7.6	4.5	2.6

Last updated: 2019-08-13

Owner	Equity	Votes
Erlinghundra AB (Niklas Braathen)	22.3%	22.3%
EFG BANK / GENEVA	18.2%	18.2%
Försäkringsbolaget Avanza Pension	9.1%	9.1%
Anders Tangen med bolag	4.0%	4.0%
Eric Leijonhufvud	3.1%	3.1%
Vision Invest AB	2.4%	2.4%
Kjell och Michael Pettersson Fastigh	2.4%	2.4%
Hans Isoz	2.3%	2.3%

Company description

Enlabs operates and invests in gambling and affiliate businesses. The company has a clear focus on regulated markets and the fast-growing Baltics in particular. As a result, more than 90% of the gambling revenues are generated from regulated markets, meaning that the company is well positioned for the ongoing regulation of the industry.

Further, Enlabs's business is divided into three areas:

Gambling – including online gambling in addition to land-based betting. Media - primarily focusing on affiliation. B2B Solutions - is today a small business area offering solutions to gambling companies.

Investment case

- A big bet on rapid growth in the Baltics
- Strong market position
- Already regulated
- Own platform and strong financial position

A big bet on rapid growth in the Baltics

With Enlabs's focus on the Baltics, it is essential that the underlying online gambling market continues to grow at a high rate. H2GC forecasts a CAGR of about 10% for the period 2018-23. This is much lower than the actual growth rate in Estonia and Latvia in 2018, which is not sustainable over the long term but shows the growth potential of the Baltic market. As noted, Enlabs is also expanding its market in the Baltics by entering Lithuania.

Strong market position

We believe Enlabs has a very strong position with the current setup in both Latvia and Lithuania. In the Latvian market, there are clear marketing limitations that make it difficult to spend much and at the same time, achieve healthy ROI. License holders also need to hold at least EUR 1.4m in share capital and pay a license fee of EUR 0.4m. In the Lithuanian market, companies are required to operate at least 20 licensed betting shops to obtain an online gambling license. This makes it difficult for new competitors to enter the market. We believe Enlabs has deep knowledge about the market from its long presence and has well-established brands with strong brand awareness.

Already regulated

Over 90% of Enlabs's sales come from regulated markets. As it will not be affected by the regulation in Sweden and increased tax expenses, it should be valued at a higher EV/EBIT multiple than its peers. For sure, a regulated online gambling market always has the risk of re-regulation. But we believe that the downside of any re-regulation will most likely not be on the same "magnitude" as an initial online regulation.

Own platform and strong financial position

Having an own platform and a strong financial position is the perfect combo for future growth; you can't get a more obvious sign. The proprietary platform gives Enlabs very strong

incitements to grow, and the strong financial position gives them the means to do it. With the own platform, the growth can be realized both organically and through acquisitions.

Counter-Thesis – Bear Points

All-in on the Baltics

The Baltics is a rapidly growing market, but things can change fast. Changes in regulation, such as a more permitting view on gambling-marketing in Latvia or removing the requirement for land-based operations in Lithuania, might eradicate the strong market barriers. Leading to more competition about the customers and lower profit levels.

Neglected market

Enlabs today have a strong position on the Baltic market, and the competition is on low levels. However, if more operators enter the Baltic market by acquiring an existing operator to be able to launch its main brand, just as MRG has done.

New markets and M&As

We expect Enlabs to invest much in new markets and M&As the next few years to continue to drive growth at a high rate. However, it is important to choose markets and acquisitions wisely. What works in one market may not work in another due to culture or/and regulations differences. The market entries and acquisitions may require much more resources than initially estimated.

Catalyst types

Peak-season beyond expectations

Peak-season together with product improvements can fuel growth and profit margins beyond the market expectation during H2 2019.

An acquisition target

In the light of the MRG bid from William Hill, ENLABS could be a potential target for the larger operators that want to obtain a strong position in the Baltic.

Entering new markets

Entering or obtaining a license in a new market with good marketing size and growth potential. This is one of the major long-term growth drivers and successfully entering new markets is a clear catalyst potential.

M&a

ENLABS has a successful history of M&A and divestments and, according to the company, they will continue to be active in the consolidation of the industry. Therefore, we consider the management's value-creating acquisition history should be valued as a potential option.

Successful online launch in lithuania

In Lithuania, licensees are required to hold land-based supply for providing online gambling, which creates barriers to entry. Therefore, a successful online launch would most likely lead to a solid, sustainable and profitable growth for the company.

Disclaimer

Important information

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

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Redeye Rating (2019-05-29)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	52	51	21	12	22
3,5p - 7,0p	94	88	125	43	59
0,0p-3,0p	15	22	15	106	80
Comapny N	161	161	161	161	161

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