



ERIK PENSER BANK

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

Angler Gaming

Luke-warm start to quarter...

Luke-warm start to quarter...

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 |
| EPS, adj 21e | 0.2 | 0.2 | 0.0% | Sales,m | 43 | 59 | 70 | 83 | Current price |
| EPS, adj 22e | 0.23 | 0.23 | 0.0% | Sales Growth | 52.1% | 35.5% | 19.2% | 18.6% | €2.71 |
| EPS, adj 23e | 0.27 | 0.27 | 0.0% | EBITDA, m | 14.1 | 15.9 | 18.7 | 23.2 | Risk level |
| | | | | EBIT, m | 14.1 | 15.9 | 18.7 | 23.2 | Medium |
| | | | | EPS, adj | 0.15 | 0.20 | 0.23 | 0.27 | |
| | | | | EPS Growth | 77.9% | 30.2% | 16.2% | 17.1% | |
| | | | | Equity/Share | 0.2 | 0.3 | 0.4 | 0.4 | |
| | | | | Dividend | 0.12 | 0.14 | 0.15 | 0.18 | |
| | | | | EBIT Marginal | 32.5% | 27.8% | 27.1% | 27.9% | |
| | | | | ROE (%) | 70.0% | 66.8% | 61.9% | 65.2% | |
| | | | | ROCE | 83.5% | 70.5% | 64.6% | 67.7% | |
| | | | | EV/Sales | 4.43x | 3.27x | 2.74x | 2.31x | |
| | | | | EV/EBITDA | 13.6x | 12.1x | 10.3x | 8.3x | |
| | | | | EV/EBIT | 13.6x | 12.1x | 10.3x | 8.3x | |
| | | | | 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 | |

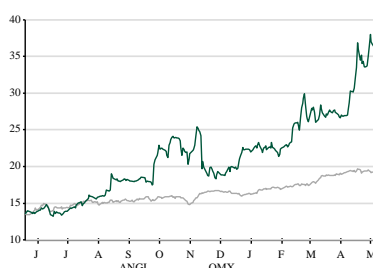
Calendar Events

Q4'20 rapport den 18 februari 2021

Key Figures (EURm)

| | |
|------------------------------|----------------|
| Number of Shares | 75.0m |
| Market cap | 203 |
| Net Debt | (11) |
| EV | 192 |
| Free Float | 90.00% |
| Avg. No. of Daily Traded Sh. | 599.4(k) |
| Reuters/Bloomberg | ANG.ST/ANGL SS |

One Year Performance Chart



Analysts

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Overview

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Investment Case

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

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

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

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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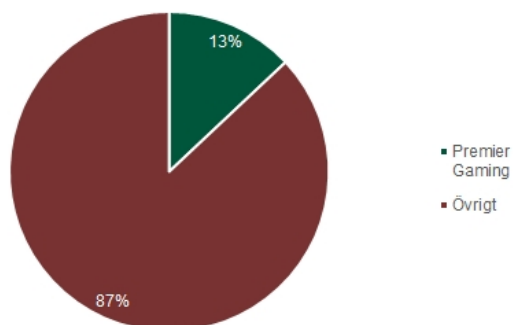
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Overview

Luke-warm start to quarter...

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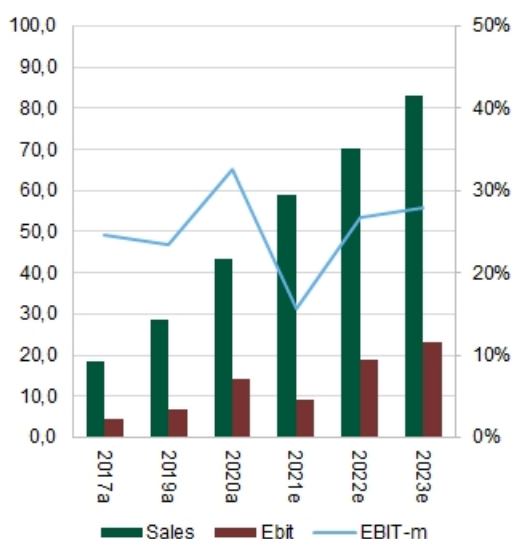
Segments (Q4)



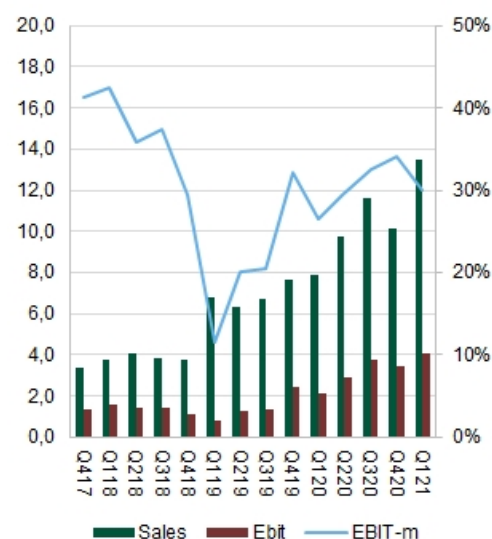
Company facts

| 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 | | https://www.anglergaming.com/ |

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 |
| EBITDA | 4,7 | 4,6 | 6,7 | 14,1 | 9,2 | 18,7 | 23,2 |
| 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 |
| EBIT (Just) | 4,5 | 4,5 | 6,7 | 14,2 | 9,2 | 18,7 | 23,2 |
| 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 |
| Profit before tax | 6,5 | 4,5 | 6,3 | 11,9 | 8,4 | 18,1 | 22,6 |
| Tax | -0,1 | -0,1 | -0,2 | -0,3 | -0,5 | -0,6 | -0,7 |
| Net profit (reported) | 6,4 | 4,4 | 6,1 | 11,6 | 7,9 | 17,6 | 22,0 |
| Net profit (adjusted) | 6,4 | 4,4 | 6,1 | 11,6 | 7,9 | 17,6 | 22,0 |

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 |
| Cash flow from operating activities | 5,6 | 2,4 | 5,0 | 10,3 | 15,1 | 17 | 18 |
| 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 |
| Free cash flow | 3,1 | 2,5 | 5,0 | 10,3 | 15,1 | 16,5 | 17,6 |
| 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 |
| Cash flow | 3,1 | -0,9 | 1,7 | 5,1 | 6,1 | 6,3 | 6,3 |
| Net Debt | -3,7 | -2,9 | -4,5 | -9,6 | -15,8 | -21 | -25 |

balance sheet

| Balance sheet | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
|--------------------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| Assets | | | | | | | |
| 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 |
| Total non-current assets | 1,4 | 1,3 | 1,2 | 1,2 | 1,2 | 1,2 | 1,2 |
| Trade receivables | 2,2 | 4,9 | 6,4 | 9,7 | 10,0 | 12,1 | 12,4 |
| Summa omsättningstillgångar | 2,2 | 4,9 | 6,4 | 9,7 | 10,0 | 12,1 | 12,4 |
| Cash and cash equivalents | 3,7 | 2,9 | 4,5 | 9,6 | 15,8 | 20,8 | 25,4 |
| TOTAL ASSETS | 7,3 | 9,0 | 12,1 | 20,5 | 27,0 | 34,1 | 39,1 |
| EQUITY AND LIABILITIES | | | | | | | |
| Equity | 6,3 | 7,4 | 10,2 | 16,4 | 22,6 | 28,8 | 33,7 |
| Minority interests | | | | | | | |
| Total equity | 6,3 | 7,4 | 10,2 | 16,4 | 22,6 | 28,8 | 33,7 |
| 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 |
| Total non-current liabilities | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| 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 |
| Total current liabilities | 1,0 | 1,6 | 2,0 | 4,1 | 4,4 | 5,2 | 5,4 |
| TOTAL EQUITY AND LIABILITIES | 7,3 | 9,0 | 12,1 | 20,5 | 27,0 | 34,1 | 39,1 |

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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