



ERIK PENSER BANK

Penser Access | Media Conglomerates | Sweden | 8 March 2021

EverySPORT

The value of the parts exceeds the sum

A digital media group

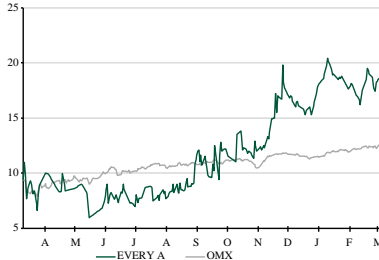
EverySPORT Media Group (ESMG) is a niche media group with a focus on sports. The company differs from its competitors in that the cost base is not linked to print media or TV rights. By being agile, it has succeeded in building a platform that makes it a leading news channel in niche sports like padel and floorball. It also owns a database that acts as a social network for the world's ice hockey players.

The underlying parts are worth more than the current price

We believe the current share price fails to reflect the potential we see in the three revenue streams. We estimate that ESGM will be able to expand vigorously in the next two years as a result of the number of major sporting events and a high growth rate among users of the Elite Prospects ice hockey platform. The company has strong cash flow which means we don't rule out acquisitions.

Growth in recurring revenue means that we see potential

We see a fair value in the range of SEK 28-30 for ESGM. We believe that the main driving forces in the company are continued expansion of recurring revenues from Elite Prospects and subscriptions. We assess that the current share price levels do not reflect the high proportion of recurring revenue in the company that will form the basis for future growth.

Estimate Changes (SEK)				Estimates (SEK)					Risk and Potential	
	Now	Before			20	21e	22e	23e	Motivated value	28.00 - 30.00
EPS, adj 21e	1.98	1.98	0.0%	Sales,m	82	113	130	144	Current price	SEK19.80
EPS, adj 22e	2.85	2.85	0.0%	Sales Growth	(8.7)%	37.7%	14.7%	10.4%	Risk level	Medium
EPS, adj 23e	3.48	3.48	0.0%	EBITDA, m	4.7	15.2	20.9	24.2	<div>One Year Performance Chart</div> 	
<div>Calendar Events</div>				EBIT, m	0.7	11.9	16.9	20.6		
				EPS, adj	0.13	1.98	2.85	3.48		
				EPS Growth	(91.6)%	1,426.8%	44.2%	22.2%		
				Equity/Share	5.0	6.9	9.8	13.3		
				Dividend	0.00	0.00	0.00	0.00		
<div>Key Figures (mkr)</div>				EBIT Marginal	0.9%	10.3%	12.8%	14.1%	<div>Analysts</div>	
				ROE (%)	2.6%	33.2%	34.1%	30.2%		
				ROCE	2.2%	28.4%	32.0%	30.6%		
				EV/Sales	1.04x	0.75x	0.66x	0.59x		
				EV/EBITDA	18.3x	5.6x	4.1x	3.5x		
Delårsrapport Q1 2021	2021-05-11			EV/EBIT	115.6x	7.2x	5.0x	4.1x	<div>rikard.engberg@penser.se</div>	
<div>Key Figures (mkr)</div>				P/E, adj	153.0x	10.0x	7.0x	5.7x		
				P/Equity	4.0x	2.9x	2.0x	1.5x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	8.5%	5.2%	13.7%	17.0%		
				Net Debt/EBITDA	(1.0)g	(0.6)g	(1.0)g	(1.5)g		



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Overview

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Investment Case

EverySport Media Group (ESMG) is a Swedish media group with a focus on sports. The company differs from traditional Swedish media groups as it is entirely digital and has built up a number of strong brands and assets in niche media focused on sports. In addition to being a traditional media group, ESGM owns a world-leading ice hockey database, called Elite Prospects, that functions as a social network for players. We assess that the value of Elite Prospects and the company's high recurring revenue stream are not reflected in the share price, and we see a fair value of SEK 28-30.

Company Profile

ESMG owns and operates a number of niche sports websites. These focus on specific sports or fans of specific teams. The websites follow a macro trend in the media landscape of new digital media groups occupying a space that traditional media like newspapers and TV have exited for cost reasons. One example of this is that ESGM owns Sweden's largest floorball site, a sport that finds little space in traditional media. By controlling a flexible platform, ESGM can find new niches to establish itself in. In Q3, for example, it set up Sweden's first dedicated news website for the fast-growing sport of padle. The company also owns a world-leading database (Elite Prospects) for ice hockey players that functions as a social network in the sport.

Another interesting aspect of ESGM is that it has come some way on its journey from being free and using advertising revenue as its main income stream, to relying on paying users. We anticipate that an increasing share of advertising spend will go to platform companies like Google and Facebook, making it difficult for smaller players to make a living from advertising. By being relatively digital and new, ESGM does not have the same legacy of advertising-heavy revenue as established media groups.

By owning Elite Prospects and having a high proportion of subscribers on its websites, the company has succeeded in building up a relatively high recurring revenue base that we believe is not reflected in the valuation of the company. At present, it is valued at a cash flow yield just under 10% for the coming years. We believe this cash flow could be used to grow through acquisitions.

Valuation approach

We have chosen three different methods for valuing ESGM: a relative valuation, a discounted cash flow analysis and a sum of the parts valuation. All three of these indicate a significant upside compared to today's share price levels. We estimate that the share could reach our fair value of SEK 28-30 given the three conditions below.

- Prove the scalability of its media platform by launching more niche sites and growing with existing editorial resources.
- Reduce the share of volatile advertising revenue in B2B. We anticipate that a large part of the advertising market will be gobbled up by platform companies such as Google and Facebook. If ESGM is able to show that it can reduce its dependence on the volatile advertising market, we see reasons for a significant appreciation.
- Continued high growth in Elite Prospects. We see Elite Prospects as an important value driver in the coming years, given the strong expansion and the high gross margin for the service.



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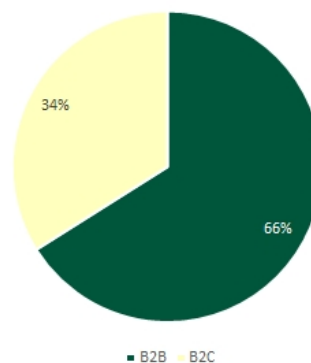
Target Price

We see a fair value of SEK 28-30. See reasoning above. We consider the risk to be relatively low given the company's strong financial position and high degree of recurring revenue.

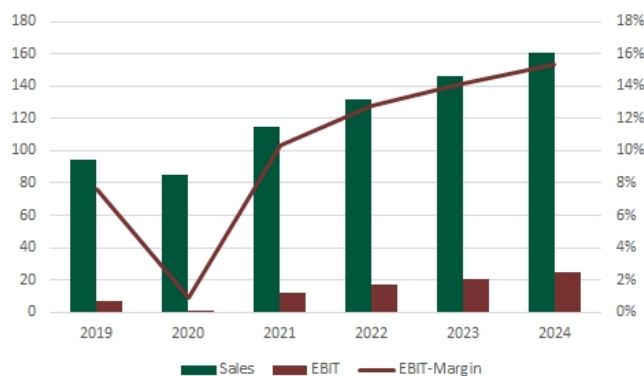
Company facts

Largest shareholders	Shares
Menmo2 AB	27.7%
Nordic Growth Capital AB	21.1%
Paul Fischbein	5.4%
Nordnet Pensionsförsäkring	5.2%
Övriga	68.9%
Chairman of the board	Paul Fischbein
CEO	Hannes Andersson
CFO	Alexander Rödström
IR	Alexander Rödström

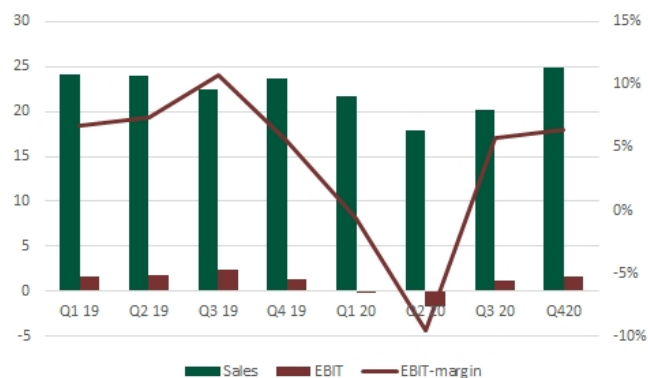
Operating segments 2020



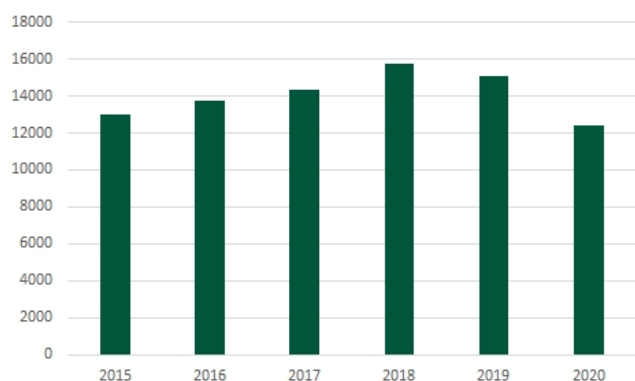
Sales and EBIT



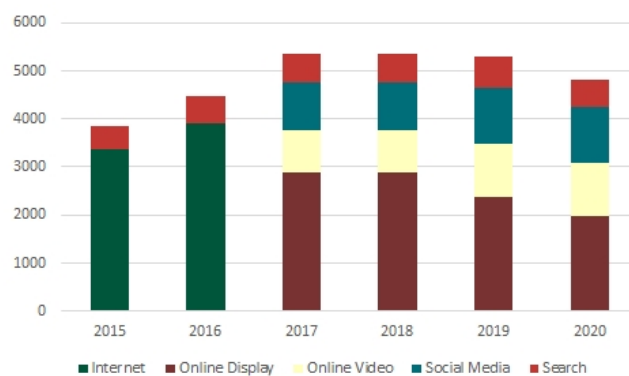
Sales and EBIT



Adspend in Sweden, SEKm



Digital adspend in Sweden, SEKm



Introduction

Everysport Media Group (ESMG) is a Swedish niche media group with a focus on sports, and operates a number of websites in various niches. The company is the result of a number of acquisitions. Below is a timeline for the company since it was founded. In 2014, the Svenska Fans platform was acquired by Stampen Sports Media. The next major corporate event was in 2015 when the then holding company Traveas, which bought Svenska Fans, acquired/merged with Everysport and formed ESGM. In 2016, Daytime Media House was acquired, where the company's assets in iGaming are held. Over the past two years, the company has carried out restructuring work to integrate the acquisitions.



Business model

The main revenue driver for ESMG is to produce content about sports and games. Content on the websites drives visitors to the pages, and visitors drive advertising purchases. ESMG has two main sources of revenue: subscription revenues and non-recurring revenues from consumers (B2C); and B2B revenues that consist of advertising, with the company selling sports data or straight-up content to other providers.

B2C

Subscription revenue

ESMG charges a monthly fee of SEK 49 for its individual sites, or a package price of SEK 99 per month for all Swedish sites on the same platform.

The company's flagship, Eliteprospects.com, charges SEK 90 per month for a partnership. We believe that the company will focus its operations in the coming years on increasing the number of active subscribers through gradual product development and increased transition to paywalls on its assets.

We estimate that about a third of the company's revenue comes from subscriptions. These revenues have a relatively high margin and are scalable. In our estimates, we assume high growth from this revenue stream.

B2B

Advertising revenue

In addition to subscription revenue, ESMG sells ads. We assess that advertising revenue is driven by two factors: the number of visitors to a website, and the willingness to pay and the ability to target ads.

Pricing of advertising space is not a linear function of the number of visitors to a website, but a function of a number of factors, and information about the visitors is key. By having registered customers, a website becomes more attractive to adspend. We estimate, for example, that ice skate manufacturer CCM would be more willing to pay to advertise premium products on an ice hockey site than on newspaper site Aftonbladet.se, even though the newspaper site would reach more readers.

We estimate that advertising sales account for about a third of ESMG's revenues. We believe this share will decrease going forward as other revenue streams will grow more rapidly and because the advertising market is cyclical.

Content

ESMG publishes editorial content that is relatively scalable and that can be resold to others. This is part of the company's B2B operations and is estimated to account for about a third of revenues. An example of data that the company resells is the results data it collects through its Everysport site. We believe this revenue stream is relatively scalable since the platform the company has built to produce editorial content is flexible. One example of selling content is a recently concluded strategic agreement with Norsk Rikstoto to supply betting tips and editorial content for the Swedish and Norwegian markets.

The biggest division in ESMG's operations is ESMG Media, which focuses on running niche sports websites. Below is a review of some of the company's more significant websites, all of which are based on the same platform.

Niche sports sites

FotbollDirekt is a Swedish sports site with a focus on Swedish professional football. The site applies a freemium model, which is a blend of free content and premium content behind a paywall. This site is part of the same network as all the sites below. During the past 6 months, it has had about 250,000 visitors a month. The traffic peaked in August when the Allsvenskan and Superettan leagues were neck and neck. There are around 600,000 registered football players in Sweden.

Hockeysverige is a Swedish website that specialises in ice hockey. In addition to covering the two highest divisions in Swedish hockey (SHL and HockeyAllsvenskan), the website also features editorial content on the NHL and women's ice hockey. We believe this site is well suited for targeted advertising to hockey enthusiasts, a group we consider to be capital strong. The website has had about 500,000 visits a month over the past 6 months, and has a different seasonal pattern than Fotbolldirekt since the Swedish ice hockey and football seasons run during different parts of the year. There are about 200,000 ice hockey players in Sweden.

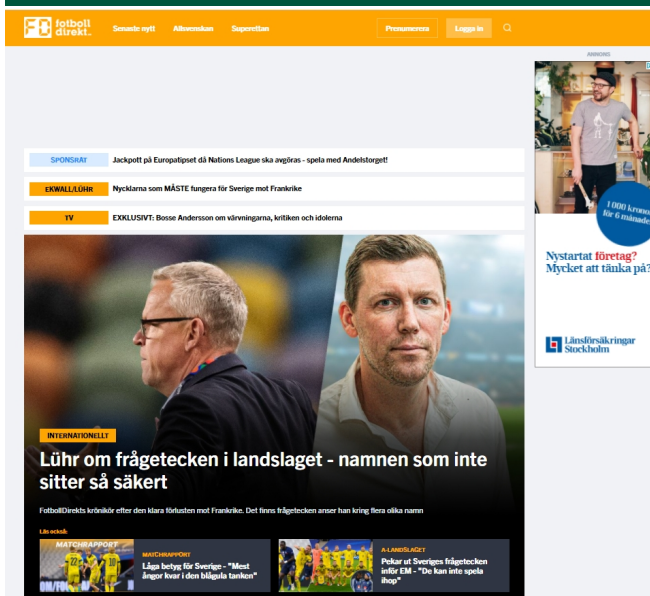
Innebandymagazinet is a niche website with a focus on floorball. The website has had about 75,000 visitors a month over the past six months. We believe the site has a stable readership since floorball has been ignored by the major sports newsrooms. Floorball has about 125,000 registered players in Sweden.

On the same platform as the services above, ESMG has built Sweden's only niche site for the fast-growing sport of padel.

Hockeydirekt



Fotbolldirekt



Innebandymagazinet



Padeldirekt



Communities

In addition to the sites above, ESMG runs two communities, Svenska Fans and Elite Prospects.

Svenska Fans is a community that specialises in football. The website includes sections for the major international leagues plus a smaller ice hockey section. The site has about 200,000 members and a large number of the articles are published by active members rather than by staff at ESMG. This means good margins on the advertising revenues for ESMG. We believe there is great development potential in the site as it has a large number of members, but with low revenue per visitor.

Elite Prospects is a database for professional and semi-professional ice hockey players. The website enables a player/agent to create a free profile similar to a LinkedIn profile. For about SEK 100 a month, they can then monitor the interest in their profile. We consider this to be ESMG's most interesting asset as the number of payers grew from 4,000 to around 8,000 in Q4.

Elite Prospects

1. Brady Shaw 15 9 10 19
2. Mathias Bau Hansen 14 6 12 18
3. Kirill Kabanov 15 7 10 17
4. Marcus Olsson 14 6 10 16
5. Mattias Persson 14 4 12 16

CONFIRMED TRANSFERS

DATE	PLAYER	FROM	TO	SOURCE
2020-11-18	Juha Ahopelto (G) Loan	SaPKo	KauPa HT	
2020-11-18	Mathias Franzén (F) Loan	Djurgårdens IF 20	Segelçorps IF	
2020-11-18	Jacobi Olofsson (F)	Skellefteå AIK	Timrå IK	
2020-11-18	Justin Lemche (D)	Univ. of Guelph	HK Dukla Trenčín	
2020-11-18	Brandon Alderson (F) Loan	BK Mladá Boleslav	HK Dukla Trenčín	
2020-11-18	Hunter Sansbury (D)	Salmon Arm Silverbacks	Sacred Heart Univ.	
2020-11-17	Cole Uily (F)	Hershey Bears	South Carolina Stingrays	
2020-11-17	Alex Stokkestad (F) Loan	BIK Karlskoga	Lindlövens IF	
2020-11-17	Zach Sullivan (D)	Manchester Storm	Milton Keynes Lightning	
2020-11-17	Beck Warm (G)	Edmonton Oil Kings	Chicago Wolves	
2020-11-17	Daniel Gustafson (G)	No team	Winterthur	
2020-11-17	Mitch Callahan (F)	Augsburger Panther	Radvone Mighty Bulls	
2020-11-17	Elias Lilander (D)	Pelicans	Kiekko-Vantaa	

Swedbank
Har du beställt fyra hjullastare fast du jobbar som frisor?

Svenska Fans

Integritet: 372 (total medlemmar: 191274)

SvenskaFans.com

Värst av allt var att kampglöden inte syntes
P. Brynäs är ännu under sen

Medlem
E-post
Lösenord
Kom ihåg mig

START Fotboll: SVERIGE | ENGLAND | ITALIEN | SPANJEN | TYSKLAND | EUROPA | VÄRLDEN | Ishockey: SVERIGE | NHL | Bandy: SVERIGE | Övrigt: US SPORTS | FORUM

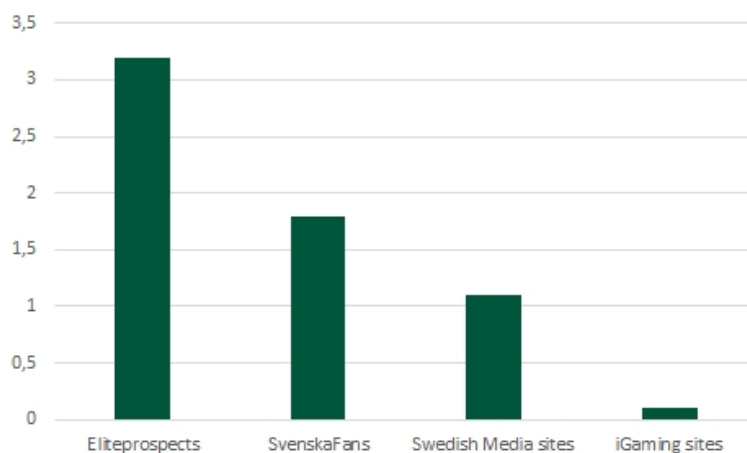
HESTA ARTIKLAR
18-12 (Tyskland - öst) - Läst 272 ggr
Brasilien fortsätter övertaga - vann rivalmötet
18-12 (Liverpool - öst) - Läst 291 ggr
Hur ser framtiden ut för Kuba?
18-12 (England - öst) - Läst 191 ggr
"Bara början på en framgångssaga" - Kevin Ståhlberg om Werners första tid i Chelsea
18-12 (NBA - öst) - Läst 42 ggr
Morgonmyx med NBA-Pöden

Annons
Swedbank
Har du köpt 30 plyschsoffor fast du är minimalist?

"Bara början på en framgångssaga"
PREMIER LEAGUE Kevin Ståhlberg ger sin syn på Timo Werners första tid i Chelsea

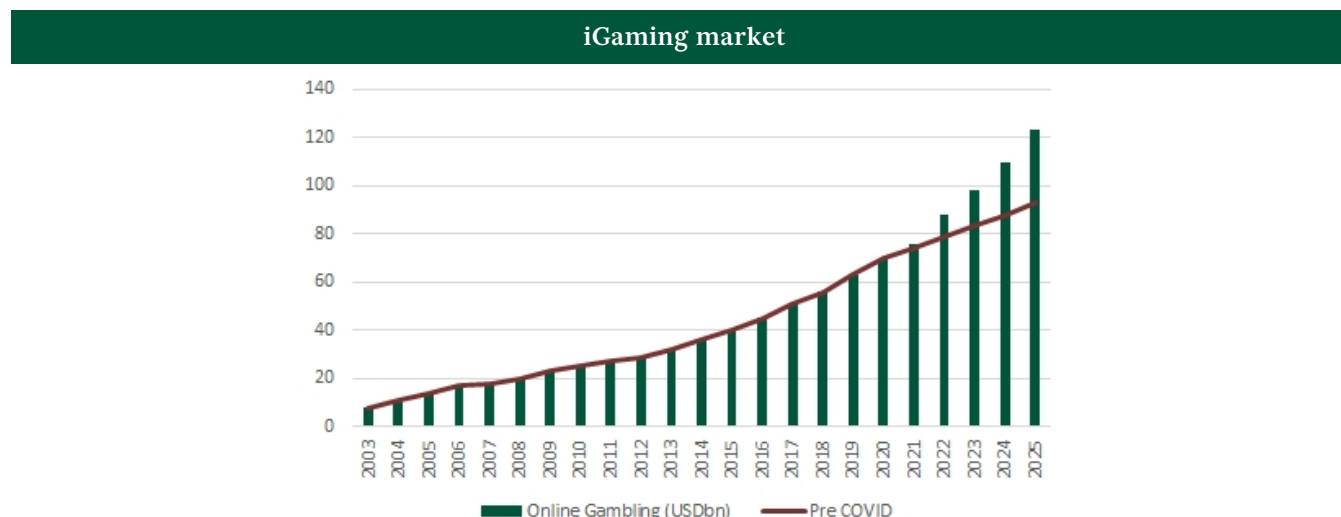
Sammanfattningsvis ser vi att bolagets mediatillgångar står sig starka med över 1 miljon unika besökare i månaden för både Svenska Fans och Swedish Media sites. Vi tror dessa två kommer att se starka annonsinflöden för både 2021 och 2022 då bägge åren är mästerskapsår i fotboll. Elite Prospects sticker ut med över 3 miljoner unika besökare. Vi bedömer att igaming-intäkterna inte drivs av unika besökare och vi lägger därför ingen större vikt vid att de endast har ca 100 000 unika besökare i månaden.

Unique visitors per month, millions



Igaming

ESMG operates a number of iGaming sites. We estimate that these account for about a third of sales. These are not betting sites per se, and are more like affiliates that drive traffic to betting companies. These websites function as a community where the focus is to increase the betting with one of the gambling companies. We estimate that online gambling will grow strongly as a result of Covid-19.



Travtjänsten is a website that specialises in harness racing. The editorial team consists of about ten employees and delivers daily tips for the various races in Sweden. ESGM receives a revenue per game sold. The products are released almost daily and the price varies between SEK 60 and SEK 120 for one game. We estimate that this business generates approximately SEK 15 million annually. Over the past year, ESGM has expanded its operations in this division by becoming a digital agent for ATG and Svenska Spel. This has generated revenues of approximately SEK 5 million annually.

We believe that ESGM will be able to scale up the platform it has built to other markets, such as Norway where it has acquired a harness racing magazine that has been digitalised and whose revenue model has been changed to sell games rather than advertisements.

ESMG has recently made a major acquisition in the Norwegian market of media group Trav og Galopp-Nytt AS (TGN), the largest provider of harness racing news in Norway.

In addition to Trav Og Galopp-Nytt magazine, the company owns Hesteportalen.no, Hest.no and Hunden.no, three online stores specialising in canine and equestrian sports. The purchase price amounted to NOK 4 million. The company has sales of approximately NOK 20 million and an operating profit of around NOK 0.1 million.

In addition to the above link to harness racing, ESGM is seeing intense demand for editorial content from the large Swedish betting companies, with a high proportion of earnings from sports betting. The reason for this is that editorial content is not covered by the same regulations as traditional gambling advertising, and has proven to be a relatively effective marketing investment. An example of this is that the company in 2019 signed a strategic agreement with the Swedish affiliate company Game Lounge to provide editorial content on its websites, which in turn drives traffic to Swedish betting companies.

Another potential value creator for the company is that it owns and produces a lot of sports data. Sports data is used, among other things, for betting companies to better determine odds. Teams and scouts are also interested in buying sports data, which makes this a potential growth area. We estimate that the company has about 80 customers in this area and that sales amounted to about SEK 10 million in 2020.

VÄLKOMMEN TILL TRAVTJÄNSTEN

Speltips till bLa, V75, V86 och Dagens Dubbel. Trav är bäst live. Vi är på plats på travbanorna och levererar tips och värningar till de stora streckspelet.

Bloggen

Just nu

Eftersnack-V75 läser du i bloggen!

"Podden"

Just nu

Miss inte vår podcast - varje måndag!

Drivers/market analysis

Analysis of the media landscape

We estimate that future growth will be driven by B2C revenues. This is because we have observed a clear pattern in the media world towards a large part of adspend being directed to Facebook, Google and similar companies. However, we have noted a number of media trends that favour ESMG:

A transition from print to digital media: We believe that ESMG has an advantage compared to many traditional media groups as it lacks a historical cost base linked to print media. By being completely digital, you increase scalability and keep costs down. We also believe that the technical platform on which the company's sites are based is scalable, as we saw when Padeldirekt was set up.

The emergence of niche sports media groups: We have observed that there is a large space to fill in the sports media market. This is because traditional media are tending to exit the niche parts of sports. This has given rise to a number of niche media groups in sports, some of which are described below:

- **The Athletic:** An American media group focusing on American sports (NHL, NBA, NFL and MLS) and Premier League reporting. In 2020, it bought British media company Muddy Knees Media (MKM), which ran a number of major football podcasts. MKM produced a lot of content for other media groups, such as Eurosport and the BBC.
- **The Ringer:** Acquired by Spotify in 2020. Focuses on news and podcasts in the NBA, NFL and popular culture.
- **Barstool Entertainment:** A media group focusing on American sports. The company is run and partly owned by media celebrity Dave Portnoy. American betting company Penn National bought 36% of the company in 2020 at a valuation equivalent to USD 450 million.

Transition from advertising revenue to paid media: We believe there will be an increased willingness among sports media consumers to pay. This is because the majority of large media groups, like The Times, have placed their sports news behind a paywall. Swedish sites like Sportbladet have also begun to lock in their more in-depth sports journalism. We believe this is for two reasons: reduced advertising revenue in general, and that pure results data is available free of charge, which means that the willingness to pay for pure data is low.

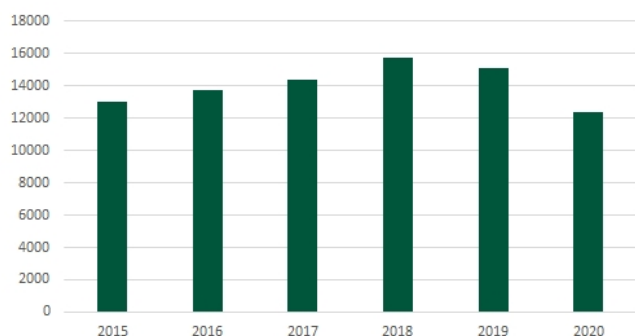
ESMG is working with paywalls/subscription options on many of its sites. We estimate, given the change in the advertising landscape discussed above, that paywalls will eventually become the major source of revenue for the online media groups.

We assess that there has been a relatively large change in the media landscape in general, and in sports media in particular. In recent years, the number of niche media groups focusing on sports has increased. This has taken place as a reaction to the traditional media groups closing down or reducing their sports coverage. It has also become easier to start and run various forms of media activities, such as through podcasts.

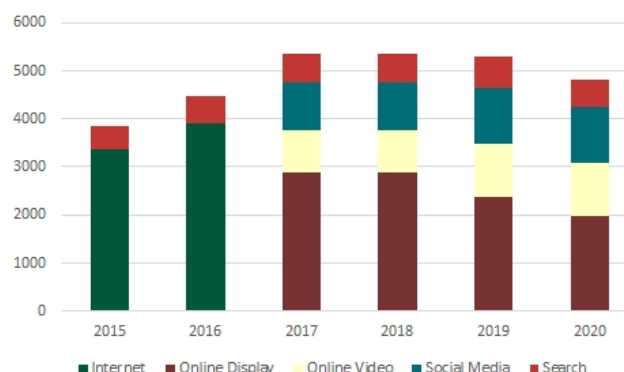
We believe that one of the main driving forces behind ESMG's B2B revenue is the general advertising market. This market is relatively cyclical, which was underlined by the y/y performance in 2020. However, we can see strong underlying trends that play into the hands of ESMG.

Driving forces for the betting business: We believe that continued restrictions on "pure" gambling advertising will mean that betting companies like Unibet will use more editorial content to market their services.

Totala annonsmarknaden



Digital adspend in Sweden, SEKm



The advertising market as a whole, just as the data shows, is fairly sensitive to economic fluctuations, but advertisements in certain specific areas show continued strong growth. We believe that the trends we are now seeing, with increased online advertising, will benefit ESMG in the long run.

Online adspace sales fall into one of two main categories:

- **Traditional ads/placeholder sales:** The ad is a fixed product over a certain period of time on a website, known as a banner. The marketing process is similar to traditional media sales.
- **Auctions:** Adspace not sold as fixed banners is auctioned in real time. In this case, ad buyers may have very specific wishes. As the owner of the website, it is therefore important to have a lot of information about your visitors in order to be able to charge well.

The transition to digital auctions means that advertising prices in traditional media are falling sharply in favour of space on social media platforms.

We estimate that the advertising market will be able to recover in the coming years. However, we see a potential problem for ESMG, which is that betting companies have historically been an important ad buyer. The recently presented gambling inquiry means that betting companies will invest less in the Swedish market, which will lead to a reduction in advertising purchases.

In summary, we see five value drivers for ESMG that rhyme well with the trends we see in the media landscape:

- **Niche media** -> better targeted advertising
- **More registered users** -> improved ability to charge
- **Increased proportion of subscribers** -> higher margins
- **More visitors/users** -> more attractive for advertisers
- **Good platform scalability** -> increasing margins

At the same time, we see two potential threats to ESMG in the new media landscape:

- **Social media channels gobble up more advertising and content space:** We believe that social media is a competitor in both advertising purchases and screen time for consumers. For example, a popular Twitter account can be a competitor to a niche sports site.
- **Increased demand for video:** We believe that video will take up a larger share of the media space. Video is more expensive to produce than text and could thus squeeze ESMG's margins.

A driver in the longer term is that the company succeeds in building a strong user base in the United States through Elite Prospects. The US sports betting market is opening up and we believe that media channels such as Elite Prospects

will play a key role as marketing platforms. An example of this is Barstool Sports, which is partly owned by US company Penn National (a casino operator).

Competitive analysis

ESMG operates in a market where there is a lot of competition due to low entry barriers and low substitute costs. We assess that the company has three main types of competitor:

Swedish media groups: The Swedish media landscape is dominated by two large media groups and TV media. These have a clear legacy from printed newspapers. Below is a brief description of the four media groups and which media they control. We believe that ESGM has a competitive advantage in niche sports.

- **Schibstedt:** A Norwegian media group that controls Aftonbladet/Sportbladet and Svenska Dagbladet. Aftonbladet.se, which includes Sportbladet, is Sweden's fifth most visited website. Aftonbladet.se has about 75-77 million monthly visitors. SvD does not have its own sports page on the internet.
- **Bonnier:** A Swedish media group that controls Expressen. Expressen.se is slightly smaller than Aftonbladet.
- **TV4 Media:** TV4 operates one of Sweden's largest websites focusing on football, Fotbollskanalen.se. TV4 Media is owned by Telia. A major competitive advantage for TV4 is that it owns sports rights, which enables more streamed content on the website.
- **SVT:** SVT runs the SVT.se/sport website. The website has certain sports rights and is included because it is a public service and is completely ad-free.

Foreign media groups: We assess that foreign media groups such as The Guardian and The Times are taking market shares in Sweden in the form of readers. This is for two reasons:

- Swedes' good knowledge of English
- More comprehensive and better content. We consider the main competitor in sports media to be The Guardian. This newspaper is owned by a non-profit foundation and has no paywall. We believe that the quality of columns and reporting in The Guardian and its competitor The Times is significantly higher than in Swedish counterparts, particularly for English football.

Substitutes: We assess that ESGM competes for screen time with, for example, mobile games and other activities.

The area where ESGM has the least competition is for its Eliteprospects.com product. We see no direct competitor, but rather substitutes in the form of data from national hockey associations and the like. ESGM's strong market position explains the low churn rate for this product.

In other revenue areas, ESGM has a significantly tougher competitive situation than for Elite Prospects. However, we believe that ESGM's main competitive advantage is that it lacks traditional legacy operations, which the larger media houses have and which creates a significant cost base. Its relatively flexible platform gives ESGM a competitive edge. ESGM's technical platform means that new sites can be created quickly. The company's writers are also more adaptable than traditional journalists linked to newspapers, which means that content can be produced for third-parties like betting companies.

Estimates

We have chosen to divide up the revenues and make forecasts for three different streams. These three are Elite Prospects, other B2C business, and B2B business. This is because we judge that they have completely different driving forces. Elite Prospects is driven by the number of users, and B2B is driven by the number of visitors to the websites and the general advertising market. At present, we believe that Elite Prospects and the B2C business have the best growth potential.

Elite Prospects

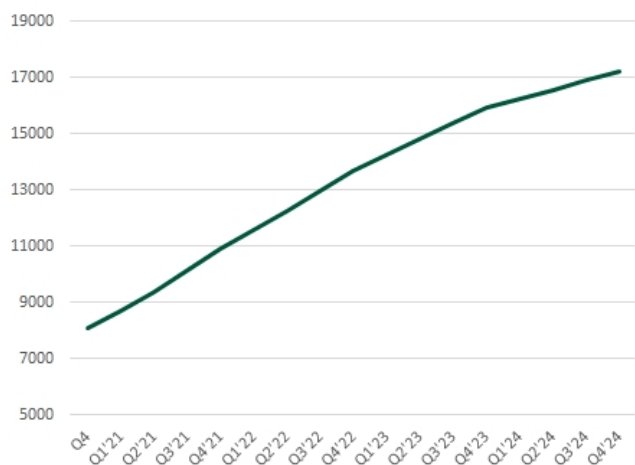
Elite Prospects has demonstrated strong growth since its inception. We think this is due to two factors:

- **Fills an important function for users:** We have not found a similar service among the competitors we investigated.
- **Modest pricing:** Given the annual fee of approximately SEK 1,080, we believe that few choose to cancel the service for cost reasons. The churn is therefore relatively low.

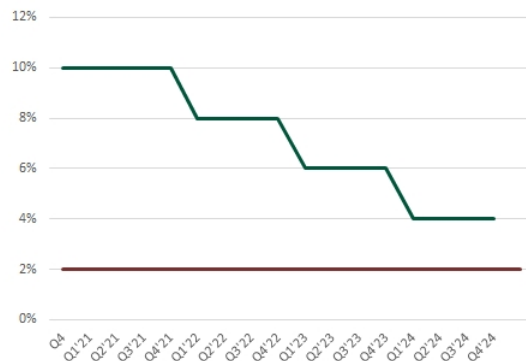
We estimate that the number of users will grow by about 10% q/q in 2021. This corresponds to an annual rate of about 46%. Below are two graphs, one showing the number of users and the other showing the growth rate q/q. The growth graph also shows our quarterly churn assumption, which corresponds to about 8% on an annual basis. We consider this to be a realistic but a somewhat low level for a B2C service. We believe there are three key factors for building a stable recurring revenue base:

- **New customers:** Improving its user numbers will be critical to Elite Prospects. We estimate that it could reach close to 20,000 accounts during our forecast period until 2024. This would correspond to about 5% of all registered senior players. In addition to players, we see fans as potential customers. Ice hockey is one of the sports that has the highest spending fans. Below is a graph that shows how many hockey fans there are and how much they spend on the sport.
- **Churn:** We estimate that there is a natural churn for this service as hockey players quit etc. We estimate this to be just under 10% annually.
- **ARPU:** We see limited prospects for price increases in the coming years for Elite Prospects. The exception would be if new versions are launched that specialise in groups such as scouts. If ESMG wants to accelerate growth, we believe that it can afford to reduce the monthly fee for Elite Prospects as the gross margin is high.

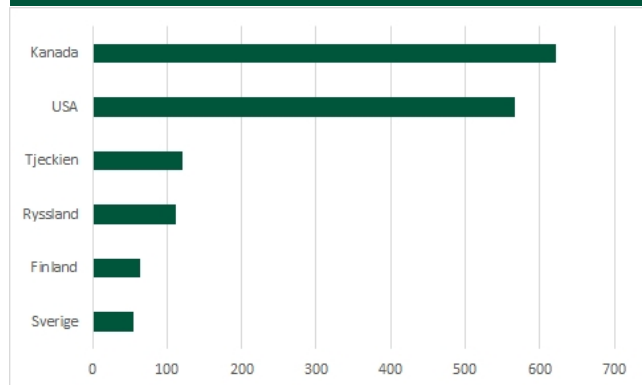
Number of users, Elite Prospects



Growth (q/q) and churn



Registered ice hockey players, thousands



Fans and revenues



In summary, we see strong potential growth in Elite Prospects. We estimate that this asset will account for a large part of future revenues and that the market is relatively unsaturated.

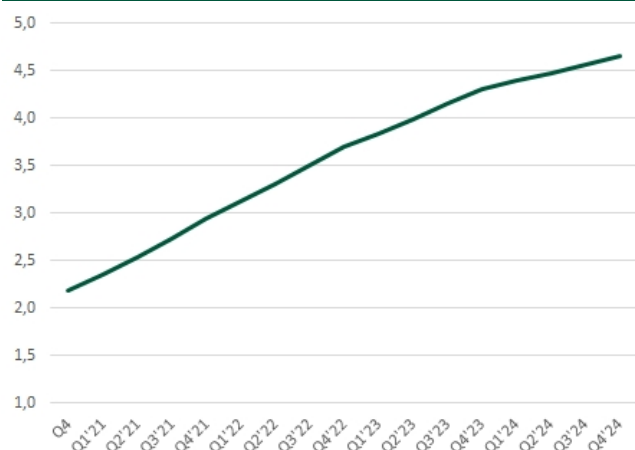
Other B2C business

We estimate that growth from other B2Cs will be less than the growth from Elite Prospects because this market is more competitive. However, we believe that the company should be able to increase its share of wallet with customers in the long run by channelling users between sites. One example is that anyone who has an account for Innebandymagazinet and becomes interested in gambling can be referred to one of the company's betting sites.

However, we estimate that H1 2021 will see strong growth due to easy comparative figures. We expect the B2C business grow by about 10% in the coming years. In 2023, however, we anticipate a temporary dip as this year does not have a major football championship. We believe that the competition in this area is tougher than for Elite Prospects. In summary, we envisage relatively strong revenue growth for both revenue streams in the B2C business, driven by the following aspects:

- **Increased proportion of paying users:** We estimate that ESMG will be able to continue to increase the proportion of paying users on its websites. This will be achieved by gradually increasing the proportion of content behind paywalls.
- **Broadening to new niches:** We see it as likely that ESMG will choose to open/acquire new niche media. For example, motorsport is an area where it could expand. However, the area where we see the most potential for ESMG is e-sports, where we feel that players are relatively mature in their degree of adaptation to digital media.

Sales, Elite Prospects (SEKm)

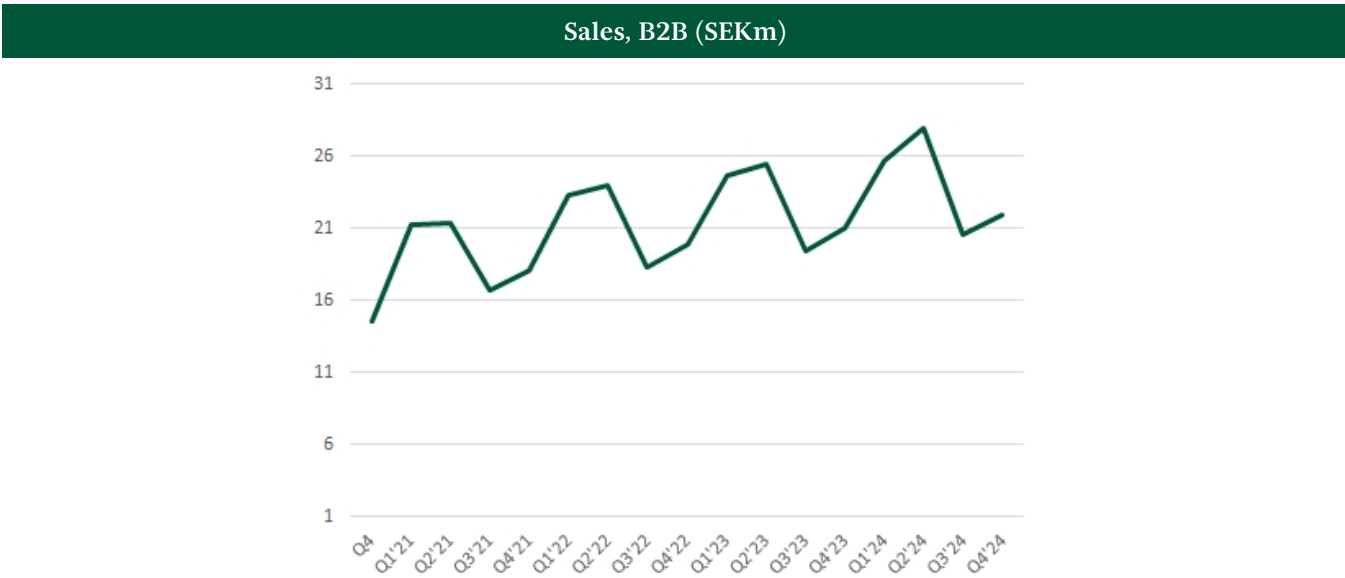


Total sales, B2C segment (SEKm)



B2B business

We see two driving forces for the B2B operations in the future: firstly, increased demand for content, and secondly the state of the advertising market. We estimate that ad growth can be expected next year as it is a championship year, a factor that increased advertising revenues by 10% between 2017 and 2018. However, we believe that ad sales are facing a certain structural decline as the large social media companies take advertising space from traditional media. Below is a graph of revenues from B2B operations and the growth rate.

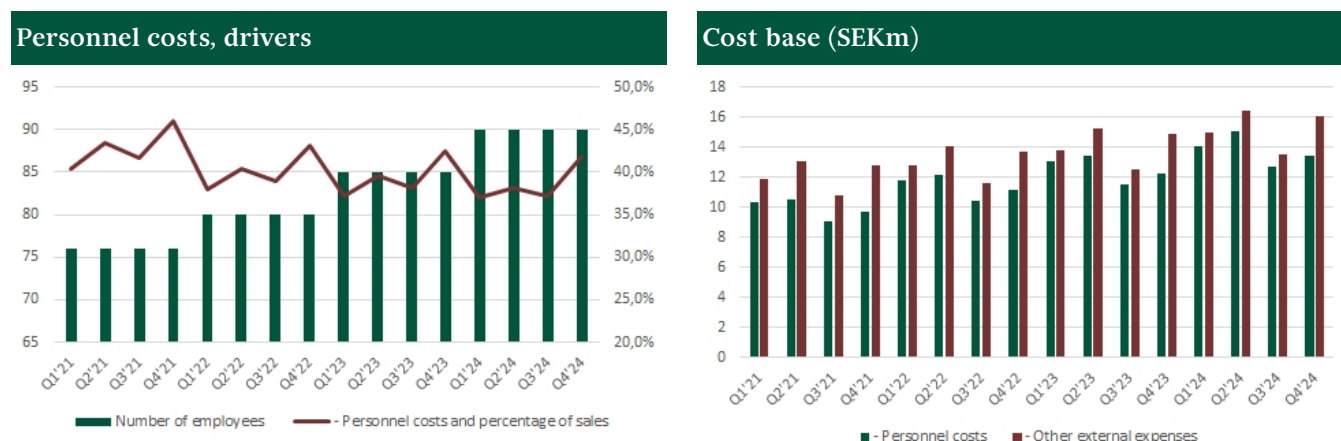


In summary, we estimate that CAGR for ESMG will be about 20% in the coming years. The main driving force for the company will be B2C revenue from Elite Prospects and other subscription revenue. ESMG will thus gain a higher share of recurring revenue over time.

Cost base

We estimate that the gross margin in the company will be relatively constant in the coming quarters and years. We expect depreciation and amortisation to be largely constant over our forecast period. Depreciation and amortisation may be increased if the company chooses to make acquisitions or capitalise development costs.

We assess that ESMG will have two main cost items in the future: personnel and other external costs. We believe that personnel costs will increase in line with sales and the number of employees. The company has recently made a number of key recruitments that are necessary for growth, but that temporarily increase the cost base. We assume that staff will then be added gradually.

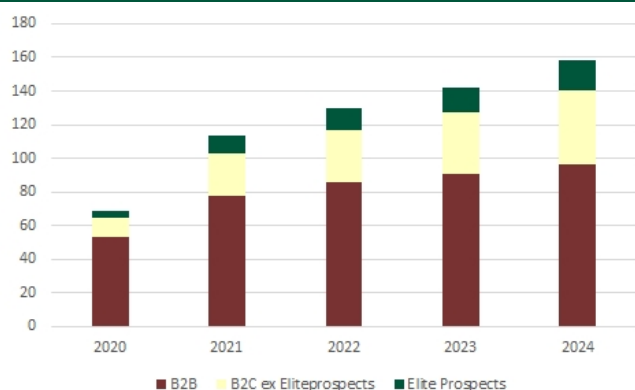


In summary, we envisage a strong growth journey for ESMG, mainly driven by three aspects:

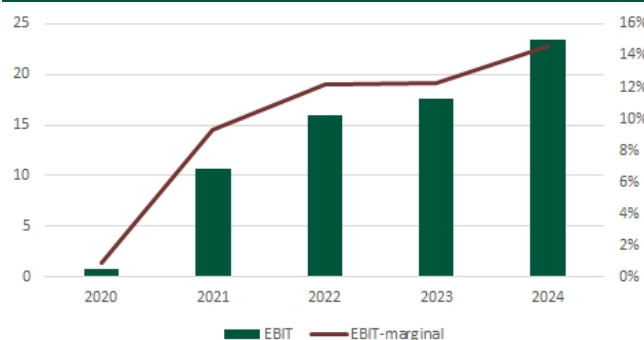
- **Elite Prospects** continues to show a high conversion rate among active ice hockey players and users in the hockey world. An example of this is leaders, fans and scouts. We believe that this is the area where growth will be strongest in the future.
- **Continued influx of paying users:** We believe that ESMG will be able to show a strong conversion of free users on its niche sports pages. This is because it has so far seen vigorous growth in this segment and is gradually putting more content behind paywalls.
- **Continued high demand for content among B2B customers:** we believe that amended regulations in the Swedish gambling market in combination with traditional media groups closing down editorial offices means that there is a demand for third-party content.

We believe that our estimates can be achieved despite the fact that the advertising market, which governs a large part of revenues, is volatile and difficult for the company to influence itself.

Segmentation



Operating profit(mkr)



We believe that the biggest challenge for ESMG is to show that it can once again reach the profitability it had before the pandemic. We think this is realistic given two aspects:

- **Increased income from Elite Prospects:** The margin from this service is significantly higher than from other sources of revenue as the gross margin is close to 100%.
- **Increased subscriber numbers:** We estimate that ESMG will be able to increase the share of revenue from B2C subscription services. These also have a higher margin than current operations.

- Discounted cash flow analysis (DCF)

- We assess that the two most relevant are the DCF valuation and the SOTP as it is difficult to find peers of the same size and with the same business as ESMG.

DCF

The rapid growth of recurring revenue and future margin expansion as a result of scalability and this increased recurring revenue means that we see a high fair value of SEK 27-30 from our discounted cash flow analysis. At present, the company trades at an implicit WACC of approximately 25%, which in our assessment is too high given that the company shows a positive cash flow and has a stable balance sheet.

Relative valuation

In order to value ESMG, we have chosen to compare the company with a number of European/American media groups. These still have a relatively high proportion of printed media, which means that profitability is somewhat lower.

Schibstedt: A Norwegian company that dominates both print and digital media in the Nordic region. For a more detailed description, please refer to the section on competition. In addition to media, the company has specialised in owning and operating digital marketplaces. This is the reason why the company trades at significantly higher multiples than the others.

News Corp: An American media conglomerate focusing on the Anglo-Saxon world that owns the TV networks FOX and Sky. In addition, the company controls newspapers such as The Sun and The Times.

Daily Mail & General Trust: The owner of many of the conservative English broadsheets and tabloids. The company has a relatively high proportion of paywalls on its websites. In addition to newspapers, it has a comparatively high share of revenue from B2B operations.

New York Times: A classic American newspaper publisher that has succeeded quite well in the transformation from printed to online content behind a paywall. We believe the NYT has shown that it is possible to move from a traditional newspaper publisher to a digital platform.

Reach: A British newspaper publisher focusing on tabloids. The company has not progressed as far in its digital transition as the New York Times.

We have chosen to not include “pure” cable/streaming companies like NetEnt, Sky and Comcast. This is because we judge that these have a completely different CAPEX profile as they have to buy sports rights and the like.

Peers																					
	Kurs	MV	EV/Sales (just.)			EV/EBITDA (just.)			EV/EBIT (just.)			P/E (just.)			Dir.avk.	EBIT-marg.				Kursutveckling	
	(lokal)	(mdkr)	21e	22e	23e	21e	22e	23e	21e	22e	23e	21e	22e	23e	22e	21e	22e	23e	1mån	6mån	
Mediebolag																					
Schibstedt	323,6	NOK	81	6,1	5,7	5,4	32,5	27,5	24,3	45,5	33,3	25,7	27,9	22,8	17,5	0,6%	12,5%	15,4%	23,3%	10%	-5%
News Corp	3,6	USD	122	1,5	1,4	1,3	10,7	9,4	8,5	22,9	18,0	15,3	n/a	n/a	n/a	5,6%	6,7%	8,1%	8,9%	13%	57%
Reach plc	2,1	GBP	8	1,0	1,0	1,0	3,8	3,6	3,4	4,5	4,2	3,8	6,1	6,0	5,8	3,6%	23,4%	23,7%	25,3%	-6%	248%
Daily Mail Trust	9,1	GBP	23	1,3	1,3	1,2	10,9	9,1	7,4	16,2	12,7	11,0	37,9	28,6	23,9	2,8%	8,2%	10,1%	11,2%	18%	42%
New York Times	14,4	USD	72	4,1	3,8	3,5	29,9	23,6	20,1	35,7	27,5	25,0	n/a	n/a	n/a	2,0%	11,9%	13,9%	14,2%	0%	17%
Medel				2,8	2,6	2,5	17,6	14,6	12,7	25,0	19,2	16,2	24,0	19,1	15,7	2,9%	12,6%	14,2%	16,6%		
Median				1,5	1,4	1,3	10,9	9,4	8,5	22,9	18,0	15,3	27,9	22,8	17,5	2,8%	11,9%	13,9%	14,2%		

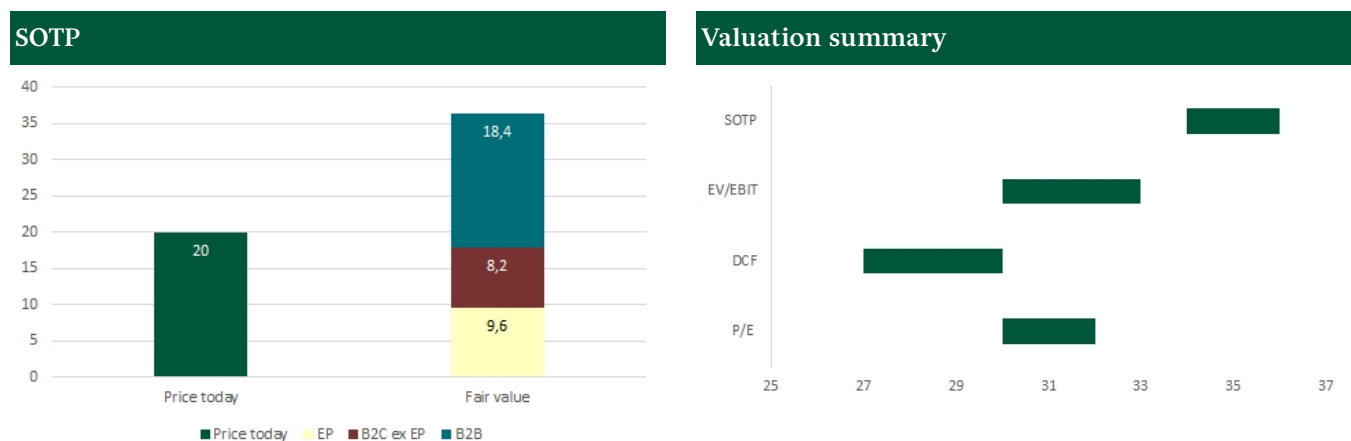
We estimate that ESMG, given its size, should be valued at a 20-25% discount to the paper-heavy media groups like the Daily Mail, Reach and News Corp. This is because we believe there is a greater risk in our estimates for ESMG. If this discount is applied and the price is discounted to the present, we get a value of around SEK 30-32 on our estimates for 2023.

SOTP valuation

The last method for valuing the company is a sum of the parts model. Here we choose to value the revenue stream from Elite Prospects separately as we believe that it has a higher market value than other revenues in the company since it is recurring and has a high gross margin. We choose to value the three different parts in the following way:

- **Elite Prospects:** 4x EV/sales 2023, which corresponds to a valuation in the lower range for the software vertical. We believe that Elite Prospects can be compared with a software revenue given the high gross margin.
- **B2C ex. Elite Prospects:** This business is very reminiscent of traditional media. We therefore choose to use an EV/sales multiple of 1.5x 2023. If we see high growth in recurring revenue, a higher multiple could be justified. However, the company has only relatively recently begun to have paid-for content on its websites and portals. To completely move towards a subscription model takes a relatively long time and has operational risks.
- **B2B:** We believe that revenues from this area are relatively volatile as they are dependent on the advertising market, and this is something that will likely decrease over time. We therefore choose to value the business as EV/sales 1x on 2023 estimates.

If we then add the three business areas together and discount the value back to the present, we get a value in the range of 34-36 kr.



In summary, we envisage a fair value for ESMG of SEK 28-30 kr. We believe that the following parameters must be met for the company to reach this valuation:

- **Prove that B2B revenues can be shielded from fluctuations in the advertising market.** We believe that by having started a number of new websites in the form of Padeldirekt and Innebandymagazinet, it has been shown that the platform for starting new websites in specific niches is scalable. In the coming years, however, the company must show that customers are willing to pay.
- **Prove that B2B revenues can be shielded from fluctuations in the advertising market.** We assess that the company's revenue from advertising is relatively volatile and under intense competition from marketing in areas like social media. Our sources in the industry believe that traditional advertising is in structural decline due to the emergence of social media. If ESMG can show that B2B revenues will be driven by the production of third-party content, we can increase both margins and revenue for this business area.
- **Continued high influx of users to Elite Prospects.** We believe that continued high growth for Elite Prospects is a key for ESMG to achieve our fair value. In order for growth to increase from this business area, ESMG will have to succeed in keeping the churn rate down at the same time as increasing the influx of new accounts.

We believe that ESMG is in an interesting situation where current levels hardly even value one of the company's three business areas into the share price. The high cash flow yield of about 10% in the coming years indicates that the company is valued relatively low and that the market has not understood the dynamics in the various business areas.

ESG analysis

EverySport Media Group is responsible for some environmental footprint in the form of carbon emissions from energy consumption. For a media group like ESMG with a main focus on sports and betting, GDPR compliance is a fundamental building block and also an important ethical aspect that it actively addresses.

Environment

ESMG's direct environmental impact is naturally limited as its operations take place on digital platforms. The advertisements it allows, on the other hand, may be of such a nature that they are important for the overall environmental impact as they in themselves encourage consumption. Another environmental aspect to highlight is the amount of energy and electricity used to be able to maintain a media group such as ESMG, which thus results in carbon emissions, but this is nevertheless a slight impact.

Social

The customer experience is ESMG's focus, which is why its services and value offerings are constantly adapted to the specific customer. Advertising is tailored so the individual can only receive relevant information. ESMG's collaborations in areas such as gambling and betting could be highlighted from an ethical perspective.

Governance

ESMG addresses GDPR by informing users about the collection of personal data and obtaining their active consent. ESMG's media group complies with sports rights and follows environmental policies. Service providers within the platform handle rules in parallel and comply with them.

Income statement

	2019A	2020A	2021E	2022E	2023E	2024E
Net sales	90	82	113	130	144	158
Other income	4	2	2	2	2	2
Cost of goods sold	-9	-9	-12	-13	-15	-16
Gross profit	85	76	103	119	131	144
Personnel costs	-41	-39	-49	-52	-57	-61
Other operating costs	-34	-32	-40	-46	-50	-55
EBITDA	11	5	15	21	24	28
Depreciation/amortisation	-4	-4	-3	-4	-4	-3
Impairments	0	0	0	0	0	0
EBIT (adjusted)	7	1	12	17	21	25
Items affecting comparability	0	0	0	0	0	0
EBIT	7	1	12	17	21	25
Financial income	0	0	0	0	0	0
Financial expenses	-1	-1	0	0	0	0
Profit before tax	6	0	11	16	20	24
Tax	0	1	-2	-4	-4	-5
Minority interests	0	0	0	0	0	0
Net profit (reported)	6	1	9	13	16	19
Net profit (adjusted)	6	1	9	13	16	19

Balansräkning

	2019A	2020A	2021E	2022E	2023E	2024E
Balance sheet						
Goodwill	28,2	28	25	21	17	14
Other intangible assets	5,9	6	6	8	9	11
Property, plant and equipment	0,3	0	2	3	4	6
Interest-bearing non-current assets	2,2	5	5	5	5	5
Investments in associates and shares	0,0	0	0	0	0	0
Other non-current assets	2	5	5	5	5	5
Total non-current assets	39	43	42	41	40	40
Inventory	2	1	2	2	2	3
Trade receivables	11	12	17	19	21	23
Other current assets	0	0	0	0	0	0
Cash and cash equivalents	3	10	15	28	43	61
Total current assets	16	24	34	49	66	87
TOTAL ASSETS	55	67	76	90	107	126
EQUITY AND LIABILITIES						
Equity	22	23	32	44	60	79
Minority interests	0	0	0	0	0	0
Total equity	22	23	32	44	60	79
Non-current financial liabilities	2	5	5	5	5	5
Provisions for pensions	0	5	5	5	5	5
Deferred tax liabilities	0	1	1	1	1	1
Other non-current liabilities	6	4	4	4	4	4
Total non-current liabilities	8	14	14	14	14	14
Current financial liabilities	1	1	1	1	1	1
Trade payables	5	9	9	9	10	11
Tax liabilities	0	1	1	1	1	1
Other current liabilities	18	20	20	20	20	20
Total current liabilities	24	31	31	31	32	33
TOTAL EQUITY AND LIABILITIES	55	67	76	90	107	126

Cash flow statement

	2019A	2020A	2021E	2022E	2023E	2024E
Net profit (reported)	6	1	9	13	16	19
Non-cash items	4	2	3	4	4	4
Changes in working capital	-4	6	-5	-2	-1	-1
Cash flow from operating activities	7	9	7	16	19	22
Investments	-3	-1	-2	-3	-3	-4
Disposals	0	0	0	0	0	0
Free cash flow	3	8	5	12	15	18
Dividends	0	0	0	0	0	0
Share issues/buybacks	1	0	0	0	0	0
Purchases	0	0	0	0	0	0
Debt financing and other adjustments	-5	0	0	0	0	0
Cash flow	-1	7	5	12	15	18
Exchange difference in cash and cash equivalents	0	0	0	0	0	0
Net debt (including IFRS 16)	6	-5	-9	-22	-37	-55

Key figures

	2019	2020A	2021E	2022E	2023E	2024E
Sales growth	n.m	-9%	38%	15%	10%	10%
EBIT growth, adjusted (excluding IFRS 16)	n.m	-58%	225%	38%	16%	15%
EPS growth, adjusted	n.m	-92%	1427%	44%	22%	20%
Gross margin	n.m	89,7%	89,7%	89,7%	89,7%	89,7%
EBITDA margin (including IFRS 16)	n.m	5,5%	13,2%	15,9%	16,6%	17,4%
EBIT margin (adjusted, including IFRS 16)	n.m	0,9%	10,3%	12,8%	14,1%	15,3%
Tax rate	n.m	834%	21%	21%	21%	21%

Key figures

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Gross margin	n.m	89,7%	89,7%	89,7%	89,7%	89,7%
EBITDA margin (including IFRS 16)	n.m	5,5%	13,2%	15,9%	16,6%	17,4%
EBIT margin (adjusted, including IFRS 16)	n.m	0,9%	10,3%	12,8%	14,1%	15,3%
Tax rate	n.m	834%	21%	21%	21%	21%

Quarterly data

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q420
Net sales	24	24	22	24	22	18	20	25
Other income	0	0	0	0	0	0	0,0	0,0
Cost of goods sold	-3	-2	-2	-2	-2	-2	-2,1	-2,5
Gross profit	21	22	21	22	19	16	18,1	22
Other external costs	-8	-9	-8	-8	-8	-9	-6,8	-8
Personnel costs	-10	-10	-9	-11	-10	-8	-9,2	-12
EBITDA	2	3	3	3	1	-1	2	3
Depreciation/amortisation	-1	-1	-1	-2	-1	-1	-0,9	-1,1
EBIT	2	2	2	1	0	-2	1,2	1,6
Items affecting comparability	0	0	0	0	0	0	0,0	0,0
EBIT (adjusted)	2	2	2	1	0	-2	1,2	1,6
Financial expenses	0	0	0	0	0	0	0	0
Profit before tax	1	2	2	1	0	-2	1,0	1,4
Tax	0	0	0	0	0	0	-0,5	1,4
Minority interests	0	0	0	0	0	0	0,0	0,0
Net profit (reported)	1	2	2	1	0	-2	0,5	2,9
Net profit (adjusted)	1	2	2	1	0	-2	0,5	2,9
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q420
Sales growth					-10%	-25%	-10%	5%
EBIT growth (adjusted)					-109%	-197%	-52%	22%
Gross margin	87%	92%	91%	93%	89%	91%	90%	90%
EBITDA margin (excluding IFRS 16)	10%	10%	14%	14%	4%	-4%	10%	11%
EBIT margin (adjusted)	7%	7%	11%	5%	-1%	-10%	6%	6%

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