

**REDEYE
ONLINE
GAMBLING
SEMINAR
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REDEYE

REDEYE ONLINE GAMBLING TEAM



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Online Gambling Seminar Program

12.30	Registration	
13.00	Welcoming and Intro	Redeye
13.15	Suppliers Company presentations	Aspire Global GiG Interactive
13.30	Panel Discussion	
13.45	Coffee break	
14.00	Developers Company presentations	NetEnt Yggdrasil Play'n Go Nolimit City
14.20	Panel Discussion	
14.35	Implications of new regulation	Wiklund Law
14.50	Company presentation	Goliath Casino
15.05	Coffee break	
15.20	Affiliates Company presentations	Net Gaming GameLounge Better Collective Dilanti Media
15.35	Panel Discussion	
15.50	Company presentation	FSport
16.05	Operators Company presentations	MRG Global Gaming Hero Gaming LeoVegas
16.25	Panel Discussion	
16.40	US Market - Opportunity and hurdles	
17.00	Drinks and mingle	

Company descriptions and seminar participants

Panel 1: Suppliers

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 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.

Gaming Innovation Group (GIG)

GIG offer cutting edge Cloud-based services and Performance Marketing through their B2B products. They provide their B2B customers with the technology, products and services to create an amazing experience for their B2C users. GIG also own seven consumer facing brands that offer a gaming experience like no other in the form of casino games, sports betting and poker tables.

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.

Panel 2: Developers

NetEnt

NetEnt is a supplier of digitally distributed gaming systems used by some of the world's most successful online gambling operators. The company has been a pioneer in driving the market with games powered by its platform. Every day millions of people play one of NetEnt's 200 games and their systems process 16x more transactions than the New York stock exchange.

Yggdrasil

Yggdrasil is a provider of online gambling solutions for online gambling operators. The business was founded in 2013 and has since emerged as one of the industry's most respected and acclaimed suppliers. The business model is highly scalable and covers three product verticals Casino Slots, Table Games and Bingo, in addition to the business verticals Yggdrasil White Label Studios. Yggdrasil is a subsidiary within the Cherry Group.

Play'n Go

Play'n Go is a gambling specialist and a leading mobile casino gambling developer. The company's games are designed for great performance on smartphones, tablets, terminals and websites. By combining extensive experience with the latest technology Play'n Go create products that are truly modern, complete and highly flexible.

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.

Panel 3: Affiliates

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.

Game Lounge

Game Lounge was founded in 2011 with the vision to transform affiliate marketing for the igaming sector in the Nordics and beyond. The company rapidly established itself as an industry leader in the field of SEO, and its affiliate sites get the vast majority of traffic through organic searches. Amongst its assets, Game Lounge owns a portfolio of affiliate sites in Finland, Sweden, Norway, the UK and other European countries, including its flagship Swedish affiliate site, SveaCasino.se. Game Lounge is a subsidiary within the Cherry Group.

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.

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 cryptocurrencies.

Panel 4: Operators

MRG

MRG, founded in 2007, is an investment company operating online casinos. The main holdings are Mr Green, Redbet, Dansk Underholding and 11.lv. Turnover in 2017 amounted to SEK 1 192m with an EBITDA of SEK 186m. MRG is since the end of 2016 listed on Nasdaq Stockholm. MRG's competitive advantage lies within its unique and well-established brands. Management and owners behind the company also have an impressive track record in the industry. MRG has also invested in Green gaming, the game developer Green Jade Games and E-sports.

Global Gaming

Global Gaming is an online Gambling company delivering and developing B2C and B2B services for online casinos. Today, the company provides a number of traditional online casinos in addition to the "Pay'n'Play casino"-flagship Ninja Casino and the newly launched Spellandet. Moreover, the company has developed a proprietary platform that delivers full-service solutions for the company's own brands as well as external online casinos.

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.

Leo Vegas

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

Implications of new regulation

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 is also advising private operators in the Health Care-sector. He has acted as counsel in proceedings before the European Courts in Luxemburg and Strasbourg. He has 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.

US market - Opportunity and hurdles

Scout Gaming

Scout Gaming Group is a licensed and regulated B2B provider of daily fantasy sports and pool betting solutions. Scout offers the only liquidity network for fantasy sports in Europe and has some of the largest online operators on the client list. Scout is licensed in both Malta and the UK and has today approximately 60 employees. Scout is listed at Nasdaq OMX Stockholm First North.

NetEnt

See "Panel 2; Developers"

Wiklund Law

See "Implications of new regulation"

Company presentations

Goliath Casino

Goliathcasino is founded by professionals with successful experiences from the online gambling, digital services and entertainment industries. Driven by the opportunity to contribute to a market that is becoming saturated, filled with similar offers and often self-centered in its consumer offerings. They operate as white label on Aspire Global's platform. They have the goal to go into any available market that has the right conditions for a low CPA in relation to player value, i.e. strong return on investment.

FSport

FSport is a Premium B2B Daily Sports Entertainment Provider and AI developer. FSport is based on the latest technology and everything is developed in-house. FSport makes sport even more fun by engaging users in real-time Daily Sport Entertainment and offers players the best possible user experience. They show case their platform on FSport.net and provide affiliate and white-label solutions to online partners around the world.

Redeye

Redeye Online Gambling Guide 2018

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Interview questions with our client companies

The questions we asked the representatives 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?

Morten Klein, Cherry (Market cap. SEK 5.9bn).



A) The Cherry group reported a revenue growth of 41% (39% organic) and increase of EBITDA in the second quarter 2018 of 78% compared with the corresponding period in the preceding year. An important factor is the quick return to profit in our B2C operations, as well as the launch of new successful brands targeting the Nordic markets. Yggdrasil launched several new games and signed more than 20 new operators and has established itself as a top-tier partner to the largest and most reputed operators. And the affiliate company, Game Lounge, once again proved their scalable business model as the company entered into new geographic markets and new verticals. Cherry increased its holding of the shares in its subsidiaries, Game Lounge (now 95%), Almor (now 90%) and Highlight Games (now 60.4%).

B) We expect to grow our market shares in regulated markets, and also establish operations in new markets. We will continue to be innovative and agile in product development and in marketing as well as expanding through strategic bolt-on acquisitions. We are continuously looking for new start-ups operated by creative and motivated entrepreneurs that could add to our existing portfolio of companies.

C) The continued regulations in our core markets is likely to have an effect as well as the migration to iGaming share of our industry. Internet and smartphone penetration is increasing and stabilizing at very high levels throughout all of Europe, mobile first is the key in all markets. Another trend we see is the higher entertainment value when the technical development of gaming products, platforms and sites progresses, and more interesting solutions are added.

Per Norman, MRG (Market cap. SEK 1.7bn)



A) 2017 was our best year ever. Revenue grew by 29% and EBITDA by 103%. The growth and profit improvements are mainly driven by the innovative and continuous development of our product offering. In 2017 we launched among all a unique Green Gaming tool, a smart Sportsbook, Reel Thrill tournaments and pay bingo. Our customers liked what they saw, and deposits and number of customers reached new all-time-high records. During 2017 we acquired Evoke Gaming and Dansk Underholdning which increased our market presence. We also obtained a casino license in Denmark and we received several prestigious industry awards, proving our leadership. In the first half of 2018 we acquired 11.lv and the strong development for MRG continued, our revenue increased by 40.8%. We also recently obtained a Sportsbook license in Denmark.

- B)
1. Continued growth. We have guided on growth of at least 40% in 2018 with an EBITDA margin of about 15%. Our targets for the coming years are to grow 25% annually by 2020 with an EBITDA margin of 15%. After 2020, we will grow more rapidly organically than the European iGaming market with an EBITDA margin of 15%.
 2. Product innovation. We will continue to develop our offering to further differentiate us from competition.
 3. Geographical expansion. We will also introduce Redbet - the Evoke Gaming Sportsbooks brand we recently acquired - in our present markets. Acquired 11.lv in Latvia will be our step stone to introduce Mr Green and Redbet in the Baltics. With the recently received Sportsbook license in

Denmark we now can offer the full Mr Green portfolio there. In addition, we are constantly reviewing the opportunity to enter new markets.

4. Expansion in the value chain. We will launch our new esports venture together with Gamingzone later this year. Our aim is to create a unique community for esports fan across the world. During the fall, we will also introduce Hammer of Fortune, a game we have developed inhouse. It will transform the iGaming industry with the concept of combining slots with elements built on skill and interaction.
5. Green Gaming. We will secure that we offer our unique Green Gaming tool to all customers, in every brand and market.
6. A cut above the rest. We will continue to deliver on our corporate value "A cut above the rest".

C)

1. Differentiation. To increase retention, product differentiation is a prerequisite which requires investments in product development and innovation.
2. Use of data. Technology and use of data are prerequisites to further develop the user experience, personalize customer communication and improve marketing efficiency.
3. Compliance. We foresee that more markets will become locally regulated which makes it a necessity to have an efficient and competent compliance organization.
4. Scale. Scale will become of utmost importance to make room for local betting duties and investments in the development of the product offering as well as marketing.

Tsachi Maimon, Aspire Global (Market cap. SEK 1.6bn)

A) We look back at twelve months of high performance, which our Q2-report confirmed not the least, released August 14th: Revenues increased by 43% while EBITDA improved by



58% compared to the corresponding quarter last year.

- Aspire Global signed an agreement on platform services with Aller Media Denmark, a company within Aller Group, the leading publisher of magazines and newspapers in the Nordic region. The cooperation with Aller Media Denmark is in line with Aspire Global's strategy to focus on regulated markets by providing large media companies with the opportunity to launch an iGaming brand of their own. It is our conviction that iGaming offers a new opportunity for media houses to generate new income streams, leveraging their established brands.
- Aspire Global launched Sportsbook, aiming at becoming the leading provider of a full turnkey solution to sports operators. Sportsbook is an attractive addition to the B2B-offering and part of the company's long-term plan for strategic growth.
- September 2017 Aspire Global entered the newly regulated Portuguese market through a strategic partnership with Cofina Media, one of the largest media groups in Portugal. The initiative is in line with the company's long-term strategy to focus on strong partnerships in regulated markets.
- Aspire Global issued a bond in an amount of €27.5 million under a €80 million framework.

B) Aspire Global has three primary goals. One is acquisitions; we are well capitalized and are continuously looking for attractive targets to increase our growth and profitability. Another is achieving and implementing the Swedish i-Gaming license. A third goal is a successful launch for Bingo, a new vertical that has been added to the other verticals of casino and sport in our portfolio. The initial launch will be together with Aller Media Denmark, later followed by Aspire Global's proprietary brand Karamba as well as additional partner brands.

C) More and more markets are being regulated - each market with its own local rules and compliance and specific iGaming culture. As a response to the regulations, the iGaming sector will mature to meet the new conditions and

demands. Companies that manage to work smarter, more creative and with robust technology in combination with high transparency and sustainability will have a comparative advantage.

On a more detailed level, here are the factors that we believe will be of increased importance:

- Technology - world-class technology to cover both player interface and gamification and regulatory requirement.
- World class business analytics - get an insight into customer trends with the ability to analyze data.
- World-class CRM/VIP operations - regulated markets require excellent automotive systems to increase and keep player value at a higher value.
- Unique tools (i.e., like Karambot) and content commoditization.
- Industry M&A.

Joacim Möller, Global Gaming (Market cap. SEK 1.1bn)



A) Without a doubt the growth we've experienced and the adaptation to a scalable and agile organization. But we have also recently launched a new brand, started our own affiliate program and announced our expansion into the sportsbook vertical, where we have an exciting product in the pipeline.

B) We will undoubtedly continue optimising our offering, while also focusing on continued growth (products, markets, verticals...) and, of course, on the preparations for the launch and operations in the re-regulated Swedish market.

C) We will definitely see an increase in the number of regulated markets, as well as consolidations and I believe that innovation will be a key element going forward.

Robert Andersson, Nordic Leisure (Market cap. SEK 0.9bn)



A) The organisation has undergone a shift towards a more sales and marketing driven organisation, and our new platform was successfully certified in Lithuania, enabling us to launch Optibet there.

B) Focus on profitable growth, launch of new markets and transition all the brands to the new highly scalable platform.

C) There is a clear move towards regulations in most market, and we already have around 90% of our revenue from regulated markets. We are well positioned for this change.

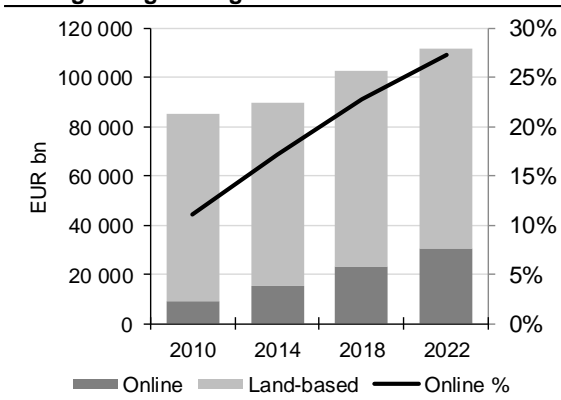
Why invest in Gambling

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

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 2018 only 23% 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

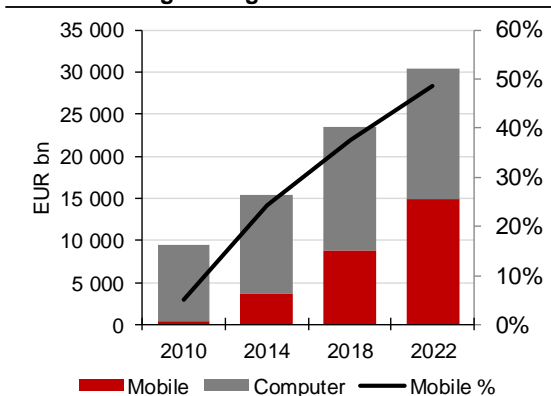


Source: H2GC

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



Source: H2GC

RE-REGULATION

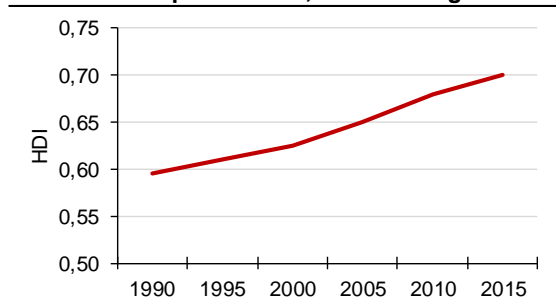
For many years countries ignored the growing Online Gambling market and tried to create state monopolies. In most countries, this did not work out that well, and there is an ongoing wave of re-regulation of the European market. Re-regulation is now regarded as one of the most critical drivers of growth 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 an 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 casino under local regulation dominated the landscape until the millennium. Since then the online offerings have exploded and today all gambling verticals are available to the players anywhere anytime.



Gambling verticals

Betting

In betting you place bets on the outcome of an event and if you bet on the right outcome you get back 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

This 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, Evolution Gaming



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 to be low. Scratch cards is 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

Bingo

A small but growing vertical that want to bring the bingo venues online. In bingo you need 5 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

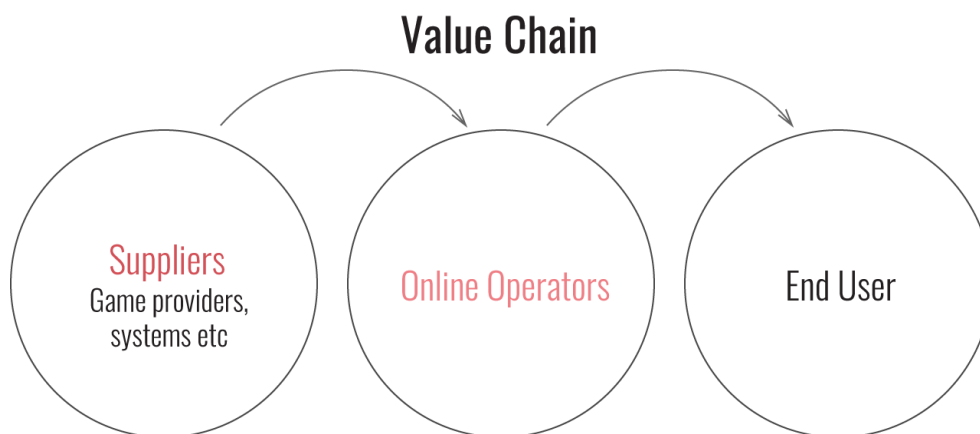
There are several alternative gambling options. Virtual gambling and fantasy sport are two examples. Virtual gambling offers the players to bet in computer-generated virtual sports events. In fantasy sport the player selects a team by picking the team's players before a game or tournament starts. The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

Examples: Highlight Games, Scout Gaming, Fsport



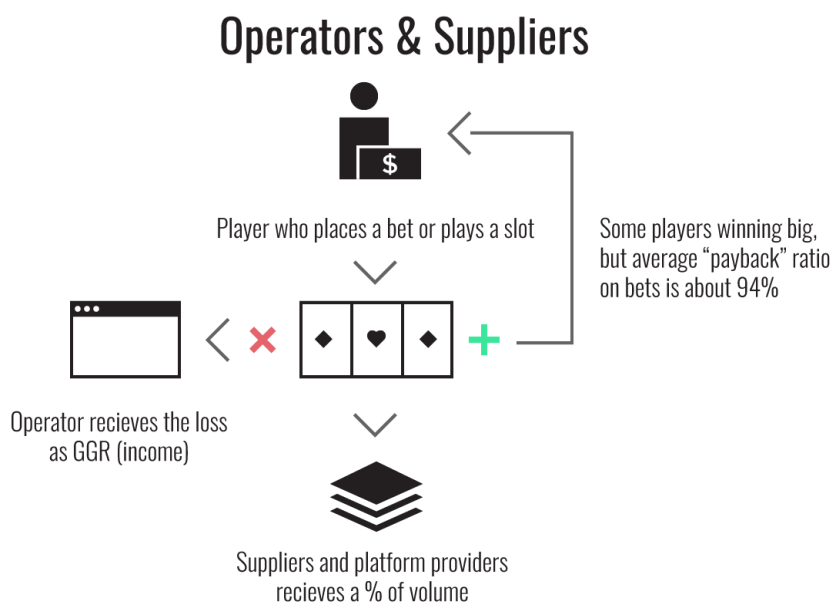
Industry value chain

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



Business model

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



Game suppliers

The game suppliers usually focus on one specific gambling vertical and the business models works 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 are able to play without an account through a Bank-ID solution. This enables the players to deposit and withdraw money within minutes instead of hours or, even, days.

Platform Providers

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



Operators

Operators can use an external gambling platform or have their own developed platform, which is more common for larger operators. The operators mission is to offer their brands (gambling sites) to the end consumer, the players. This is achieved through long-term brand building with marketing campaigns focused on marketing channels that hit the brand’s target group. The 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

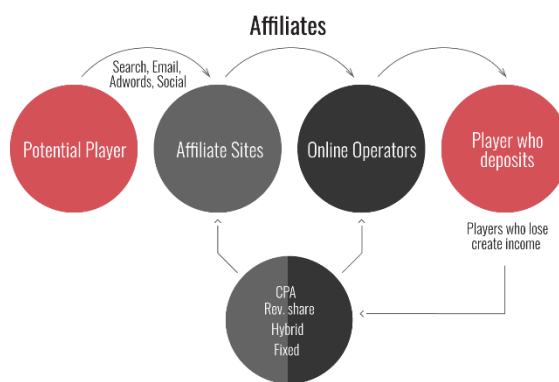
White labels have an agreement with either an operator or a platform provider that can provide the full solution. The white label does not hold any licenses or have a tech team working on the platform. They focus only on the marketing and acquiring players to their white label site. But the white label 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 in regulated markets 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.



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



Source: H2GC & Redeye Research

Size and growth

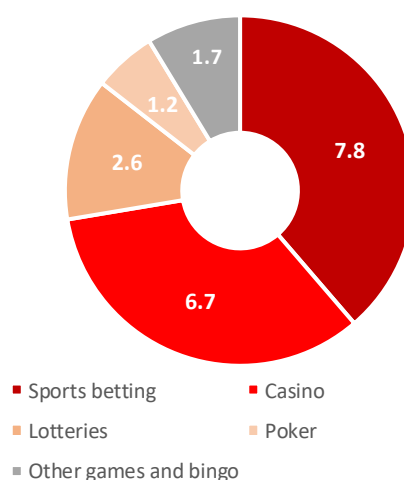
In general, the gambling industry is non-cyclical, meaning that the risk is somewhat lower than in most of the traditional industries. On the other hand, the online casino market can be argued to be saturated, and there are an increasing number of online casinos that operate and compete for the players. Even so, the online casino markets expect to show a healthy growth during coming years and we argue that innovative casinos, with new technical solutions, have the opportunity to show a 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 91.8bn during 2017. 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 7.1bn and is expected to grow with an annual rate of 15% in the coming years.

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

European online gambling segments (EUR bn) 2017



Source: H2GC

Sports betting

The total GGR in Europe for sports betting was estimated at roughly EUR 7.8bn in 2017. For the last ten years, the CAGR has amounted to about 12%, 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 6.7bn in 2017. During the last ten years, the CAGR has amounted to about 18% and the market is expected to grow annually by 6% in the coming years. The market comprises mainly slots machines, roulette, and blackjack but also live casino (live dealers through a streaming service).

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 6bn in 2017. 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.

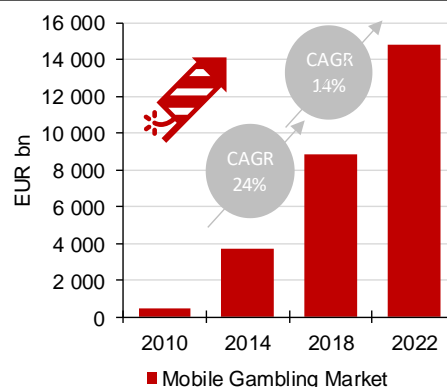


Source: H2GC & Redeye Research

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, with in 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?”

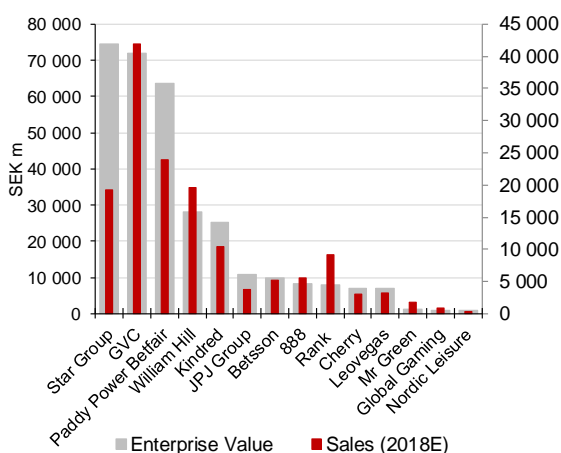
The big players

The gambling market is fragmented with a large amount 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. Below you will find some of the largest, publicly traded, online gambling companies.

Operators

Kindred is the biggest player of the Stockholm listed gambling companies. 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.

Operators Enterprise Value and Sales (2018E) (SEK m)

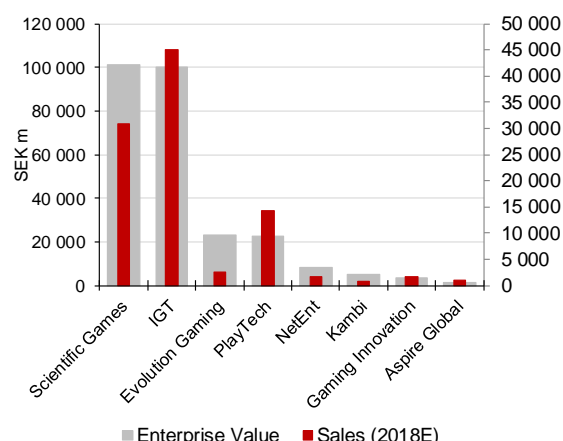


Source: Bloomberg & Redeye research

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 over 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 and Net Entertainment 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.

Suppliers Enterprise Value and Sales (2018E) (SEK m)

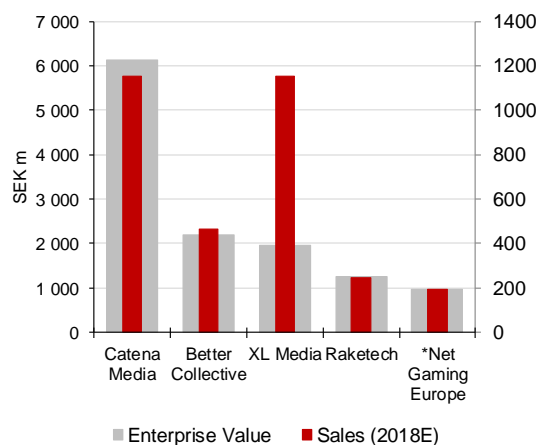


Source: Bloomberg & Redeye research

Affiliates

Catena media has a strong position after a large amount of acquisitions during several years. The same strategy is, however, used by several competitors as the scalability is immense within the affiliation segment.

Affiliates Enterprise Value and Sales (2018E) (SEK m)



Source: Bloomberg & Redeye research

Regulations

The regulation trend continues with the well establish Swedish market from 1st of January 2019, which is on "everyone's lips". 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 other have followed. The terms of the regulations in the different states varies much,

but in general we can expect boom times ahead for the online segment in US.

No.	Nation	GGR (€bn)	% of Total
1	United States	102.0	27.4%
2	China (Inc SARs)	55.1	14.8%
3	Japan	25.3	6.8%
4	Italy	17.7	4.7%
5	Australia	16.2	4.4%
6	United Kingdom	15.1	4.0%
7	Canada	10.7	2.9%
8	Germany	10.5	2.8%
9	France	9.8	2.6%
10	Spain	8.4	2.3%

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.

Taxation systems in Europe		
Country	Taxation	Lic. intro.
Italy	20% casino, 2-5% bet turn.	2006
Poland	12% bet turn., casino not reg.	2009
Estonia	5%	2010
France	Varies, up to 44%	2010
Belgium	11% on GGR	2011
Spain	20% on GGR	2011
Denmark	20% on GGR	2012
Germany	20% casino, 5% bet turn.	2012
UK	15% (POC)	2014
Latvia	15%	2015
Greece	35% on GGR	2015
Lithuania	10%	2016
Czech Rep.	35% on GGR	2016
Austria	40% GGR	2016
Portugal	15-30%	2017
Coming (proposed)		
Sweden	18%	2019
Netherlands	29%	2019-2020

Source: Redeye Research

The canalization level is essential for the regulation to work. If the canalization level is to 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%, are seen as healthy.

Sweden

Today, foreign-based online casino companies provide online gambling in Sweden without a local gaming license. In March 2017, the Swedish government proposed a re-regulation of the Swedish market (En omreglerad spelmarknad, 2017). More specifically, the government proposed that all Online Gambling companies should have a license to conduct gambling activities. The law intends to legalize the gambling market and tax online casinos.

The proposed tax is 18% and is based on the GGR, which means that the tax is calculated on the company's earnings derived from the amount players wager minus the amount they win. The tax on gambling will affect the profitability of existing and new online casinos in the market. On the positive side, the re-regulation will change the competitive landscape and contribute to new opportunities to operate in the market. For example, the regulation enables new marketing channels. Today, advertising via Facebook or Google is not allowed in unregulated countries. Moreover, advertising via television is illegal but is currently circumvented by using channels that are not broadcasted from Sweden. At the moment, marketing is a factor that makes it easy to enter the market and a license may therefore increase the barriers to entry.

We believe that a re-regulation of the Swedish gambling market increases legitimacy, the competitive conditions and the trustworthiness for companies providing online gambling. Moreover, a re-regulation would also enable the gambling industry to become a more socially accepted and visible industry, meaning that more operators are likely to join the licensing system. For example, about 85 percent of players in the Danish market play in the regulated market. In the UK, one of the largest

regulated gambling markets, 95% of the players play in the regulated market. The tax in Denmark and UK is, as earlier mentioned, 20% respectively 15%. But there are other regulation factors that may affect the canalization level as well, such as marketing possibilities, bonus levels and competition from state owned casino operations etc. So exactly what level of canalization we will see in Sweden after the regulation is hard to predict. But the general expectation is a level in between UK and Denmark, so around 90%.

In order to protect competition and increase the trustworthiness on the regulated market, it will be important to exclude operators without a license, either by blocking IP addresses or by prohibiting payment services.

United States

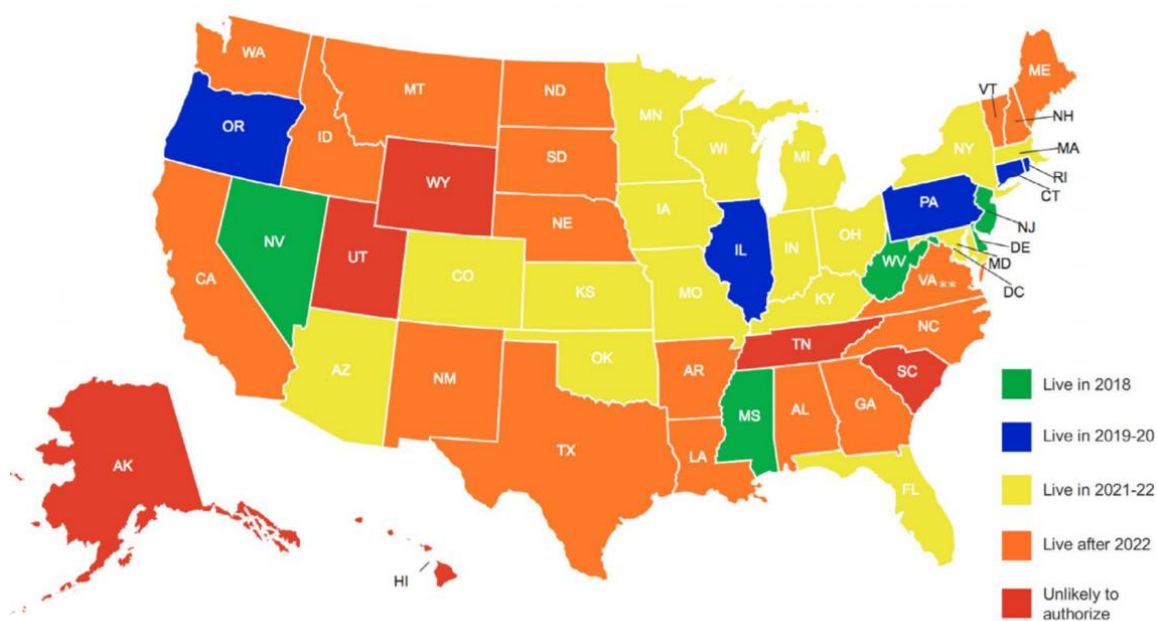
The US market is opening up for business! New Jersey was first out offering an online license for Casino and will now open up for sports betting. The regulation is separate for each state. We expect additional states to regulate their markets when they see the opportunity for additional tax revenues. 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.

Casino

The casino market has started off well in New Jersey. 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.

Sports betting

After the supreme court ruled 6-3 to strike down the Professional Amateur Sports Protection Act in May this year, several states are expected to offer sportsbook. Much has happened since 2007 when sports betting got illegal in the US, and the technological development have 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 sport betting. The map below illustrates how we can expect the US market to open for sports betting. It will take a few years for the majority of the market to open, but by then the US sports betting market is expected to be the largest in the world.



Source: Eilers & Krejcik Gaming LLC

Trend insights

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 player. 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”.

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.

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 8-20 EV/EBIT. Our company sample is based on 27 companies with data gathered from Bloomberg. Several of the companies operates in several 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, to 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.

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

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 usually only integrate one sports and 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 multiple levels are expected to continue since the gambling market is expected to grow at a high rate and the competition, relative to the operator segment, is lower. The possible expansion into US is another factor 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.

Valuation Suppliers (MSEK)					
Suppliers	EV	EV/S 18E	EV/EBIT 18E	S.CAGR 17-20E	EBIT-m 17-20E
Scientific Games	100 987	3.3x	21x	7%	14%
IGT	100 025	2.2x	11x	4%	19%
Evolution Gaming	23 157	9.1x	25x	28%	36%
PlayTech	22 665	1.6x	9x	36%	18%
NetEnt	8 350	4.7x	14x	8%	35%
Kambi	4 931	6.7x	57x	23%	18%
Gaming Innovation	3 553	2.2x	-185x	21%	9%
Aspire Global	1 352	1.4x	8x	25%	16%
Median Suppliers	15 507	2.7x	12x	22%	18%
Agg. Suppliers	265 020	2.7x	14x	10%	18%
Excluding IGT&SG					
Median excl.	6 640	3.5x	12x	24%	18%
Agg. excl.	64 007	2.9x	15x	30%	20%

Source: Bloomberg & Redeye Research

The Suppliers group is valued, based on 2018 estimates, at 2.7x sales and 14x EBIT. The aggregated group is expected to grow annually by 10% the coming three years with an average EBIT margin of 18%. 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.

Operators

The operator's multiples have decreased significantly since the beginning of 2018. Much is related to an increased worry for negative regulation changes as we have seen in the UK and potential threats in Norway as well as the upcoming regulation in Sweden. The worry is that the operators will not be able to compensate for a high gambling tax. Also, the regulation can change and affect gambling companies negatively, as we seen in UK. 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.

Valuation Operators (MSEK)					
Operators	EV	EV/S 18E	EV/EBIT 18E	S.CAGR 17-20E	EBIT-m 17-20E
Star Group	74 671	3.9x	9x	37%	32%
GVC	72 045	1.7x	11x	79%	15%
Paddy Power Betfair	63 706	2.7x	14x	17%	15%
William Hill	28 032	1.4x	8x	1%	11%
Kindred	25 281	2.4x	15x	16%	15%
JPJ Group	10 936	3.0x	18x	8%	14%
Betsson	9 943	1.9x	9x	9%	18%
888	8 250	1.5x	10x	10%	14%
Rank	7 932	0.9x	8x	7%	11%
Cherry	7 022	2.4x	11x	21%	19%
Leovegas	6 868	2.1x	18x	44%	12%
Mr Green	1 080	0.6x	8x	23%	9%
Global Gaming	922	1.0x	5x	40%	17%
Nordic Leisure	783	2.5x	11x	31%	25%
Median Operators	9 096	2.0x	11x	19%	15%
Agg. Operators	317 470	2.1x	11x	24%	17%

Source: Bloomberg & Redeye Research

The Operators group is valued, based on 2018 estimates, at 2.1x sales and 11x EBIT. The aggregated group is expected to grow annually by 24% the coming three years with an average EBIT margin of 17%.

Affiliates

Acquiring affiliate companies and assets to a low multiple below 5x EBIT seem to be a very successful business strategy based on the segments actions during the last few years. The multiples for listed affiliate companies are 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 scalability among the affiliates is large, leading to some of them having extremely high EBIT margins.

Affiliates (MSEK)					
Affiliates	EV	EV/S 18E	EV/EBIT 18E	S.CAGR 17-20E	EBIT-m 17-20E
Catena Media	6 138	5.3x	13x	34%	43%
Better Collective	2 187	4.7x	18x	39%	34%
XL Media	1 950	1.7x	6x	4%	29%
Raketech	1 255	5.1x	11x	22%	50%
*Net Gaming Europe	958	4.9x	7x	31%	62%
Median Affiliates	1 950	4.9x	11x	31%	43%
Agg. Affiliates	12 489	3.9x	11x	21%	38%

Source: Bloomberg & Redeye Research

The Affiliates group is valued, based on 2018 estimates, at 3.9x sales and 11x EBIT. The aggregated group is expected to grow annually by 21% the coming three years with an average EBIT margin of 38%.

eSport and Fantasy sport – 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 sport (FS) and Daily Fantasy Sports (DFS) started to become huge in 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.

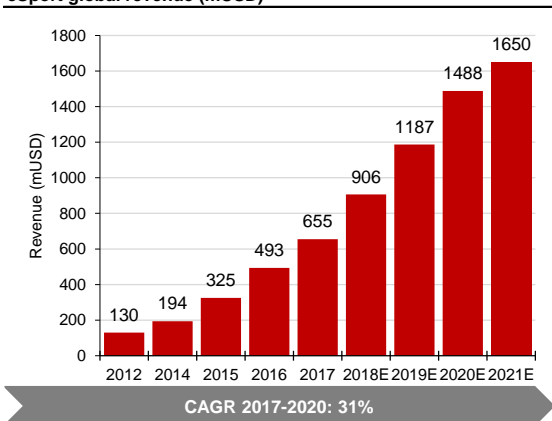
E-sport

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 2017 the estimated global revenue of the sector amounted to USD 655m and is expected to grow more than 30% annually over the coming years.

eSport global revenue (mUSD)

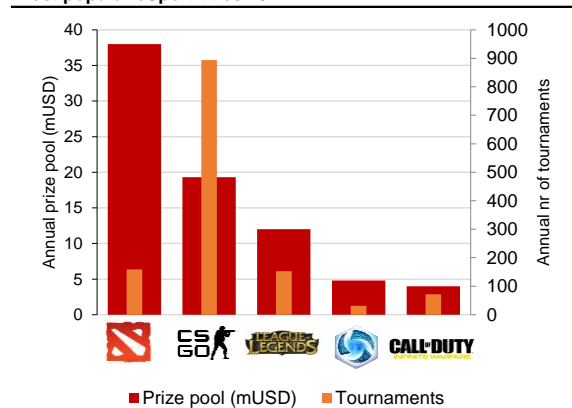


Source: statista

Top games

The top eSport titles during 2017 both in terms of number of tournaments and prize pool money was Dota 2 (ARTS), Counter-Strike: Global Offensive (FPS), League of Legends (MOBA), Heroes of The Storm (MOBA), Call of Duty: Infinite Warfare (FPS).

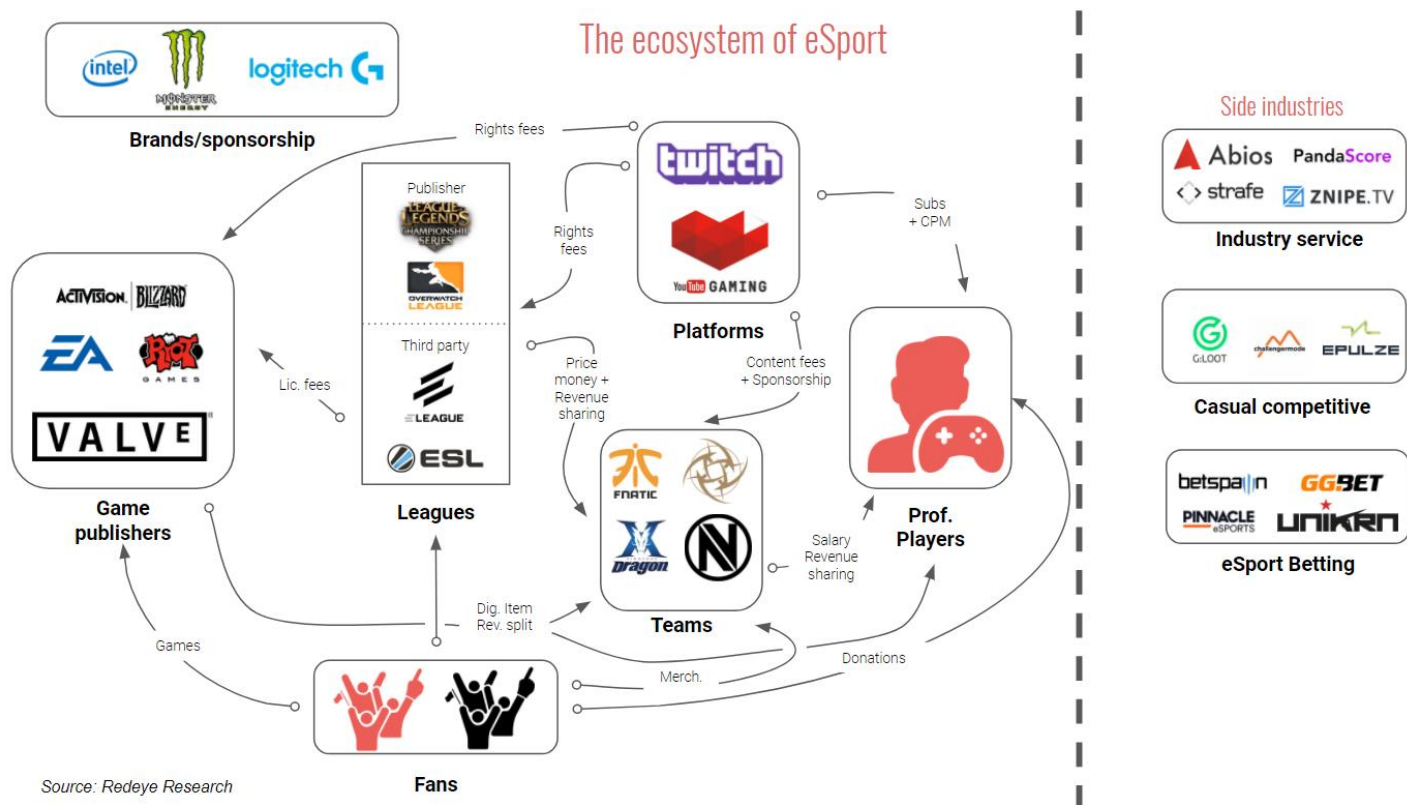
Most popular eSport titles 2017



Source: esportearnings

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.



Source: Redeye Research

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

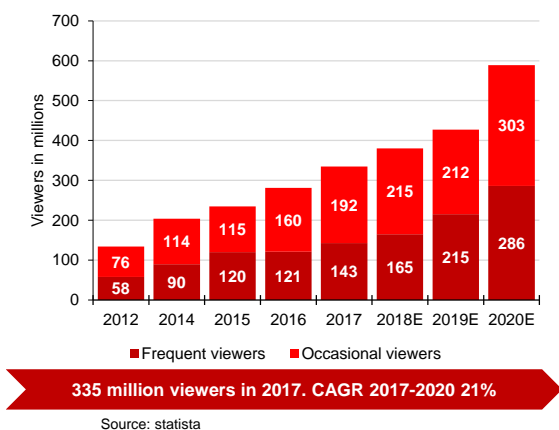
The most significant revenue contributors within the ecosystem are brands and advertisers with sponsorships.

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 2017 amounted to 335 million and is expected to continue to grow in the coming years.

eSport viewers in millions and type



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.

Platforms

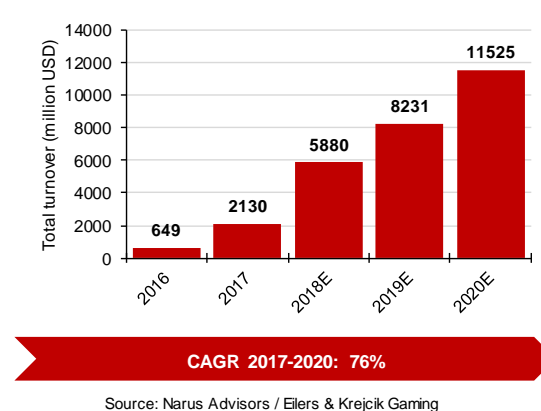
A dominating player within the ecosystem is the streaming networks and social media platforms. *The most notable is Twitch but lately the platform is facing competition from YouTube Gaming, Facebook and more.

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



Fantasy Sports and Daily Fantasy Sports

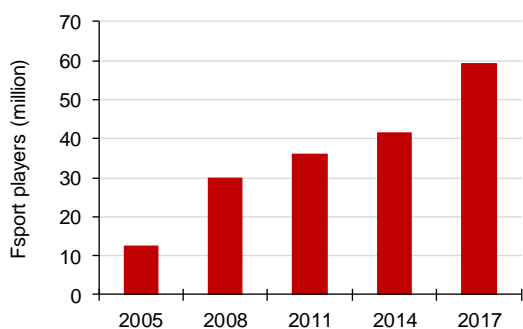
As previously mentioned, this is huge in US and growing rapidly in Europe. It is seen as a very social game with low addiction risk, but with good opportunities to advertise sports betting, since Fantasy sport and sports betting are so closely related. Research have also shown that Fantasy Sports increase 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 games 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 arounds 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.

Number of Fsports players in USA & Canada



Source: <https://fsta.org>

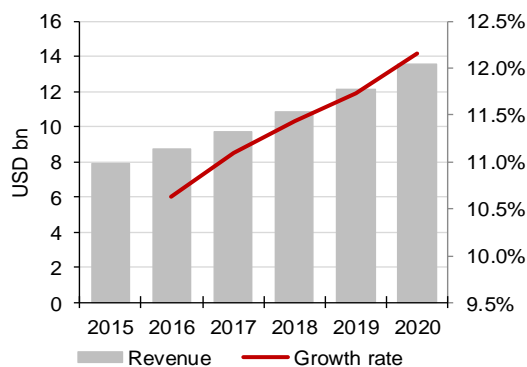
The industry is considered being worth more than 7 bn USD, only on the US market.

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 growing with double digits for the coming years.

Global fantasy sports market



Source: Technavio

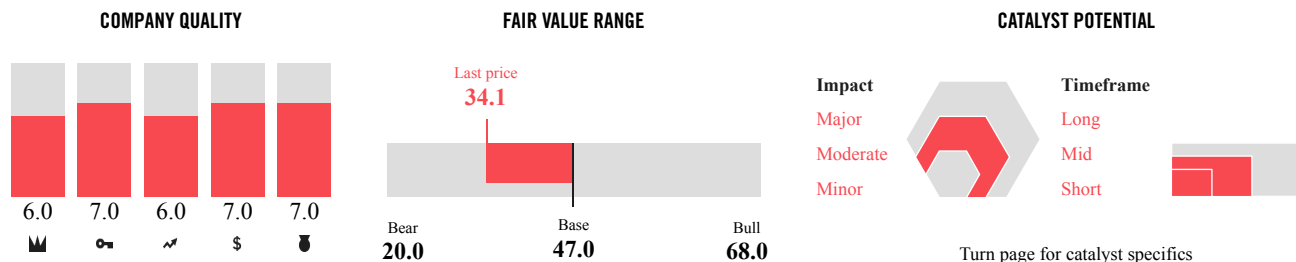
Sites and suppliers

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 95% 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 early stages but the interest from the players and the operators is definitely there. Other DFS suppliers are GFM Clevergames, Swush and Chroma Sports

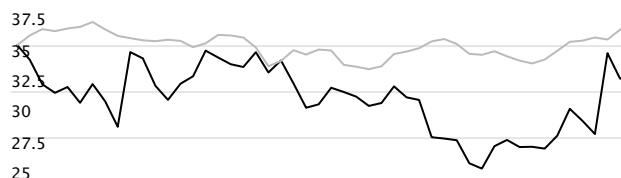
Redeye Rating

👑 Leadership
👤 Ownership
📈 Profit outlook
💰 Profitability
🛡️ Capital strength



Snapshot

Aspire Global OMXS30



Marketplace	First North Stockholm
CEO	Tsachi (Isaac) Maimon
Chairman	Carl Klingberg
Share information	
Share price (SEK)	34.1
Number of shares (M)	44.4
Market cap (MSEK)	1,540
Net debt (MSEK)	-23

Analyst



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Conflict of interests

Jonas Amnesten owns shares in Aspire Global: **No**

Financials

	Redeye Estimates				
	2016	2017	2018E	2019E	2020E
Revenue, MSEK	61	72	92	109	124
Growth	-5.7%	17.9%	28.2%	18.1%	14.0%
EBITDA	11	14	17	18	19
EBITDA margin	18.7%	19.8%	18.9%	16.5%	15.4%
EBIT	11	13	16	16	17
EBIT margin	17.3%	18.1%	16.9%	14.5%	13.6%
Pre-tax earnings	10	13	14	14	15
Net earnings	12	10	13	13	14
Net margin	19.3%	13.8%	14.2%	11.9%	11.3%
Dividend/Share	0.00	0.09	0.10	0.10	0.11
EPS adj.	0.28	0.23	0.29	0.29	0.31
P/E adj.	121.7	148.1	116.0	117.3	108.5
EV/S	21.8	18.9	16.6	14.1	12.1
EV/EBITDA	116.7	95.4	88.1	85.3	78.8

Last updated: 2018-08-20

Owner	Equity	Votes
Barak Matalon	27.2%	27.2%
Pinhas Zahavi	16.9%	16.9%
Eli Azur	16.9%	16.9%
Aharon Aran	6.8%	6.8%
Oppenheimer and Co (ESOP)	3.9%	3.8%
Swedbank Robur Ny Teknik BTI	3.8%	3.8%
Swedbank Nordic Microcap	3.8%	3.8%
Fondita Nordic Small Cap	3.0%	3.0%
BPSS LDN/Henderson European smaller	2.5%	2.5%
Ram One	1.3%	1.3%

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

- The share appears attractively valued
- Poised to benefit from regulation trends
- Diversified play
- Validated model and promising pipeline

Investment Case

The share appears attractively valued. According to our DCF-valuation as well as our supportive SOTP valuation, Aspire Global appears to be attractively valued on our forecasts. Although we expect margins to decrease due to the focus on regulated markets and there are risks associated with the industry in itself, we expect cash flow and profits to remain stable. This is motivated by a validated model and promising pipeline.

Poised to benefit from regulation trends. There is a regulation trend in Europe, meaning that more countries are opening up their markets, fully or partially, to private gambling providers. Next in line is Sweden, which intended to re-regulate its gambling market at the beginning of 2019. To stay in the game, anyone operating in the market must have an authorized license. In a regulated market, requirements regarding compliance, marketing and responsible gambling are stricter. Aspire Global has extensive experience from operating in regulated markets and is, in our view, organized to take advantage of the trend.

Furthermore, a regulated market is enabling Aspire Global to collaborate with media houses. Their websites are attracting large amounts of latent internet traffic that can be monetized through Aspire Global's full-service solution. Today, both Cofina Media in Portugal and Aller Media Denmark are B2B partners. As the Swedish gambling market becomes regulated, we see Swedish media houses as an interesting opportunity.

Diversified play. Aspire Global operates proprietary brands in the B2C segment and is offering a platform solution in the B2B segment. By that, the company is well-diversified and not dependent on one brand and its success. Moreover, as the company can not only grow by adding new casinos but also by utilizing the underlying growth of already connected casinos, we see the business model as attractive.

Validated model and promising pipeline. In early 2018, Aspire Global expanded vertically by launching sportsbook. In terms of GGR, the betting vertical is the largest online gambling vertical, expected to show promising growth of 6-7% in the coming years. Also, Aspire Global has secured some M&A firepower and is increasing its focus on game development. Proprietary games, which are particularly profitable, accounted for only 13% of the total game portfolio in 2017, but we expect this figure to rise going forward.

Counter-Thesis – Bear Points

Acquisition-led growth always risky

Organic growth can be slow, international expansion is complex and acquisitions tend to be difficult. While Aspire Global's management team are well equipped for M&A skills, the company has not been particularly active in this field as yet and, thus, lacks experience.

Highly competitive and changing industry

Operating in a dynamic and constantly changing industry environment, Aspire Global is used to new threats and entrants. Therefore, it is adamant to be at the forefront of the technological development.

Political risks & regulation

Although we see opportunities with the prevailing regulation trend, there are general and political risks associated with the industry itself. The company's competitive environment remains subject to changes in law and regulations. In addition, some politicians and countries are still negative to gambling.

Low switching costs

It is difficult for operators to distinguish themselves from one another. Many of the operators have similar products and the players are, in general, disloyal, leading to high churn rates.

Catalyst types

Successfully executed m&a activities

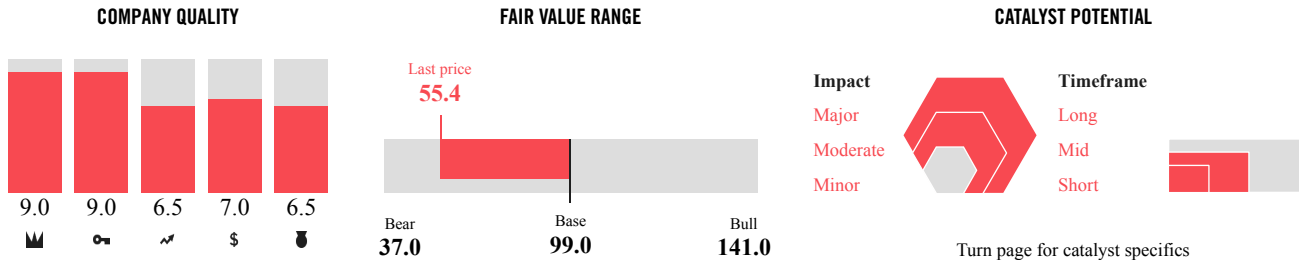
Aspire Global has issued an EUR 27.5m secured bond under an EUR 80m framework, allowing for M&A activities. The company is mainly looking at two types of targets: operators and game developers. We believe that successfully executed M&A activities at attractive multiples will, most likely, have a significant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

Continued open and active education about the company and its business

At the moment, the market appears to value the company as an operator. However, more than half of revenues are generated by the B2B segment and we expect this figure to increase going forward. This means that the company is not only acting as an operator. Therefore, we believe that a continued open and active education about the company and its business will have a positive impact on the share.

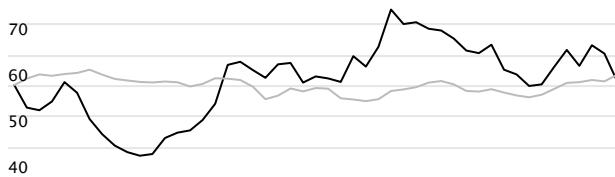
Redeye Rating

👑 Leadership
👤 Ownership
📈 Profit outlook
💰 Profitability
🛡️ Capital strength



Snapshot

Cherry
OMXS30



Volume



Marketplace NASDAQ Stockholm

CEO Gunnar Lind

Chairman Morten Klein

Share information

Share price (SEK) 55.4

Number of shares (M) 105.7

Market cap (MSEK) 5,928

Net debt (MSEK) 1,133

Analyst



Kristoffer Lindström

kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in Cherry: **Yes**

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

Financials

	2016	2017	Redeye Estimates		
			2018E	2019E	2020E
Revenue, MSEK	1,102	2,252	3,080	3,776	4,388
Growth	>100%	>100%	36.8%	22.6%	16.2%
EBITDA	149	429	831	977	1,181
EBITDA margin	13.5%	19.1%	27.0%	25.9%	26.9%
EBIT	626	295	674	826	1,012
EBIT margin	56.8%	13.1%	21.9%	21.9%	23.1%
Pre-tax earnings	649	122	499	686	908
Net earnings	610	51	456	621	826
Net margin	55.3%	2.3%	14.8%	16.5%	18.8%
Dividend/Share	0.00	0.00	0.00	0.00	3.93
EPS adj.	29.93	0.49	4.35	5.92	7.86
P/E adj.	1.9	112.1	12.7	9.4	7.0
EV/S	2.6	2.9	2.0	1.7	1.3
EV/EBITDA	19.4	15.5	7.6	6.6	4.9

Last updated: 2018-09-07

Owner	Equity	Votes
Prunus Avium Ltd	25.0%	17.4%
Morten Klein	14.4%	13.1%
Avanza Pension	4.7%	3.3%
Bjørn Grene	3.7%	2.6%
Per Hamberg	3.5%	11.4%
Arild Karlsen	2.9%	2.0%
Svenska Handelsbanken AB for PB	2.8%	3.6%
Lars Kling	2.5%	7.6%
Crédit Agricole Life	2.2%	3.2%
Svea Ekonomi AB	1.9%	1.3%

Company description

Cherry has been around since 1963. It has evolved into a powerhouse incubator of innovation within the casino industry where both Betsson and Cherry can be mentioned. The company is now active in five segments within online gambling. The five segments are Game Development, Performance-Based Marketing, Online casino operations, Platform development and restaurant casinos.

Investment case

- By grabbing a larger part of the value chain, Cherry can generate better profitability, reduce risk and create value for their shareholders
- The diversified business units reduce the risk compared to most peers. The market focus on short-term issues within ComeOn and misses the gems of Yggdrasil and Game Lounge
- A proven track-record in creating value through smart acquisitions should warrant a premium
- The transition from land-based gambling to online still, and will continue, create growth opportunities and an increasing market.

A diversified bet on iGaming

The Cherry Group has a strong focus on entrepreneurship with all subsidiaries within the Group run as separate and independent units, often by their original founders. The company has a solid track record as an incubator of casino companies with Betsson and Netent being the most noteworthy. Furthermore Cherry has a deep focus on creating shareholder value through smart capital allocation. The sale of Automatgruppen and acquisition of Yggdrasil, Game Lounge, Almor, and ComeOn! is some examples where management has added value through M&A during the last couple of years.

- **Value chain expansion and risk reduction:** In 2012 Cherry took the strategic decision to expand within the iGaming value chain. Cherry is now active as a Game supplier, Affiliate supplier, Platform supplier and had expanded their B2C offering substantially. As the company now controls a larger part of the value chain the profitability and growth opportunities has grown considerably with reduces business risks. Despite the success for both Yggdrasil (Game Development) and Game Lounge (Online Marketing), the companies are still just at the beginning of their growth journey.
- **Entrepreneurial and innovative DNA:** Cherry has always had a thirst for innovation and doing things their own way. When the company initiated their new strategic decision of expanding in the value chain most said it was the wrong move to make. All segments within the Cherry family are run as separate companies with their own management teams, which are often the founders of the companies. This leads to a decentralized organization where innovation can thrive.
- **Capital Allocation:** Profound capital allocation skills should not be underestimated. Cherry continues to do value adding acquisitions and focus their capital on strengthening their position in the industry further. The Chairman has substantial shareholdings; this leads to a focus on building long-term wealth and not the typical short-minded focus many public companies suffer from.
- **iGaming growth:** Cherry operates in an industry driven by substantial structural forces which will continue for many years to come.
- **ComeOn! turn-around** – Given the fast upturn in both growth and profitability we view the issues within ComeOn as history. We believe that the issues within

ComeOn were temporary and that the margins will increase during 2018 compared to 2017.

We believe the market continues to underestimate the long-term prospects for Cherry. The highly successful Yggdrasil and Game Lounge are only at the beginning of their growth story and their uptake in revenues will lead to increased margins for the Group. We also find it likely that the margins within the operator business ComeOn! will expand as the current problems are fixed.

Ani-thesis and risk factors with Bear Points

- A deeper problem in ComeOn! than the first impression indicates.
- Most of Cherry's subsidiaries are led by their founders. If key personal should decide to leave and do something else this could harm the subsidiaries operations substantially.
- Cherry has been picky when it comes to acquisitions, still acquiring companies takes time and poses a risk that the money spent do not create value.
- Regulations pose a risk for an iGaming company. Many markets in Europe are still unregulated. New legalization which hurts the industry could dampen the business for Cherry.

Catalyst types

Eps boost through game lounge option exercise

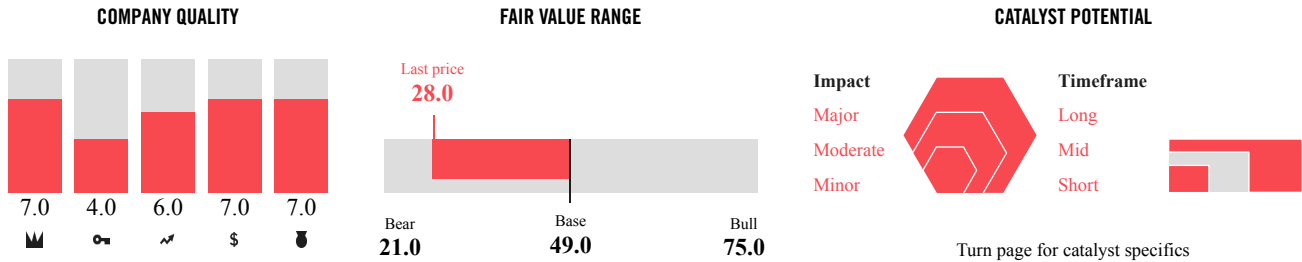
Has announced they will exercise the of the option to acquire additional 44% of the shares in Game Lounge at a price of roughly 5x 2017 EBIT, which are significantly below the valuation levels where comparable companies trade. After the option is exercised, the minority interest for Cherry will dramatically decrease and thus enhance the reported EPS, which could lead to a higher valuation of the company.

Yggdrasil surpassing expectations and spun-off

Yggdrasil continues to exceed our expectations and gain market share from the well-established game developers. We estimate that Yggdrasil would be valued as a separate company in the range of SEK 2-3 bn. The company is maturing and now has established a Parent company in Stockholm, this could mean that Yggdrasil is preparing for a separate listing. Today we find that the market is missing out of the quality and value of the subsidiary if this continues we believe Cherry's management would propose a spin-off.

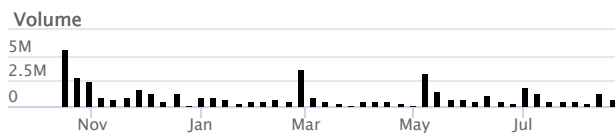
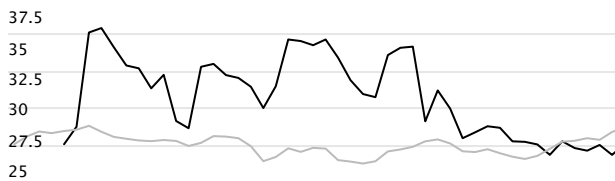
Redeye Rating

👑 Leadership
🏠 Ownership
📈 Profit outlook
💰 Profitability
🛡️ Capital strength



Snapshot

Global Gaming 555 OMXS30



Marketplace	First North Stockholm
CEO	Joachim Möller
Chairman	Peter Eidensjö
Share information	
Share price (SEK)	28.0
Number of shares (M)	40.9
Market cap (MSEK)	1,132
Net debt (MSEK)	-229

Analyst



Jonas Amnsten
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Conflict of interests

Jonas Amnsten owns shares in Global Gaming 555: **Yes**
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017	Redeye Estimates		
			2018E	2019E	2020E
Revenue, MSEK	97	458	945	1,121	1,267
Growth	78.7%	>100%	>100%	18.6%	13.0%
EBITDA	12	122	169	168	191
EBITDA margin	12.1%	26.7%	17.9%	14.9%	15.1%
EBIT	12	122	168	166	190
EBIT margin	12.1%	26.6%	17.8%	14.8%	15.0%
Pre-tax earnings	12	122	168	166	190
Net earnings	10	108	143	150	171
Net margin	10.6%	23.7%	15.1%	13.4%	13.5%
Dividend/Share	0.15	1.40	1.40	1.40	1.40
EPS adj.	0.27	2.73	3.50	3.66	4.17
P/E adj.	105.2	10.3	8.0	7.6	6.7
EV/S	11.0	2.1	1.1	0.7	0.6
EV/EBITDA	91.3	7.8	6.0	5.0	3.9

Last updated: 2018-09-03

Owner	Equity	Votes
CLEARSTREAM BANKING S.A., W8IMY	15.1%	15.1%
TIAINEN, AHTI	11.9%	11.9%
CBLDN-POHJOLA BANK PLC CLIENT A/C	9.3%	9.3%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	5.8%	5.8%
NORDNET PENSIONS FÖRSÄKRING AB	5.0%	5.0%
HILDEBRAND, PER ALEXANDER	4.9%	4.9%
HÖGLUND, OLA	2.8%	2.8%
SPORTMARKET LTD	2.7%	2.7%
BANQUE INTERNATIONALE A LUX	2.5%	2.5%
HAMBERG FÖRVALTNING AKTIEBOLAG	2.0%	2.0%

Company description

Global Gaming is an online Gambling company delivering and developing B2C and B2B services for online casinos. Today, the company provides eight traditional online casinos in addition to the “no registration casino” Ninja Casino, which was launched at the end of 2016. Moreover, the company has developed a proprietary platform that delivers full-service solutions for the company’s own brands as well as external online casinos.

Investment case

- Current share price indicates relatively conservative expectations on the future.
- Innovates the online casino industry with the brand Ninja Casino.
- The structural growth of online gambling – mobile as a key driver.

Current share price indicates relatively conservative expectations on the future.

The financial forecast for a company like Global Gaming is no easy task. The company operates in a highly competitive and changing industry, meaning that Global Gaming faces new competitors each and every day. Even so, the company is an innovative challenger offering a no registration solution with its brand Ninja Casino. Compared to peers and our DCF-valuation, the current trading level indicates relatively low expectations on Global Gaming’s future. Of course, there are risks related to the company in terms of competition from other online casinos, regulations of markets, short history and that a lot of the revenues rely on the brand Ninja Casino. Nevertheless, we argue that the company has the opportunity to launch additional brands, expand Ninja Casino geographically and vertically by adding a betting solution.

Innovates the online casino industry with the brand Ninja Casino. Ninja Casino is a success story with its PayNPlay (no-registration) concept. The technology behind Ninja Casino makes it possible for the player to log in via electronic-ID (BankID). This means that Ninja Casino is as safe as a traditional online casino, but with a seamless experience. The seamlessness is reflected in the possibility to play without registration, and in the cash out process - that instantly sends the winnings to the player’s bank account. As a no registration casino, Ninja Casino can only send push notifications if the user actively allows them to do so. Therefore, a strong brand and an innovative and easy product are essential ingredients to effectively spread the word about the casino without intruding on player privacy. To sum up, we believe Ninja Casino, with its differentiated approach, has the capability to attract not only traditional casino players but also casual casino players.

The structural growth of online gambling – mobile as a key driver. The online casino industry has shown strong growth in recent years, and the structural growth of the online gambling industry expects to continue in the coming years. About 70% of Ninja Casino’s customers play via their smartphone and online gambling via the mobile is expected to grow at a CAGR of 15% in the coming years. By that, we believe that Global Gaming and Ninja Casino has the potential to show healthy growth in the coming years.

Counter-Thesis - Bear Points

Competitors with a similar technical solution

Nowadays Ninja Casino is facing competition from competitors with a similar technical solution as Ninja Casino’s PayNPlay. As far as we know, the first competitors

launched their solutions at the end of 2017. So far, Ninja Casino continues to show strong growth Q/Q, which we see as a strength.

It is more or less all about Ninja Casino

At the moment, Ninja Casino is the main driver for Global Gaming’s rapid growth. This means that the company is dependent that the brand continues to deliver. However, the company has launched a new brand (Spellandnet), which is aimed at a new target group.

Dependent on an external payment provider

Today, Ninja Casino is dependent on the payment provider Trustly, meaning that Global Gaming is exposed to a substantial risk if something happens with the cooperation. In the markets that Global Gaming operates today, Trustly has more or less monopoly on the technical solution, resulting in high fees. On the positive side, new countries will most likely support other payment solutions. Moreover, the company is working to find other payment solutions, which would reduce the risk.

The re-regulation of the Swedish market

Sweden will face regulation at the beginning of 2019, meaning that all gambling companies should have a license to conduct gambling activities. Further, the tax will amount to 18% of the Gross Gaming Revenue (GGR), which, in turn, will affect the company’s profitability negatively. It is also somewhat unclear how the regulation will affect the competitive situation, responsibility for gambling issues, etc. Consequently, a regulation may involve both positive and negative aspects.

Catalyst types

Expands geographically

The company has been rather clear that they are exploring new markets. Therefore, we expect a launch of Ninja Casino in at least one additional country in 2018. The geographical expansion and the launch of new brands will drive sales, but also create a wider revenue stream.

Continued successful marketing efficiency

The marketing efficiency has been above expectations, which we believe is explained by the unique solution. Does the company report strong marketing efficiency in coming quarters, we expect the relative performance of the company’s share to be good.

Launching new brands - targeting new customers

A launch of new brands will drive sales, but also create a wider revenue stream. This, in turn, will have a positive impact on the risk.

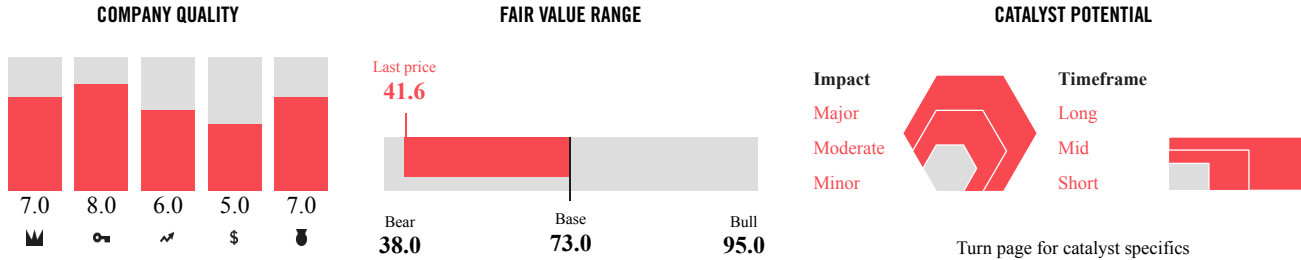
M&a

The success with Ninja Casino has made it possible for Global Gaming to be open to M&A activities.

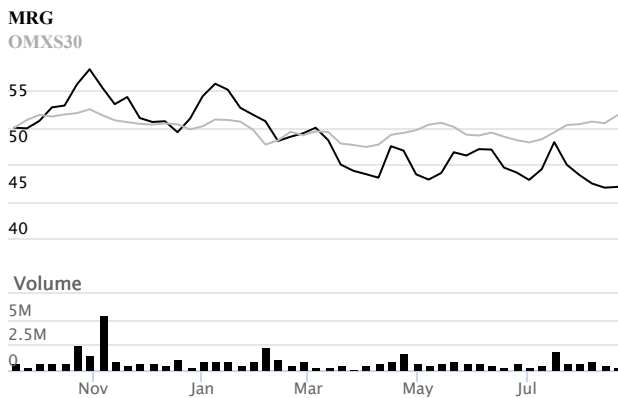
Personal notes

Redeye Rating

Leadership Ownership Profit outlook Profitability Capital strength



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Per Norman
Chairman	Kent Sander
Share information	
Share price (SEK)	41.6
Number of shares (M)	40.8
Market cap (MSEK)	1,726
Net debt (MSEK)	-760

Analyst



Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

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

Financials

	2016	2017	2018E	2019E	2020E
Revenue, MSEK	925	1,192	1,684	1,956	2,210
Growth	16.6%	28.9%	41.3%	16.1%	13.0%
EBITDA	87	186	259	313	331
EBITDA margin	9.5%	15.6%	15.4%	16.0%	15.0%
EBIT	19	116	147	212	221
EBIT margin	2.1%	9.7%	8.7%	10.8%	10.0%
Pre-tax earnings	19	116	147	212	221
Net earnings	33	109	134	195	203
Net margin	3.6%	9.2%	8.0%	10.0%	9.2%
Dividend/Share	0.00	1.30	1.50	2.50	3.00
EPS adj.	0.92	2.68	3.29	4.77	4.98
P/E adj.	45.3	15.6	12.6	8.7	8.4
EV/S	1.5	0.5	0.8	0.4	0.2
EV/EBITDA	15.7	3.5	5.4	2.3	1.6

Last updated: 2018-07-30

Owner	Equity	Votes
Avanza Pension	14.5%	14.5%
Hans Fajerson	13.9%	13.9%
Henrik Bergquist	13.5%	13.5%
Svenska Handelsbanken AB for PB	10.1%	10.1%
Tredje AP-fonden	3.3%	3.3%
Handelsbanken Fonder	2.5%	2.5%
Lars Christensen	2.2%	2.2%
Handelsbanken Liv Försäkring AB	2.1%	2.1%
Humble Fonder	2.1%	2.1%
Prioritet Finans	1.9%	1.9%

Company description

MRG is an investment company operating online casinos. The main holdings are Mr Green, Redbet, Dansk Underholding and 11.lv. Turnover in 2017 amounted to SEK 1 192m with an EBITDA of SEK 186m. MRG is since the end of 2016 listed on Nasdaq Stockholm. The company was founded in 2007 by Fredrick Sidfalk, Henrik Berquist and Mikael Pawlo. MRG's competitive advantage lies within its unique and well-established brands. Management and owners behind the company also have an impressive track record in the industry.

Investment case

- Currently, the market implies a low future growth of the company, in-line with the past year's downward trend. However, we see the increased marketing activity, enhanced product offering, continued mobile growth and acquisition potential as main drivers which the market underestimates.
- The market focus on the past and not the future. The company is not the same as it was a couple of years back. Both the management team and the board is almost entirely new and has been acting in the best of interest of shareholders.
- Historically the profit levels have been distorted by non-recurring effects such as impairments and accruals for the tax dispute in Austria. Underlying profitability is higher than the historical figures imply.

Mr Green has underperformed the rest of the gambling operators when it comes to shareholder return the last few years. Some investors have viewed Mr Green as the "black sheep" and focus their capital on other related gambling companies. We believe the market is too focused on the past and not looking at where the company is headed. In our view, the discount to peers and our fair value estimate comes from the markets wrongful view on; The growth rates and key drivers and upcoming tax re-regulations. We here present our view on these areas:

Growth will be driven by

- **Improved marketing efficiency.** Mr Green has since 2016 had a clear focus on improving their digital marketing and the marketing efficiency has increased handsomely. As the marketing campaigns yield more impact the profitability should improve while still growing at high
- **Enhanced product offering.** Mr Green continues to improve their product offering with branded live casino, improved sportsbook and more. The continued focus on the customer experience creates a competitive offering
- **Mobile gambling growth.** We believe Mr Green will benefit from the substantial growth opportunity within mobile gambling. The launched apps during 2016 and a further pronounced mobile offering will be key drivers. Mobile gambling is expected to grow at an annual rate exceeding 18% in the coming years.
- **Entrance into new markets.** Mr Green strategy is to increase their presence in re-regulated markets. In July 2015, the company acquired a local gambling license in the UK which is one of the largest sports betting markets in the world. In 2017 the company acquired Dansk Underholdning and entered the Danish market. We also see the possibility to enter new markets such as Brazil and other countries in Latin America.
- **Continued growth of the online gambling market, driven by digitalization.** The share of gambling through online channels is still low compared to the

whole gambling during 2016; online gambling amounted to roughly 18% of the entire market for gambling in Europe. The online gambling share will, without a doubt, continue to increase for many years to come.

- **Consolidation of the market, acquisition opportunities.** The consolidation of the European gambling industry continues. We expect Mr Green to take part in this consolidation. The company acquired Dansk Underholdning during 2017 and Evoke Gaming in 2018.

Upcoming re-regulation

- **Mr Green is already well prepared for re-regulation.** It is a fact that the landscape of the online gambling market will change in the coming years. Some investors might argue that the upcoming regulations will evaporate Mr Green's profits. However, we find that this will not be the case as the company is already ahead of the curve and is currently taxed at a high level because of the orthodox tax regime in Austria.

We continue to regard the valuation as attractive given the current share price levels, and that the current share price implies a far too negative future fundamental performance of Mr Green despite strong prospects.

Bear-Points

- Mr Green has stepped up the acquisition phase the last years. Acquisitions can bring value to shareholders, but they also pose a risk that the money spent does not create value.
- Regulations pose a risk for an iGaming company. Many markets in Europe are still unregulated. New legalization which hurts the industry could dampen the business for Mr Green.

Catalyst types

Entrance into new markets

Mr Green strategy is to increase their presence in re-regulated markets. In July 2015, the company acquired a local gambling license in the UK which is one of the largest sports betting markets in the world. We also see the possibility to enter new markets such as Brazil and other countries in Latin America. Market entrances could be viewed positively by the market and increase the valuation levels of Mr Green.

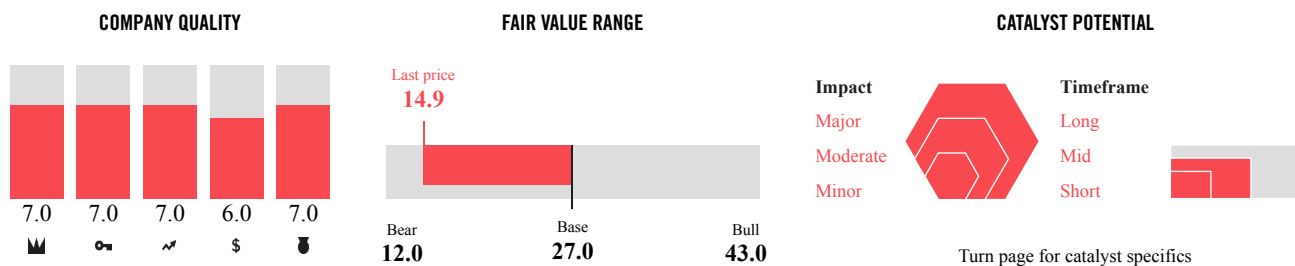
An acquisition target

Mr Green is when viewed in comparison to peers and our valuation range, priced at low levels. Still, the company holds one of the best now gambling brands in Europe and is a top-tier operator. A larger player wanting to expand their presence could offer possible view Mr Green as an attractive acquisition target.

Personal notes

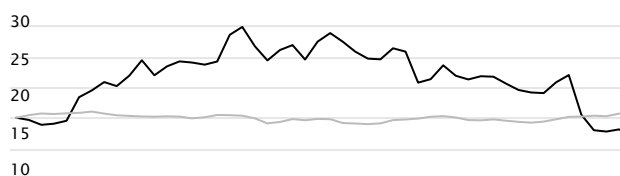
Redeye Rating

👑 Leadership
🏠 Ownership
📈 Profit outlook
💰 Profitability
🏢 Capital strength



Snapshot

Nordic Leisure
OMXS30



Volume



Marketplace First North Stockholm

CEO Robert Andersson

Chairman Niklas Braathen

Share information

Share price (SEK) 14.9

Number of shares (M) 62.6

Market cap (MSEK) 909

Net debt (MSEK) -13

Analyst



Jonas Amnsten

jonas.amnsten@redeye.se

Conflict of interests

Jonas Amnsten owns shares in Nordic Leisure: **No**

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

Financials

	2016	2017	2018E	2019E	2020E
Revenue, MSEK	16	24	30	39	48
Growth	46.7%	45.6%	27.4%	28.9%	25.3%
EBITDA	1	7	9	12	14
EBITDA margin	9.1%	28.7%	29.9%	30.4%	29.8%
EBIT	0	5	7	11	12
EBIT margin	2.4%	22.4%	22.3%	27.4%	25.9%
Pre-tax earnings	0	5	7	11	12
Net earnings	0	4	6	10	12
Net margin	2.4%	19.1%	21.3%	26.0%	24.6%
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	0.01	0.08	0.10	0.16	0.19
P/E adj.	2,223.9	188.4	146.4	93.0	78.6
EV/S	12.7	11.4	53.5	23.0	18.1
EV/EBITDA	139.8	39.7	178.9	75.8	60.7

Last updated: 2018-08-06

Owner	Equity	Votes
Erlinghundra AB (Niklas Braathen)	22.1%	22.1%
Catella Bank SA	19.6%	19.6%
Försäkringsbolaget Avanza Pension	6.4%	6.4%
Anders Tangen	4.4%	4.4%
Eric Leijonhufvud	4.3%	4.3%
Vision Invest AB	3.5%	3.5%
Setune Asset AB	2.9%	2.9%
Filip Andersson	2.1%	2.1%

Company description

Nordic Leisure operates and invests in gambling and affiliate businesses. The company has a clear focus on regulated markets and the Baltics in particular. As a result, about 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, Nordic Leisure's business is divided into two areas:

Gambling – including online gambling in addition to land-based betting. Media - primarily focusing on affiliation, but also sports results and related statistics.

Investment case

- Sales and marketing in focus
- The land-based requirement creates barriers to entry
- The Baltics – a rapidly growing online gambling market
- Building brand awareness – a competitive edge in the long-term

Investment Case

Sales and marketing in focus. Nordic Leisure is now evolving from being a technology driven company, where the focus has been on completing the proprietary technical platform, to focusing on sales and marketing. In 2017, Nordic Leisure managed to deliver both impressive profitability and growth despite the focus on the development of the proprietary platform. We expected the growth to continue into 2018, driven by strong underlying demand and a smooth shift from being technology driven to becoming sales and marketing-oriented. Although the shift has taken longer than anticipated, some factors make us optimistic about Nordic Leisure and its future potential, which we claim the current share price does not fully reflect.

The land-based requirement creates barriers to entry. In 2017, Nordic Leisure acquired the gambling company Baltic Bet, which was consolidated in the mid of September 2017. The acquisition of Baltic Bet opened up the Lithuanian market and gave Nordic Leisure access to gambling licenses and about 20 Licensed Betting Offices (LBOs) In Lithuania, licensees are required to hold land-based supply for providing online gambling, which creates important barriers to entry.

The Baltics – a rapidly growing online gambling market. Another key thing to remember, in recent years, the Baltics online gambling market has grown rapidly, which also is expected to continue in the coming years. The growth is anticipated to be driven by a strong underlying demand as well as a decreasing gray market for the benefit of licensed operators. The growth is anticipated to be driven by a strong underlying demand as well as a decreasing gray market for the benefit of licensed operators. For instance, the gray market is expected to decrease as the local operators develop their technology and expand their product offering. Also, the gambling authorities in Estonia, Latvia, and Lithuania are working proactively to block operators who do not have legal permission to conduct online gambling.

Building brand awareness – a competitive edge in the long-term. Today, there are statutory restrictions in the Baltics regarding gambling companies' opportunities for marketing. Also, in Lithuania licensees are required to hold land-based supply for providing online gambling. Based on these restrictions, Nordic Leisure is operating in a favorable competitive environment. Moreover, Nordic Leisure has a long presence in the Baltics. As a result, the company has built up brand awareness, which we believe

will be a competitive edge if the regulation changes or if competitors are expanding to the Baltic states.

Counter-Thesis – Bear Points

There are expectations as compared to the mid of 2017

As we have discussed, Nordic Leisure's share has experienced a fundamentally motivated revaluation. Despite the fact that we do believe the company's opportunities to be promising, there are expectations as compared to the mid of 2017. For example, an unsuccessful online launch in Lithuania may affect earnings negatively.

It is more or less all about the Baltics

Today, Nordic Leisure's primary markets are emerging markets, and its competitive environment remains subject to changes in law and regulations. For example, a change in the regulation which removes the requirement of providing land-based services to obtain an online gambling license would eliminate the barriers to entry. Moreover, the markets are relatively small meaning that competition from a large and financially stronger player may be hard to handle.

Highly competitive and changing industry

The company operates in a highly competitive and changing industry, meaning that Nordic Leisure faces new competitors each and every day. The company's future possibilities are, among other things, dependent on their ability to anticipate future market trends and needs. For example, the rapid technological development will most likely continue to change the market conditions. M&A and geographical expansion requires pickiness

M&A and geographical expansion requires pickiness

Despite Nordic Leisure's successful acquisition and expansion history, acquiring companies and expand geographically takes time and poses a risk. This is mainly due to the requirements, which commonly differ between markets. Nevertheless, we have confidence in the management team.

Catalyst types

The company sets new financial targets

Considering Nordic Leisure's financial targets, we believe that they are too conservative. Therefore, we believe the company will reach their sales target, and we are even more optimistic about future margin levels. We believe new financial targets from the company would affect the share positively.

M&a

Nordic Leisure 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.

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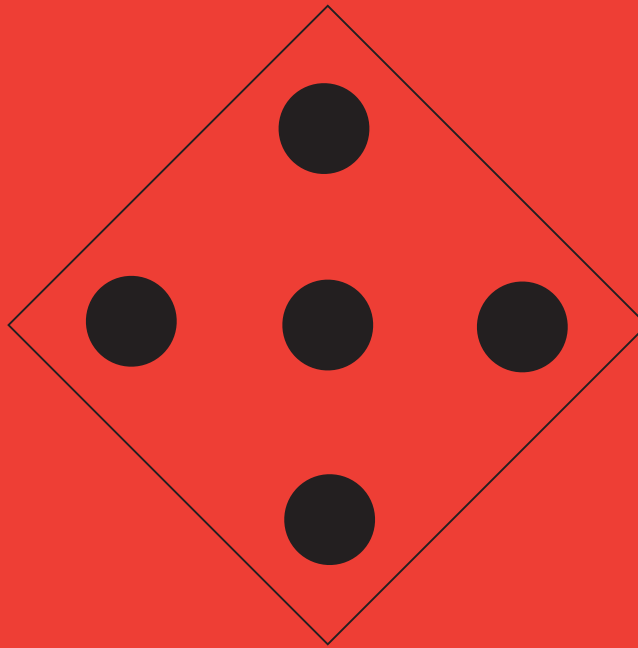
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