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Aspire Global

Travel & leisure

19 February 2021

Strong new customer and geographic pipeline

Aspire Global (AG) reported a strong FY20 and a good start to FY21, with January trading volumes 34% ahead of the average for Q120. FY20 EBITDA (at a margin of 16.7%) exceeded consensus expectations. Strong revenue growth in B2B Core was complemented by record performances from recent acquisitions Pariplay (B2B Games) and BtoBet (B2B Sports). Across B2B (68% of group total) there is a consistent message that new industry-leading partners (eg Betfair, William Hill and Rush Street Interactive) and increasing geographic coverage (the US, Colombia and Russia) are driving organic growth and laying the foundations for future growth in immature markets. AG's strong free cash flow is reflected in the year-end cash position ex-player deposits of €22.7m (FY19: €23.5m) despite outflows for M&A (€17.7m) and internal investment (€8.7m). The April 2021 €27.5m bond maturity is funded by one-year €10m bridging loans from shareholders and cash in hand ahead of the March 2022 loan receipt from a related company.

Q420: Broad-based record results

AG's FY20 EBITDA of €27.1m, up c 25%, was ahead of consensus expectations of €26.0m, thanks partly to the success of higher-margin Games and Sports and intra-group synergies. Net revenue of €156.8m (gross revenue €161.9m), ahead by 23%, was broadly in line. Q420 organic gross revenue growth of 30.8% to €44.4m was AG's strongest quarterly increase in FY20. The maturing of new partner brands, as well as high investment in IT infrastructure, continued to drive B2B Core's 27% net revenue growth in Q420. Pariplay's Q420 record-high revenue and EBITDA were due to growth in the number of proprietary games and operators. BtoBet's outlook is promising with the addition of major new clients ahead of full integration being completed. Following weakness due to uncertainty from regulation, B2C returned to robust revenue growth of 30% in Q420.

FY21: Consensus EBITDA below guidance

The consensus EBITDA estimate for FY21 of €30.5m compares with management's FY21 target of €32.0m, a margin of 16% (FY20:16.7%) on gross revenue of €200m. Achieving this would imply year-on-year growth of c 12% from FY20's pro forma EBITDA of €28.5m, and compares with AG's EBITDA CAGR of c 24% since FY16, generated mostly from organic growth with complementary M&A to expand the product offer and geographic coverage.

Valuation: EV/EBITDA 9.8x for FY21

The recent share price performance produces an FY21e EV/EBITDA multiple of 9.8x, below multiples of other platform/content providers and in line with operators.

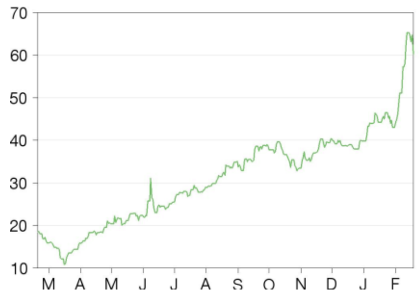
Consensus estimates

Year end	Net revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)	Yield (%)
12/19	127.5	21.7	0.01	0.00	13.8	N/A
12/20	156.8	27.1	0.28	0.00	11.0	N/A
12/21e	181.0	30.5	0.43	0.18	9.8	2.8
12/22e	214.5	37.5	0.56	0.24	8.0	3.7

Source: Refinitiv, company data

Price	**SEK64.2**
Market cap	**SEK3.0bn**
	€0.1/SEK

Share price graph



Share details

Code	ASPIRE
Listing	Nasdaq First North Premier Growth Market, Stockholm
Shares in issue	46.4m

Business description

Aspire Global is a leading B2B provider of iGaming solutions, offering partners all relevant products to operate a successful iGaming brand. It also owns/offers B2C online gaming brands, including Karamba. Aspire operates in 26 regulated markets across Europe, the US, South America and Africa.

Bull

- Structural growth in regulated online gaming markets with industry-leading products. It recently entered growth markets such as the US, South America and Africa.
- Highly scalable business as the addition of new partners does not require the addition of major overheads.
- Revenue share model aligns Aspire Global's interests with those of business partners.

Bear

- The online gaming industry is subject to political and regulatory risks. However, Aspire's main focus is on regulated markets, where risks should be lower.
- The online gaming industry is highly competitive.
- Annual dividend distributions have not been consistent since the IPO in 2017 due to Aspire'sactive M&A agenda. Management continues to target a long-term payout ratio of 50%.

Analysts

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