EDISON

Aspire Global

Fulfilling its global aspirations

Initiation of coverage

Travel & leisure

Aspire Global (AG) is an online gaming technology, services and content company that offers its customers, online gaming operators, everything that is required to operate a successful iGaming brand. The global online gaming market is experiencing structural growth and AG's leading technology and services help customers manage the many operational and regulatory complexities of online gaming, while minimising their investment and mitigating their increasing cost pressures. Its success is apparent in its increasing geographic presence (26 markets) and roster of leading online gaming brands. AG is trading at a significant discount to its larger peers; our DCF-based valuation points to a share price of SEK95.

Year end	Revenue (inc VAT) (€m)	EBITDA* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	131.4	21.8	0.32	0.00	18.3	N/A
12/20	161.9	27.6	0.32	0.00	18.3	N/A
12/21e	187.7	33.3	0.52	0.19	11.3	3.2
12/22e	211.3	39.1	0.60	0.28	9.8	4.7

Note: *EBITDA and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Well positioned for greater geographic scale

Following recent acquisitions giving AG a presence across most parts of the iGaming value chain, management's current strategy has four key pillars: a stronger product offer, organic growth, M&A, and geographic expansion. The aim is to expand its scalable platforms into more markets and increase the number of customers per market, organically and via the acquisition of complementary companies to enhance the offer. AG looks well placed to benefit from the structural growth drivers, and regulatory and operational issues facing its customers. The United States is a particular area of focus.

FY21: Improving profitability and cash flow

We forecast EBITDA growth of 15% (pro forma) in FY21, and 17% in FY22. Our forecast for EBITDA of €32.8m (using AG's definition) in FY21 is greater than management's longstanding (December 2018) guidance of €32.0m due to recent higher-margin acquisitions. We expect improving free cash flow due to higher profitability while investment levels relative to revenue are maintained. The company has a robust balance sheet with limited net debt (€5.2m) excluding minimal IFRS 16 leases. Its improving financial position could enable the restoration of the dividend in FY21, following a period of M&A.

Valuation: Well below peers

AG is trading at a significant discount to the majority of its peers. Its EV/EBIT multiple for FY21 of 10.2x is a 63% discount to an adjusted average of peers, and the P/E of 11.3x is a 74% discount to the adjusted average. A DCF-based valuation with a WACC of 9% and terminal growth of 2% suggests a share price of SEK95. As AG's scale increases, we would expect the valuation gap to its larger peers to narrow.

12 April 2021

Price	**SEK60.6**
Market cap	**SEK2,814m**
	€0.1/SEK
Net debt (€m) at 31 December 2020 (excluding IFRS 16 liabilities)	5.2
Shares in issue	46.4m
Free float	25.8
Code	ASPIRE
Primary exchange	Nasdaq First North Premier Growth Market, Stockholm
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	4.7	37.9	230.4
Rel (local)	(1.7)	21.1	109.8
52-week high/low		SEK65.3	SEK17.8

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.

Next events

Q121 results	5 May 2021
H121 results	18 August 2021
Q321 results	4 November 2021

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Edison profile page

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Investment summary

Company description: iGaming infrastructure and services

AG is an online gaming technology, services, and content company with two main reportable business segments. The B2B offering comprises a robust technology platform, managed services, and content (ie games) that provide everything required to launch and operate an iGaming brand. The platform can be offered in isolation or with a wide range of managed services. The B2C offering includes a number of proprietary online gaming brands, which it markets to its own online customers. In March 2021, management announced that it is reviewing the role of the B2C segment within the group structure to determine how to enhance its growth prospects.

AG is exposed to favourable growth trends. First, its customers in the online gaming market are enjoying structural growth due to increasing global wealth and internet/mobile penetration. The geographic markets to which AG currently has some exposure are forecast to grow gross gaming revenue (GGR; ie customer wagers less their winnings) from US$37.6bn in 2019 to US$69.1bn by 2025 (source: H2 Gambling Capital). Secondly, the online gaming markets are highly competitive, and each country typically has different regulations, if regulated at all, and they are subject to regular change. These forces combine to make the operation of an online gaming brand challenging, particularly when working across many geographies. The broad long-term trend is for markets to become regulated, which typically leads to higher costs for operators; therefore, the operators seek partners that can help mitigate these cost pressures. AG's full-service platform, managed services and content can minimise the investment requirements of its customers, leading to a faster and more efficient route to market and ongoing 'shared' operating 'cost efficiencies'. AG's strategy is to increase its exposure to regulated markets, in line with the direction of travel of the market which, although it incurs greater costs, also brings more clarity on market structure and predictability of financials.

Management's strategy has four key pillars: a stronger product offer, organic growth, M&A, and geographic expansion. The aim is to expand its scalable platforms into more markets and increase the number of customers per market, both organically and through the acquisition of complementary companies. At the end of FY20, AG had 150 partners (customers) including many of the leading online gaming companies: betfair, Codere, Cofina, Editec, Entain, 888.com and William Hill; with broad geographic coverage, in 26 countries across most continents, which is testament to the quality of AG's platform, services and content. The Pariplay acquisition and consequent further investment in the US have led to a breakthrough in the US market, which represents an important growth market. At the start of FY21, AG received an interim iGaming supplier licence for West Virginia and has filed applications in Pennsylvania and Michigan, with more to come. AG is building up the organisation to support its US expansion.

Financials: Improving profitability and cash flow generation

We forecast EBITDA growth of 15% (pro forma) in FY21, and 17% in FY22. Our forecast for EBITDA of €32.8m in FY21 is greater than management's longstanding (December 2018) guidance of €32.0m, which reflects the higher margins of recent acquisitions. We expect improving free cash flow, mainly due to higher profitability as investment levels relative to revenue are maintained. AG has a robust balance sheet with limited net debt excluding IFRS leases (€5.2m), and a capital-light business model. FY20 net debt included debt of €27.9m due to mature in April 2021, which is to be funded by cash on hand and a c €10m bridging loan from controlling shareholders, ahead of the receipt in March 2022 of a loan made to NeoGames, which shares two board directors with AG, of up to c €18.0m including accrued interest. The FY20 balance sheet also included deferred and contingent consideration of €22.9m, of which c €5m will be paid in FY21 and the balance in FY23.

Valuation: Discount to peers and DCF

AG is trading at a significant discount to the majority of its peers when comparing all multiple-based valuation measures, and it potentially offers a higher dividend yield than all of its peers should it resume dividend payments from FY21, given an expected improved financial position. AG's EV/EBIT multiple for FY21 of 10.2x is a 63% discount to an adjusted average of peers (ie excluding some extreme multiples) and its P/E of 11.3x is a 74% discount to the adjusted average of 44.1x. A DCF-based valuation with a WACC of 9% and terminal growth of 2% suggests a share price of SEK95. AG continues to scale well through a combination of organic growth and M&A. As it continues to scale, we expect the valuation gap relative to its peers to narrow.

Sensitivities: Regulation, competition, and execution

AG's revenue sharing model makes it closely aligned with the fortunes of its operator customers and the geographies in which they operate. The gaming industry is highly competitive, as is the market for AG's products and services, and regulatory risk is high for operators. To grow geographically and develop its product offer, AG must continue to invest to remain competitive in a rapidly changing industry, through a combination of internal investment and M&A, which have execution and integration risks.

Company description: Online gaming infrastructure

AG is an online gaming technology, managed services, and content company with two main reportable business segments – B2B and B2C – that target different parts of the iGaming value chain. The names of the segments denote the main customers served and, by definition, the products offered.

B2B (69% FY20 pro forma revenue, 78% pro forma EBITDA)

B2B offers customers, the online gaming operators, everything that is required to operate a successful iGaming brand for casino games and sports betting. B2B's revenue has grown from €30.0m in FY16 to €110.9m in FY20, a CAGR of c 39%, and EBITDA has grown from €7.2m to €20.9m, a CAGR of c 31%. Within B2B there are three reportable sub-segments:

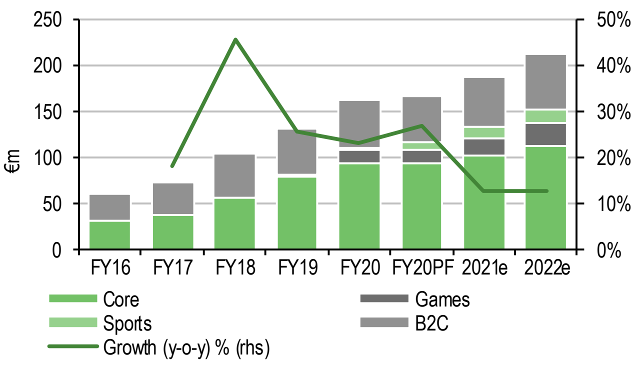
- **Core** is the proprietary, industry-leading platform and services that manages every aspect of the customer's requirements to launch and operate a successful iGaming brand. These include the underlying technology platform and managed services that help customers with regulation and compliance, payment and processing, risk management, CRM, and support. The platform can be offered on its own or in combination with the managed services or content. In FY20 Core's reported revenue was €92.7m and EBITDA was €16.1m; on a pro forma basis it represented 56% of revenue and 57% of EBITDA.
- **Games** is a relatively new division that was formed on the October 2019 acquisition of Pariplay, a leading games creation and aggregation platform that offers proprietary and third-party games to operators. In FY20, Games contributed revenue of €16.0m and EBITDA of €4.2m, representing 10% of revenue and 15% of EBITDA on a pro forma basis.
- **Sports** is the online sportsbook platform provider BtoBet that was acquired in October 2020. It contributed revenue of €2.2m and EBITDA of €0.6m to AG's FY20 results. On a pro forma basis, its revenue of €6.8m and EBITDA of €2.1m represent 4% and 7% of the group total, respectively.

B2C (31% FY20 pro forma revenue, 22% pro forma EBITDA)

B2C operates proprietary online casino brands, including Karamba, and sports brands that use AG's B2B technology and services (above), and markets them to AG's own online customers. In February 2021, the board of directors instructed management to conduct a review of the B2C segment in order to identify how to enhance its future growth prospects, the outcome of which may include a disposal of the segment or a merger. In FY20, B2C's revenue of €51.0m and EBITDA of €6.2m represented 31% and 22% of the pro forma group total, a lower margin of 12.1% versus the group average of 16.7%.

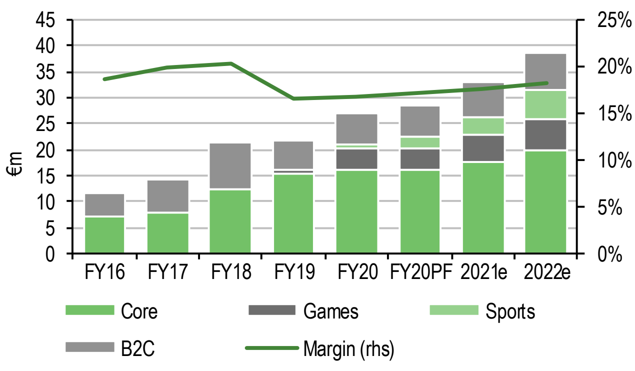
On a pro forma basis, that is including 12 months of BtoBet's revenue and EBITDA, AG's revenue was €166.9m and EBITDA was €28.5m.

Exhibit 1: Revenue (including VAT) (€m)



Source: Aspire Global accounts

Exhibit 2: EBITDA (€m)



Source: Aspire Global accounts

Depending on the segment, AG may disclose a number of revenue figures. Management discloses revenue gross of VAT, which is similar to how the online gaming operators, for example bet-at-home, report revenue, and also net of VAT. It reports revenue gross of VAT, as unlike most other B2B peers, it receives net gaming revenue (NGR) directly from the ultimate customers, that is the players of the games, before sharing the revenue with the operators, expensed further down the income statement. This is in contrast to the majority of its peers, which receive their net share of revenue from the online gaming operators. As a result, it is not possible to directly compare reported revenue and EBITDA margins versus peers. It makes the use of sales-based multiples analysis versus its peers meaningless too. Management's commentary on revenue and profitability, specifically EBITDA, is typically with reference to revenue including VAT, therefore we will be consistent with management's narrative. For some segments, AG also reports a higher revenue figure that includes inter-segment revenue, which we do not use.

In addition, the company includes share-based payments in EBITDA whereas we customarily exclude them. At the divisional level, share-based payments are not disclosed, therefore in the commentary on the segments and group performance we will use management's definition of EBITDA, but our presented EBITDA numbers in the financial summary use our definition. The difference is not material; in FY20, share-based payments were €0.5m, equivalent to c 40bps on EBITDA margin.

AG's evolution

The company was founded in 2005 as NeoPoint Technologies, initially focused on the online scratch cards market, and the subsequent launch of a proprietary online slots site in the UK in the same year. In 2008 AG acquired its first online gaming licence in Malta and the company signed B2B partnerships in eight markets. In 2014, the online lottery business NeoGames was transferred to a separate company and subsequently sold by AG, and the remaining company, whose focus was the current Core business, was changed to AG.

Since 2014, AG has focused on improving its B2B offering by investing in its technology, extending the product offer, and increasing the number of proprietary brands. In so doing, AG has extended its geographic reach of online licences and certifications, as well as withdrawing from certain countries so that by the end of 2020 it and its clients operate in 26 markets across Europe, the US, South America, and Africa.

A sportsbook was initially launched in FY17, which was subsequently added to the platform in FY18, extending its reach beyond the core of casino games. The acquisition of Pariplay, a global online game studio and aggregator, was completed in October 2019, and this was followed by the acquisition of BtoBet, a leading sportsbook, which completed in October 2020.

In July 2017, the shares were listed on the Nasdaq First North Premier Growth Market in Sweden at a share price of SEK30, valuing the company at SEK1,323m.

Geographic presence

AG is based in Malta and has a physical office presence in Bulgaria, Gibraltar, India, Israel, Italy, North Macedonia, and Ukraine. Under EU law, Maltese gaming licences are effective in all EU member states due to the freedom of movement within the EU, as long as online gaming is legal in the respective member country.

It has a broad global presence with customers in 26 countries across Europe, Africa, Latin America, and the US. In these countries, AG either has a licence to operate its platform or services, or its platform is certified in those countries, with the operator customer holding its own licence.

In FY20, AG's source of revenue on a reported basis (not including the full effect of the recent Sports acquisition, which has greater exposure to Africa and Latin America) was: the Nordics €16.4m (10% of total), UK and Ireland €35.1m (22%), rest of Europe €98.2m (61%) and rest of world €12.2m (8%).

Business overview

Exhibit 3: The iGaming value chain

Source: Aspire Global

The players are individuals who visit the operator's site to game.

A platform is the technical infrastructure for an online gaming site. Typically, the large online gaming operators usually use their own proprietary systems, and the small to mid-sized operators use third-party platforms. As shown in Exhibit 14, AG's scale is smaller than peers including Evolution Gaming, International Game Technology and Scientific Games. However, as shown below, AG continues to build scale by winning new clients, including the large, tier one clients (such as Betfair and William Hill) due to its leading technology platform in new geographies, while increasing spend from those customers.

Online gaming operators provide the B2C offering, for example sports, casino or bingo, to players. In regulated markets, operators must have access to a licence.

Game developers provide games to the platforms; the games are typically developed for 'plug and play' into the platforms, allowing operators to customise the offering and branding quickly.

Core

Core is AG's proprietary platform and managed services, which comprise all the technical, regulatory, and administrative requirements of operating an iGaming brand. The technical platform can be offered in isolation or combined with the range of managed services.

From a technical perspective, the platform provides everything from back-end configuration to the user interface and integration with third parties, eg content providers. From an operational perspective, the managed services cover everything from regulation and compliance including licence administration, payment processing and risk management, CRM including data analysis and business intelligence, customer support and player value optimisation.

Use of the platform means that operators do not need to invest resources in developing/running their own technology or full-service platform, leading to a faster and more efficient route to market and ongoing operating cost efficiencies with a high level of professional services. While all operators have different cost structures given different product offers, market positioning, etc, we highlight that bet-at-home's 'other' costs (ie excluding duties, marketing, and personnel costs), which includes expenses for platform, represented c 16% of GGR. AG's management has estimated that the full product suite of platform and managed services can lead to operating cost savings of 20% for the operators.

The platform is very 'sticky', given its access to certifications/licences and the analytical tools available. In addition, management claims that the platform's up-times are higher than those of competitors. Hence, once a client is on board, there would have to be a very good reason for it to leave given the inconvenience of changing the licence/certification, having to integrate with another provider and the loss of analytics. The relatively consistent increase in the number of partners/brands that use the platform (see Exhibit 5) provides proof of AG's competitive positioning. The key services include:

- **Licences and platform certifications in regulated markets:** AG has gaming licences in regulated markets including the UK, Denmark, Ireland (sports betting), Sweden, and Malta. The Maltese licence covers all .com markets. AG is in the process of applying for a sports betting licence in Germany. When an operator joins and uses AG's Core platform, it is able to access all of the licences and therefore does not need to apply for its own licence in a country, which can be time consuming and expensive. In addition, the Core platform is certified in other regulated countries including the US, Mexico, Colombia, Portugal, and Russia so that operators with licences in those countries can take advantage of AG's technological expertise.
- **Compliance and regulations:** AG's in-house regulation and compliance teams monitor all operations and keep up to date with changes in regulations to ensure the platform is compliant with all required laws and regulations. It also provides ongoing training, regulatory updates, and marketing guidelines to partners.
- **Data analysis and intelligence:** customers are provided with on-demand data analysis, business intelligence and analytical tools that enable them to monitor their own performance

and help them maximise player profitability with the use of sensitivity analysis on customer acquisition costs and potential changes in marketing strategy.

- **CRM:** AG believes its recently launched Aspire Engage is the most advanced CRM tool in the market. It allows operators to market to their players on any device in real time with relevant attractive promotions according to pre-defined segmentation**.** The CRM services offered include campaign management, player segmentation and retention analysis, tools to enhance customer conversion, the management of bonuses and promotions, and tools to manage responsible gaming.
- **VIP management:** AG's most experienced employees work closely with the operators' most valued customers to improve customer loyalty.
- **Payment processing and risk management:** AGs platform is integrated with a number of alternative payment providers and solutions, other than credit and debit cards, to provide seamless and safe management of player deposits and payouts. Alternate payment providers include Worldpay, PayPal and Adyen as well as local services including Trustly in Sweden, Neteller, Skrill and Paysafecard in the UK, and Giropay and Sofort in Germany. With respect to fraud management, the platform has quick Know Your Customer (KYC) processes and a highly secure fraud prevention scheme.
- **Customer support:** AG provides unique tools for its operators/clients to communicate with their players. Those tools have real-time data so the information will be updated at all times.

Since the IPO in 2017, management has continued to invest in the platform to improve the speed, availability, and reliability of the underlying technology, as well to improve the breadth and quality of the services offered. In 2018, the platform moved from a pure casino focus to adding sports betting, with the aim of targeting new audiences and partners.

The Core platform generates revenue from three sources:

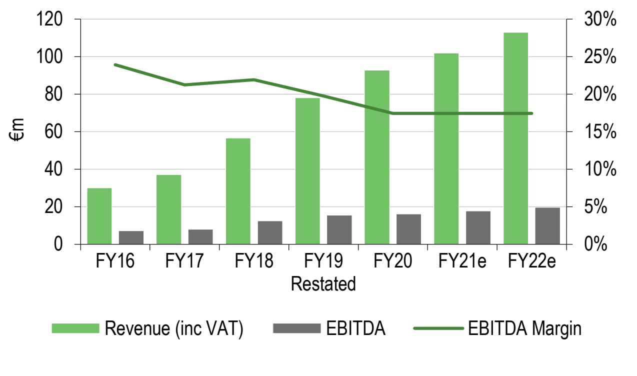
- **Set-up fee:** a fixed set-up fee is charged immediately after the signing of an agreement with a new client. In FY20, these represented less than 10% of AG's Core revenue.
- **Mark-up on supplier services:** AG charges a moderate mark-up on charges for services provided by third parties such as fees of games providers and payments service providers. In FY20, mark-ups represented 15–20% of AG's Core revenue.
- **Split of net gaming revenue (NGR):** NGR is gross gaming revenue (ie total bets wagered by customers less their winnings) less any bonus and jackpot contributions. When a partner brand launches on AG's platform they both share the NGR. To limit downside risk, a minimum platform fee is charged, which is automatically replaced by a share of revenue once it has been exceeded. In FY19, this represented more than three-quarters of AG's Core revenue. Management believes its greater focus on a revenue share model than its peers aligns AG's interests better with those of its customers.

As AG is the licence holder, it receives the revenue direct from the players of the games and then distributes the partner's share of NGR, which is recognised as a royalty payment within distribution costs. This is different from many peers that receive a fee for proving the platform.

Core's financial performance

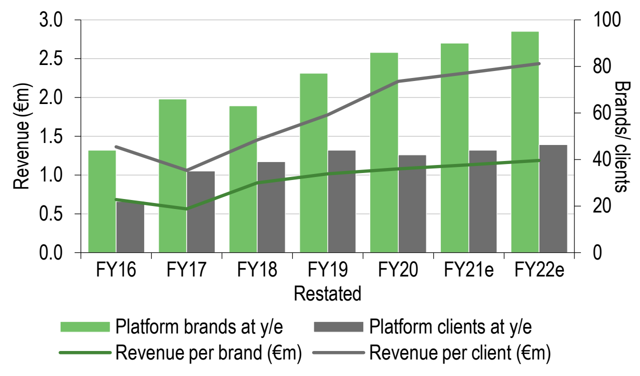
At 57% of group revenue (GGR) and 60% of group EBITDA in FY20 (56% and 57%, respectively on a pro forma basis), Core is AG's most important segment from a financial perspective. Its GGR revenue has grown from €30.0m in FY16 to €92.7m in FY20, a CAGR of c 33%, during which time EBITDA increased from €7.2m to €16.1m, a CAGR of c 23%.

Exhibit 4: Core financials FY16–22e



Source: Aspire Global, Edison Investment Research

Exhibit 5: Core customers and revenue per customer



Source: Aspire Global, Edison Investment Research

Core's revenue growth has been driven by increasing the number of clients and brands that use the platform, and the revenue earned from each. At the end of FY20, the platform had 42 clients and 86 brands versus 22 clients and 44 brands at the end of FY16. In our forecasts we assume the number of brands operating on the site increases by 4–5 pa, and average revenue per brand increases by 5% pa, resulting in c 10–11% organic revenue growth to €101.9m in FY21 and €112.9m in FY22.

The EBITDA margin has trended down from 23.9% in FY16 to 17.4% in FY20, due to management's deliberate focus on increasing exposure to regulated markets, in which operating costs are higher and AG provides more favourable terms to clients in these markets versus unregulated markets. Despite having higher operating costs, increased regulation provides greater certainty about the operating environment for operators, excluding competition issues. We assume the EBITDA margin is stable versus FY20 in our forecast years, as management expects increased scale and greater automation to offset the ongoing shift to regulated markets.

Games

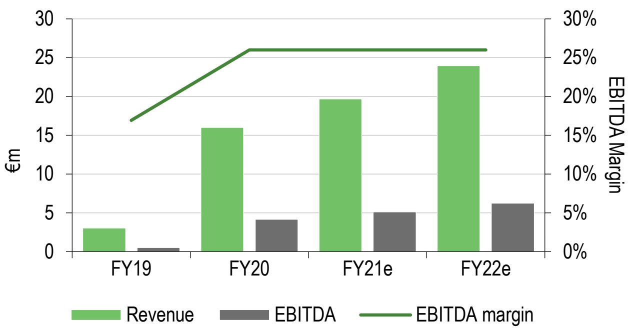
AG's Games business was formed on the acquisition of Pariplay, consolidated from 1 October 2019, for €13.3m. Pariplay operates a leading global game aggregator platform and develops its own proprietary online games. The acquisition was strategically important as it provided AG with access to an important part of the iGaming value chain, games creation and aggregation and, significantly, Pariplay gained an iGaming licence for New Jersey, which is crucial for AG to grow in the strategically important US market.

The attractiveness of Pariplay to online gaming operators is that as a hub, it provides fast and simple access to a vast collection of online games, increasing by 15–20 new titles per week, created by leading games creation companies.

As Pariplay was integrated, it was expected to deliver both revenue synergies (cross-selling of AG's and Pariplay's games) and cost synergies (integration of platforms and back office, etc). At the time of the acquisition, Pariplay offered more than 2,000 games from over 30 vendors, as well as 56 proprietary games. The client base of c 60 operators included Svenska Spel, 888 Holdings.com, William Hill and Entain.

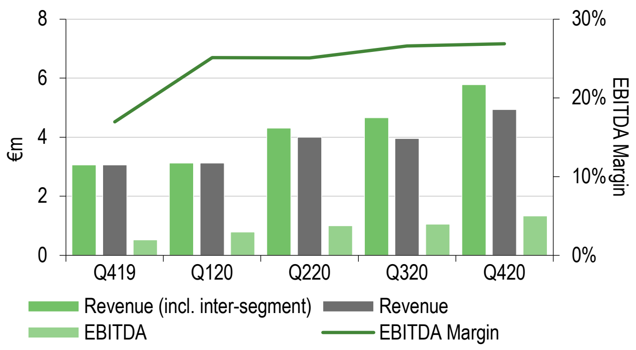
Management has focused on increasing the quality and quantity of the games offered, as well as improving functionality and features, so that Games has gained more customers in more geographies. By the end of FY20, the number of third-party games available had increased to more than 3,000 from 42 vendors including Evolution Gaming and Netent, and the number of proprietary games had increased to 113 following a steady release of six new games per quarter. New customers since acquisition include leading names such as BetVictor and bwin, and in more new countries such as Portugal, Romania, Switzerland, and the United States.

Exhibit 6: Games financials FY19–22e



Source: Aspire Global, Edison Investment Research

Exhibit 7: Games financials FY20



Source: Aspire Global

Operational focus has resulted in strong financial performance, with revenue and EBITDA at all-time highs in Q420. In FY20, revenue and EBITDA increased to €16.0m and €4.2m, growth of 52% and 144% respectively from FY19 pro forma revenue of €10.6m and EBITDA €1.7m. The EBITDA margin increased from 16.9% in Q419 to 26.8% in Q420, and from a pro forma FY19 margin of 16.2% to 26.0% in FY20, significantly higher than AG's group average of 16.7%.

Using Pariplay's FY19 pro forma results, the acquisition price of €13.3m represented an EV/sales multiple of 1.3x and EV/EBITDA of 7.8x. Strong financial performance in FY20 brought the multiples down to 0.8x and 3.2x, respectively.

Sports

The Sports sub-segment was formed on the acquisition of BtoBet, a leading sportsbook platform provider, from 1 October 2020. The company had c 100 employees, mainly based in Italy and North Macedonia.

The acquisition was strategically important as adding sportsbook technology meant that AG now has a presence in all the major areas of online gaming, and the presence in sports is important given its ambitions to grow in the US, which is expected to deliver significant growth in the future.

Following the acquisition, management indicated that its existing sportsbook business will be migrated to BtoBet, and that Pariplay's games and aggregation could be offered to its clients.

When the acquisition was announced, BtoBet had 32 operator clients in Europe, Latin America, and Africa, but with a greater presence in emerging markets than AG had historically. Under AG's ownership, BtoBet has made an impressive start, launching six new partner brands, and signing five new partners in Q420. These included a partnership with Betfair in Colombia in October 2020. In November, it expanded into Russia by signing a platform deal with Russian National Lottery's Operator Sports Lotteries, followed in December by a partnership with William Hill in Colombia.

In FY20, Sports contributed revenue of €2.2m and EBITDA of €0.6m, an EBITDA margin of 29% during the final quarter. On a pro forma basis, FY20's revenue of €6.8m and EBITDA of €2.1m represented growth of c 55% and c 39% from FY19's €4.4m and €1.5m, respectively. With a higher EBITDA margin of 29.0% than the group average, its growth will help to boost AG's overall EBITDA margin. We forecast that AG adds 20 new partners in FY21, which is consistent with the five new partners signed, six new partners launched in Q420, the first period of ownership, and a further 15 new partners in FY22 taking the total number of partners to 73 by the end of FY22. In addition, we assume 10% growth in revenue per partner in each year. These are estimated to produce revenue of €11.5m in FY21 and €15.9m in FY22. Following more stable margins in FY21 versus FY20 as the business invests, we assume good growth in margin to 35% in FY22 as the business benefits from better operational leverage.

The total consideration of €37.4m for BtoBet comprises initial cash of €15.8m, a deferred payment (after 12 months) of €4.7m and contingent consideration (two years after closing) of up to €16.9m. It represented an FY20 EV/sales multiple of 5.5x and EV/EBITD multiple of 17.9x.

B2C

The B2C segment includes AG's proprietary online gaming sites, which it markets directly to online customers. The most notable brand is Karamba. The B2C brands use AG's Core platform, and therefore benefit from the scale economies that B2B customers enjoy when they become a client. As well as providing profitable growth to AG, the business provides valuable insight into wider product development in iGaming.

The long-term growth strategy has been to enter new verticals and thus present the opportunity to attract new online customers.

B2C's revenue is the online game's NGR. The B2C segment bears the expenses of marketing and customer acquisition. It also pays technology platform fees to AG's Core.

In March 2021, the company announced the segment is subject to a strategic review, with the aim of determining how best to accelerate growth. One possible outcome of the review is a disposal of the B2C segment.

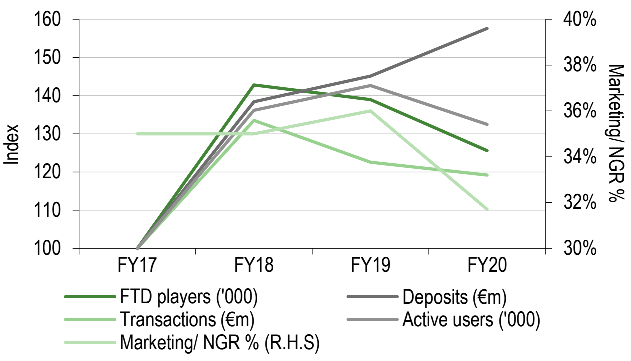
Exhibit 8: Edison TV interview with CEO, Tsachi Maimon

Source: Edison Investment Research

B2C's KPIs

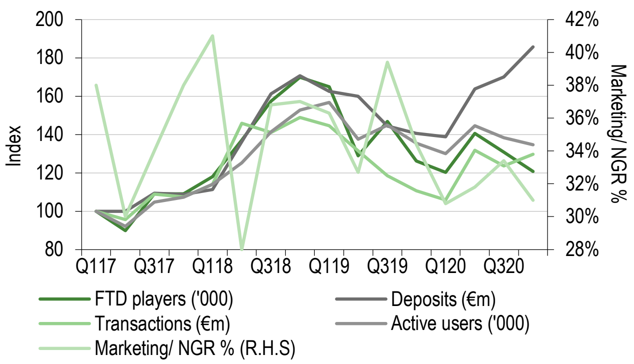
Below we highlight the annual and quarterly progression of four of B2C's main KPIS, rebased to 100 in Q117 to aid comparability, and marketing expense relative to net gaming revenue (NGR).

Exhibit 9: B2C annual KPIs



Source: Company data

Exhibit 10: B2C quarterly KPIs



Source: Company data

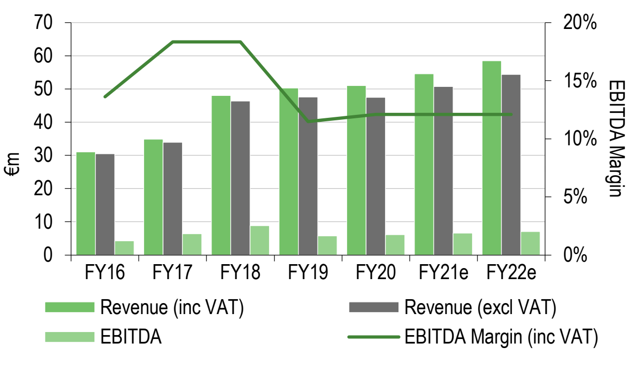
Since FY17, the number of active users has increased at a CAGR of c 10% from 138.1k to 182.9k at the end of FY20, having peaked at 197k at the end of FY19. The value of transactions has increased at a CAGR of 6%, from €1.18bn in FY17 to €1.41bn in FY20, peaking at €1.58bn in FY18, implying a lower average spend per new customer.

Growth in FY18 was driven by more efficient marketing and CRM, as well as the launch of sportsbook ahead of the 2018 FIFA World Cup. In FY19, ongoing innovation and the entry into new markets was not enough to offset the tough comparative from the World Cup, and a change in regulations in the Netherlands and the UK in the fourth quarter which negatively affected growth. Regulatory changes continued to affect its growth into the start of FY20, before the beneficial effects on online gaming from COVID helped the business grow all KPIs y-o-y. Through FY20, there has been improving momentum, ie y-o-y growth in the value of transactions and the level of deposits, albeit with fewer active players but on an improving trend, implying greater spend per active customer, following significant investment in marketing in key regulated markets, the UK, Ireland, and Denmark.

B2C's financial performance

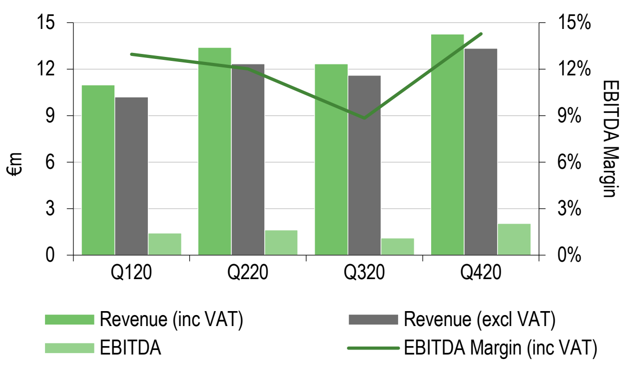
In FY20, B2C represented 31% of group revenue (GGR) and 23% of group EBITDA, with an EBITDA margin of 12.1%.

Exhibit 11: B2C financials FY16–22e



Source: Aspire Global accounts

Exhibit 12: B2C financials FY20



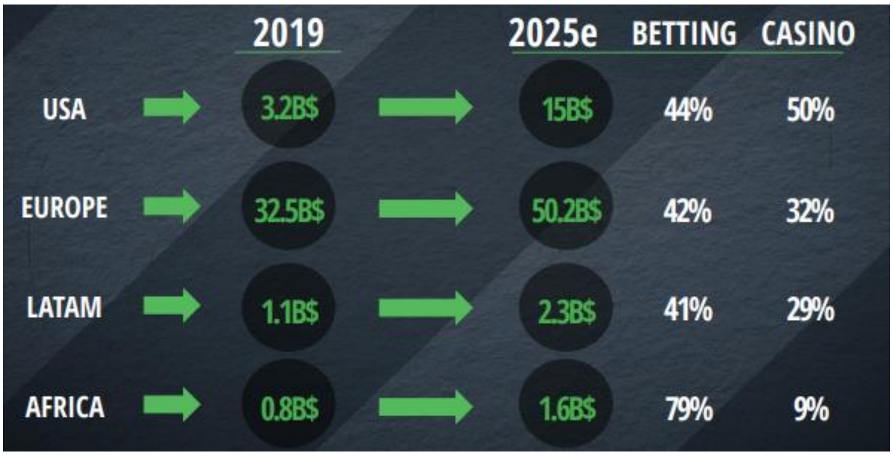
Source: Aspire Global accounts

B2C's revenue (GGR) has grown in every financial year since FY20 and net revenue, ie after VAT, has grown at a slightly lower CAGR of 12%, which reflects increasing exposure to regulated markets where taxes tend to be higher. In our forecasts we assume low single-digit growth for the number of active users and c 5% growth for average revenue per user, producing 7% growth in total. Our forecasts assume a stable EBITDA margin of 12.1%.

Online gaming markets

According to H2 Gambling Capital (H2GC), the online gaming regions in which AG currently has a presence, albeit some are in the early stages of development, are expected to grow GGR from c US$37.6bn in FY19 to US$69.1bn by 2025e.

Exhibit 83: Online market growth (US$bn)



Source: H2GC, Aspire Global Q420 presentation

Europe is forecast to still be the largest of the markets highlighted in the table above by 2025, growing by 54% from 2019, but the other less mature markets are expected to demonstrate faster growth rates, with the US increasing by c 370%, Latin America by c 110% and Africa by c 100%.

The move towards online gaming is driven by increasing wealth, internet and mobile penetration, product innovation and regulation.

Regulation varies by country, from markets where gambling is explicitly prohibited to government-owned monopolies, to licensed industries that are fully open to commercial operators. There are also many countries where governments are yet to legislate for online products and the regulatory picture in these markets remains ‘grey’.

AG expects its share of revenue from markets that are regulated to increase over time; its share of revenue from taxed, locally regulated or soon-to-be regulated markets has increased from 65% in FY16 to 71% in FY20.

As a market becomes regulated, typically the costs of operating in that market increase due to, for example tighter compliance requirements, greater controls on marketing and ensuring responsible gaming to protect the consumer. Use of AG’s platform or services helps customers mitigate these cost pressures. Management aims to have a presence in the majority of regulated markets through a combination of acquisitions and organic product investment.

Management

AG’s executive team consists of seven members, including the CEO and CFO. The CEO reports directly to a five-member board. Many of the board are substantial shareholders.

Tsachi Maimon – CEO: Tsachi Maimon has been the CEO of AG since 2013 and a board member since 2015. He is also a board member of AG’s associate holdings NeoLotto, Minotauro and MarketPlay. Tsachi was previously head of casino at TNT Marketing, and a call centre manager at Cellcom, one of Israel’s largest telecom companies.

Motti Gil – CFO: Motti Gil has been CFO of AG since 2016 and the CO of Responsible Gaming since 2018. Prior to joining AG, Motti held senior roles at technology start-ups and public companies including CFO of GoNet Systems and VP of finance and CFO of IXI Mobile.

Carl Klingberg – chairman: Carl Klingberg has been chairman of the board of AG since 2017. He is also chairman of Mackmyra Svensk Whisky, Strömsta Säteri, DHS Venture Partners, Pay & Pray and Rotheca Invest and board member of Scandinavian WeldTech Holding. Carl's prior roles include CEO of Scandinavia Online, SOL Content, MD of bwin Games, chairman of Heads Svenska and board member of Avanza Fondkomission.

Barak Matalon – founder of the company and board member: Barak Matalon has been a board member since 2005 and his other current roles include board member of NeoGames and AG's associate, NeoLotto. His previous roles include VP of sales and marketing at NCP, the Israeli broadcasting channel and sales director at Internet Gold. Barak is AG's largest shareholder.

Fredrik Burvall – board member: Fredrik Burvall has been on the board since 2017. Other current roles include chairman of Speqta and M.O.B.A Network, board member of Gambling.com Group and Enteractive and CEO and board member of The Networked Nation. Fredrik's prior roles include CEO of Cherry and deputy board member of Bell Maritime Gaming.

Aharon Aran – board member: Aharon Aran has been a board member since 2018 and is currently CEO of the Israeli Audience Research Board, and a board member of NeoGames. Prior roles include CEO of TMF Media Group, Omnicom Media Group (Israel office), Schoken Group, Hadashot, VP of marketing of Elite Confectionery Group and EVP of Yedioth Ahronoth Media Group, Reshet TV- Ch.22 and TV Channel 10.

Sensitivities

We highlight below what we feel are the key sensitivities for AG's businesses.

- **Competition:** the online gaming market, in which AG's customers operate, is highly competitive and many markets are fragmented. AG's revenue and profitability, due to its revenue-sharing business model, is closely aligned with the success of its customers. In addition, AG's online B2B peers have greater scale with larger customer bases. These mean that AG needs to continue investing internally and externally.
- **Gaming industry is highly regulated:** the global gaming market is highly regulated and characterised by frequent changes. AG holds a number of licences that permit it to offer its services so AG must continue to fulfil the regulatory requirements of those licences and adapt to changes. As more markets become regulated, some clients may decide not to operate in a market due to the higher costs. As a result, AG's revenue and profitability could be impaired by less favourable changes in regulation that affect its customers, or its growth prospects could be restricted by its inability to gain licences in new countries of interest.
- **User preferences:** AG is exposed to potential changes in user preferences in the online gaming industry, which is continuously evolving in terms of the games and activities offered, including due to regulatory changes that may permit new activities or restrict prior activities of the operators.
- **Major shareholders and related parties:** AG is majority owned by members of the supervisory board and other private investors, and although this certainly brings many benefits, it is important to note majority shareholders may not always have the same interests as outside investors. Major shareholders and related parties (NeoGames, which shares two board members with AG) have provided loan funding to the company as fully disclosed in the annual report and other financial releases. The receivable loan including accrued interest of c €14.5m is reported in non-current assets.

- **M&A:** the changing dynamics of the markets and the products and services required by customers could require further M&A to maintain or enhance AG's market position. M&A activity has stepped up in the last two financial years with the acquisitions of Pariplay and BtoBet, which have initially generated strong growth and results following acquisition. Further M&A presents integration risk but management's track record so far appears to have been good.
- **Third-party service providers:** the group relies heavily on its suppliers, including payment processing and technology infrastructure, so is vulnerable to disruption in these services.
- **Dividend:** since IPO, the company's dividend policy has been to distribute annual dividends of at least 50% of net profit after taxes, subject to its capital requirements, impending financial liabilities, or commitment. Following a high payout ratio (c 129%) in FY17, the dividend payout ratio was c 26% for FY18 and zero for FY19 and FY20 as the company pursued M&A.
- **Global shocks to demand such as pandemics:** the underlying demand for online gaming can be affected by global demand, which can influence whether sporting events take place and how much time is spent online versus in physical locations such as casinos.
- **Forex:** most of AG's operating costs are in euros but as it seeks to grow more globally, there may be an increasing currency mismatch between revenues and costs.

Valuation

Peer comparison

In Exhibit 14 we show AG's valuation relative to its peers, the quoted B2B gaming platform companies, which have a very wide range of multiples. We would caution comparing the margins between the peers as the way AG discloses revenue may differ to the other companies. For peers we calculate a simple average of the multiples and an average that excludes some peers that have much higher multiples, such as Bragg and Gan.

Exhibit 94: Peer valuations

Company	Share price (local ccy)	Ccy	Market cap (€m)	Sales growth CY21 (%)	Sales growth CY22 (%)	EBIT margin CY21 (%)	EBIT margin CY22 (%)	EV/ EBIT CY21 (x)	EV/ EBIT CY22 (x)	PE CY21 (x)	PE CY22 (x)	Div Yield CY21 (%)	Div Yield CY22 (%)
Bragg Gaming Group Inc	2.1	CAD	259	0.6	7.0	2.5	2.1	200.1	226.6	N/A	N/A	N/A	N/A
Evolution Gaming Group AB (publ)	1,354.6	SEK	28,319	72.9	24.1	56.7	58.4	51.2	40.1	54.3	43.2	0.9	1.1
Gaming Innovation Group Inc	23.0	NOK	205	25.3	11.0	8.9	14.4	33.2	18.4	85.2	24.4	0.0	0.0
Gan Ltd	19.7	USD	694	190.8	27.8	(0.9)	7.8	N/A	66.0	N/A	92.1	0.0	0.0
International Game Technology PLC	16.6	USD	2,862	14.3	10.1	20.6	23.2	15.8	12.8	20.1	12.6	0.0	4.0
Kambi Group PLC	525.5	SEK	1,602	36.8	4.3	36.0	31.5	26.7	29.3	34.3	37.5	N/A	N/A
Playtech PLC	468.4	GBp	1,654	17.0	13.4	12.0	12.8	14.8	12.2	26.3	18.7	1.2	1.2
Scientific Games Corp	44.4	USD	3,556	14.9	11.9	16.4	19.4	24.6	18.7	N/A	24.3	0.0	0.0
Average				**46.6**	**13.7**	**19.0**	**21.2**	**52.3**	**53.0**	**44.1**	**36.1**	**0.3**	**1.0**
Average ex Bragg and Gan				**30.2**	**12.5**	**25.1**	**26.6**	**27.7**	**21.9**	**44.1**	**26.8**	**0.4**	**1.3**
Aspire Global	**60.6**	**SEK**	**276**	**16.1**	**12.6**	**13.6**	**14.2**	**10.2**	**8.6**	**11.3**	**9.8**	**3.2**	**4.7**
Premium/ (discount) to average ex Bragg and Gan				**(47)%**	**1%**	**(46)%**	**(47)%**	**(63)%**	**(61)%**	**(74)%**	**(63)%**	**688%**	**275%**

Source: Edison Investment Research, Refinitiv. Note: Priced at 9 April 2021

AG is trading at a significant discount to most of its peers when comparing all multiple-based valuation measures and it potentially offers a higher dividend yield than all of its peers if it resumes dividend payments from FY21, given an expected improved financial position. AG's EV/EBIT multiple for FY21 of 10.2x is at a 63% discount to the adjusted average and its P/E of 11.3x is at a 74% discount to the adjusted average of 44.1x.

Relative to most of its peers, AG's market capitalisation is smaller. However, as shown above, AG continues to scale up its business, including diversifying globally, through a combination of organic growth (new customers and spend per customer) and M&A. If AG continues to execute well and grow as management anticipates, we would expect the valuation gap relative to its larger peers to narrow.

DCF

We have also performed a DCF analysis with 5% annual revenue growth for three years beyond our explicit forecast period, followed by 2% annual growth thereafter. We assume a stable EBITDA margin beyond our forecast period of 18.8%. Using a WACC of 9.0% and terminal growth of 2% produces a value per share of SEK95. For FY21, our core DCF valuation of SEK95 would equate to an EV/EBIT multiple of 16.0x, P/E of 17.7x, and dividend yield of 2.0%, still comparing favourably with the above peers.

Exhibit 105: DCF sensitivity (SEK/share)

		-----------------Terminal growth rate-----------------				
		1.00%	2.00%	3.00%	4.00%	5.00%
----------WACC----------	11.50%	65	68	72	78	85
	11.00%	69	73	77	84	92
	10.50%	73	77	83	90	100
	10.00%	77	83	89	98	111
	9.50%	82	89	97	107	123
	9.00%	88	95	105	119	139
	8.50%	95	103	115	132	159
	8.00%	102	113	127	149	186
	7.50%	111	124	142	171	223
	7.00%	121	137	161	200	280

Source: Edison Investment Research

Financials

Income statement: Improving profitability

Since FY16 AG's revenue has grown from €61m to €161.9m, a CAGR of c 28%, translating to a CAGR for EBITDA of 24%, from €11.4m in FY16 to €27.1m in FY20. The EBITDA margin has reduced from 18.7% to 16.7%. In December 2018, management introduced long-term guidance for FY21 of revenue of €200m and EBITDA of €32m. At the time of the IPO, AG's management introduced guidance for FY20 of €120m, which it exceeded more than a year ahead of schedule.

Exhibit 116: Income statement

€m	FY16	FY17	FY18	FY19	FY20	FY21e	FY22e
Revenue (inc VAT)	61.0	71.9	104.6	131.4	161.9	187.7	211.3
- Core	30.0	37.1	56.6	78.1	92.7	101.9	112.9
- Games				3.1	16.0	19.7	24.0
- Sport					2.2	11.5	15.9
- B2B total	30.0	37.1	56.6	81.1	110.9	133.1	152.8
- B2C	31.0	34.8	48.0	50.3	51.0	54.6	58.5
VAT	(0.8)	(1.1)	(2.1)	(3.9)	(5.1)	(5.6)	(6.2)
Revenue (excl VAT)	60.2	70.8	102.5	127.5	156.8	182.1	205.0
- Core	29.7	36.8	56.1	80.0	91.2	100.1	110.8
- Games					16.0	19.7	24.0
- Sport					2.2	11.5	15.9
- B2B total	29.7	36.8	56.1	80.0	109.4	131.3	150.7
- B2C	30.5	33.9	46.4	47.5	47.5	50.8	54.3
Gaming duties	(2.6)	(3.0)	(4.4)	(4.2)	(4.3)		
Distribution expenses	(36.8)	(42.9)	(64.1)	(87.1)	(108.4)		
Admin. expenses	(9.3)	(10.6)	(12.8)	(14.6)	(17.0)		
EBITDA (AG definition)	11.4	14.3	21.2	21.7	27.1	32.8	38.5
- Core	7.2	7.9	12.4	15.4	16.1	17.7	19.7
- Games	0.0	0.0	0.0	0.5	4.2	5.1	6.2
- Sport	0.0	0.0	0.0	0.0	0.6	3.4	5.6
- B2B total	7.2	7.9	12.4	15.9	20.9	26.2	31.4
- B2C	4.2	6.4	8.8	5.8	6.2	6.6	7.1
As % of revenue (inc VAT):							
VAT	(1.4%)	(1.6%)	(2.0%)	(3.0%)	(3.1%)		
Gaming duties	(4.3%)	(4.2%)	(4.2%)	(3.2%)	(2.7%)		
Distribution expenses	(60.4%)	(59.6%)	(61.3%)	(66.2%)	(67.0%)		
Admin. expenses	(15.3%)	(14.8%)	(12.2%)	(11.1%)	(10.5%)		
EBITDA margins:	18.7%	19.8%	20.3%	16.5%	16.7%	17.5%	18.2%
- Core	23.9%	21.2%	21.9%	19.7%	17.4%	17.4%	17.4%
- Games				16.9%	26.0%	26.0%	26.0%
- Sport					29.0%	29.2%	35.0%
- B2B total	23.9%	21.2%	21.9%	19.6%	18.9%	19.7%	20.6%
- B2C	13.6%	18.3%	18.3%	11.5%	12.1%	12.1%	12.1%

Source: Aspire Global, Edison Investment Research

The key features of the income statement are:

- **Revenue:** our segmental forecasts above produce group revenue growth of 16% in FY21 to €187.7m and 13% to €211.3m in FY22. Our FY21 forecast is lower than management's guidance set in December 2018 of €200.0m. We expect Games and Sport to produce the highest rates of growth, with Games 23% and Sports c 68% (proforma).
- **EBITDA:** we forecast EBITDA of €32.8m in FY21 and €38.5m in FY22, growth of 15% on a pro forma basis in FY21 and 17% in FY22. Our forecast for EBITDA of €32.8m is greater than management's guidance of €32.0m, as is the margin of 17.5% versus guidance of 16.0%. We rationalise this by the recent acquisition of the higher-margin Games (26.0%) and Sports (29.0%) segments since management introduced its guidance. The cost drivers to the decline in group EBITDA margin have been the increase in distribution expenses relative to revenue offset by relative declines in admin. expenses and gaming duties. Distribution costs include the royalty payments, namely, the partners' share of NGR of the Core segment and the marketing costs of the B2C segment. Distribution costs have increased due to management's deliberate strategy to increase AG's exposure to regulated and taxed markets, where operating costs are higher but more predictable, and it provides more favourable terms to partners than in non-regulated markets. Management is optimistic the continued focus on increasing exposure to regulated markets could be less of a drag on margins as increased scale following M&A and the introduction of more automated processes can offset the higher costs of regulated markets. Admin expenses include staff costs and professional expenses and have represented a good source of operational gearing and as AG grows this is likely to continue. In addition, gaming duties could increase relative to revenue given the greater exposure to regulated markets;

however, the relative expense will depend on the mix and level of gaming duties in individual countries.

- **Tax:** AG's effective group tax rate in FY20 was 8.5%, which we assume will continue in our forecast years and beyond. The Maltese corporate tax rate is 35%; however, according to the Maltese tax regime a material portion of tax is refundable, which reduces the Maltese effective rate to 5%, and the group rate to 8.5%.
- **Associates:** AG discloses its share of associate losses after tax, below profit after tax in the income statement. In our financial summary we also highlight PBT with the inclusion of these operating losses. We assume a similar loss contribution of €2.0m from associates in FY21 before reducing to €1m in FY22.
- **Dividend:** we assume AG will return to paying a dividend with a gradual build in the payout ratio to 40% for FY21 and 50% for FY22, which compares with management's stated policy of distributing at least 50% of net profit after taxes.

Cash flow: Expecting higher cash flow generation

Between FY16 and FY20, AG's free cash flow CAGR was 16%, up from €10.5m to €18.9m. The strong operating cash flow CAGR of 21% has helped to fund greater internal investment to develop the platform and services.

Exhibit 127: Summary cash flow

€m	FY16	FY17	FY18	FY19	FY20	FY21e	FY22e
Operating cash flow (excl. interest)	13.0	16.0	24.5	4.5	29.6	32.7	37.7
- PBT	12.3	13.0	19.5	16.9	16.4	26.5	29.6
- Working capital	(0.2)	0.8	4.5	(2.4)	5.9	3.2	2.7
- Tax paid	(0.8)	(0.1)	(0.9)	(14.5)	(1.3)	(2.3)	(2.5)
Investing cash flow	(2.8)	(7.6)	(6.8)	(21.3)	(26.5)	(16.9)	(12.3)
- Capex	(0.1)	(0.6)	(0.3)	(0.7)	(0.4)	(0.5)	(0.5)
- Intangibles	(2.3)	(3.1)	(3.6)	(5.6)	(8.3)	(9.6)	(10.8)
- Acquisitions	0.0	0.0	0.0	(12.8)	(15.6)	(4.7)	0.0
- Investment in associates	(0.4)	(4.0)	(2.8)	(2.2)	(2.1)	(2.0)	(1.0)
Financing cash flow	(11.6)	(7.3)	22.6	(8.0)	(3.5)	(19.3)	(1.8)
- Dividends	(11.5)	(12.0)	(3.8)	(5.4)	0.0	0.0	(8.9)
- Share issue	0.0	4.8	0.0	0.0	0.0	0.0	0.0
- Borrowings	0.0	0.0	26.9	0.0	0.0	(17.9)	(10.0)
- Interest	0.0	0.0	(0.8)	(2.0)	(2.0)	(1.3)	(0.4)
- Other							17.5
Closing cash	12.3	13.4	53.7	29.0	28.7	25.3	48.9
Closing cash excl. client deposits	9.2	9.9	47.0	23.5	22.7	18.3	41.1
Closing net debt/ (cash) excl. client deposits	(9.2)	(9.9)	(19.7)	4.1	5.2	(8.3)	(41.1)
Free cash flow	10.5	12.4	19.7	(3.8)	18.9	21.2	26.0
Relative to revenue:							
Operating cash flow (excl. interest)	21.2%	22.3%	23.4%	3.5%	18.3%	17.4%	17.9%
- PBT	20.1%	18.1%	18.6%	12.9%	10.1%	14.1%	14.0%
- Working capital	(0.4%)	1.1%	4.3%	(1.8%)	3.7%	1.7%	1.3%
- Tax paid	(1.4%)	(0.2%)	(0.8%)	(11.0%)	(0.8%)	(1.2%)	(1.2%)
Investing cash flow	(4.6%)	(10.6%)	(6.5%)	(16.2%)	(16.3%)	(9.0%)	(5.8%)
- Capex	(0.2%)	(0.8%)	(0.3%)	(0.6%)	(0.3%)	(0.3%)	(0.2%)
- Intangibles	(3.7%)	(4.3%)	(3.4%)	(4.2%)	(5.1%)	(5.1%)	(5.1%)
Free cash flow	17.3%	17.2%	18.9%	(2.9%)	11.7%	11.3%	12.3%

Source: Aspire Global. Edison Investment Research

We forecast relatively consistent operating and free cash flow generation in FY21 and FY22 mainly due to AG's increasing profitability and the associated tax.

Working capital typically represents a positive inflow as customers are required to make deposits ahead of bets. FY19's operating cash flow was negatively affected by a tax settlement with the Israeli tax authority with respect to jurisdiction and transfer pricing amongst the group entities for the period 2008–2018.

AG's fixed capital intensity is low, with limited capex, whereas there has been a modest increase in the level of investment in intangibles, namely capitalised development costs, relative to revenue. In FY21, AG is due to make its first deferred payment for the acquisition of BtoBet of €4.7m.

Balance sheet: Capital light and limited net debt

AG has a robust balance sheet with a small net debt position of €5.2m at the end of FY20, excluding client cash (€6.0m) and IFRS 16 lease liabilities (€2.5m). Due to the nature of AG's business and its recent acquisitions, the main non-current assets on the balance sheet are intangible assets (€38.5m) and goodwill (€28.9m), a total of €67.4m from a total asset base of €144.3m.

The other significant non-current asset is a related party loan from NeoGames, which shares two board directors with AG, that totalled €14.5m at the end of FY20. The loan could be worth up to €18.0m depending on exchange rates when it is due to be repaid to AG in March 2022, including the further interest accrual of €3.5m. We conservatively, include a lower estimated interest accrual of c €3m. When repaid, the funds will be used to replenish AG's cash balances, which in the interim, along with one-year c €10m bridging loans from major shareholders, are funding the April 2021 €27.9m bond maturity.

The main current assets at the end of FY20 were cash €28.7m (including client cash of €6.0m, which we exclude from our definition of AG's cash position) and trade receivables of €13.2m, which are typically money owed by payment processors that remit funds to AG on behalf of the players.

At the end of FY20, the most significant near-term liability was the April 21 bond maturity and accrued interest of €27.9m, which is being funded as highlighted above. In addition, there was total deferred and contingent consideration for recent acquisitions with repayment dues of €4.8m in FY21 and €17.7m in FY23, shown in the cash flow above.

Exhibit 18: Financial summary

€'m	2016	2017	2018	2019	2020	2021e	2022e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue	61.0	71.9	104.6	131.4	161.9	187.7	211.3
VAT	(0.8)	(1.1)	(2.1)	(3.9)	(5.1)	(5.6)	(6.2)
Net revenue	60.2	70.8	102.5	127.5	156.8	182.1	205.0
Operating costs	(48.7)	(56.2)	(81.1)	(105.7)	(129.2)	(148.7)	(166.0)
EBITDA (Edison)	11.5	14.6	21.4	21.8	27.6	33.3	39.1
EBITDA	11.4	14.3	21.2	21.7	27.1	32.8	38.5
Normalised operating profit	10.6	13.3	19.5	18.7	22.8	26.9	32.1
Amortisation of acquired intangibles	0.0	0.0	0.0	(0.9)	(1.5)	(1.7)	(1.6)
Share-based payments	(0.1)	(0.3)	(0.2)	(0.1)	(0.5)	(0.5)	(0.5)
Reported operating profit	10.6	13.0	19.3	17.7	20.8	24.7	30.0
Net Interest	1.7	(0.0)	0.2	(0.8)	(4.4)	1.8	(0.4)
Profit Before Tax (norm)	12.3	13.3	19.7	17.9	18.4	28.7	31.7
Profit Before Tax (reported)	12.3	13.0	19.5	16.9	16.4	26.5	29.6
Profit Before Tax (incl associates)	12.3	10.6	17.2	15.4	14.5	24.5	28.6
Reported tax	(0.7)	(0.8)	(1.0)	(15.0)	(1.4)	(2.3)	(2.5)
Profit After Tax (norm)	11.6	12.6	18.7	16.5	17.0	26.5	29.2
Profit After Tax (reported)	11.6	12.3	18.5	1.9	15.0	24.2	27.1
Associates	0.0	(2.5)	(2.3)	(1.5)	(1.9)	(2.0)	(1.0)
Discontinued operations	3.6	1.3	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	11.6	10.1	16.4	15.0	15.1	24.5	28.2
Net income (reported)	15.1	11.1	16.2	0.4	13.1	22.2	26.1
Basic average number of shares outstanding (m)	42.0	43.0	44.5	46.0	46.4	46.4	46.4
EPS - basic normalised (€)	0.28	0.24	0.37	0.33	0.33	0.53	0.61
EPS - diluted normalised (€)	0.27	0.22	0.35	0.32	0.32	0.52	0.60
EPS - basic reported (€)	0.36	0.26	0.36	0.01	0.28	0.48	0.56
Dividend (€)	0.27	0.28	0.09	0.00	0.00	0.19	0.28
Revenue growth (%)	N/A	17.9	45.4	25.7	23.2	15.9	12.6
EBITDA Margin (%)	18.7	19.8	20.3	16.5	16.7	17.5	18.2
Normalised Operating Margin	17.4	18.6	18.7	14.2	14.1	14.4	15.2
BALANCE SHEET							
Fixed Assets	18.5	17.3	21.9	47.2	89.1	95.8	82.7
Intangible Assets and goodwill	2.8	5.0	7.0	25.6	67.4	71.3	75.8
Tangible Assets and Right-of-use assets	1.1	1.3	1.2	4.3	3.8	3.6	3.5
Investments & other	14.6	11.0	13.7	17.3	17.9	20.9	3.4
Current Assets	24.5	34.3	76.2	54.1	55.2	53.6	79.1
Debtors	10.7	20.1	21.7	24.6	26.2	28.0	29.9
Cash & cash equivalents including client cash	12.3	13.4	53.7	29.0	28.7	25.3	48.9
Other and restricted cash	1.5	0.9	0.8	0.4	0.3	0.3	0.3
Current Liabilities	(15.4)	(25.5)	(32.2)	(37.7)	(77.1)	(68.3)	(67.1)
Creditors	(6.8)	(11.5)	(13.7)	(16.6)	(24.2)	(28.2)	(32.0)
Tax and social security	(5.6)	(10.5)	(11.3)	(12.9)	(12.3)	(12.3)	(12.3)
Short term borrowings	0.0	0.0	(0.5)	(0.5)	(27.9)	(10.0)	0.0
Other	(3.0)	(3.5)	(6.7)	(7.6)	(12.7)	(17.8)	(22.8)
Long Term Liabilities	(0.7)	(0.7)	(27.5)	(29.4)	(19.2)	(19.2)	(19.2)
Long term borrowings	0.0	0.0	(26.9)	(27.2)	0.0	0.0	0.0
Other long term liabilities	(0.7)	(0.7)	(0.7)	(2.2)	(19.2)	(19.2)	(19.2)
Net Assets	26.8	25.4	38.5	34.2	47.9	61.9	75.5
Minority interests	0.2	0.2	0.2	0.2	(0.3)	(0.3)	(0.3)
Shareholders' equity	27.0	25.6	38.7	34.4	47.6	61.6	75.2
CASH FLOW							
Normalised operating profit	10.6	13.3	19.5	18.7	22.8	26.9	32.1
Depreciation and amortisation	0.8	1.2	1.9	4.0	6.3	6.4	6.9
Working capital	(0.2)	0.8	4.5	(2.4)	5.9	3.2	2.7
Exceptional & other	2.5	0.8	(0.6)	(1.3)	(4.1)	(1.6)	(1.6)
Tax	(0.8)	(0.1)	(0.9)	(14.5)	(1.3)	(2.3)	(2.5)
Net operating cash flow	13.0	16.0	24.5	4.5	29.6	32.7	37.7
Capex	(2.4)	(3.6)	(3.9)	(6.3)	(8.7)	(10.1)	(11.3)
Acquisitions/disposals	0.0	0.0	0.0	(12.8)	(15.6)	(4.7)	0.0
Associates	(0.4)	(4.0)	(2.8)	(2.2)	(2.1)	(2.0)	(1.0)
Net interest	0.0	0.0	(0.8)	(2.0)	(2.0)	(1.3)	(0.4)
Equity financing	0.0	4.8	0.0	0.0	0.0	0.0	0.0
Debt financing	0.0	0.0	26.9	0.0	0.0	(17.9)	(10.0)
Dividends	(11.5)	(12.0)	(3.8)	(5.4)	0.0	0.0	(8.9)
Other	(0.1)	(0.1)	0.4	(0.5)	(1.5)	0.0	17.5
Net Cash Flow	(1.432)	1.152	40.308	(24.685)	(0.325)	(3.448)	23.630
Opening net debt/(cash) ex client money	(10.7)	(9.2)	(9.9)	(19.7)	4.1	5.2	(8.3)
FX	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	0.0	(0.5)	(30.5)	0.9	(0.7)	17.0	9.1
Closing net debt/(cash) ex client money	(9.2)	(9.9)	(19.7)	4.1	5.2	(8.3)	(41.1)

Source: Aspire Global, Edison Investment Research. Note: *Associates included above the line to illustrate effect on PBT.

EDISON

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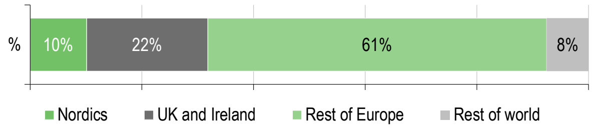
Aspire Global 135 High Street Silema SLM 1549 Malta www.aspireglobal.com	

Management team

CEO: Tsachi Maimon	CFO: Motti Gil
Tsachi Maimon has been the CEO of AG since 2013 and a board member since 2015. He is also a board member of AG's associate holdings, NeoLotto, Minotauro and MarketPlay. Tsachi was previously head of casino at TNT Marketing and a call centre manager at Cellcom, one of Israel's largest telecom companies.	Motti Gil has been the CFO of AG since 2016 and the CO of Responsible Gaming since 2018. Before joining AG, Motti held senior roles at technology start-ups and public companies including as the CFO of GoNet Systems and the vice president of finance and CFO of IXI Mobile.
Chairman of the board: Carl Klingberg	
Carl Klingberg has been chairman of the board of AG since 2017. He is also chairman of Mackmyra Svensk Whisky, Strömsta Säteri, DHS Venture Partners, Pay & Pray and Rotheca Invest and board member of Scandinavian WeldTech Holding. Carl's prior roles include CEO of Scandinavia Online, SOL Content, MD of bwin Games, chairman of Heads Svenska and board member of Avanza Fondkomission.	

Principal shareholders	(%)
Barak Matalon	25.9
Zahavi Pinas	16.3
Elyahu Azur	16.1
Aharon Aran	6.5
Avanza Pension	3.4
BNY Mellon Asset Management	3.2

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