EDISON

# Aspire Global

Q221 results

## Accelerating growth

Travel & leisure

**Aspire Global's (AG's) Q221 results showed improving revenue momentum, with quarter-on-quarter revenue growth across all divisions, and an expansion in group EBITDA margin. The results reflect the benefits of its wider portfolio of services versus its peers, enabling the individual divisions to win more business from both new and existing clients in more geographies, as well as an increasing number of new cross-platform deals. We upgrade our EBITDA forecasts for FY21 and FY22 by 7%, leading to an increase in our DCF-based valuation of 10% to SEK110/share.**

| Year end | Revenue inc VAT (€m) | EBITDA* (€m) | EPS* (€) | DPS (€) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/19 | 131.4 | 21.8 | 0.32 | 0.00 | 20.5 | N/A |
| 12/20 | 161.9 | 27.6 | 0.32 | 0.00 | 20.5 | N/A |
| 12/21e | 214.9 | 37.0 | 0.59 | 0.22 | 11.2 | 3.3 |
| 12/22e | 241.4 | 43.3 | 0.68 | 0.32 | 9.8 | 4.8 |

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

## Q221: Strong organic growth and M&A contribution

Against the challenging Q220 comparative, AG's revenue momentum improved further in Q221, with an acceleration of its two-year average organic revenue growth rate from c 12% in Q1 to 21% in Q221. Q221 year-on-year organic revenue growth of 21.6% was complemented by further quarter-on-quarter improvement in revenue for the more recent additions to the portfolio (Games and Sports), highlighting the benefits of the portfolio of products. Higher year-on-year EBITDA margins for Core and Games, and the mix effects of new/greater contributions from higher-margin businesses Games and Sports, led to an improved EBITDA margin of 17.7% from Q220's 16.1%. At the period end, AG moved to a net cash position, excluding leases and client cash, of €2.3m from a net debt position of €2.9m at Q121.

## Forecasts: FY21 and FY22 EBITDA increased by 7%

Management has reiterated its FY21 guidance for revenue of €200m and EBITDA of €32m, which looks conservative given the H121 delivery (revenue €103.9m and EBITDA €18.9m) and trailing 12-month performance (revenue €188.3m and EBITDA €33.3m). We have upgraded our FY21 and FY22 revenue and EBITDA forecasts by 10% and 7% respectively to reflect higher revenue growth expectations for all divisions and changes to margin forecasts for three divisions (Games, Sport and B2C). Our FY21 forecasts for revenue of c €215m and EBITDA (AG definition) of €36.5m are 7% and 14% above management's guidance.

## Valuation: DCF-based valuation of SEK110/share

Our upgraded forecasts and AG's improved financial position leads to an increase in our DCF-based share price valuation to SEK110 per share from SEK100. AG continues to trade at a significant discount to the peers. AG's EV/EBIT for FY21 of 10.2x is at a discount of 55% to the average for the peer group, excluding loss-making companies Bragg and GAN.

**23 August 2021**

| | |
|---|---|
| **Price** | **SEK67.9** |
| **Market cap** | **SEK3,156m** |
| | €0.1/SEK |
| Net cash (€m) at 30 June 2021 (excluding IFRS 16 liabilities and client cash) | 2.3 |
| Shares in issue | 46.5m |
| 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 | 8.0 | 7.4 | 98.5 |
| Rel (local) | 3.1 | (2.4) | 38.6 |
| 52-week high/low | | SEK71.2 | SEK32.8 |

### 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 30 regulated markets across Europe, the US, South America and Africa.

### Next events

| | |
|---|---|
| Q321 results | 4 November 2021 |
| FY21 results | 17 February 2021 |

### Analysts


| | |
|---|---|
| Russell Pointon | +44 (0)20 3077 5700 |
| Sara Welford | +44 (0)20 3077 5700 |

consumer@edisongroup.com


Edison profile page

***Aspire Global is a research client of Edison Investment Research Limited***

# Q221: Revenue growth and margin expansion

AG's strong organic revenue growth of 21.6% y-o-y and the contribution of Sports (consolidated from the start of Q420) produced another all-time high in quarterly revenue and EBITDA in Q221, with an enhanced margin of 17.7% versus 16.1% in Q220. The year-on-year organic growth rate for revenue 'slowed' from the prior quarter's 35.6%, but this reflects the tougher comparative from the prior year (Q220 +21.3%, Q120 negative 7.8%) when AG and the industry began to benefit from the COVID-19 pandemic. When the different comparatives between the quarters are taken into account, the strong momentum in the business is highlighted by the acceleration in the average two-year organic growth rate from c 12% in Q1 to c 21% in Q2.

The strength of the portfolio of services is highlighted by notable cross-product agreements. AG announced significant new partnerships that are expected to lead to revenues in multiple countries (JNS Gaming and Luckster.com), will help with the transition of a significant land-based operator to online (Funfair in Ireland), and AG's entry to esports gaming as AG will migrate its new partner Luckbox from a competing platform, also across multiple countries in Europe and Latin America.

## Group performance

In Q221, revenue including VAT increased year-on-year by c 28% to €55.8m, revenue excluding VAT by c 29% to €54.3m, EBITDA (AG's definition) by c 40% to €9.9m (margin of 17.7%), PBT (excluding associates) by c 57% to €7.5m, and adjusted diluted EPS by c 42% to €0.14. Year-to-date, revenue including VAT increased by c 34% to €103.9m and EBITDA (AG's definition) by c 50% to €18.4m.

**Exhibit 1: Summary income statement**

| €m | Q120 | Q220 | H120 | Q320 | Q420 | FY20 | Q121 | Q221 | H121 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue (inc VAT)** | **33.7** | **43.7** | **77.4** | **40.1** | **44.4** | **161.9** | **48.1** | **55.8** | **103.9** |
| Growth y-o-y | 1.5% | 33.5% | 17.4% | 20.7% | 37.6% | 23.2% | 42.6% | 27.7% | 34.2% |
| Organic y-o-y | (7.8)% | 21.3% | 6.6% | 8.8% | 30.8% | 15.0% | 35.6% | 21.6% | 27.7% |
| **Revenue (excl VAT)** | **32.6** | **42.2** | **74.8** | **39.0** | **43.1** | **156.8** | **46.5** | **54.3** | **100.9** |
| Growth y-o-y | 0.5% | 32.6% | 16.4% | 21.2% | 38.4% | 23.0% | 42.8% | 28.8% | 34.9% |
| Gaming duties | (0.9) | (1.0) | (1.9) | (1.2) | (1.3) | (4.3) | (1.6) | (2.4) | (4.0) |
| % of revenue inc VAT | 2.7% | 2.3% | 2.4% | 2.9% | 2.8% | 2.7% | 3.3% | 4.4% | 3.9% |
| Distribution expenses | (22.6) | (29.8) | (52.4) | (27.4) | (28.7) | (108.4) | (31.4) | (36.2) | (67.6) |
| % of revenue inc VAT | 67.0% | 68.1% | 67.6% | 68.3% | 64.6% | 67.0% | 65.3% | 64.9% | 65.1% |
| Administration expenses | (3.9) | (4.4) | (8.3) | (3.9) | (4.9) | (17.0) | (5.0) | (5.8) | (10.8) |
| % of revenue inc VAT | 11.5% | 10.0% | 10.7% | 9.7% | 11.0% | 10.5% | 10.3% | 10.4% | 10.4% |
| **EBITDA (AG definition)** | **5.2** | **7.1** | **12.3** | **6.6** | **8.3** | **27.1** | **8.6** | **9.9** | **18.4** |
| Margin | 15.5% | 16.1% | 15.8% | 16.4% | 18.6% | 16.7% | 17.8% | 17.7% | 17.8% |
| Growth y-o-y | (14.2)% | 16.4% | 1.1% | 25.7% | 189.9% | 24.8% | 64.2% | 40.1% | 50.3% |
| **EBITDA (Edison definition)** | **5.2** | **7.2** | **12.4** | **6.7** | **8.5** | **27.6** | **8.8** | **10.1** | **18.9** |
| Margin | 16.0% | 17.1% | 16.6% | 17.3% | 19.6% | 17.6% | 18.9% | 18.6% | 18.7% |
| Growth y-o-y | (14.5)% | 18.5% | 2.0% | 28.3% | 192.9% | 26.6% | 68.3% | 39.7% | 51.7% |
| Operating income | 3.9 | 5.7 | 9.6 | 4.9 | 6.3 | 20.8 | 6.5 | 7.8 | 14.3 |
| Margin | 11.6% | 12.9% | 12.4% | 12.3% | 14.2% | 12.9% | 13.6% | 13.9% | 13.8% |
| Growth y-o-y | (24.4)% | 10.0% | (7.3)% | 15.5% | 14.2% | 17.3% | 66.3% | 37.5% | 49.3% |
| Net finance costs | (1.1) | (0.9) | (2.0) | (1.0) | (1.4) | (4.4) | 0.1 | (0.3) | (0.1) |
| **PBT (excl associates)** | **2.8** | **4.8** | **7.6** | **3.9** | **4.9** | **16.4** | **6.7** | **7.5** | **14.2** |
| Growth y-o-y | (46.3)% | 7.1% | (21.7)% | (15.1)% | 98.2% | (3.0)% | 137.2% | 56.9% | 86.6% |
| Tax | (0.3) | (0.3) | (0.6) | (0.1) | (0.7) | (1.4) | (0.6) | (0.6) | (1.2) |
| Effective rate | 9.4% | 6.6% | 7.6% | 2.4% | 14.6% | 8.5% | 8.5% | 8.5% | 8.5% |
| PAT | 2.5 | 4.5 | 7.0 | 3.8 | 4.2 | 15.0 | 6.1 | 6.9 | 13.0 |
| Associates | (0.2) | (0.3) | (0.5) | (0.3) | (1.1) | (1.9) | (0.1) | (0.5) | (0.6) |
| Net income | 2.4 | 4.2 | 6.5 | 3.5 | 3.1 | 13.1 | 6.0 | 6.4 | 12.4 |
| EPS (€) | 0.05 | 0.10 | 0.14 | 0.09 | 0.09 | 0.32 | 0.13 | 0.14 | 0.27 |
| Growth y-o-y | (43)% | 8% | (18)% | (16)% | 0% | 0% | 161% | 42% | 89% |

Source: Aspire Global

As noted in our initiation report, depending on the segment, AG may disclose a number of revenue figures: revenue gross of VAT, which is similar to how the online gaming operators report revenue; revenue net of VAT; and revenue including inter-segment revenue, which we do not use. In addition, AG 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 the EBITDA numbers presented in the financial summary use our definition. 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.

AG continued to show strong operational leverage in Q221 with an improvement in the EBITDA margin to 17.7% from 16.1% in Q220. The group margin was helped by margin gains across Core and Games, and the increased relative contribution of Games and Sports, which have higher margins, 36.1% and 22.4%, than the group average of 17.7%. From a cost perspective, operating leverage came from lower distribution expenses (Games integration synergies and general fixed-cost leverage offset by higher marketing to drive revenue growth of B2C) offset by modestly higher administration expenses (headcount growth to further develop the businesses) and gaming taxes, all relative to revenue. As highlighted previously, gaming taxes relative to revenue are likely to increase as AG's exposure to taxed and locally regulated markets increases. It now operates in 30 regulated markets versus 26 at the end of Q121.

The lower net financing costs of £0.3m in Q221 are mainly due to the company's significantly improved financial position (see later) with a lower level of gross debt, as well as the effects of forex and time value changes on the expected cash flows of funding transactions.

The effective tax rate for Q221 and H121 of 8.5% was consistent with FY20 and is the rate we use in our forecasts for FY21 and FY22.

## Divisional performance

There were sequential (ie quarter-on-quarter) improvements in revenue for all divisions in Q221, and all divisions except Sports reported a sequential improvement in EBITDA.

**Exhibit 2: Divisional financial performance**

| €m | Q120 | Q220 | H120 | Q320 | Q420 | FY20 | Q121 | Q221 | H121 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue (inc VAT):** | | | | | | | | | |
| – Core | 19.6 | 26.3 | 45.9 | 23.8 | 23.0 | 92.7 | 24.4 | 27.5 | 51.9 |
| – Games | 3.1 | 4.0 | 7.1 | 4.0 | 4.9 | 16.0 | 5.6 | 6.2 | 11.7 |
| – Sports | | | | | 2.2 | 2.2 | 2.4 | 2.7 | 5.0 |
| – B2B total | 22.7 | 30.3 | 53.1 | 27.8 | 30.1 | 110.9 | 32.3 | 36.3 | 68.7 |
| – B2C | 11.0 | 13.4 | 24.4 | 12.3 | 14.3 | 51.0 | 15.7 | 19.5 | 35.2 |
| Total | 33.7 | 43.7 | 77.4 | 40.1 | 44.4 | 161.9 | 48.1 | 55.8 | 103.9 |
| **Growth y-o-y:** | | | | | | | | | |
| – Core | 0.7% | 34.9% | 17.8% | 13.6% | 26.7% | 14.3% | 24.3% | 4.5% | 12.9% |
| – Games | N/M | N/M | N/M | N/M | 61.7% | 424.1% | 79.0% | 54.1% | 65.0% |
| – Sports | N/M | N/M | N/M | N/M | N/M | N/M | N/M | N/M | N/M |
| – B2B total | 16.7% | 55.3% | 36.1% | 17.0% | 131.8% | 36.7% | 42.2% | 19.8% | 29.4% |
| – B2C | (22.5)% | (1.9)% | (12.4)% | 0.7% | 29.8% | (0.1)% | 43.5% | 49.4% | 46.7% |
| Total | 1.5% | 33.5% | 17.4% | 20.7% | 37.6% | 23.2% | 42.6% | 27.7% | 34.2% |
| **EBITDA (AG definition)** | | | | | | | | | |
| – Core | 3.0 | 4.4 | 7.5 | 4.4 | 4.3 | 16.1 | 4.4 | 5.0 | 9.3 |
| – Games | 0.8 | 1.0 | 1.8 | 1.1 | 1.3 | 4.2 | 1.8 | 2.2 | 4.1 |
| – Sports | | | | | 0.6 | 0.6 | 0.7 | 0.6 | 1.3 |
| – B2B total | 3.8 | 5.4 | 9.2 | 5.5 | 6.2 | 20.9 | 6.9 | 7.8 | 14.7 |
| – B2C | 1.4 | 1.6 | 3.0 | 1.1 | 2.0 | 6.2 | 1.6 | 2.1 | 3.7 |
| Total | 5.2 | 7.1 | 12.3 | 6.6 | 8.3 | 27.1 | 8.6 | 9.9 | 18.4 |
| **EBITDA margins:** | | | | | | | | | |
| – Core | 15.3% | 16.9% | 16.2% | 18.6% | 18.6% | 17.4% | 18.0% | 18.0% | 18.0% |
| – Games | 25.1% | 25.1% | 25.1% | 26.6% | 26.8% | 26.0% | 32.9% | 36.1% | 34.6% |
| – Sports | | | | | 29.0% | 29.0% | 30.2% | 22.4% | 26.1% |
| – B2B total | 16.7% | 18.0% | 17.4% | 19.7% | 20.7% | 18.9% | 21.4% | 21.4% | 21.4% |
| – B2C | 13.0% | 12.0% | 12.4% | 8.8% | 14.3% | 12.1% | 10.3% | 10.8% | 10.6% |
| Total | 15.5% | 16.1% | 15.8% | 16.4% | 18.6% | 16.7% | 17.8% | 17.7% | 17.8% |

Source: Aspire Global

AG's group EBITDA margin improved from 16.1% in Q220 to 17.7% in Q221 due to a combination of underlying margin changes and the previously highlighted mix effects. Divisions that reported an improvement in margins were Core (from 16.9% to 18.0%) and Games (25.1% to 36.1%), while B2C margins declined (from 12.0% to 10.8%). Sports, newly consolidated from Q420, reported a decline in the margin to 22.4% from a quoted 31.2% (based on unreviewed management accounts).

The main operational financial highlights of Q221 were:

- **Core:** in Q221 Core's revenue grew by c 5% y-o-y against a very tough comparative from Q220 in which revenue grew by c 35%. Management highlights that the recently launched CRM system, Engage, and other enhancements have been well received by customers. Core added three gross new partner brands (Luckster.com, stake.com and Funfair Casino) and two net new partner brands on the platform, taking the period end total to 83, which represents a net increase of four since end FY20. Core's EBITDA margin increased from 16.9% in Q220 to 18.0% in Q221, but was flat versus Q121.
- **Games:** following a strong Q121, Pariplay continued to add new operators to its platform; there were 13 new partner deals in Q221 following the addition of 17 in Q121. The new partners have a presence in the US (GAN and Amelco), Africa (Tenlot) and Latin America (Codere and Tenlot). Pariplay's Q221 revenue of €6.2m was equivalent to double its reported revenue of €3.1m in Q120. Its EBITDA margin has been on a persistent upward march: the Q221 margin of 36.1% compares with 32.9% in Q121 and 26.0% for the whole of FY20, due to integration synergies and the general leveraging of costs due to strong revenue growth.
- **Sports:** the Sports division has produced yet another strong financial performance with a second quarter of sequential revenue growth since BtoBet was acquired and consolidated from the start of October 2020. Sports revenue of €2.7m in Q221 grew by c 14% from Q121 and was c 22% higher than its revenue contribution of €2.2m in Q420. As previously reported, the

platform gained certification in the UK towards the end of Q121 and since then it has signed partnerships with operators exposed to Europe, Africa and Latin America. The ambition remains to gain certification for the platform in every regulated sports betting market. Management anticipates certification in more new European markets by the end of the year. The EBITDA margin of 22.4% declined versus Q121's 30.2% due to a higher number of staff, specifically more-expensive contractors as the business is developing.

- **B2C:** there was a notable further improvement in B2C's performance with strong year-on-year revenue growth of c 49% to €19.5m, its best ever quarterly sales performance from published quarterly data since IPO. During the period B2C benefited from a significant improvement in the number of transactions and player deposits, effectively representing spend per customer, offset by mid-single-digit declines in the number of active users, which has been a relatively consistent trend in recent quarters. Management attributes the improvement to growth across all of the main B2C brands, but more notably in the UK, the launch of a new ioS Karamba app, and optimisation of marketing helped by AG's own CRM. A higher relative marketing expense contributed to the lower EBITDA margin of 10.8% versus Q220's 12%, but was an improvement from Q121's margin of 10.3%. The future of the B2C division is subject to the ongoing management review that was announced earlier in the year and is expected to complete by the autumn.

## Cash flow and balance sheet

There was a significant improvement in the company's financial position as it moved to a net cash position excluding leases and client cash by the period end.

AG's operating cash flow of €8.0m in Q221 compares with Q220's €12.0m and reflects the higher profitability offset by a lower positive working capital inflow than the prior year and earlier phasing of tax payments this year before an expected refund (c €4m) due in Q321. At 4.7% of revenue, Q221's investing cash flows were broadly similar on a relative basis to Q220's 5.2% of revenue, but higher on an absolute basis, €2.5m versus €2.2m in Q220. As in Q121 there was no further capital investment in associates.

At the end of Q221, the net cash position excluding IFRS 16 liabilities and client cash was €2.3m. IFRS 16 liabilities of €1.9m were lower than €2.5m at the end of FY20.

AG's closing gross debt excluding IFRS liabilities of €10.4m is a significant improvement from €38.4m at the end of Q121 due to the repayment of the senior secured corporate bond of €27.5m in April 2021. The closing cash position of €19.4m has reduced from €41.8m at the end of Q121 primarily due to the positive free cash flow of c €5.4m and the above debt repayment.

The balance sheet includes deferred consideration and contingent consideration liabilities of €24.4m, with due dates of c €5m in FY21 and c €19m in FY23. These compare with our estimates for free cash flow generation for FY21 and FY22 of c €27m and c €29m respectively.

## Forecasts: EBITDA for FY21 and FY22 upgraded by 7%

Management has reiterated its long-held FY21 guidance for revenue of €200m and EBITDA of €32m, which we believe looks conservative given the H121 delivery, revenue of €103.9m and EBITDA of €18.9m and obvious momentum in the business. On a trailing 12-month basis, AG has reported revenue of €188.3m and EBITDA of €33.3m.

**Exhibit 3: Forecast changes**

| €m | FY20 | FY21e new | FY22e new | FY21e old | FY22e old | Change FY21e | Change FY22e |
|---|---|---|---|---|---|---|---|
| **Revenue (inc VAT)** | | | | | | | |
| – Core | 92.7 | 107.9 | 120.0 | 103.6 | 115.4 | 4% | 4% |
| – Games | 16.0 | 25.4 | 30.3 | 21.8 | 26.3 | 17% | 15% |
| – Sports | 2.2 | 11.7 | 16.2 | 11.5 | 15.9 | 2% | 2% |
| – B2B total | 110.9 | 145.0 | 166.5 | 136.9 | 157.6 | 6% | 6% |
| – B2C | 51.0 | 69.9 | 74.9 | 58.7 | 62.9 | 19% | 19% |
| Total | 161.9 | 214.9 | 241.4 | 195.6 | 220.4 | 10% | 10% |
| **Revenue (excl VAT)** | | | | | | | |
| – Core | 91.2 | 106.0 | 117.8 | 101.8 | 113.3 | 4% | 4% |
| – Games | 16.0 | 25.4 | 30.3 | 21.8 | 26.3 | 17% | 15% |
| – Sports | 2.2 | 11.7 | 16.2 | 11.5 | 15.9 | 2% | 2% |
| – B2B total | 109.4 | 143.1 | 164.3 | 135.1 | 155.4 | 6% | 6% |
| – B2C | 47.5 | 65.0 | 69.6 | 54.6 | 58.4 | 19% | 19% |
| Total | 156.8 | 208.1 | 233.9 | 189.7 | 213.8 | 10% | 9% |
| **EBITDA** | | | | | | | |
| – Core | 16.1 | 18.8 | 20.9 | 18.0 | 20.1 | 4% | 4% |
| – Games | 4.2 | 7.1 | 8.5 | 5.7 | 6.8 | 26% | 24% |
| – Sports | 0.6 | 3.2 | 5.4 | 3.4 | 5.6 | (6)% | (3)% |
| – B2B total | 20.9 | 29.0 | 34.8 | 27.1 | 32.5 | 7% | 7% |
| – B2C | 6.2 | 7.4 | 7.9 | 7.1 | 7.6 | 5% | 5% |
| Total | 27.1 | 36.5 | 42.7 | 34.1 | 40.1 | 7% | 7% |
| **EBITDA margin** | | | | | | | |
| – Core | 17.4% | 17.4% | 17.4% | 17.4% | 17.4% | | |
| – Games | 26.0% | 28.0% | 28.0% | 26.0% | 26.0% | | |
| – Sports | 29.0% | 27.0% | 33.4% | 29.2% | 35.0% | | |
| – B2B total | 18.9% | 20.0% | 20.9% | 19.8% | 20.6% | | |
| – B2C | 12.1% | 10.6% | 10.6% | 12.1% | 12.1% | | |
| Total | 16.7% | 17.0% | 17.7% | 17.5% | 18.2% | | |

Source: Aspire Global, Edison Investment Research

We upgrade our revenue forecasts for FY21 and FY22 by 10% to €215m and €241m, placing us c 8% above management's revenue guidance for FY21. The upgrades are driven by the company's improved momentum in Q221, with the most significant upgrades to Games (17%) and B2C (19%). Our revenue forecast for H221 of c €111m, or average quarterly revenue of c €56m, is broadly in line with Q221 revenue of €55.8m, and therefore limited sequential quarter-on-quarter revenue growth for the rest of the year is embedded in our forecasts.

Our forecasts for EBITDA increase by 7% for both FY21 and FY22, with a more positive outlook for the Games margin (28% versus 26% previously and 34.6% in H121), offset by lower assumptions for Sports (27% versus 29% previously and 26.1% in H121) and B2C (10.6% versus 12.1% previously and H121's 10.6%).

## Valuation: DCF-based valuation of SEK110/share

Our upgrade to forecasts and improved financial position leads to an increase in our DCF-based share price valuation to SEK110 per share from SEK100.

In Exhibit 4 we show AG's valuation relative to its peers, the quoted B2B gaming platform companies, which have a wide range of multiples. AG continues to trade at a significant discount to the peers. AG's EV/EBIT for FY21 of 10.2x is at a discount of 55% to the average for the peer group, which excludes loss-making companies Bragg and GAN.

**Exhibit 4: Peer comparison**

| 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 | 9.6 | C$ | 129 | 5.4 | 12.2 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Evolution AB (publ) | 1,438.0 | SEK | 29,932 | 92.1 | 29.1 | 61.1 | 62.9 | 45.6 | 34.3 | 50.5 | 38.4 | 1.0 | 1.3 |
| Gaming Innovation Group Inc | 19.2 | NOK | 166 | 24.5 | 10.8 | 10.2 | 14.9 | 26.7 | 16.4 | 33.5 | 20.5 | 0.0 | 0.0 |
| Gan Ltd | 13.8 | US$ | 497 | 272.3 | 19.1 | N/A | 0.9 | N/A | 372.7 | N/A | 300.9 | 0.0 | 0.0 |
| International Game Technology PLC | 18.8 | US$ | 3,285 | 29.2 | 2.6 | 19.7 | 20.8 | 13.7 | 12.6 | 25.1 | 15.7 | 0.0 | 3.7 |
| Kambi Group PLC | 225.4 | SEK | 681 | 38.5 | 6.1 | 34.4 | 31.8 | 10.9 | 11.1 | 14.8 | 15.1 | 0.0 | 0.0 |
| Playtech PLC | 399.0 | GBp | 1,434 | 10.9 | 18.8 | 11.9 | 12.9 | 14.2 | 11.0 | 25.4 | 17.2 | 1.1 | 1.3 |
| Scientific Games Corp | 67.4 | US$ | 5,548 | 20.8 | 8.9 | 17.9 | 21.0 | 24.9 | 19.5 | 47.1 | 30.3 | 0.0 | 0.0 |
| Average | | | | 61.7 | 13.5 | 25.9 | 23.6 | 22.7 | 68.2 | 32.7 | 62.6 | 0.3 | 0.9 |
| Average ex Bragg and Gan | | | | 36.0 | 12.7 | 25.9 | 27.4 | 22.7 | 17.5 | 32.7 | 22.9 | 0.4 | 1.1 |
| Aspire Global | 68.8 | SEK | 313 | 32.7 | 12.4 | 13.7 | 14.1 | 10.2 | 8.7 | 11.4 | 10.0 | 3.2 | 4.7 |
| Premium/(discount) to average ex Bragg and Gan | | | | (9)% | (3)% | (47)% | (49)% | (55)% | (50)% | (65)% | (56)% | 816% | 345% |

Source: Refinitiv, Edison Investment Research. Note: Priced at 19 August 2021.

As part of the results presentation, management highlighted how it believes its M&A strategy is creating value by comparing the acquisition valuation of its Games business, Pariplay, for €13m in Q419 with the recent purchase of a further stake in Relax Gaming by Kindred Group at an implied valuation of €320m. Both businesses were founded in the same year, 2010, but Pariplay offers a greater number of proprietary and total games in more countries. With broadly similar revenues of c €25m, Pariplay's EBITDA margin of c 26% is lower than Relax Gaming's 40% margin.

**Exhibit 5: Comparing the valuation of Pariplay with Relax Gaming**

| | pariplay | RELAX GAMING |
|---|---|---|
| Founded | 2010 | 2010 |
| Business line | B2B iGaming aggregator and content provider | B2B iGaming aggregator and content provider |
| Games | 119 proprietary , 3000+ third party | 60 proprietary , 2500+ third party |
| Regulated markets | Over 15 - including US | 5 - excluding US |
| Employees | 100 | 240 |
| Revenues (last 12 months) | €24.4M | €25M |
| Ebitda | €6.4M | €10M |
| Acquisition/valuation | €13.3M | €320M |

Source: Aspire Global

**Exhibit 6: Financial summary**

| €m | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e |
|---|---|---|---|---|---|---|---|
| Year end 31 December | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| **INCOME STATEMENT** | | | | | | | |
| Revenue | 61.0 | 71.9 | 104.6 | 131.4 | 161.9 | 214.9 | 241.4 |
| VAT | (0.8) | (1.1) | (2.1) | (3.9) | (5.1) | (6.8) | (7.5) |
| Net revenue | 60.2 | 70.8 | 102.5 | 127.5 | 156.8 | 208.1 | 233.9 |
| Operating costs | (48.7) | (56.2) | (81.1) | (105.7) | (129.2) | (171.1) | (190.6) |
| EBITDA (Edison) | 11.5 | 14.6 | 21.4 | 21.8 | 27.6 | 37.0 | 43.3 |
| EBITDA | 11.4 | 14.3 | 21.2 | 21.7 | 27.1 | 36.5 | 42.7 |
| Normalised operating profit | 10.6 | 13.3 | 19.5 | 18.7 | 22.8 | 30.6 | 36.1 |
| Amortisation of acquired intangibles | 0.0 | 0.0 | 0.0 | (0.9) | (1.5) | (1.6) | (1.5) |
| 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 | 28.4 | 34.0 |
| 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 | 32.4 | 35.7 |
| Profit Before Tax (reported) | 12.3 | 13.0 | 19.5 | 16.9 | 16.4 | 30.2 | 33.6 |
| Profit Before Tax (incl associates) | 12.3 | 10.6 | 17.2 | 15.4 | 14.5 | 28.2 | 32.6 |
| Reported tax | (0.7) | (0.8) | (1.0) | (15.0) | (1.4) | (2.6) | (2.9) |
| Profit After Tax (norm) | 11.6 | 12.6 | 18.7 | 16.5 | 17.0 | 29.8 | 32.8 |
| Profit After Tax (reported) | 11.6 | 12.3 | 18.5 | 1.9 | 15.0 | 27.6 | 30.7 |
| 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 | 27.8 | 31.8 |
| Net income (reported) | 15.1 | 11.1 | 16.2 | 0.4 | 13.1 | 25.6 | 29.7 |
| Average number of shares outstanding (m) | 42.0 | 43.0 | 44.5 | 46.0 | 46.4 | 46.5 | 46.5 |
| EPS - normalised (c) | 27.7 | 23.5 | 36.8 | 32.7 | 32.6 | 59.8 | 68.5 |
| EPS - diluted normalised (€) | 0.27 | 0.22 | 0.35 | 0.32 | 0.32 | 0.59 | 0.68 |
| EPS - basic reported (€) | 0.36 | 0.26 | 0.36 | 0.01 | 0.28 | 0.55 | 0.64 |
| Dividend (€) | 0.27 | 0.28 | 0.09 | 0.00 | 0.00 | 0.22 | 0.32 |
| Revenue growth (%) | N/A | 17.9 | 45.4 | 25.7 | 23.2 | 32.7 | 12.3 |
| EBITDA Margin (%) | 18.7 | 19.8 | 20.3 | 16.5 | 16.7 | 17.0 | 17.7 |
| Normalised Operating Margin | 17.4 | 18.6 | 18.7 | 14.2 | 14.1 | 14.2 | 15.0 |
| **BALANCE SHEET** | | | | | | | |
| Fixed Assets | 18.5 | 17.3 | 21.9 | 47.2 | 89.1 | 79.6 | 84.4 |
| Intangible Assets and goodwill | 2.8 | 5.0 | 7.0 | 25.6 | 67.4 | 74.6 | 80.5 |
| 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 | 1.4 | 0.4 |
| Current Assets | 24.5 | 34.3 | 76.2 | 54.1 | 55.2 | 80.0 | 90.6 |
| Debtors | 10.7 | 20.1 | 21.7 | 24.6 | 26.2 | 30.2 | 32.3 |
| Cash & cash equivalents including client cash | 12.3 | 13.4 | 53.7 | 29.0 | 28.7 | 31.9 | 58.0 |
| Other and restricted cash | 1.5 | 0.9 | 0.8 | 0.4 | 0.3 | 17.8 | 0.3 |
| Current Liabilities | (15.4) | (25.5) | (32.2) | (37.7) | (77.1) | (74.6) | (74.4) |
| Creditors | (6.8) | (11.5) | (13.7) | (16.6) | (24.2) | (32.3) | (36.5) |
| 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) | (20.0) | (25.6) |
| Long Term Liabilities | (0.7) | (0.7) | (27.5) | (29.4) | (19.2) | (21.0) | (21.0) |
| 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) | (21.0) | (21.0) |
| Net Assets | 26.8 | 25.4 | 38.5 | 34.2 | 47.9 | 64.0 | 79.6 |
| 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 | 63.7 | 79.3 |
| **CASH FLOW** | | | | | | | |
| Normalised operating profit | 10.6 | 13.3 | 19.5 | 18.7 | 22.8 | 30.6 | 36.1 |
| Depreciation and amortisation | 0.8 | 1.2 | 1.9 | 4.0 | 6.3 | 6.4 | 7.1 |
| Working capital | (0.2) | 0.8 | 4.5 | (2.4) | 5.9 | 6.0 | 3.1 |
| Exceptional & other | 2.5 | 0.8 | (0.6) | (1.3) | (4.1) | (1.5) | (1.5) |
| Tax | (0.8) | (0.1) | (0.9) | (14.5) | (1.3) | (2.6) | (2.9) |
| Operating cash flow | 13.0 | 16.0 | 24.5 | 4.5 | 29.6 | 38.9 | 41.9 |
| Capex | (2.4) | (3.6) | (3.9) | (6.3) | (8.7) | (11.5) | (12.9) |
| Acquisitions/disposals | 0.0 | 0.0 | 0.0 | (12.8) | (15.6) | (4.9) | 0.0 |
| Associates | (0.4) | (4.0) | (2.8) | (2.2) | (2.1) | 0.0 | 0.0 |
| 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 | (10.1) |
| 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) | 3.238 | 26.032 |
| Opening net debt/(cash) ex client money | (10.7) | (9.2) | (9.9) | (19.7) | 4.1 | 5.2 | (15.0) |
| 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) | (9.2) | (9.9) | (19.7) | 4.1 | 5.2 | (15.0) | (50.2) |

Source: Aspire Global, Edison Investment Research

## General disclaimer and copyright

This report has been commissioned by Aspire Global and prepared and issued by Edison, in consideration of a fee payable by Aspire Global. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.



## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia