



# ERIK PENSER BANK

Penser Access | Casinos/Gaming | Sweden | 17 May 2021

## Angler Gaming

### Luke-warm start to quarter...

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Sales in Q1 were EUR 13.5m vs our estimate of EUR 14.4m. Activity was highest early in the quarter after a trading update, before falling back somewhat. EBIT was EUR 3.77m vs our estimate of EUR 3.42m. The difference is explained by lower marketing costs and other external costs. After the end of the quarter, the company soft-launched a sports book that is expected to go live for the European Football Championship.

#### ... forces adjustment

The average daily game win in April was 14.7% lower than in Q1 2021, but network activity in May has increased as a result of a strong CRM push. Despite the greater activity, we are cutting our sales estimates by about 15% for coming years, roughly corresponding to the hike after the Q4 2020 report. However, our EBIT and EPS estimates are unchanged as the company has consistently shown better efficiency than our assumptions.

#### Fair value revision

We are cutting our fair value to SEK 29–30 from SEK 31-33 due to a risk of declining momentum in the business. We still think the company provides interesting exposure to emerging markets in igaming, and if the sports book investment and the newly started JV in affiliation in the South American market can generate results, we see an upside in both estimates and valuation.

Estimate Changes (EUR)				Estimates (EUR)					Risk and Potential	
	Now	Before		20	21e	22e	23e	Motivated value	29.00 - 30.00	
EPS, adj 21e	0.2	0.2	0.0%	Sales,m	43	59	70	83	Current price	€2.71
EPS, adj 22e	0.23	0.23	0.0%	Sales Growth	52.1%	35.5%	19.2%	18.6%	Risk level	Medium
EPS, adj 23e	0.27	0.27	0.0%	EBITDA, m	14.1	15.9	18.7	23.2	<div data-bbox="1082 1518 1473 1552" data-label="Section-Header"><h4>One Year Performance Chart</h4></div>	
<b>Calendar Events</b>				EBIT, m	14.1	15.9	18.7	23.2		
				EPS, adj	0.15	0.20	0.23	0.27		
Q4'20 rapport	den 18 februari 2021			EPS Growth	77.9%	30.2%	16.2%	17.1%		
<b>Key Figures (EURm)</b>				Equity/Share	0.2	0.3	0.4	0.4		
				Dividend	0.12	0.14	0.15	0.18		
Number of Shares	75.0m			EBIT Marginal	32.5%	27.8%	27.1%	27.9%		
Market cap	203			ROE (%)	70.0%	66.8%	61.9%	65.2%		
Net Debt	(11)			ROCE	83.5%	70.5%	64.6%	67.7%		
EV	192			EV/Sales	4.43x	3.27x	2.74x	2.31x		
Free Float	90.00%			EV/EBITDA	13.6x	12.1x	10.3x	8.3x		
Avg. No. of Daily Traded Sh.	599.4(k)			EV/EBIT	13.6x	12.1x	10.3x	8.3x		
Reuters/Bloomberg	ANG.ST/ANGL SS			P/E, adj	17.7x	13.6x	11.6x	9.9x		
				P/Equity	12.4x	9.0x	7.0x	6.0x		
				Dividend yield	6.2%	7.3%	8.0%	9.1%		
				FCF yield	8.5%	12.4%	13.6%	14.4%		
				Net Debt/EBITDA	(0.7)g	(1.0)g	(1.1)g	(1.1)g		

#### Analysts

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## Overview

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### Investment Case

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Angler Gaming does business in the igaming industry, a non-cyclical sector with high structural growth. In our assessment, the industry will deliver annual growth of 8–12% over the next few years, driven by a shift from land-based gaming and higher mobile and internet penetration. Angler Gaming operates in markets that many of the multinational operators are not reaching, resulting in high margins and stable growth. We see high potential in the company, with a fair value of SEK 29–30 per share. Based on the strong cash flow generation and stable balance sheet, we see medium risk in the company.

### Company Profile

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#### Stable structural growth with low cyclical risk

The international igaming market was worth USD 47 billion in 2017, with annual growth forecast at about 12–15%. We see two main drivers behind this development. The first is that the igaming share of total gaming is still relatively low. Penetration in Sweden and the UK, considered among the most mature markets, was approximately 50–70%. In many of Angler Gaming's markets it is less than 10%. In our estimation, the vertical in which Angler Gaming is active, casino games, also has the lowest online penetration, which indicates sustained growth in the upper part of the growth range. We also find that online gaming has a relatively low correlation with the general economy. Game win grew in the UK and Ireland in 2008–2009 while the overall economy contracted.

#### An operationally strong company

Angler Gaming is showing strong operational KPIs across the entire balance sheet and income statement. One KPI that stands out is EBIT per employee, which is the highest in the industry. We believe this is possible for two reasons. The first is that by owning its own platform, the company can keep costs down while other small companies use a third-party platform that has to be paid for out of the game win. The second reason is the small and dedicated team that enables Angler Gaming to be fast on its feet in launching new products and selecting markets. Angler Gaming launched the new subsidiary PremierGaming in Q3 2018, which has accelerated from zero to 13% of sales. PremierGaming has delivered impressive growth even as other operations continue to grow in line with the industry at high profitability. The Swedish business launched in Q4 2018, long one of the fastest growing gaming companies in Sweden, is a prime example of the company's capacity to launch brands in new markets and to do so effectively. We believe the company will be able to mimic this journey in multiple regulated or unregulated markets in the future.

### Valuation approach

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In our assessment, Angler is capable of approaching the valuations of some of the larger companies in the sector, and our DCF indicates a value at these levels. We believe the company will successfully grow in line with our estimates based on the structural growth in the industry and the key performance indicators we are currently seeing.

### Target Price

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In our assessment, Angler is capable of approaching the valuations of some of the larger companies in the sector, and our DCF indicates a value at these levels. We believe the company will successfully grow in line



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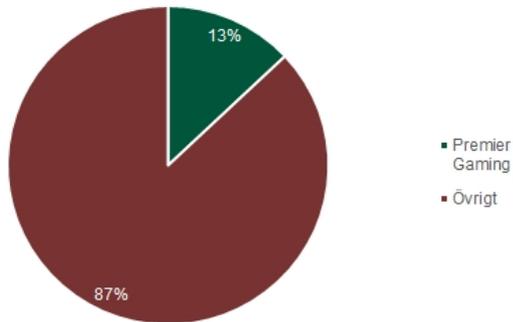
# Overview

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Luke-warm start to quarter...

with our estimates based on the structural growth in the industry and the key performance indicators we are currently seeing.

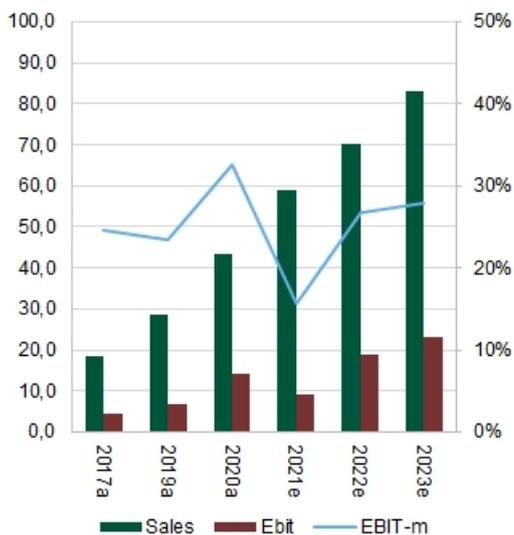
## Segments (Q4)



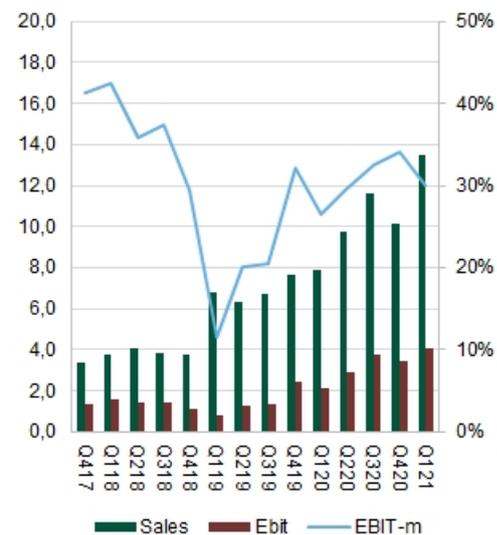
## Company facts

Largest shareholders		Shares
Svenska Handelsbanken AB for PB		10,43%
Avanza Pension		9,59%
Nordnet Pensionsförsäkring		6,00%
Thomas Kalita		5,33%
Rest		68,65%
Chairman of the Board		Olga Finkel
CEO		Thomas Kalita
CFO		-
IR		Thomas Kalita
Homepage		<a href="https://www.anglergaming.com/">https://www.anglergaming.com/</a>

## Sales and EBIT y/y



## Sales and EBIT q/q



## Income tatement

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net sales	12,5	18,4	28,5	43,5	58,8	70,1	83,2
Cost of goods sold	-6,3	-10,4	-16,4	-24,3	-43,8	-56,0	-51,6
Gross profit	6,2	8,0	12,1	19,2	14,9	14,1	31,6
Marketing	-0,2	-1,7	-3,1	-1,9	-1,9	-5,7	-2,6
Personnel costs	-0,7	-0,9	-1,2	-1,6	-1,8	-2,0	-3,2
Other operating costs	-0,6	-0,7	-1,0	-1,6	-2,0	-3,0	-2,6
<b>EBITDA</b>	<b>4,7</b>	<b>4,6</b>	<b>6,7</b>	<b>14,1</b>	<b>9,2</b>	<b>18,7</b>	<b>23,2</b>
Depreciation/amortisation	-0,2	-0,1	-0,1	0,0	0,0	0,0	0,0
Impairments							
EBIT	4,5	4,5	6,7	14,1	9,2	18,7	23,2
Items affecting comparability	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>EBIT (Just)</b>	<b>4,5</b>	<b>4,5</b>	<b>6,7</b>	<b>14,2</b>	<b>9,2</b>	<b>18,7</b>	<b>23,2</b>
Financial income	2,1	0,0	0,0	0,0	0,0	0,0	0,0
Financial expenses	-0,1	0,0	-0,4	-2,3	-0,8	-0,6	-0,6
<b>Profit before tax</b>	<b>6,5</b>	<b>4,5</b>	<b>6,3</b>	<b>11,9</b>	<b>8,4</b>	<b>18,1</b>	<b>22,6</b>
Tax	-0,1	-0,1	-0,2	-0,3	-0,5	-0,6	-0,7
<b>Net profit (reported)</b>	<b>6,4</b>	<b>4,4</b>	<b>6,1</b>	<b>11,6</b>	<b>7,9</b>	<b>17,6</b>	<b>22,0</b>
<b>Net profit (adjusted)</b>	<b>6,4</b>	<b>4,4</b>	<b>6,1</b>	<b>11,6</b>	<b>7,9</b>	<b>17,6</b>	<b>22,0</b>

## Cashflow

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net profit (reported)	6,4	4,4	6,1	11,6	7,9	17,6	22,0
icke kassaflödespåverkande poster	0,2	0,1	0,2	0,1	0,0	0,0	0,0
Kassaflöde före förändringar i rörelsekapital	6,5	4,5	6,3	11,7	7,9	17,6	22,0
<b>Cash flow from operating activities</b>	<b>5,6</b>	<b>2,4</b>	<b>5,0</b>	<b>10,3</b>	<b>15,1</b>	<b>17</b>	<b>18</b>
Investments	-2,4	0,1	0,0	0,0	0,0	0,0	0,0
Disposals	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Free cash flow</b>	<b>3,1</b>	<b>2,5</b>	<b>5,0</b>	<b>10,3</b>	<b>15,1</b>	<b>16,5</b>	<b>17,6</b>
Dividends	0	-3	-3	-5,2	-9,0	-11,6	-11,6
Share issues/buybacks	0	0	0	0,0	0,0	0,0	0,0
Purchases	0	0	0	0,0	0,0	0,0	0,0
Debt financing and other adjustments	0	0	0	0,0	0,0	0,0	0,0
<b>Cash flow</b>	<b>3,1</b>	<b>-0,9</b>	<b>1,7</b>	<b>5,1</b>	<b>6,1</b>	<b>6,3</b>	<b>6,3</b>
<b>Net Debt</b>	<b>-3,7</b>	<b>-2,9</b>	<b>-4,5</b>	<b>-9,6</b>	<b>-15,8</b>	<b>-21</b>	<b>-25</b>

## balance sheet

Balance sheet	2017A	2018A	2019A	2020A	2021E	2022E	2023E
<b>Assets</b>							
Goodwill						0,0	0,0
Other intangible assets	1,4	1,2	1,2	1,2	1,2	1,2	1,2
Property, plant and equipment	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total non-current assets</b>	<b>1,4</b>	<b>1,3</b>	<b>1,2</b>	<b>1,2</b>	<b>1,2</b>	<b>1,2</b>	<b>1,2</b>
Trade receivables	2,2	4,9	6,4	9,7	10,0	12,1	12,4
<b>Summa omsättningsstillgångar</b>	<b>2,2</b>	<b>4,9</b>	<b>6,4</b>	<b>9,7</b>	<b>10,0</b>	<b>12,1</b>	<b>12,4</b>
Cash and cash equivalents	3,7	2,9	4,5	9,6	15,8	20,8	25,4
<b>TOTAL ASSETS</b>	<b>7,3</b>	<b>9,0</b>	<b>12,1</b>	<b>20,5</b>	<b>27,0</b>	<b>34,1</b>	<b>39,1</b>
<b>EQUITY AND LIABILITIES</b>							
Equity	6,3	7,4	10,2	16,4	22,6	28,8	33,7
Minority interests							
<b>Total equity</b>	<b>6,3</b>	<b>7,4</b>	<b>10,2</b>	<b>16,4</b>	<b>22,6</b>	<b>28,8</b>	<b>33,7</b>
Non-current financial liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions for pensions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Deferred tax liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other non-current liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total non-current liabilities</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
Current financial liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Trade payables	0,9	1,5	1,8	3,6	3,8	4,7	4,8
Tax liabilities	0,1	0,1	0,2	0,5	0,6	0,6	0,6
Other current liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total current liabilities</b>	<b>1,0</b>	<b>1,6</b>	<b>2,0</b>	<b>4,1</b>	<b>4,4</b>	<b>5,2</b>	<b>5,4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,3</b>	<b>9,0</b>	<b>12,1</b>	<b>20,5</b>	<b>27,0</b>	<b>34,1</b>	<b>39,1</b>

## Quarterly data

	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121
Net sales	3,3	3,7	4,0	3,8	3,8	6,8	6,3	6,7	7,6	7,9	9,8	11,6	10,2	11,9	13,5
Cost of goods sold	-1,6	-1,8	-2,2	-2,0	-2,2	-3,9	-3,8	-3,8	-4,1	-4,4	-5,4	-6,5	-5,6	-6,8	-8,3
Gross profit	1,7	1,9	1,8	1,8	1,5	2,8	2,5	2,9	3,5	3,5	4,3	5,1	4,6	5,1	5,2
Marketing	0,0	-0,1	-0,1	0,0	0,0	-1,5	-0,8	-1,0	-0,5	-0,8	-0,6	-0,6	-0,4	-0,3	-0,4
Personnel costs	-0,2	-0,2	-0,2	-0,2	-0,2	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,4	-0,5	-0,5	-0,5
Other external costs	-0,1	-0,1	-0,1	-0,2	-0,2	-0,2	-0,2	-0,3	-0,2	-0,3	-0,6	-0,3	-0,4	-0,3	-0,5
EBITDA	1,3	1,5	1,4	1,4	1,1	0,7	1,2	1,4	2,4	2,1	2,9	3,8	3,4	4,0	3,8
Depreciation/amortisation	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	1,4	1,6	1,4	1,4	1,1	0,8	1,3	1,4	2,5	2,1	2,9	3,8	3,5	4,0	3,8
Items affecting comparability	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT (adjusted)	1,4	1,6	1,4	1,4	1,1	0,8	1,3	1,4	2,5	2,1	2,9	3,8	3,5	4,0	3,8
Financial expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	-0,2	-0,1	-0,4	-0,4	-1,1	-0,5	-0,3
Profit before tax	1,3	1,6	1,4	1,4	1,1	0,8	1,3	1,3	2,3	2,0	2,5	3,4	2,3	3,6	3,5
Tax	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	-0,1	-0,1	-0,1	-0,1
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit (reported)	1	2	1	1,4	1,1	0,7	1,2	1,2	2,3	1,9	2,5	3,3	2,2	3,5	3,4
Net profit (adjusted)	1,3	1,6	1,4	1,4	1,1	0,7	1,2	1,2	2,3	1,9	2,5	3,4	2,2	3,5	3,4

### Tillväxt och marginaler

	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121
Sales growth					13%	80%	56%	75%	102%	17%	55%	73%	33%	51%	39%
EBIT growth (adjusted)					nmf	-51%	nmf	-4%	121%	169%	128%	174%	41%	94%	31%
Gross margin	51%	52%	44%	48%	41%	42%	40%	44%	46%	45%	44%	44%	45%	43%	39%
EBITDA margin (excluding IFRS 16)	40%	41%	35%	37%	29%	11%	20%	20%	32%	26%	29%	39%	34%	41%	39%
EBIT margin (adjusted)	14%	16%	15%	15%	11%	8%	13%	14%	25%	21%	30%	39%	35%	41%	39%

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