

Bragg Gaming Group

Trading update

Strong gaming business continues

Bragg Gaming Group has reported preliminary FY19 adjusted EBITDA of €1.4m (C\$2.0m), with guidance of €5.5m (C\$7.9m) for FY20, which, respectively, are 33% and 125% higher than our previous estimates. The earnout payment for the Oryx business commensurately increases by C\$12m to c C\$44m (our estimate) and Bragg is currently renegotiating the terms of this contingent consideration. Bragg's core business is e-gaming (not sports), which should be relatively unaffected by COVID-19. We have raised our EBITDA estimates to align with the new guidance and we will translate our full forecasts into euros after FY19 results in April.

Year end	Revenue (C\$m)	EBITDA (C\$m)	EPS* (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/18**	12.2	(3.3)	(0.05)	0.0	N/A	N/A
12/19e	37.1	2.0	(0.02)	0.0	N/A	N/A
12/20e	50.3	7.9	0.05	0.0	3.4	N/A
12/21e	59.6	9.5	0.04	0.0	4.3	N/A

Note: *EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments. **FY18 results are largely from GiveMeSport (not Oryx).

Core Oryx business unaffected by COVID-19

Bragg has announced preliminary FY19 revenue of €26m (C\$37.1m), which represents pro forma growth of 37% (vs our C\$39.4m estimate). Adjusted EBITDA of €1.4m (C\$2.0m) was higher than our C\$1.5m estimate and FY20 guidance of €5.5m (C\$7.9m) is significantly stronger than our previous C\$3.5m estimate. In our view, these figures are not at risk from COVID-19 since Oryx has little exposure to sports. We have adjusted our forecasts to include this guidance and our FY20 EBITDA margin is now 15.6% vs 7.1% previously, as the business is showing signs of reaching industry standard EBITDA margins earlier than expected. FY20 revenue guidance (C\$50–54m) compares to our previous estimate of C\$48.6m.

Earnout payment and GMS sale negotiations

Given the stronger EBITDA delivered by Oryx, the earnout payment to the Oryx vendor now increases by approximately C\$12m to C\$44m, of which C\$16.8m is payable in mid-2020 (our estimate). This contributes to an estimated adjusted net debt of C\$45.2m at end FY19. Bragg has stated that it is in negotiations to restructure the original terms of this payment, potentially accelerating the entire earnout or adapting the current payment terms, and we expect further clarity in due course. Negotiations for the sale of GMS are underway although we expect this could be delayed by COVID-19.

Valuation: 7.4x EV/EBITDA for FY20e

Bragg Gaming has a limited reporting history and has yet to generate positive net cash. However, the core Oryx business is growing very strongly and the guidance for FY20 group EBITDA is encouraging. The stock trades at 7.4x EV/EBITDA and 3.4x P/E for FY20e. Catalysts for the share price include the sale of GMS (there are no proceeds in our current forecasts), as well as the successful renegotiation of the Oryx earnout (we note that this is critical given the limited cash flow).

Technology

19 March 2020

Price **C\$0.17**
Market cap **C\$14m**

€0.62/C\$

Estimated adjusted net debt (C\$m) at end December 2019 45.2

Shares in issue 80m

Free float 60%

Code BRAG

Primary exchange TSX.V

Secondary exchange OTC.QX

Share price performance



% 1m 3m 12m

Abs (22.7) (29.2) (71.7)

Rel (local) 17.7 2.9 (60.7)

52-week high/low C\$0.61 C\$0.17

Business description

Bragg Gaming Group (formerly Breaking Data Corp) is a Toronto-based B2B online gaming holding company. The core asset is Oryx Gaming, a predominantly European B2B online gaming platform. Bragg's online sports media outlet is under negotiation for a possible sale.

Next events

FY19 results April 2020

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Bragg Gaming Group is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	C\$000s	2018	2019e	2020e	2021e	2022e
		IFRS	IFRS	IFRS	IFRS	IFRS
Year end 31 December						
INCOME STATEMENT						
Revenue		12,226.1	37,128.0	50,329.0	59,562.3	65,060.6
Cost of Sales		(6,123.2)	(19,348.4)	(25,164.5)	(30,972.4)	(33,831.5)
Gross Profit		6,102.9	17,779.6	25,164.5	28,589.9	31,229.1
EBITDA		(3,333.1)	2,008.5	7,854.0	9,503.7	10,713.3
Normalised operating profit		(3,385.6)	1,589.2	7,427.9	9,070.7	10,273.3
Amortisation of acquired intangibles		(22,944.9)	(2,722.7)	(2,722.7)	(2,722.7)	(2,722.7)
One-off items inc changes in fair value of contingent/ deferred consideration		(3,882.0)	(8,000.0)	0.0	0.0	0.0
Share-based payments		(5,128.3)	(1,900.0)	(1,400.0)	(1,400.0)	(1,400.0)
Reported operating profit		(35,340.9)	(11,033.5)	3,305.2	4,948.0	6,150.6
Net Interest		(249.4)	(3,047.2)	(1,458.3)	(1,303.1)	(1,581.8)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(3,635.0)	(1,458.0)	5,969.6	7,767.6	8,691.5
Profit Before Tax (reported)		(35,590.3)	(14,080.8)	1,846.9	3,644.9	4,568.7
Reported tax		(3.1)	(234.3)	(477.6)	(621.4)	(695.3)
Profit After Tax (norm)		(3,635.4)	(1,341.4)	5,492.1	7,146.2	7,996.2
Profit After Tax (reported)		(35,593.4)	(14,315.1)	1,369.3	3,023.5	3,873.4
Minority interests		0.0	0.0	0.0	0.0	0.0
Discontinued operations		0.0	(2,380.0)	938.2	0.0	0.0
Net income (normalised)		(3,635.4)	(1,341.4)	5,492.1	7,146.2	7,997.2
Net income (reported)		(35,593.4)	(16,695.1)	2,307.5	3,023.5	3,873.4
Basic average number of shares outstanding (m)		78	79	105	173	214
EPS - basic normalised (\$)		(0.05)	(0.02)	0.05	0.04	0.04
EPS - diluted normalised (\$)		(0.05)	(0.02)	0.05	0.04	0.04
EPS - basic reported (\$)		(0.46)	(0.21)	0.02	0.02	0.02
Dividend (\$)		0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		14.2	203.7	35.6	18.3	9.2
Gross Margin (%)		49.9	47.9	50.0	48.0	48.0
EBITDA Margin (%)		-27.3	5.4	15.6	16.0	16.5
Normalised Operating Margin		-27.7	4.3	14.8	15.2	15.8
BALANCE SHEET						
Fixed Assets		55,367.7	56,308.7	54,159.9	52,004.2	49,841.4
Intangible Assets		55,075.2	54,317.5	52,214.7	50,112.0	48,009.2
Tangible Assets		292.5	1,991.2	1,945.2	1,892.2	1,832.2
Investments & other		0.0	0.0	0.0	0.0	0.0
Current Assets		15,445.1	8,760.4	12,198.4	14,297.4	17,253.4
Stocks		0.0	0.0	0.0	0.0	0.0
Debtors		6,414.8	7,914.8	8,414.8	8,914.8	9,414.8
Cash & cash equivalents		8,571.7	387.0	3,345.0	4,964.0	7,440.0
Other		458.6	458.6	438.6	418.6	398.6
Assets classified as held for sale		0.0	1,362.8	0.0	0.0	0.0
Current Liabilities		(15,832.2)	(26,696.0)	(36,978.0)	(8,934.0)	(8,434.0)
Creditors		(12,453.1)	(9,500.0)	(9,000.0)	(8,500.0)	(8,000.0)
Deferred and contingent consideration		(3,038.0)	(16,762.0)	(27,544.0)	0.0	0.0
Short term borrowings		(151.0)	(284.0)	(284.0)	(284.0)	(284.0)
Other		(190.1)	(150.0)	(150.0)	(150.0)	(150.0)
Long Term Liabilities		(30,113.1)	(31,148.7)	(10,005.7)	(19,797.7)	(15,817.7)
Long term borrowings		(434.2)	(1,021.0)	(7,422.0)	(17,214.0)	(13,234.0)
Contingent Consideration		(27,095.2)	(27,544.0)	0.0	0.0	0.0
Other long term liabilities		(29,678.9)	(30,127.7)	(2,583.7)	(2,583.7)	(2,583.7)
Liabilities classified as held for sale		0.0	(2,301.0)	0.0	0.0	0.0
Net Assets		24,867.5	6,286.2	19,374.6	37,569.9	42,843.1
Shareholders' equity		24,867.5	6,286.2	19,374.6	37,569.9	42,843.1
CASH FLOW						
Op Cash Flow before WC and tax		(2,969.4)	2,008.5	7,854.0	9,503.7	10,713.3
Working capital		5,457.0	(4,453.1)	(1,000.0)	(1,000.0)	(1,000.0)
Exceptional & other		(3,208.2)	(50.0)	0.0	0.0	0.0
Tax		(3.1)	(234.3)	(477.6)	(621.4)	(695.3)
Net operating cash flow		(723.6)	(2,728.9)	6,376.4	7,882.3	9,018.0
Capex		(223.7)	(2,500.0)	(1,000.0)	(1,000.0)	(1,000.0)
Acquisitions/disposals		(5,772.2)	(1,755.0)	(16,762.0)	(27,544.0)	0.0
Net interest		(248.6)	(27.2)	(438.3)	(1,283.1)	(1,561.8)
Equity financing		12,839.0	800.0	8,381.0	13,772.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0
Other		0.0	(1,735.4)	0.0	0.0	0.0
Net Cash Flow		5,870.8	(7,946.6)	(3,442.9)	(8,172.8)	6,456.2
Opening net debt/(cash)		(2,368.5)	(7,986.4)	917.6	4,360.5	12,533.3
FX		(252.9)	(241.0)	0.0	0.0	0.0
Other non-cash movements		0.0	(716.5)	0.0	0.0	0.0
Closing net debt/(cash)		(7,986.4)	917.6	4,360.5	12,533.3	6,077.2
Adjusted net debt/(cash)		22,146.7	45,223.6	31,904.5	12,533.3	6,077.2

Source: Bragg Gaming accounts, Edison Investment Research

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