SYMMETRY INVEST A/S

Gaming Innovation Group (GIG)

DATE	10/11/2020
TARGET:	40 NOK
Price:	7,5 NOK
UPSIDE:	433 %

SYMMETRY INVEST A/S

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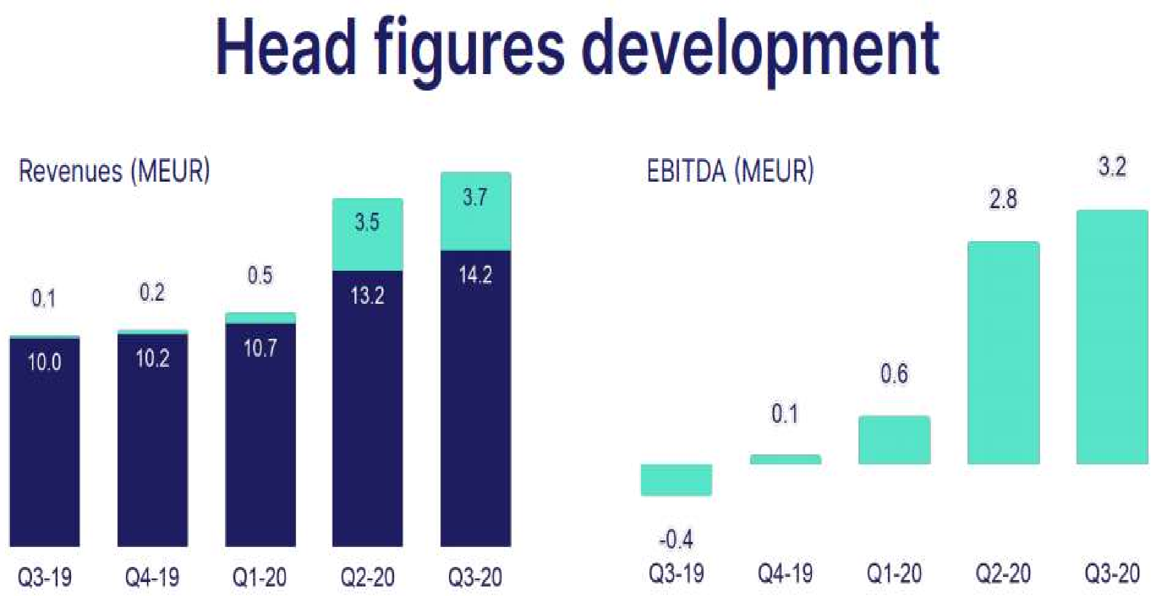
Underappreciated turn around – the cheapest stock in the Nordics?

- GIG has undergone an impressive turnaround that has not been appreciated by the market.
- The company is strongly positioned in a highly attractive niche helping land-based casinos moving online. An asset-light structural growth business.
- GIG is valued at a fraction of their listed competitors due to prior mismanagement. As the new management has executed and completed their turn-around, we don't see any reason for this big discount to continue.
- The new board of directors and management team has one target - to create shareholder value and have shown several times that they are willing to make hard decisions.
- If the market doesn't close this huge valuation gap by itself, we think the board will initiate a structured sales process that would deliver a return of several times the current market cap. The M&A landscape in the industry is hot.
- Even though the reported numbers (below) show the impressive turn around the best is yet to come. A significant pipeline of signed operators is yet to go live and GIG just partnered with one of the biggest data providers in the world for their Sportsbook efforts.

Ticker	GIGSEK - GIGNOK
ISIN	US36467X2062

Currency	NOK
Target	40
Latest	7,5
Shares outstanding (mil.)	90
Market cap (mil. EUR)	61

Gaming Innovation Group is dual-listed in Oslo and Stockholm.



The company has guided for around 4,4 mm. EUR in EBITDA for Q4 2020, meaning the trend continues.

We think the recent turnaround in Gaming Innovation Group is truly remarkable and extremely underappreciated. What Richard Brown has achieved in just 12 months since he became full time CEO is impressive and he has set the company up for great success going forward.

Because of some one-offs, selling pressure from old shareholders, and the bad history of the former management, the turnaround has been underappreciated. This has made GIG the cheapest stock on the whole Scandinavian stock exchange based on the FCF yield on 2021 and 2022 earnings. The stock is valued as if bankruptcy was imminent, even though it's an asset-light business with low debt levels and a clear path for double growth in FCF going forward.

In just 14 months since Richard Brown became the CEO in September 2019 he has:

1) Closed down the lossmaking Games studio
2) Reinvested money back into the Media business and turned it into a growth story again
3) Sold the B2C unit and repaid most of the debt and restored the balance sheet
4) Aligned the cost structure and company culture around new goals
5) Reorganized the loss-making Sports segment into a promising new Joint Venture
6) Completed heavy Tech development and product launches on the platform
7) Phased out the old risky white-label business
8) Signed a significant amount of new platform deals with good future potential

	2019	2020	2021	2022
EBITDA	3.410	11.025	25.000	35.000
EBITDA growth		223%	127%	40%
NIBD	32.386	29.000	15.000	-9.000
Free cash flow	-16.398	5.000	14.000	24.000
NIBD/EBITDA	9,5	2,6	0,6	-0,3
P/E		**12,2**	**4,4**	**2,5**
FCF yield		**8,2%**	**23,0%**	**39,3%**
EV/EBITDA		**2,9**	**1,8**	**1,5**

Based on our estimates, GIG currently trades at only 4,4 and 2,5 times FCF for 2021 and 2022. This implies a free cash flow yield of 23 - 39 %. This despite the fact that the company should be able to grow FCF at least at high single-digit rates for the foreseeable future

Based on the annualized run-rate on the Q4 2020 guidance and the huge pipeline of signed deals, we think those targets are achievable

Content

Why believe? Our iGaming track record?

We believe we have one of the best track records investing in iGaming stocks.

Name	Buy	Sell	Return	Holding time (months)
Bet-at-home.com	19	140	637%	36
Sold after changing regulatory environment in Austria, Poland and Germany				
XL Media Plc	70	150	114%	18
Sold first on valuation and later on lack of confident in management after profit warning				
Gaming Innovation group	50	25	-50%	12-18
Sold after losing faith in prior management team and changing investment story				
Kambi Plc	130	NA	155%	12-18
Still holding - Core position in Symmetry Invest A/S				
GAN	60	300	400%	6-12
Sold after reaching full valuation after Nasdaq listing and customer concentration issues				
Evolution Gaming	300	NA	140%	10
Still holding - Core position in Symmetry Invest A/S				
Catena Media T01	6	20	233%	2
Special situation around fund-raise where retail investors didnt understand warrant subscription				
Average			233%	16

[1]

To invest successfully in iGaming, not only do you need to be able to find the long-term winners but also be able to constantly adapt to changing environments. We made a lot of money early on in Bet-at-home and XL media when they benefitted from expanding online penetration in their countries. We benefitted from GAN due to the listing change from AIM to Nasdaq and around Catena Medias fundraise. We have also had our finger on the pulse and exited our positions when the thesis changed. When we lost confidence in prior management in XLM and GIG we quickly sold shares which saved us a lot of money when the shares subsequently depreciated.

We have also been good at riding long-term winners like Kambi and EVO as they benefit from structural changes.

Why have we been able to deliver such a strong track record?

1) We have been following the industry for a long time and built deep connections with clever people who understand trends there

2) Symmetry Invest A/S is seeded by the founders of Better Collective A/S who have great knowledge about the space

3) Our portfolio manager Henrik Abrahamsson has worked in the industry for +10 years in different positions.

[1] Buy and sell prices are approximates, as is holding periods, since buy and sell orders have been done over multiple transactions and time periods

History of GIG:

Most companies in the iGaming sector are either affiliate businesses, operators, game suppliers, odds suppliers, or technology providers. In 2015 GIG went public intending to collapse the value chain in iGaming by taking all services in-house. The strategy made sense on paper but came with a huge execution risk. GIG grew a lot between 2015 and 2017 through vertical expansion, organic growth, and M&A. Everything looked good.

But with increased regulatory pressure, especially in Sweden and the UK, and a huge lack of focus and execution the results turned downwards. Different verticals lacked the scale and focus they needed to be finished and become competitive, and instead of having synergies between segments, it became a distraction.

During this period, the company took on a big amount of debt for M&A. It also took money from cash flow generative segments and threw it into loss-making venture investments. As the segments with positive cash flow were starved for reinvestments their results also started to decline.

The stock price went from 60 NOK at its high to 3 NOK at its low and is today trading around 7,5 NOK. A shadow of its former self despite competitors in the industry setting new highs day after day.

The rescue:

In December 2018 a new board of directors was elected with former Unibet CEO Petter Nylander as the new chairman. The company initiated a strategic review of the business. The conclusion was that:

1) The company lacked focus
2) The debt was too high
3) The cost base was too high

In September 2019 the board took the hard decision to fire the founder and CEO Robin Reed. The board instead hired the former COO Richard Brown as the new CEO.

Richard was previously in charge of the Media department, the only profitable segment in the group at the time. In 2017 he was promoted to group COO where he also took charge of the B2C vertical. He quickly turned that around and made it profitable. When becoming the CEO in September 2019 he took charge of all segments with a mandate from the board to “clean up the company” and to focus on the segments where the company had a good strategic position.

Richard quickly went to work and over the last 14 months he has done an impressive job:

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1) Closure of Gaming studio

GIG had previously invested money in building their own in-house games studio developing slot games. The strategy made sense. By creating their own games GIG could distribute those to their own brands and B2B partners and in this way taking a larger share of the pie.

The problem is that it’s not easy to create good slot games and GIG had big and focused competitors with much higher R&D budgets. At the same time, good game developers want to work for innovative startups or big companies with unlimited resources. They don’t want to work for a small game department inside a big “conglomerate”.

The games GIG developed never got traction and the cost to keep it going was too high. Only a few weeks into the position, Richard quickly decided to close the loss-making studio.

https://www.online-casinos.com/news/industry/gig-announces-closure-of-games-studio.html#:~:text=Gaming%20Innovation%20Group%20has%20announced,the%20end%20of%20the%20year.

GIG would then focus on integrating their first-class platform with the best game developers in the world, such as. NetEnt and Evolution Gaming.

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2) Reinvesting money back into the Media business

From 2015 to 2017 the media division, GIG Media, was growing fast with high profits and cash flow, stemming both from organic growth and M&A. This was not unique to GIG, but was occurring all around the industry. Under the old CEO, GIG Media was mostly squeezing money out of mature Scandinavian and UK markets while using the money in other loss-making parts of the company. As the former person in charge of the Media division, Richard immediately understood the need of reinvesting the money into growing the Media division. He quickly hired new persons, changed the structure, invested in technology, and started to diversify the division away from mature Scandinavian markets into higher-growth markets.

After stagnating revenue in 2018 and declining revenue in 2019, this has started to pay off in 2020. The Media division is now setting new highs in revenue and profits and growing fast again with good future growth prospects ahead.

3) Sold the B2C unit to restore balance sheet

Another focus area for the company was to become a focused B2B player and move out of the B2C business. The B2C business has different characteristics than B2B as it has lower margins and more regulatory issues. At the same time, the company had a hard time selling its B2B products as the customers didn't like that GIG was competing with them on their own B2C solution.

After only 5 months in the job Richard managed to sell the B2C brands to Betsson:

https://www.gig.com/news/gaming-innovation-group-divesting-its-b2c-vertical-to-betsson-group/

The cash consideration was slightly lower than what I had hoped for, but GIG was stuck between a rock and hard place here, as all potential buyers knew GIG wanted to get rid of the assets and had a debt maturity coming up. Despite the slightly low cash consideration Richard managed to sign Betsson on a long-term platform deal strengthening the B2B business going forward.

After the completion of the sale in April 2020, GIG paid down their outstanding bond which significantly improved the debt situation as the remaining amount is due 2022.

4) Aligned the cost structure and culture

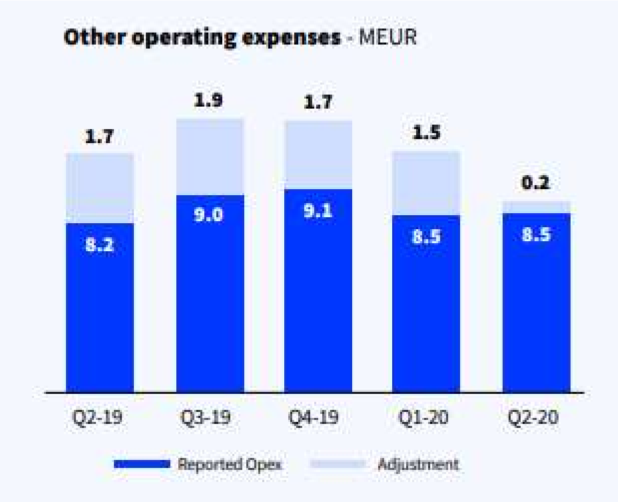
GIG was always known as a company with a quite lavish cost structure, related to their efforts in employing a "Silicon Valley" mentality.

Here is an example of the new 2017 headquarter with private chefs, baristas, etc.
https://www.youtube.com/watch?v=DU1Pio4n_N0

The company throwing expensive parties with Steve Wozniak as a guest speaker:
https://www.youtube.com/watch?v=RylsvAKam0A

This strategy seemed perfect in an environment with endless opportunities and a fight to attract talent. But the company never got the culture to be about executing on their goals, signing deals, and keeping development programs on budget and on time.

Richard quickly went to work to change the cost structure to the future need of the company:



5) Reorganized the loss-making Sports segment

One of the biggest frustrations for us investors have been GIG's constant losses in the sports betting segment. GIG acquired Oddsmodel back in 2016 with a plan of creating a new Sports Betting segment competing with Kambi, Sbtech, and the like. On top of the consideration for the odds model GIG has burned significant amounts of money on R&D over the last 3-4 years without much to show for it.

We constantly told the old CEO we thought he should integrate their platform with Kambi and others, to win more platform deals.

Sports Betting requires a significant infrastructure on odds compilers, traders, etc. and thereby requires a great number of big customers to reach scale. GIG never had that and we could not see any chance of them reaching profitability for the foreseeable future. To us, the only real option for GIG was to shut down the segment.

But then Richard struck a master-deal:

https://www.gig.com/news/gaming-innovation-group-and-betgenius-join-forces-in-global-sportsbook-platform-deal/

As we understood it, GIG reached out to Betgenius to integrate their odds-feed on top of the Betradar odds-feed they already used. Talks then evolved around GIG using the managed services of Betgenius instead of their in-house staff. Betgenius then came back to GIG suggesting a "JV" between them. Betgenius is both competent and specialized in odds compiling, trading, and risk management, but they are not technology experts. It seems from the outside that a lot of the customers Betgenius have been helping with managed services are seeking a better technological platform.

By combining the strength of the two companies (GIG in technology, PAM and frontend, and Betgenius in trading and risk management) they got a product that could compete in the market. Another important part is that this deal is cost-efficient for both parties. Betgenius already did the odds and trading and now they could bundle this into an attractive software solution without the need of hiring a lot of tech engineers. GIG already had good tech people but could get rid of all their own traders and risk management.

GIG already have a few customers they can use in this JV like 11.lv and rizk.com. They also recently signed with Grupo Slots. For Betgenius part it seems they already have introduced this JV to a big LatAM operator:

> The partnership has already signed a Heads of Terms to supply platform and sportsbook software to a major LatAM operator. The final agreement with this operator is expected to be signed in September and will be based on a revenue share model with a minimum contract term of three years.

According to our sources, it seems that Betgenius have a lot of managed services customers that are interesting in upgrading to the B2B sports product.

Another important part for GIG is that by keeping the sports betting segment they not only have an upside opportunity in Sports, but they also strengthen the PAM business. As we understand, the deal with Betgenius is a 50/50 split of revenue (with each party paying their own cost i.e. tech for gig and odds and trading for Betgenius). The revenue recognition will be a little different depending on who owns the customer contract (Betgenius in the LatAM one, GIG with Grupo Slots, etc.). A normal revenue share would be 12-18 %. But then GIG will also be able to charge a 4-6 % revenue share on the PAM on top. They would also be able to earn money from the casino for those operators, maybe sell managed services or media, etc.

6) Completed heavy tech development and product launches

Over the last several years GIG have been invested heavily in upgrading its products. They have created a whole new data platform (GIG Data), a whole new front-end (WAND), and complementary products like GIG Logic, GIG Comply, etc.

Those heavy development projects were delayed several times but over the last 12 months, most of the products are now launched. This has created new state of the art products and reduced running and maintenance costs a lot. It also helped reduce the R&D expenses significantly as most of the heavy workload is now done. GIG can now focus R&D money on new products, such as a better omnichannel experience.

GIG has actively been migrating all operators to the new data platform and expects the migration to be completed in Q4 2020. Total cost savings should be material going into 2021 (on the data platform alone, GIG has mentioned annualized savings of 3,5 mm. EUR – compared to the market cap of 60 mm. EUR).

The new platform is built on microdevices with a multi-tenant structure. This makes ongoing maintenance much easier and a lot cheaper. But it also speeds up releases of new R&D and product launches. For example, GIG will now be able to quickly launch new payment methods, regulatory changes, reporting standards, and roll it out immediately on all operators on the platform instead of one-by-one. At the same time, they are still able to customize the front-end and other tools to the operators.

7) Phased out the old risky white-label business

From the launch of GIG Core (previously iGamingCloud) the majority of the revenue was based on white-label agreements. Here GIG basically rented out their own license to people that wanted to launch an online casino. GIG could get high take-rates and also capture rebates with game suppliers etc. The operators only needed to do the marketing and GIG could handle tech and back-office. The arrangement worked well, and the business took off.

But as time passed several issues started to surface.

1) As operators were operating on GIG's license GIG was liable for any wrongdoings. As markets started to regulate and compliance came at the forefront GIG didn't want to take that risk.
2) There were a lot of costs associated with running a white-label. Both in legal, compliance, customer support, etc. It was profitable for the successful operators but all the operators that didn't ramp-up revenue (and rev-share to GIG) became a huge burden on the company with high costs and low revenue
3) In regulated markets, operators need their own license to operate.

Over the past two years, GIG has successfully migrated most of their revenue away from risky white-label contracts to sustainable long-term SAAS contracts. This has not been without revenue effect. But as of the end of 2020 GIG will have terminated all the white-label agreements and looking into 2021 that burden should be gone. This sets up the company to grow their revenue and even more importantly, benefit from much higher structural SAAS margins.

8) Signed a significant amount of new platform deals with good future potential

Another big issue for the company under the old management was a lack of new sales. Either the sales force was not effective enough or they experienced bad product/market fit. Several things have improved for the better. The first was the decision to sell the B2C unit. Operators will rather deal with a supplier that is not also competing with them. The other improvement was to finish all the heavy product developments. Being able to land operators directly to the new modern IT-platform instead of on the old one and then do migration is much easier. Then Covid struck. First, it halted all decision making from prospective customers. But as time went on, land-based operators saw the need to move online and create an online platform to support their land-based business.

The other important thing that has happened to GIG is the improvement in the sales force, both the structural setup and the focus on them. From a cultural standpoint, GIG has become more sales- and customer-oriented. An important improvement was to promote James King to Director of Sales in February 2020. Based on our conversations with people in the industry this guy is killing it on new deal signings.

The online gambling industry in general:

The online iGaming industry has seen huge growth over the last 15 years with the adoption of the internet. More and more consumers are placing their bets online instead of using land-based gambling which has been quite stagnant over the period. Another big evolution has been the adoption of smartphones and the speed of the network. Players can now play at high speed wherever they are.

iGaming has been growing at an 11,5 % CAGR from 2012-2019 and is expected to grow 7-9 % a year over the next 5 years. Many people would think that iGaming is a cyclical business, that when there are recessions people have less money to spend. This has previously proved to be false, as the industry grew throughout the great recession in 2008-2009. iGaming is a way for people to relax and enjoy themselves. When the world is falling apart around them, regardless of their financial situation, they seem to prioritize this “treatment”.

Mobile adoption:

A key growth driver for online gambling is the penetration of smartphones in developed countries and the speed of the internet. As more and more people get access to smartphones with high-speed internet, they can enjoy online gaming or betting any time they want. Waiting for the bus or standing in a queue are just opportunities to play from your phone.

Regulation:

Regulation in iGaming is becoming the norm as more and more countries around the world are implementing regulation. When a country regulates, they can start to collect taxes on earnings and at the same time set guidelines on how the industry should work in that country.

For regulation to work prudently, tax rates have to be fair and the regulatory framework needs to be appropriate. Most countries have a hard time blocking out unlicensed operators even if they try. The stricter the rules are in a country the more likely it is that problem gamblers will find its way to offshore bookies without player protection etc.

We have seen a lot of countries where this has worked really well (my own country Denmark is a good example). Other countries such as Sweden are still in the process of finding the right balance.

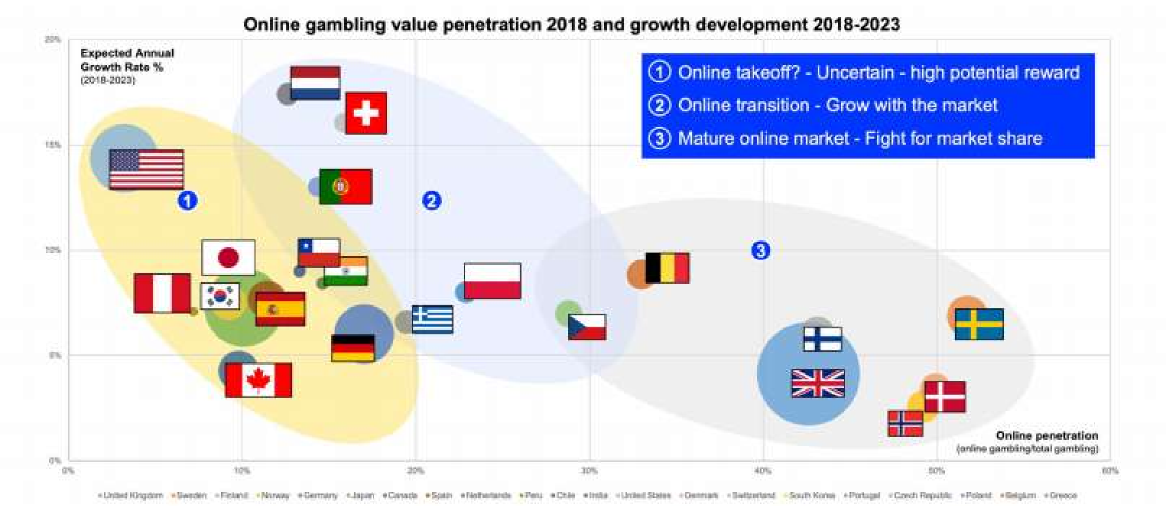
To GIG, two scenarios play out when a country regulates.

1) If it's a country where GIG does not have a presence it's a clear positive as they can move in and sign retail operators to their platform and move in with their paid media services

2) In a country where GIG is already present prior to regulation, what normally happens is a short-term drop followed by an improved long-term situation. As taxes kick in and other rules (such as deposit limits and bonus restrictions) are implemented the average player volume goes down. This reduces payments to platform providers and affiliates in the short run. In the long run, it's a clear positive to GIG as they can sign additional retail operators to the plan and more marketing channels are opening (paid advertising, etc.).

More and more of GIG's revenue is coming from regulated markets. Sweden was the first example of a short-term hit that now seems to be more positive. Germany will be the next example of this in Q4 2020. It will give a short term hit to GIG, but they project to offset this by growth in other countries. After that short term hit GIG can move in with Paid Media services. They have already signed a big retail shop (Tipwin) as a new customer in Germany and have more in the pipeline.

At the same time, it's important to understand how the market was prior to regulation. Sweden was a market where all marketing channels were already open and where online penetration was really high. Therefore, the initial hit was harder. The coming Dutch regulation could be an example of this (GIG has virtually 0 exposure to the Netherlands). While in less mature markets with lower online penetration regulation is mostly a positive from day one.



Therefore GiG is looking to establish sustainable partners in each of the newly regulated and early life cycle markets

Where are we now?

With all the implemented improvements in GIG recently, where does the company stand as of today?

The company has three divisions, all with synergies and collaborations between them. We will spend some time walking through the different divisions and then look at a combined valuation for the group

GIG Media:

GIG Media is an affiliate business. It also goes under the name Innovation Labs. They operate websites and drive traffic (paying users) to operators, being paid predominantly on revenue share. The most important thing to note here is that this is a performance marketing model. GIG Media are NOT paid for generating traffic, clicks, etc. They are paid for delivering paying users/customers. This is true performance marketing, and if you are good at it, you can obtain extremely high margins.

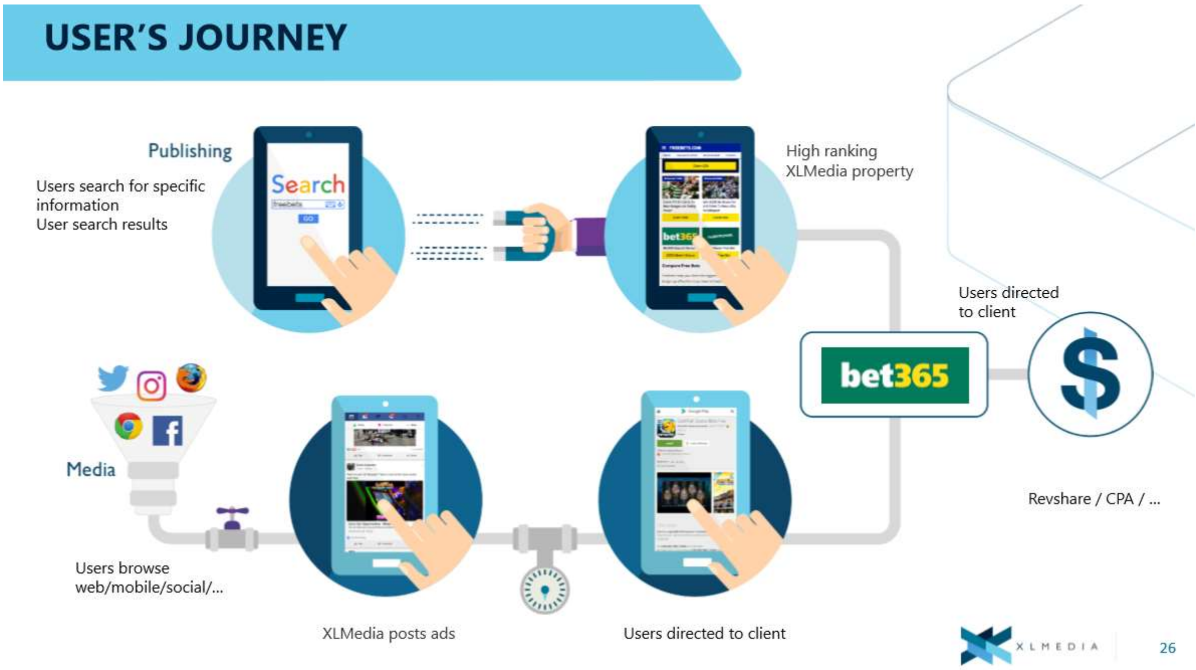
We hear some concerns in the industry regarding why operators want to pay such rev-share deals. Why don't they simply do it themselves? But this is not a new trend and one can observe it in a lot of other industries. Most people just don't think about the similarities before someone mentions them. Some of the obvious comparisons are the hotel booking business. In the old days, you would book a hotel from a travel guide, by phone, or directly through a hotel website. This has changed dramatically. The users want to know prices and the different choices they have. So, they are going to hotels.com, bookings.com, expedia.com, and the like. Here they can look through their options and choose the hotel that suits their needs. When they click on a hotel and book it, a performance marketing transaction took place. The hotel has gotten an actual paying customer, not just traffic. The hotel then pays the booking site for this customer. The same is happening in online gaming as we will describe it more in detail later.
The trend of performance marketing is also gaining a foothold in financial services, online dating, and in some cases E-commerce. This is not a gambling-related thing, but many people are "afraid" of it in gambling because a lot of the revenue is not regulated.

[2]

In the table above the total European iGaming market is illustrated as well as the part that is coming from affiliation. As can be seen above the affiliate business is delivering around 40 % of the total gross revenue to operators. Of the net revenue, after taxes, etc., BC estimates that up to 50 % of the net gaming is going to affiliates.

In the hotel booking business, we have heard examples that big hotel chains are getting +90 % of their revenue from booking sites. We think affiliates have room to grow even more as marketing moves online. But even without any market share gains, GIG Media should at least be able to grow in line with the overall market about 5-8 % a year organically.

[2]Source: Better Collective



[3]

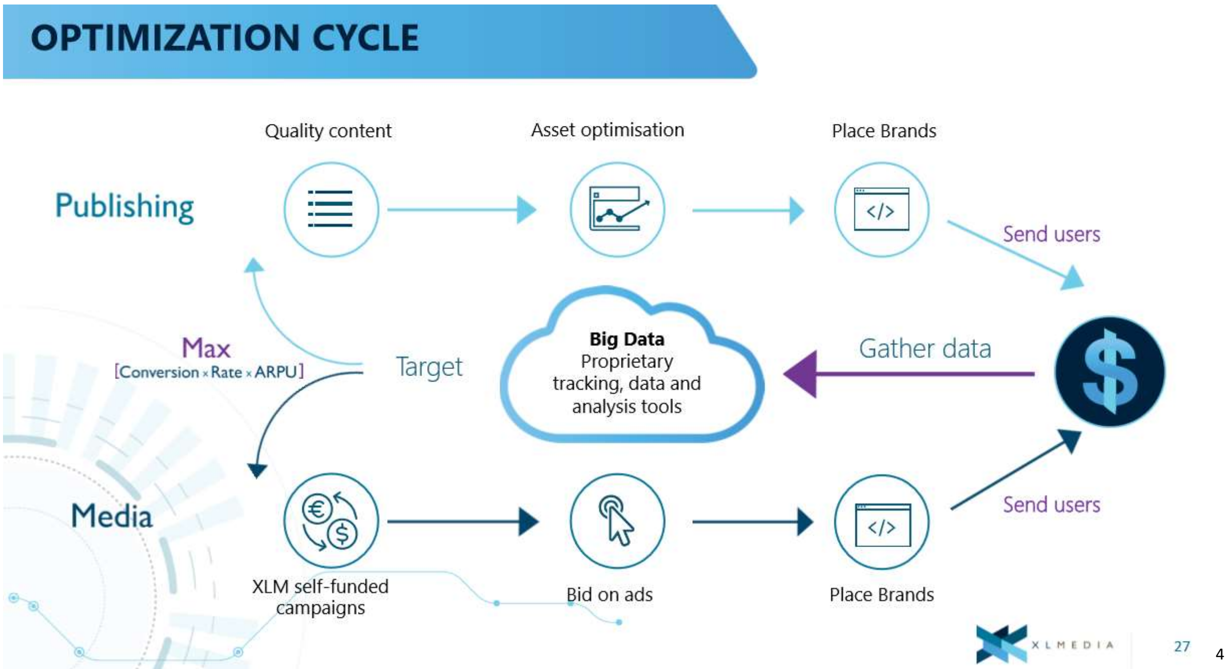
One of GIG Media's competitors is Israel based XL Media. They presented the above picture in their investor presentation. It makes it easy to understand the revenue sources.

The most traditional and profitable method is SEO (Publishing). Here you have content-rich websites that you try to rank high on Google, for example, an informational website about sports betting providers. When a player clicks on one of those providers it generates a unique link to the operator so they can track where the traffic comes from. When the customer deposits money and starts playing the operator will send part of the money the player loses (revshare) to the affiliate sites. The reason this model is so superior in the gambling space is that this rev-share is based on lifetime value. If the customer stays and deposits more money, the affiliate still gets the rev-share. If the player is still playing 8-10 years from now, the affiliate still collects the rev-share. This is not just hypothetical. Ory Weihs, the CEO of XL Media has said several times that they are still today getting revenue from players refereed +5 years ago.

The other revenue source is Paid Media. Here the affiliates buy advertising space on Google AdWords, Facebook ads, YouTube, etc. They use technology to calculate what to pay for ads and what ROI they can earn by buying those ads and refer a player. If you buy a 10-second advertisement on YouTube, knowing what to do with it is critical. What bonus game to offer, what operator to offer etc. Remember that the affiliate is taking the risk, they are not an agency. They buy the AdWords for their own account. If they do not convert this to a paying user, they lose the money.

This is also why the affiliate is so much better at this than the operators themselves. Operators will just fire out a lot of money on advertising with low ROI. Affiliates know this game.

[3] Source: XL Media



[4]

Affiliates use big data to drive high ROI in this space by working with a lot of operators. They are not an agency placing money from Bet365, Ladbrokes, etc. If they buy an Add-word they can decide which operator or bonus play to market. They can always optimize the campaigns in response to the ad word they have bought. An operator doing this themselves do not have this option as they would always market their own brand.

GIG was really small in this space (it requires great knowledge) but improved their competitiveness late in 2017 when they bought Rebel Penguin in Copenhagen. Rebel Penguin is specializing in Paid Media and have developed their own algorithms and data to do so effectively.

Rebel Penguin:

One of the main strategic assets in GIG Media is its Paid Media service called Rebel Penguin. While some competitors have struggled with Paid Media (XLM, CTM, etc.) Paid Media have continued as an important growth driver for GIG Media.

When a country implements regulation around online gambling most digital platforms such as Google, Facebook, YouTube and Instagram will allow paid ads for online gambling on those channels. Rebel Penguin has built proprietary technology on how to buy ads, what ads to buy, what price to pay and what marketing message to display on those ads. They are not a digital marketing agency. They buy the ads for their own account with their own money and then get paid when they convert those ads into NDC's.
Paid is a high growth segment for GIG:

> Paid media continued its quarter-on-quarter improvement, with revenues up 50% year-on-year and 10% quarter-on-quarter, and continued to diversify business by increasing performance in current non-core markets. [5]

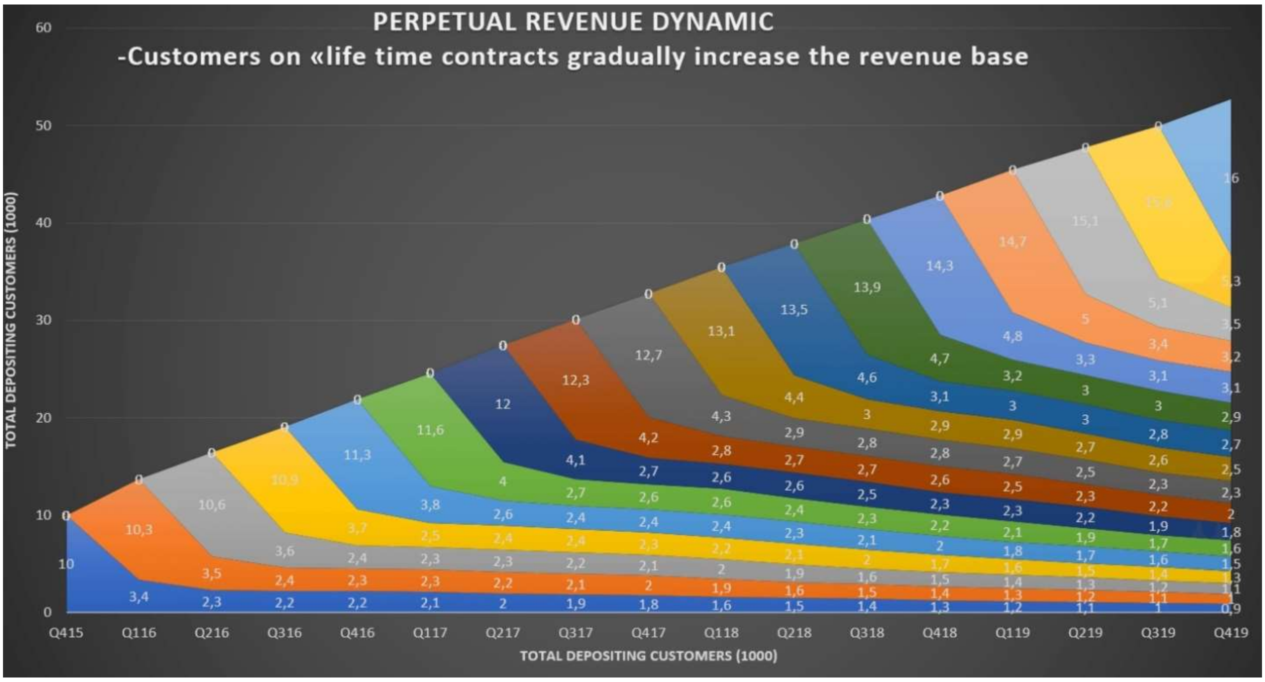
[4] Source: XL Media
[5] GIG Q3 report

Competitors are seeing this trend and moving into the space:

Better Collective acquires Atemi Group for up to 44 million EUR

Atemi Group has historically been focused exclusively on Casino and mainly in the UK operating on CPA deals. Better Collective now plans to move Atemi into more geographies including Sport and use more revenue shares. Rebel Penguin has a good head start as it started several years ago by expanding out of UK and now has a solid presence in many regulated markets such as Denmark, Belgium, Romania, and the US. GIG is quickly channeling more resources and hiring people to their Paid Media teams as they see huge demand.

Revenue model:



The online forum oddspill.com had a great illustration of how the revenue share model works, which the chart above shows. In a given quarter an affiliate company refers a number of net depositing costumers (NDC) to an operator. A number growing organically every year. The players referred then play and loses their money. Some will try another casino and some will stay and play. As time passes fewer and fewer of the NDC will keep playing. But they will work as a base business that will always get built on top of. As time passes, the revenue stream will get much more diversified as it is spread among a larger number of NDC. Also, a growing number of the revenue share will come from players that keep playing and depositing new money on an ongoing basis. This is a true life-time revenue share.

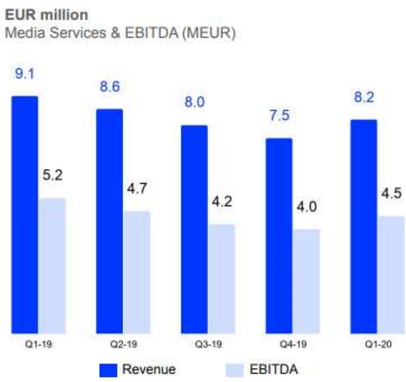
Competition:

There is a lot of competition in the online affiliate industry. The biggest player in this space is Swedish listed Catena Media and danish based Better Collective.

Financials:

GIG Media grew really fast from 2015 to 2017 due to organic growth and acquisitions. The growth was in line with market peers that all benefitted from a structural shift from land-based to online.

As we mentioned previously the old management team neglected to invest in the business and instead used it as a cash cow to fund other projects. Along with the Swedish regulation that came into effect in 2019 it started to put pressure on the revenue growth that started to decline.



We can see this from the picture above where the revenue declined from 9,1 mm. EUR to 7,5 mm. EUR in 3 quarters.

Richard Brown became the CEO in September 2019 and quickly addressed those challenges. He started to invest back into the business, progress developments outside the more mature markets, and expand the capabilities of the paid media channels.

Below we can see the effect this had:

As can be seen, the business quickly turned around and entered a good growth trajectory again. Based on the current guidance there is a good chance that the Media business will hit a new ATH in revenue in Q4 2020.

It is worth mentioning that the lower EBITDA margin in Q3 2020 was related to a higher allocation of corporate expenses to the Media business after the sale of B2C. The underlying EBITDA margins were still healthy at +50 %.

Looking at the FTD growth it is worth looking at the strong growth in Paid channels. The Paid Channels are a significant growth area for GIG going forward and they expect further growth.

Valuation:

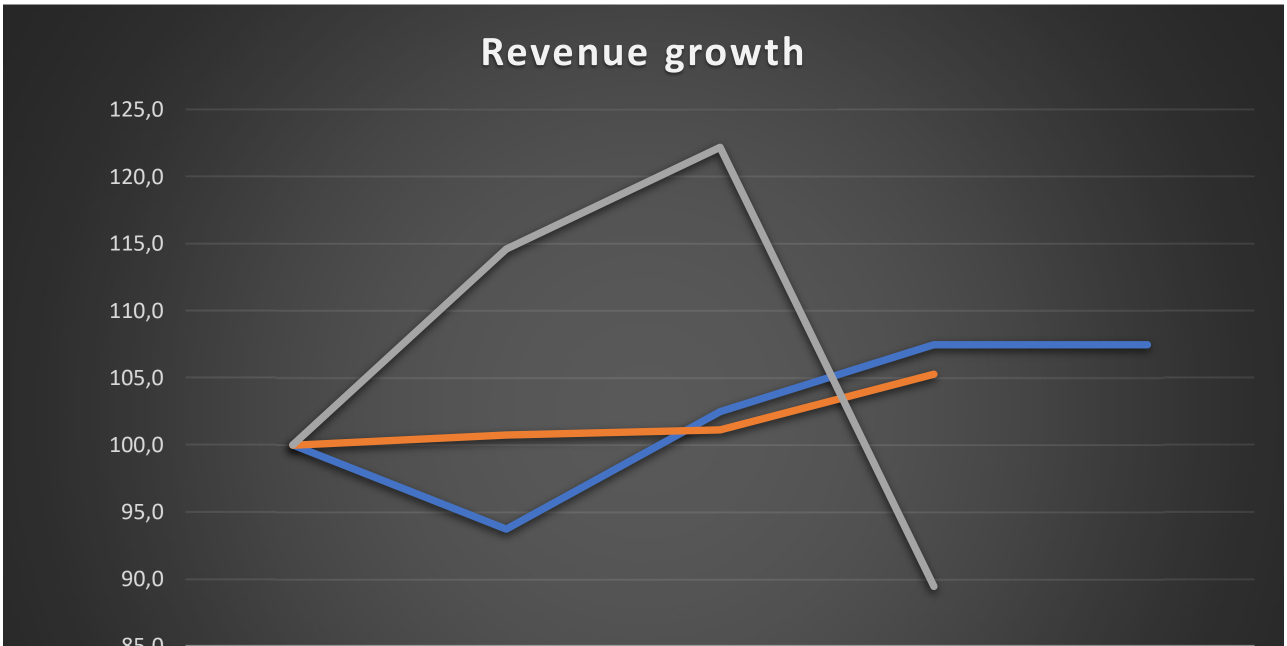
The best way to put a separate valuation on GIG Media is to use comparable listed companies. There are 5 listed Affiliate companies (of size). Besides GIG we have Better Collective, Catena Media, Raketech, and XL Media. XL Media is currently having big issues and Raketech is primarily exposed to just one country (Sweden).

Better Collective and Catena Media serve as the best comparable companies for GIG Media as they also:

1) Operate both Sport and Casino
2) Have both Publishing and Paid Media
3) Have diversified revenue streams geographically.

There as pros and cons with all 3 companies. Better Collective has the best historical track record with good organic growth. They also have high exposure to sport and recently went into Paid Media with the acquisition of Atemi Group. Catena Media have good assets in the USA and Japan where they grow a lot, but also have some really bad declining assets in Europe. They also have a bad track record in Paid channels.

In the chart below I have tried to compare the revenue growth from all 3 companies against each other over the quarters. The revenue is set at index 100 for Q3 2019. CTM and BETCO have yet to report Q3 2020 numbers.



	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
GIG	100,0	93,8	102,5	107,5	107,5
CTM	100,0	100,8	101,1	105,3	
BETCO	100,0	114,6	122,2	89,5	

As we can see the development has been fairly in line between the 3 companies over the last 4 quarters. BETCO benefitted from organic growth and M&A to start with but had a worse Q2 due to heavy sport exposure. GIG suffered in Q4 2019 but have since come back and CTM has stalled a little bit as US growth has offset declining European assets.

If I were to value the three companies, I would give BETCO the highest multiple followed by CTM and then GIG. BETCO has shown better organic growth historically and CTM has some valuable US assets. But I don't think there should be a huge valuation gap between them.

Here is how GIG, BETCO and CTM are valued today:

EBITDA	Q3 19	Q4 19	Q1 20	Q2 20	TTM
GIG	4,2	4	4,5	4,8	17,5
CTM	11,4	8,5	12,5	13	45,4
BETCO	6,8	7,1	8,6	6,3	28,8

Here you can see the last EBITDA numbers for all 3 companies and the 4Q TTM numbers in the end.

If we then compare to the EV of both companies it looks like this:

	MCAP	NIDB	EV	EBITDA	EV/EBITDA
BETCO	564	36	600	28,8	20,8
CTM	340	78	418	45,4	9,2
GIG?			**140**	17,5	**8**

The valuation for BETCO looks a little high because the last Q was quite depressed for them and because some M&A deals have not came through the P&L fully yet. On more normalized earnings we think BETCO trades closer to 15x EBITDA. CTM should also benefit from good growth in the US in the coming quarters. We have used a fully diluted share count in CTM including all warrants. We think CTM should be worth around 10x.

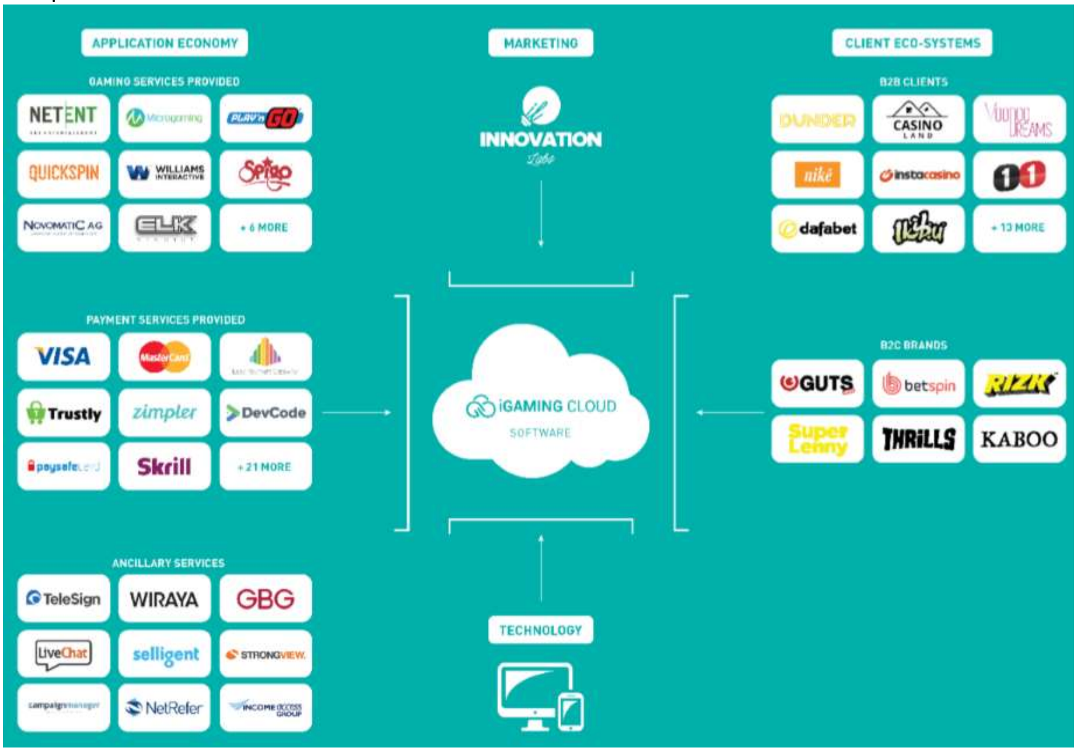
As we mentioned before we think GIG should trade at a lower valuation and place a fair value around 8x.

This puts a fair valuation for the Media segment at 140 million EUR

GIG CORE (Platform services)

The business was previously named iGamingCloud, then GIG Core, and now the company mostly refer to it as platform services. We still use GIG Core here:

One of the visions GIG have is to help land-based operators move online smoothly, instead of having to build their own platform and integrate with payments services, games suppliers, ancillary services etc. GIG has bundled all those integrations in their platform and can create a single integration point for operators that want an online presence. Here is an old picture from GIG:



Historically when you wanted to build an operator you needed a back-office supplier like Playtech. You then build your front-end yourselves. You normally then contracted with a game supplier, an odds supplier and a payment provider, etc. The more volume you bring to these suppliers, the lower the royalty rate for the products is.

GIG thought this was an inefficient way and wanted to circumvent the problem of everyone having their own teams and developers.

With GIG you only contract one player. If you build your platform with GIG they help you build the front-end and integrate it with the services you want, that GIG cooperates with. The operator would only have one counterparty at GIG. And even though GIG is marking up the services they sell you can get better prices because of scale. As noted before, service providers are adjusting fees according to the volume. When 40 operators pool their volume through GIG Core they get a much lower royalty rate than when they were contracting alone. And the supplier also wins here. Because the supplier also only needs to contract one customer instead of selling the service to 40 small operators and helping them getting integrated. GIG is then selling its own odds feed, games, etc. on the platform making better margins and pushing service providers to competitive pricing.

This is what a true platform/marketplace works like. Connecting suppliers and end-users and charging transaction fees/markups as the middlemen.

GIG has needed to change a little bit over the years to make this happen. The first phase was to be the "contract party" and then resell all the services to operators. That included the license (white-label solution). Over time GIG has transformed into a more SAAS-driven player where they are building the tech, connections, and applications for the operator. But operators run on their own license with their own contracts etc.

Technology:

What makes GIG Core so unique is the focus on openness, real-time capabilities, flexibility, and a big number of analytic tools. Most of the competitors have old closed software that is not flexible in the way an open economy works today. The competitors are simply not agile enough to create new great stuff and services.

The software is built on so-called open API. This makes it easy for customers to add third party suppliers. In a closed system, every operator has to develop this code for themselves. On the back-end site GIG developed a great data management platform (DMP) called GIG Data. They then made it user-friendly giving the operator a lot of analytical feeds they need to track development. The platform includes affiliate feeds, so it can track which costumers come from what affiliate sites, etc. Even more importantly, it can generate those feeds to the operators quite easily so the operators know what amounts to pay the affiliates. The data analytics part also shows the return from different affiliates and other important data points.

The GIG platform first worked great for smaller businesses as it was written with a single-tenant architecture. This means that each client internally on the software has its own resources that could also be customized. But this capability limited the way the platform could scale.

GIG improved the architecture on the platform to a multi-tenant platform that was built on microdevices. This will give GIG Core a much larger opportunity to scale with more and bigger clients, improve interfaces, etc.
In retrospect, you could have said GIG should have chosen the multi-tenant platform to begin with. But they are there now and the growth was still great on the old version. Simply said, with multi-tenants the same clients will share the same resources (just to be clear this Is in the hardware-technology machine – not anything costumers sees).

The main risk with running a multi-tenant platform is that when something goes wrong it goes wrong for everybody. By applying a microservices architecture here allows problems to "decouple", not taking down the whole system until they are fixed.

A preferred partner to land-based casinos:

The main focus area for GIG currently is to help land-based operators go online. This is a really attractive market. Even before Covid, land-based casinos could see online players taking more and more market share. But most land-based players were afraid to go online when markets weren't regulated (fear of missing their land-based license). As more and more countries now regulate, we have seen a huge desire for land-based casinos to get an online presence.

Covid19 just accelerated that. With countries going in and out of lockdown and land-based casinos facing huge amounts of restrictions on access the need for an online presence is sky-high. Over the last 6 months, GIG has signed on a large number of land-based casinos to handle their online presence. A big reason why GIG is winning so many deals is its omnichannel solution. James King talks about it here:

https://www.casinobeats.com/2020/09/29/digital-transformation-the-gig-omni-channel-approach/

Operators want to have an online solution that can be tied closely to their land-based casino to create a true omnichannel experience that they can use as a competitive advantage in their pursuit of beating the online-only players.

Competition:

When GIG first launched GIG Core the main competitor was other white-label solutions like EveryMatrix and Aspire

GIG Core quickly surpassed EveryMatrix as the leader in the space and became the biggest one. Over the last few years, as GIG deprioritized the white-label space, Aspire has picked up the customers and became the leader in this riskier approach.

As of today, the four main competitors to GIG are Playtech, Nyx, Oryx, and GAN.

GAN has an extremely strong position in Italy and the US. GIG has not been active in Italy and so far have only made a limited move into the extremely competitive US market. SG/Nyx, Playtech, and Oryx are, according to us, the biggest current competitors to GIG. They use the same approach as GIG and offer full turnkey solutions to customers. Playtech is the old (former) giant in the industry. The company has quite a bad reputation and has seen many customers leave them over the years. Besides those players there are many smaller PAM that focuses mostly on the US market and uses integration with Kambi etc. as the main selling point. Companies like Pala would fit into this bucket.

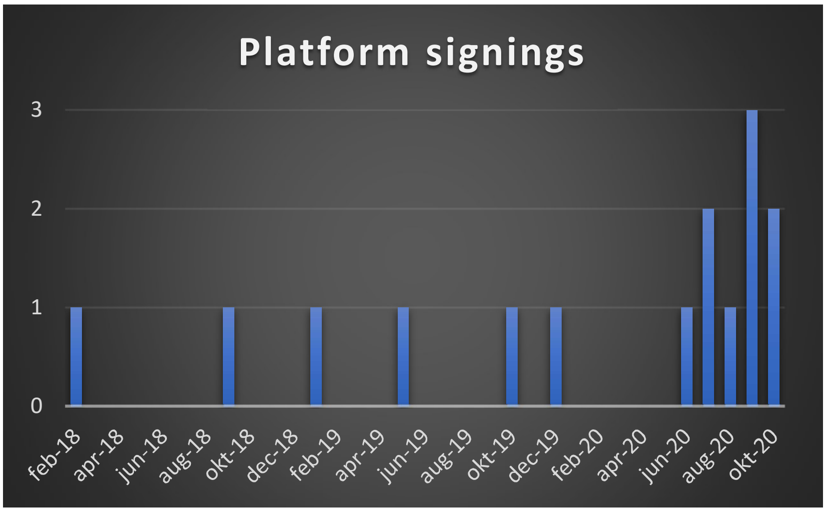
Both GAN and SG put all their focus on the newly regulated US market competing for deals there. This has given GIG a good opportunity to capture deals in other markets like New Zealand, LatAm, Germany, Malta, Eastern Europe, Croatia, Latvia, Hungary, Ireland, Macedonia etc. GIG is more focused on making money now than winning prestige deals. Back in 2018 GIG launched with Hard Rock in the US on extremely cheap terms. Even though they managed to deliver well for Hard Rock and grow the business in New Jersey fast, it never turned into a good deal for GIG financially as the take-rate was extremely low and the fixed costs in the US were high. To GIG it makes more sense to get 15 % revenue share in Macedonia where there will only be 2-3 licenses players than get 2-3 % rev-share in a highly competitive New Jersey market where GIG supplies 1 out of +20 operators fighting for market share. GIG has decided to end the partnership with Hard Rock in March 2021 as it was loss-making and they demanded a US exclusivity.

Divide and conquer?

The picture below should be viewed with a sense of humor. Of course, it's better to dominate the US market like GAN than to sign deals in Hungary and Macedonia. But as we mentioned on the last page there is some truth to this. While Playtech is strong in the UK and GAN is strong in Italy, the thing the competitors have in common (GAN, Oryx, and Nyx) is that they all focus mainly on the newly regulated US market (Oryx also have some risky business in Germany). This has been a clear benefit to GIG as they have had a lot of the countries all for themselves when they negotiated deals.

Recent signings:

As mentioned, GIG has had success recently signing deals with land-based operators they can help going online:



In 2018 they signed 2 new deals. In 2019 they signed 4 new deals. And in 2020 so far, they have signed up 10 new deals. The big success has come from improvements in the sales force, a changing regulatory landscape, and Covid-19 helping land-based to understand that they need an online presence.

Some of the deals like Mil of Magic and GS Technologies can get up and get running quickly and start collecting fixed fees. But some of them are depending on regulatory approvals and will also have a majority of the revenue share. We expect to keep seeing a gradual improvement in the financials of those customers.

Based on our conversations with management they have a goal of signing 10-15 deals a year going forward or around 1 per month. But of course, quality is more important than quantity, especially when working on rev-share.

As can be seen above a lot of the signed operators are land-based operators in different jurisdictions where GIG will help them with their online approach. Those operators already have a lot of valuable VIP players in their retail database that would be good in an online space. And as mentioned, GIG expects further signings before year-end.

Quality of the platform:

In the end it's the quality of the platform that will ensure how many operators GIG can get. As we have shown before in this report GIG has been the preferred partner for land-based casinos to move online (at least in Europe). There could be several reasons for this:

1) They have a good omnichannel product
2) They offer managed services on top of the SAAS contract
3) They can help with Media and Media services

What has impressed us is the desire from pure online players to use GIG's platform also. This speaks to how good the product is. Last month GIG signed a platform agreement with Malta-based SuperSeven. The COO for SuperSeven is the former CMO for GIG Tim Parker. Here is what he said about choosing a platform:

> Tim Parker, Chief Operations Officer for Bet Seven Online says, "We had a very specific product aim and end-user experience in mind when we started to search the market for a platform. It became clear very early on that GiG could provide not only the platform but the tools and service set that we would need to build a truly unique offering that will be new, exciting and stand out from an increasingly crowded marketplace. I am really looking forward to launching SuperSeven on the GiG platform and working closely with them to achieve a market-leading position." [6]

This is not a random person that just chooses a platform agreement based on the cheapest price. This is a person that has worked in GIG for several years, has used the platform before, and seen it being built from the inside. That he chooses GIG in his new venture is telling about his appreciation for the product.

Another example is with Dunder Casino. Dunder has operated on a platform agreement with GIG for several years and is owned by Casumo. Casumo has its own licensed platform it uses for the Casumo brand. When GIG transferred all agreements to SAAS contracts and migrated operators to the new data-platform most people assumed Casumo would take Dunder in-house on its own platform.

That's not what happened:

- First Casumo launches a new brand, Kazoom Casino / Mill of Magic on the GIG platform instead of their own https://www.casinobeats.com/2020/09/07/casumo-introduces-gig-powered-kazoom-casino/
- Then Dunder signed with GIG on a new SAAS contract: https://www.gig.com/ir-news/gig-signs-final-agreement-with-legrand-casino-and-new-saas-agreement-with-dunder-30-09-2020-3786474/

The last and probably best example is Betsson Group. As previously mentioned, GIG sold its B2C business to Betsson group in April 2020. Again, the market believed that Betsson over time would migrate those brands to their in-house platform and leave GIG. We have seen several examples that this may not be the case:

1) Betsson launched Rizk on the GIG platform in Spain
2) Betsson launched Rizk on the GIG platform in Croatia
3) The most significant news came a few weeks ago and has gone quite unnoticed in the market. In the UK Betsson operated with 4 licenses on 3 different platforms. Instead of consolidating on their in-house platform Betsson choose to migrate all business in the UK to the GIG platform and focus solely on the Rizk brand[7].

We think actions speak louder than words. Here we have 3 examples of pure online players using GIG as their online partner for the future.

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[6] https://www.gig.com/news/gaming-innovation-group-signs-platform-agreement-with-bet-seven-online-ltd/
[7] https://www.gamingintelligence.com/legal/licensing/127785-betsson-to-focus-on-rizk-after-closing-eight-uk-facing-brands/#:~:text=Stockholm%2Dlisted%20betting%20and%20gaming,at%20the%20end%20of%202018.

Financials (from White label to SAAS)

GIG Core is extremely hard to put a valuation on as there have been so many moving parts in the last few years. The main trend was a huge growth in the lower margin white-label business with riskier black/grey market operators. Then over the last 2 years, GIG has focused on getting regulated operators on longer-term SAAS contracts and converting the most successful white-label operators to SAAS deals.

From Q4 2020 GIG will have converted all white label businesses to SAAS deals.

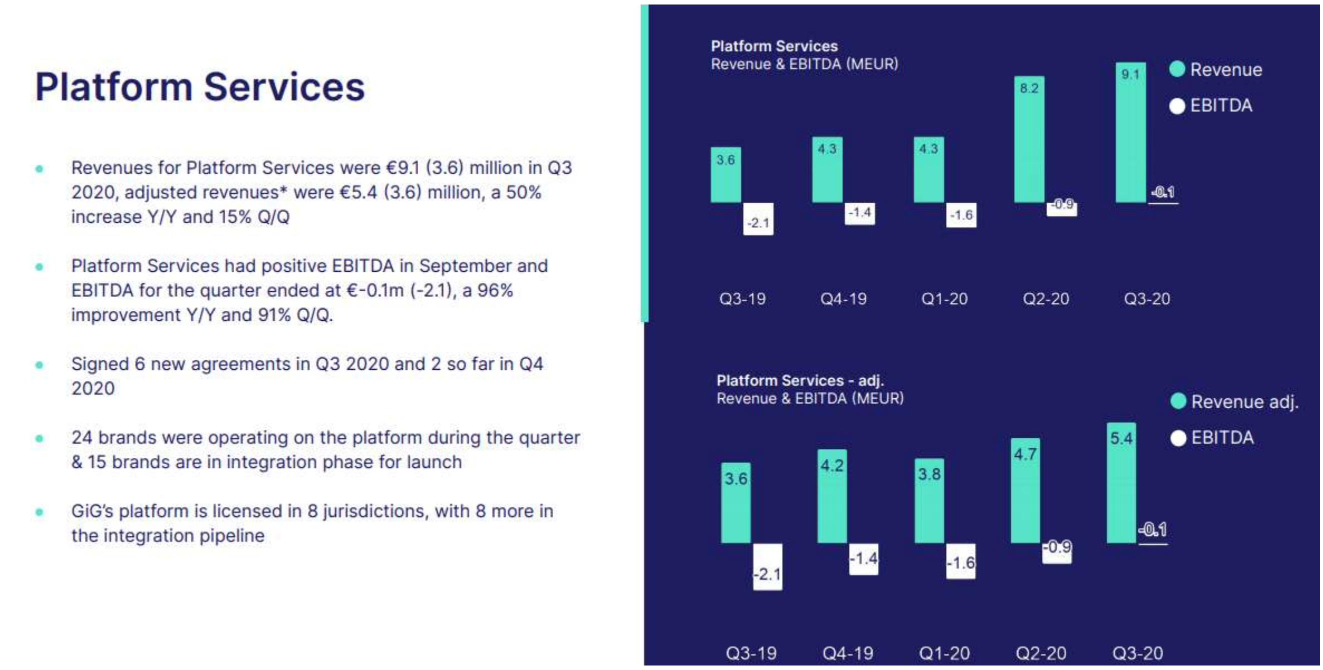
When evaluating GIG Core there are 3 important things to understand

1) A lot of the growth in 2016 and 2017 came from a black market operator targeting the Australian market. As GIG wanted to focus on more sustainable clients and signed the leading land-based Casino in New Zealand they decided to terminate the deal in early 2019. Around 25-30 % of the total revenue was then ceased.

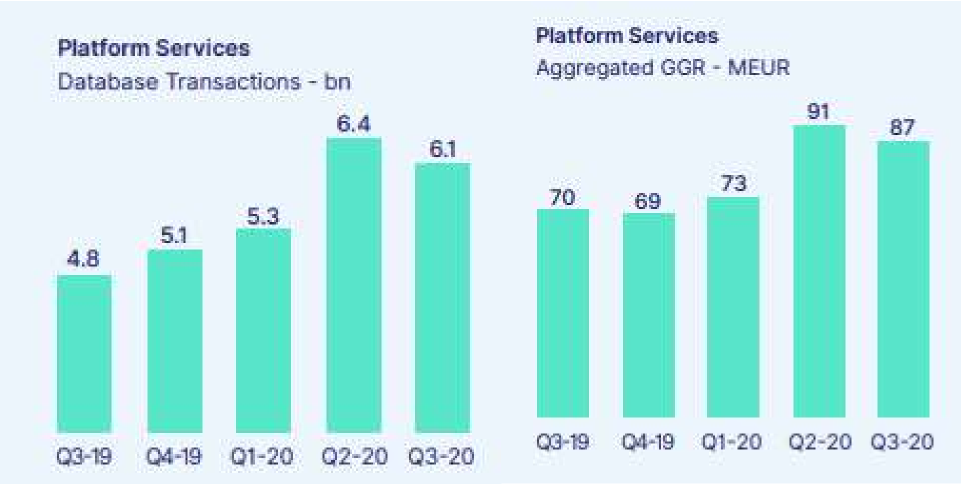
2) GIG has spent a huge amount of resources on upgrading all their technology over the last 3 years. The whole data-platform (backend), middle-end, customer tools, front-end system, application place, etc. are newly developed. GIG is now in a position where they soon have migrated all operators to the new technology. This will save them a lot of costs going forward.

3) White-label contracts and SAAS contracts have different characteristics. White-label contracts have a lot of pass-through revenue. On a white-label contract, the operator would normally pay GIG 12-14 % revenue share. Then GIG would need to pay for payment providers, game suppliers, operating costs, and legal costs. On a SAAS contract, the operator contract directly with those suppliers. As this transition has gone through the revenue growth has been flat as GIG has changed operators from paying low margin pass through to sustainable SAAS contracts. It is a little different from operator to operator how it works and sometimes they use markup to payments instead of a rev-share on the GGR etc.

Q3 2019 was a new low for GIG Core as the pain from the Swedish regulation and the terminated tier1 contract started to fade off. Since then, both revenue and EBITDA have been on an upward trajectory with 50 % YoY revenue growth in the last quarter.
Also, the platform business was profitable in September and should be in a profitable position going forward.



As the reported revenue is heavily influenced by the conversion from White Label to SAAS, one of the best underlying KPI to look at is the database transactions and the GGR operators on the platform generate.



Here we can see that operators on the platform are increasingly generating more money (operator GGR is influenced by both casino margin and SB margin in individual quarters). The big takeaway here is that the business got a huge Covid boost in Q2 when countries all around the world went into lockdown. But even as countries opened up again in Q3, operators on the GIG platform were able to generate close to the same GGR.

As mentioned previously GIG has actively decided to cut back on their WL business. This has meant that a lot of smaller white-label partners that didn't have the size to get their own license either shut down their brand or migrated somewhere else. But GIG has still managed to grow the revenue in Core in that period. The reason is a big improvement in the average revenue per brand that has basically doubled from 120 to 235K per Q.

Future revenue

The big piece most people forget is the huge pipeline of operators signed that is not yet onboarded. That is future revenue on top of net expansion from existing contracts.

Why is this so important?

It's important because the company is spending a lot of resources on signing new operators. The company then incurs a lot of expenses related to this, such as travel expenses, commission to the salesforce, legal work, translations, etc. But also, tech costs are high from the time a customer is signed until it's live as the front-end needs to be configurated and the applications connected.

As we have mentioned before GIG has signed a big amount of new deals on the platform. Here is how it looks like at the end of Q3:

It is worth mentioning that GIG has also signed 2 additional deals already in Q4 and is really confident about signing more deals before year-end.

GIG management was asked on the conference call about the timeline for the integration of all those brands. The CEO said some will be in Q4 but everyone should go live over the next 9 months. Think about it. We have a business here with 23 operators (including 8 WL) generating around 245K per quarter. And then we have 17 more operators in the pipeline. Some of those larger land-based contracts with omnichannel solutions etc. If those contracts also end up being worth 245K per operator then we are looking into around 4,2 million EUR in additional quarterly revenue in Q3 2021 (to be fair some of the operators will need some time to build revenue share). This is a growth of 78 % from the level in Q3 2020. With 99 % gross margin and + 80 % incremental EBITDA flow through.

There will be some lumpiness from quarter to quarter and the German regulation will impact the numbers in Q4. But as we look into 2021, we should see continued momentum with an especially strong backend of the year.

Based on our conversations with management it also seems that GIG is participating in tenders/contract negotiations with even larger potential customers than the ones they have signed so far this year.

Valuation

How should one value GIG Core? In the platform space, 4 main competitors are listed. Playtech, Scientific Games, Oryx and GAN. Both Playtech and Scientific have a lot of other verticals and are bigger, more established platforms. We think the best comparables to GIG Core is GAN and Bragg Gaming (owner or Oryx).

	MCAP	NIDB	EV	Revenue	EV/Revenue
BRAGG	80	0	80	20	4,0
GAN	462	-63	399	30	13,3
GIG?			**129,6**	21,6	**6**

We also think Bragg shares are slightly undervalued from here (and GAN shares somewhat overvalued). But we will argue a fair multiple is probably around 10 for GAN and 5-8 for Bragg/GIG. We have used a 6x revenue multiple that gives us a 130 mm. EUR valuation on GIG Core. Remember this revenue figure does not take into account the big numbers of signed operators that are yet to go live yet.

GIG Sport

GIG Sport has been a huge money-losing segment for the last several years. As of Q3 2020, this has stopped (adjusted for severance costs) as the segment has reached breakeven and the expectation is for the segment to not lose money in the future.

The deal with Betgenius does offer a lot of upside, but so far, we are not willing to put any valuation on it. GIG currently only has a few operators live with Sports and some bigger ones in the pipeline (Grupo Slots and one in LatAm). We think there could be upside further down the road as more countries regulate and GIG Sport can launch new operators. An exciting opportunity would be to launch Sky City with an online Sportsbook when that country regulates.

By combining the technical know-how from GIG with the Sports know-how from Betgenius the two companies can create a competitive sportsbook especially targeted for operators that want a full turnkey solution that GIG can now offer.

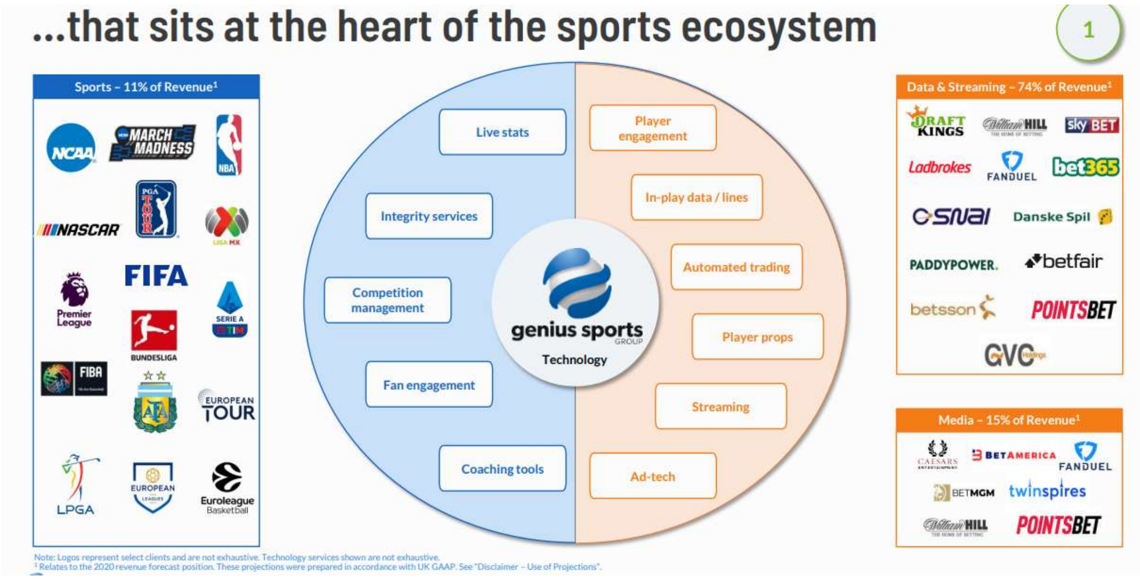
The good thing is that the cost structure is extremely lean (the products are built by Betgenius and they handle the heavy cost). When the revenue starts to kick in at a future point in time, there should be some good margin potential.

Who is this partner Betgenius then?

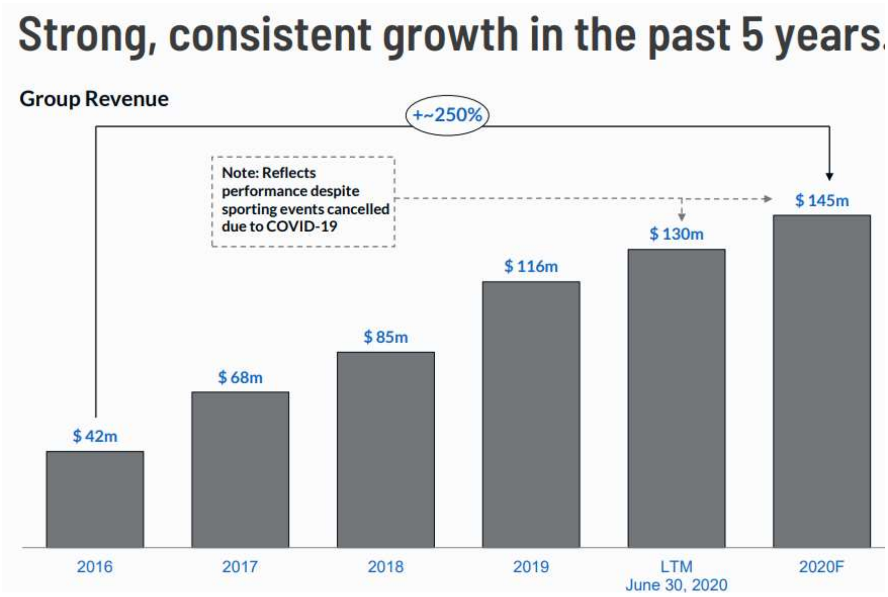
Most people in the industry have not understood who it is GIG has partnered with on their Sportsbook initiative:

U.K. Betting Firm Genius Sports to Go Public in $1.5 Billion SPAC Deal [8]

Betgenius sits on valuable data rights (Premier League is one example).



While we are not ready to put a valuation on this segment so far, we think there could be significant upside if Betgenius can leverage their data deals/managed services deals to Platform/Technology partnerships together with GIG.



[8] https://www.wsj.com/articles/u-k-betting-firm-genius-sports-to-go-public-in-1-5-billion-spac-deal-11603747945

Forced buying coming:

Another part that is underestimated is how much forced buying that could take place in the GIG stock over the next 12 months.
Since GIG did their dual listing in Stockholm and Oslo in March 2019 there has been a constant selling pressure in the stock.

1) Norwegian index funds sold out as liquidity moved to Sweden. But Swedish index funds will only buy when they main list in Sweden
2) ESG funds have been selling down
3) The 2 founders have sold around 10 % of the shares outstanding after they were let go in 2019.
4) Other people related to the two founders have also sold.

The good thing is today that selling pressure is done and the shareholder base has turned around. Now we have the opposite opportunity. As GIG becomes bigger and at some point moves its main listing to Sweden, index funds would start to put GIG into the ETF again.

Another big upside comes from the BETZ ETF:

https://www.roundhillinvestments.com/etf/betz/full-holdings

This ETF targets iGaming stocks and has +100 million $ in AUM. GIG has an unusually low weighting on that index as the lowest weighted stock:

LEO SS	LEOVEGAS AB	BYY1RS3	2.12%	811,188
OPAP GA	OPAP(ORG OF FOOTB)	7107250	2.12%	337,193
CTM SS	CATENA MEDIA P.L.C	BYZYH36	2.06%	774,772
CZR	CAESARS ENTERTAINMENT INC NEW COM	12769G100	2.06%	58,789
IGT	INTERNATIONAL GAME TECHNOLOGY SHS USD	G4863A108	1.91%	298,746
BET AU	BETMAKERS TECHNOLO	BJDXBQ1	1.19%	5,424,699
BETCO SS	BETTER COLLECTIVE	BFYR3S0	1.11%	111,047
NLAB SS	ENLABS AB	B15QQH8	0.76%	284,140
SCR CN	SCORE MEDIA AND GAMING INC	BJBY4Z6	0.62%	1,522,284
ACX GR	BET-AT-HOME.COM	B05GS53	0.60%	21,172
ASPIRE SS	ASPIRE GLOBAL PLC	BF1YCK9	0.32%	109,890
GMR LN	GAMING REALMS PLC	BBHXD54	0.30%	1,568,915
SCOUT SS	SCOUT GAMING GROUP	BF1PMV3	0.17%	41,152
GIG NO	GAMING INNOVATION	BHNZKX3	0.16%	260,685
Cash&Other		Cash&Other	0.07%	

As GIG moves 100 % to Stockholm and improves liquidity in the stock and show stable positive results, we see a clear path to a much higher weighting in the ETF. This could result in the ETF buying 1-3 % of the total market value.

Synergies between segments

We would not be surprised to see GIG at some point either selling one of the two segments or do a spin-off of one of them. Management and the board have shown the willingness to do what it takes to create shareholder value and there is no one in the boardroom left with sentimental feelings about particular structures.

There is a lot of synergies between the two segments. One of the main ones is that GIG Media can send traffic to operators on the platform where GIG also gets a revenue share. But the Media know-how is also a strategically important part for GIG in winning platform deals. This is something that competitors like GAN, Oryx, and Playtech do not have (or at least only on an extremely limited scale).

Remember who the target customers for GIG are. Land-based retail casinos moving online. It's not enough just to move online, you need to understand how you attract customers, how you retain them, how you run campaigns, etc. Most land-based casinos are not scaled for this nor have the know-how to do it.

GIG, therefore, offers Media managed services where they help running the marketing budgets, SEO campaigns, and Paid initiatives.

One extreme example is New Zealand's largest land-based casino chain Sky City Entertainment. It is our understanding that Sky City only have 1-2 people employed working on their online part. Everything else is outsourced to GIG. GIG runs the platform service, managed services (customer support, reporting, compliance), Media campaigns, and the Media budget.

It takes both time and scale for land-based casinos to launch an online casino and be ready to handle everything in-house. That GIG is able to help operators bridge that gap and earn money on it is a big advantage.

With that said we think there is a real chance that the board at some point takes some strategic initiatives to unlock value (if the market doesn't start to appreciate GIG more). Market valuations for high growth, high margins SAAS companies like GIG Core is extremely high at the moment. While market valuations are still somehow depressed on affiliate/media companies, GIG currently trades at a discount to other Affiliates and you are getting Core and Sports for free on top. This huge valuation gap between GIG and listed competitors will be unlocked in some way or the other over the coming time.

Valuation:

We think there are two options when you value GIG. Either value the segments separately or use a DCF and or P/E methodology.

What is the long-term margin for a B2B iGaming provider?

Over the last 4 quarters, GIG has improved its EBITDA margins from 10 % to 21 % in Q3 2020. The current guidance for Q4 2020 indicates around 30 % EBITDA margins in Q4. What is the long-term margin potential for GIG?

	EBITDA Margins
GAN Plc	30%
Bragg Gaming	44%
Scientific Games	34%
Kambi Plc	40%
Evolution Gaming	65%
Netent	59%
Catena Media	50%
Better Collective	44%
Average	**46%**

Above we have shown a list of the EBITDA margins of listed competitors. We think both Kambi and GAN will be able to improve those margins a lot pushing the average to around 50 % for competitors.

In our model, we use a peak margin of 40 % in 2022. This can seem low compared to the close to 50 % for competitors and +30 % for GIG in Q4 2020. But we would rather be on the low side here as GIG does some managed services that have structurally lower margins as well as the paid channels in Media that also have lower margins.

Sum of the parts

(a side note: We hate SOTP methodologies in companies with loss-making segments – but that is not the case here).

As we discussed before we think the best way to value GIG is to use comparable companies. As illustrated before we use 8x EBITDA for affiliation (a discount to BETCO and CTM) and 6x revenue for SAAS (discount to GAN/BRAGG)

We can then summarize it this way:

	2020	2021	2022
GIG Media	34,6	40	42
GIG Core	18,5	30	40
GIG Sport	0,6	1,2	4
Total revenue	**53,7**	**71,2**	**86**
EBITDA	**11**	**25**	**35**
Adj. EBITDA	16	25	35
EBITDA margin	20,5%	35,1%	40,7%
Adj. EBITDA margin	29,8%	35,1%	40,7%
Platform + Sport multiple (rev)	6	6	6
Media multiple (EBITDA)	8	8	8
GIG Media valuation	138	160	168
Core+Sport valuation	115	187	264
Total valuation	**253**	**347**	**432**
NIBD	-29	-14	14
Net valuation	**224**	**333**	**446**
EUR/NOK	10,9	10,9	10,9
NOK Valuation	2.442	3.632	4.861
Per share	**27,1**	**40,4**	**54,0**
Upside to current price	**262%**	**438%**	**620%**

Based on current year estimates (the companies own guidance) and using discounted comparable multiples GIG should be worth around 27 NOK per share. This implies an upside to the current share price of 262 %.

As we (and the company) predict huge growth in the platform segment in the coming years the valuation will be lifted to 40-54 NOK per share or a 438-620 % upside to the current share price in 2 years.

Free cash flow multiple

Instead of using comparable companies as a benchmark for a valuation, we can also use a simple FCF based approach:

	2020	2021	2022
EBITDA	16	25	35
Capex	-5	-5	-6
Interest expense	-5	-4	-2
Lease payments	-1	-1	-1
Tax payments	0	-1	-2
Free Cash flow	**5**	**14**	**24**
Current FCF multiple	**12,2**	**4,4**	**2,5**
Fair FCF multiple	25	20	18
Per share valuation	**15,1**	**33,9**	**52,3**
Upside to current prive	**102%**	**352%**	**598%**

Here we can see that GIG will be able to increase FCF material as they increase EBITDA and lower interest expenses as they pay down debt and refinance later on. The valuation drops to only 4,4 x FCF in 2021 and only 2,5 x on 2022 numbers. Implying an FCF multiple of 25 x this year dropping to a sustainable 18 x in 2022 will yield a fair value between 15 – 52 NOK per share or 100-600 % upside over the coming 2 years.

The last solution is to use a DCF model. We run such a model for all our companies. **Our model for GIG implies a 40 NOK per share fair value target. That would imply a 437 % upside from the current stock price today.**