



EverySport

Impressive B2C growth

B2C growth is impressive

ESMG's revenues amounted to SEK 25.48m in the quarter vs. our estimate of SEK 29.9m. This difference is mainly because the B2B segment (i.e. advertising revenues) fell short of our forecast. The high-quality B2C revenues (subscriptions) were SEK 9.5m, or about SEK 1.2m over our estimate. EBITDA was SEK 1.6m, or about SEK 3m below estimate. The discrepancy can be attributed to slightly higher personnel costs.

Guidance provides fuel for estimate hikes

The company provided guidance alongside its report that profits and sales will rise steeply in 2021 compared to 2020. There was also guidance for strong organic growth in the acquired companies. We are therefore raising our revenue estimates by 3% for this year and about 5.5% for next year. For this year, however, we are downwardly adjusting EBIT by about SEK 2m to reflect a slightly higher cost base.

Higher estimates to reflect continued momentum

We are upping our fair value for ESMG to SEK 44-46. We assess that the good momentum the company is currently experiencing leads us to cut our WACC by one percentage point. Also, the B2C business has been a positive surprise, which contributes to our SOTP valuation.

Estimate Changes (SEK)			Estimates (SEK)					Risk and Potential	
	Now	Before		20	21e	22e	23e	Motivated value	44.00 - 46.00
EPS, adj 21e	2.08	2.08	0.0%	Sales,m	82	145	203	225	Current price SEK51.00
EPS, adj 22e	4.3	4.3	0.0%	Sales Growth	(8.7)%	76.1%	40.1%	10.9%	Risk level Medium
EPS, adj 23e	4.98	4.98	0.0%	EBITDA, m	4.7	24.3	34	39	
				EBIT, m	0.7	14.7	29.9	34.5	
				EPS, adj	0.13	2.08	4.30	4.98	
				EPS Growth	(91.6)%	1,507.2%	107.0%	15.8%	
Calendar Events				Equity/Share	4.2	10.2	14.5	19.5	
Delårsrapport Q1 2021			2021-05-11	Dividend	0.00	0.00	0.00	0.00	
				EBIT Marginal	0.9%	10.0%	14.5%	15.1%	
				ROE (%)	2.6%	28.8%	34.7%	29.3%	
Key Figures (mkr)				ROCE	2.2%	29.6%	39.0%	34.0%	
Number of Shares			5.4m	EV/Sales	3.32x	1.89x	1.35x	1.21x	
Market cap			273	EV/EBITDA	58.6x	11.3x	8.0x	7.0x	
Net Debt			0	EV/EBIT	370.6x	18.6x	9.2x	7.9x	
EV			274	P/E, adj	394.2x	24.5x	11.8x	10.2x	
Avg. No. of Daily Traded Sh.			19.2(k)	P/Equity	12.1x	5.0x	3.5x	2.6x	
Reuters/Bloomberg			EVERY A:SS	Dividend yield	0.0%	0.0%	0.0%	0.0%	
				FCF yield	5.0%	0.9%	6.3%	13.4%	
				Net Debt/EBITDA	(1.0)g	(0.1)g	(0.4)g	(1.0)g	



Analysts

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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 digital media group, ESMG owns a world-leading ice hockey database, called Elite Prospects, that functions as a social network for players. It also owns 50% of a leading operator of padel courts. 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 44-46.

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 ESMG owns Sweden's largest floorball site, a sport that finds little space in traditional media. By controlling a flexible platform, ESMG 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 ESMG 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 young, ESMG 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.

The acquisition of Klövern Padel strengthens the company's cash flows since operating padel facilities is profitable and has a short payback for the property owner, in this case real estate company Klövern. We see synergies with the company's digital assets in areas such as cross-marketing.

Valuation approach

We have chosen three different methods for valuing ESMG: 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 44-46 given the four 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 ESMG is able to show that it can reduce its dependence on the volatile advertising market, we see reasons for a significant appreciation.



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- **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.
- **Continued growth and high demand in padel sport:** We believe that Every Padel will continue to be a cash cow, assuming the current popularity of padel continues.

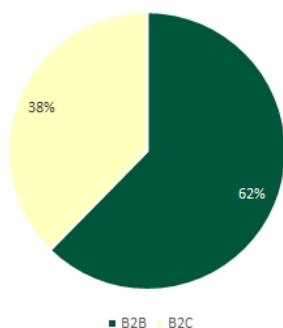
Target Price

We see a fair value of SEK 44-46. See reasoning above. We consider the risk to be relatively low given the company's strong financial position and high degree of recurring revenue.

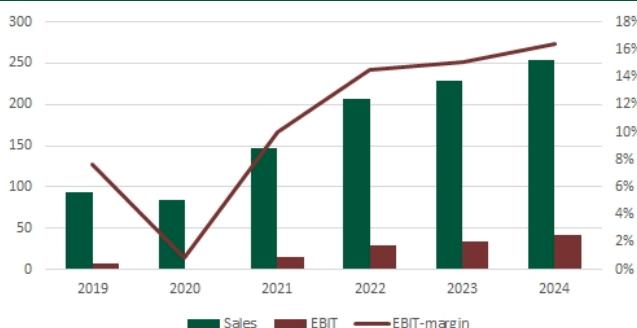
Company facts

Largest Shareholders	
Memmo2 AB	27,7%
Nordic Growth Capital AB	21,1%
Nordnet Pensionsförsäkring	6,6%
Paul Fischbein	5,1%
Rest	68,9%
Chairman of the Board	Paul Fischbein
CEO	Hannes Andersson
CFO	Alexander Rödström
IR	Alexander Rödström
Homepage	https://www.esmg.se/

Operational segments



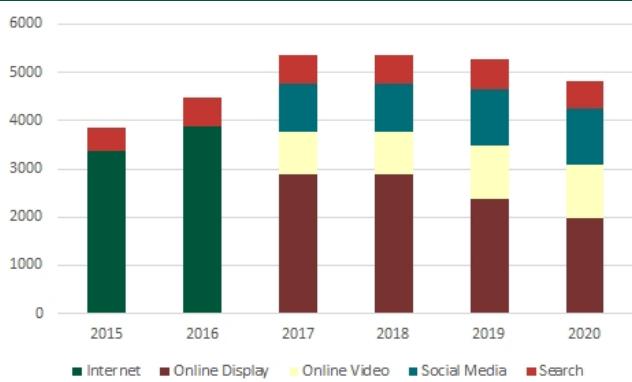
Sales och EBIT



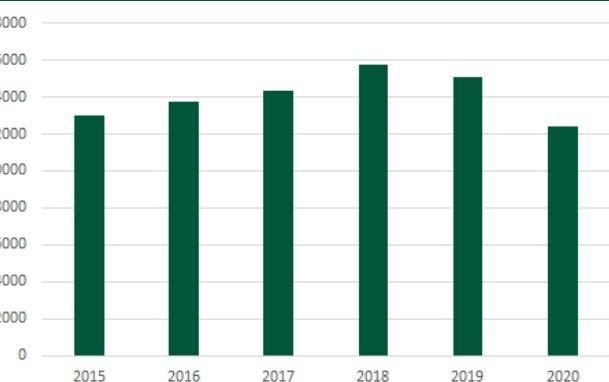
Sales och EBIT



Digital adspend in Sweden, SEKm



Adspend in Sweden, SEKm



Income statement						
	2019A	2020A	2021E	2022E	2023E	2024E
Net sales	90	82	145	203	225	250
Other income	4	2	2	3	3	4
Cost of goods sold	-9	-9	-12	-15	-16	-18
Gross profit	85	76	135	192	212	236
Personnel costs	-41	-39	-56	-61	-69	-75
Other operating costs	-34	-32	-61	-101	-110	-122
EBITDA	11	5	18	30	33	39
Depreciation/amortisation	-4	-4	-5	-4	-4	-4
Impairments	0	0	0	0	0	0
EBIT (adjusted)	7	1	13	26	29	36
Items affecting comparability	0	0	0	0	0	0
EBIT	7	1	13	26	29	36
Financial income	0	0	0	0	0	0
Financial expenses	-1	-1	-1	-1	-1	-1
Profit before tax	6	0	13	25	29	35
Tax	0	1	-3	-6	-7	-9
Minority interests	0	0	0	0	0	0
Net profit (reported)	6	1	10	19	21	26
Net profit (adjusted)	6	1	10	19	21	26

Balance sheet						
	2019A	2020A	2021E	2022E	2023E	2024E
Balance sheet						
Goodwill	28.2	28	28	23	19	15
Other intangible assets	5.9	6	8	10	13	15
Property, plant and equipment	0.3	0	26	27	29	31
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	6	6	6	6
Total non-current assets	39	43	72	71	71	72
Inventory	2	1	3	4	4	4
Trade receivables	11	12	23	35	38	42
Other current assets	0	0	0	0	0	0
Cash and cash equivalents	3	10	8	20	44	72
Total current assets	16	24	35	58	86	119
TOTAL ASSETS	55	67	107	129	157	191
EQUITY AND LIABILITIES						
Equity	22	23	55	78	105	137
Minority interests	0	0	0	0	0	0
Total equity	22	23	55	78	105	137
Non-current financial liabilities	2	5	5	5	5	5
Provisions for pensions	0	5	0	0	0	0
Deferred tax liabilities	0	1	0	0	0	0
Other non-current liabilities	6	4	4	4	4	4
Total non-current liabilities	8	14	9	9	9	9
Current financial liabilities	1	1	1	1	1	1
Trade payables	5	9	14	13	15	16
Tax liabilities	0	1	1	1	1	1
Other current liabilities	18	20	27	27	27	27
Total current liabilities	24	31	43	42	43	45
TOTAL EQUITY AND LIABILITIES	55	67	107	129	157	191

Cashflow statement

	2019A	2020A	2021E	2022E	2023E	2024E
Net profit (reported)	6	1	10	19	21	26
Non-cash items	4	2	8	11	12	13
Changes in working capital	-4	6	-6	-13	-3	-3
Cash flow from operating activities	7	9	11	18	31	36
Investments	-3	-1	-10	-6	-7	-7
Disposals	0	0	0	0	0	0
Free cash flow	3	8	2	11	24	29
Dividends	0	0	0	0	0	0
Share issues/buybacks	1	0	21	0	0	0
Purchases	0	0	-24	0	0	0
Debt financing and other adjustments	-5	0	0	0	0	0
Cash flow	-1	7	-2	11	24	29
Omräkningsdifferenser i likvida medel	0	0	0	0	0	0
Nettorskuld (inkl. IFRS 16)	6	-5	-3	-14	-38	-67

KPIs	2019	2020A	2021E	2022E	2023E	2024E
Sales growth	n.m	-9%	76%	40%	11%	11%
EBIT growth, adjusted (excluding IFRS 16)	n.m	-58%	392%	37%	16%	11%
EPS growth, adjusted	n.m	-92%	1507%	107%	16%	21%
Gross margin	n.m	89,7%	91,6%	92,9%	92,8%	92,8%
EBITDA margin (including IFRS 16)	n.m	5,5%	16,6%	16,5%	17,1%	17,0%
EBIT margin (adjusted, including IFRS 16)	n.m	0,9%	10,0%	14,5%	15,1%	16,4%
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	Q121
Net sales	24,2	23,9	22,5	23,6	21,7	17,9	20,2	24,8	25,5
Other income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cost of goods sold	-3,2	-2,0	-1,9	-1,6	-2,4	-1,7	-2,1	-2,5	-2,7
Gross profit	20,9	21,9	20,5	22,0	19,3	16,2	18,1	22,3	22,9
Other external costs	-8,2	-9,0	-8,2	-8,1	-8,1	-9,1	-6,8	-8,1	-8,5
Personnel costs	-10,4	-10,3	-9,2	-10,7	-10,4	-7,9	-9,2	-11,5	-12,7
EBITDA	2,3	2,5	3,2	3,2	0,8	-0,8	2,1	2,7	1,6
Depreciation/amortisation	-0,7	-0,7	-0,8	-1,9	-0,9	-0,9	-0,9	-1,1	-1,3
EBIT	1,6	1,8	2,4	1,3	-0,1	-1,7	1,2	1,6	0,3
Items affecting comparability	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT (adjusted)	1,6	1,8	2,4	1,3	-0,1	-1,7	1,2	1,6	0,3
Financial expenses	-0,2	-0,2	-0,2	-0,1	-0,2	-0,1	-0,2	-0,1	0,2
Profit before tax	1,4	1,6	2,2	1,2	-0,4	-1,8	1,0	1,4	0,5
Tax	0,0	0,0	0,0	-0,2	0,0	-0,2	-0,5	1,4	0,0
Minority interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net profit (reported)	1,5	1,6	2,3	1,0	-0,4	-2,1	0,5	2,9	0,5
Net profit (adjusted)	1,5	1,6	2,3	1,0	-0,4	-2,1	0,5	2,9	0,5
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q420	Q121
Sales growth					-10%	-25%	-10%	5%	18%
EBIT growth (adjusted)					-109%	-197%	-52%	22%	-308%
Gross margin	87%	92%	91%	93%	89%	91%	90%	90%	90%
EBITDA margin (excluding IFRS 16)	10%	10%	14%	14%	4%	-4%	10%	11%	6%
EBIT margin (adjusted)	7%	7%	11%	5%	-1%	-10%	6%	6%	1%

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