



ERIK PENSER BANK

Penser Access | Casinos/Gaming | Sweden | 14 July 2021

Angler Gaming

Profit warning with weak trading update

Weak second quarter

Angler has informed the market that Q2 sales will be in the range of EUR 10–10.15m, and EBIT will be EUR 1.9–2m. This represents negative growth q/q of about 25%, and 13% y/y. The drop in sales is mainly explained by the major football championships pushing up the cost of acquiring customers and directing them towards established sports book players. The company has also paid out a large win of EUR 0.35m, which affected EBIT.

Uncertainty about momentum...

To reflect the increased uncertainty in momentum, we are raising our estimates for the cost of acquiring customers in future periods. This results in almost a 20% cut in sales estimates for coming years. The low transparency in the company means that we maintain the higher marketing costs during our forecast period. This is supported by the trading update, which indicates that Q3 started at the same level as Q2.

... is reflected in a new fair value

We are cutting our fair value to SEK 22–23 (29–31), mainly because of uncertainty about momentum in the operations. With the information we have, it is difficult to see whether the initiatives being taken by management will lead to the company returning to its previous growth. In our estimates for 2021, the company grows similarly to the international gaming market, which is in line with the guidance.

Estimate Changes (EUR)			Estimates (EUR)				Risk and Potential			
	Now	Before		20	21e	22e	23e	Motivated value	22.00 - 23.00	
EPS, adj 21e	0.15	0.2	-24.7%	Sales,m	43	48	58	66	Current price	€1.80
EPS, adj 22e	0.18	0.23	-23.7%	Sales Growth	52.1%	11.7%	19.7%	14.4%	Risk level	Low
EPS, adj 23e	0.21	0.27	-23.0%	EBITDA, m	14.1	12.0	14.1	16.8		
				EBIT, m	14.1	12.0	14.1	16.8		
				EPS, adj	0.15	0.15	0.18	0.21		
				EPS Growth	77.9%	30.2%	16.2%	17.1%		
				Equity/Share	0.2	0.3	0.3	0.4		
				Dividend	0.12	0.11	0.12	0.13		
				EBIT Marginal	32.5%	25.6%	24.8%	25.4%		
				ROE (%)	70.0%	60.1%	57.1%	58.4%		
				ROCE	83.5%	64.1%	59.8%	61.0%		
				EV/Sales	2.86x	2.56x	2.14x	1.87x		
				EV/EBITDA	8.8x	10.3x	8.8x	7.4x		
				EV/EBIT	8.8x	10.3x	8.8x	7.4x		
				P/E, adj	11.7x	12.0x	10.1x	8.6x		
				P/Equity	8.2x	7.2x	5.8x	5.0x		
				Dividend yield	6.2%	5.4%	6.0%	6.5%		
				FCF yield	8.5%	10.0%	10.1%	10.8%		
				Net Debt/EBITDA	(0.7)g	(1.1)g	(1.2)g	(1.2)g		

Calendar Events	
Q2'21 rapport	den 12 augusti 2021

Key Figures (EURm)	
Number of Shares	75.0m
Market cap	135
Net Debt	(11)
EV	124
Free Float	90.00%
Avg. No. of Daily Traded Sh.	331.3(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 a fair value of SEK 22–23 per share. Based on the strong cash flow generation and stable balance sheet, we see medium risk in the company.

Company Profile

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.

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.

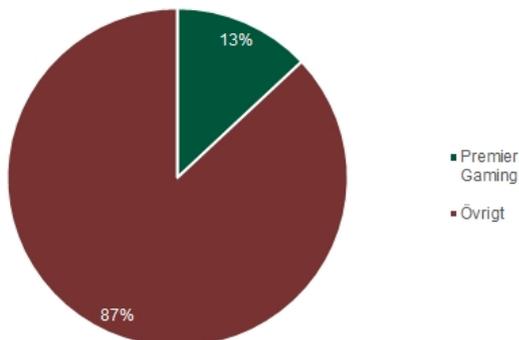
Valuation approach

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

We see a fair value range of SEK 22–23 for Angler Gaming, at low risk. In our view, the company's high dividend yield provides a stable cushion in the valuation.

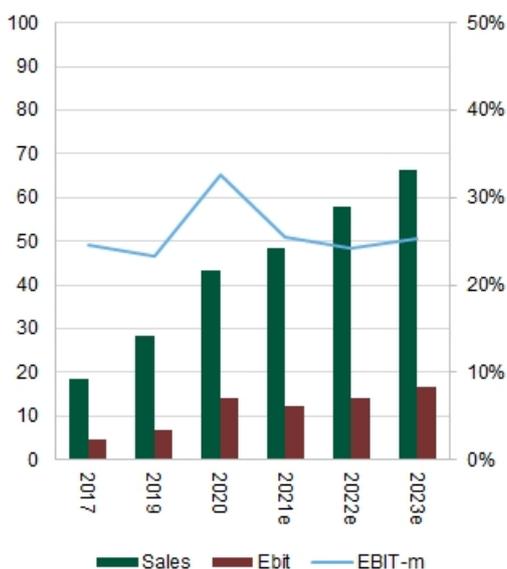
Operativa segment (Q1)



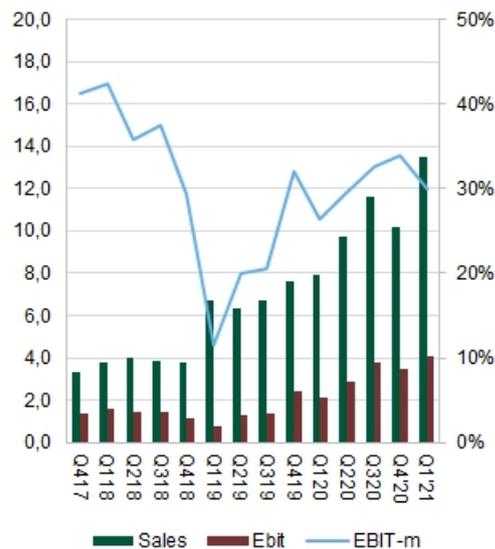
Bolagsfakta

Största aktieägare	Aktier
Svenska Handelsbanken AB for PB	10,43%
Avanza Pension	9,59%
Nordnet Pensionsförsäkring	6,00%
Thomas Kalita	5,33%
Övriga	68,65%
Ordförande	Olga Finkel
Verkställande direktör	Thomas Kalita
Finansdirektör	-
Investerarkontakt	Thomas Kalita
Hemsida	https://www.anglergaming.com/

Försäljning och EBIT y/y



Sales and EBIT (q/q)



Peers

	Kurs (lokal)	MV (mdkr)	EV/Sales (just.)			EV/EBITDA (just.)			EV/EBIT (just.)			P/E (just.)			Dir.avk. 22e	EBIT-marg.			Kursutveckling		
			21	22	23	21	22	23	21e	22e	23e	21e	22e	23e		21e	22e	23e	1mån	6mån	
Svenska Operatörer																					
Betsson	72,7	SEK	10	1,4	1,3	1,2	6,2	6,2	6,3	8,2	8,4	8,4	9,7	10,4	10,9	4,7%	17,5%	15,5%	14,0%	-1%	-9%
Kindred	5,0	GBP	34	1,9	1,7	1,5	6,9	8,4	7,5	8,0	10,4	9,1	10,2	13,4	12,2	10,0%	24,1%	15,7%	16,5%	1%	43%
Leo Vegas	3,6	EUR	4	0,9	0,7	0,6	6,8	5,4	4,3	10,3	7,0	5,0	10,3	8,3	7,0	5,9%	9,2%	10,6%	11,5%	-10%	4%
Medel				1,4	1,2	1,1	6,7	6,7	6,0	8,8	8,6	7,5	10,0	10,7	10,1	6,9%	17%	14%	14%		
Median				1,4	1,3	1,2	6,8	6,2	6,3	8,2	8,4	8,4	10,2	10,4	10,9	5,9%	17%	16%	14%		

Income Statement

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net sales	12,5	18,4	28,5	43,5	48,5	58,0	66,3
Cost of goods sold	-6,3	-10,4	-16,4	-24,3	-43,8	-56,0	-41,1
Gross profit	6,2	8,0	12,1	19,2	4,6	2,0	25,2
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	-1,2	14,1	16,8
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	-1,2	14,1	16,8
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	-1,2	14,1	16,8
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	-1,9	13,5	16,2
Tax	-0,1	-0,1	-0,2	-0,3	-0,3	-0,4	-0,5
Net profit (reported)	6,4	4,4	6,1	11,6	-2,3	13,1	15,8
Net profit (adjusted)	6,4	4,4	6,1	11,6	-2,3	13,1	15,8

Balance Sheet

Balance sheet	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Assets							
Goodwill						0,0	0,0
Other intangible assets						1,2	1,2
Property, plant and equipment	1,4	1,2	1,2	1,2	1,2	1,2	1,2
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	8,4	10,1	10,1
Summa omsättningsstiltgångar	2,2	4,9	6,4	9,7	8,4	10,1	10,1
Cash and cash equivalents	3,7	2,9	4,5	9,6	13,0	16,6	20,2
TOTAL ASSETS	7,3	9,0	12,1	20,5	22,6	27,9	31,4
EQUITY AND LIABILITIES							
Equity	6,3	7,4	10,2	16,4	18,8	23,4	27,0
Minority interests							
Total equity	6,3	7,4	10,2	16,4	18,8	23,4	27,0
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	3,2	3,9	3,9
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	3,8	4,5	4,5
TOTAL EQUITY AND LIABILITIES	7,3	9,0	12,1	20,5	22,6	27,9	31,4

Cash flow statement

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net profit (reported)	6,4	4,4	6,1	11,6	-2,3	13,1	15,8
Ikke 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	-2,3	13,1	15,8
Cash flow from operating activities	5,6	2,4	5,0	10,3	12,2	12	13
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	12,2	12,3	13,1
Dividends	0	-3	-3	-5,2	-9,0	-8,7	-8,7
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	3,2	6,3	6,3
Net Debt	-3,7	-2,9	-4,5	-9,6	-13,0	-17	-20

KPIs

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Omsättningstillväxt	74%	47%	55%	52%	12%	20%	14%
Rörelseresultat, tillväxt	169%	32%	13%	100%	-12%	16%	17%
EPS, årsförändring	n.m.	n.m.	48%	78%	-2%	19%	18%
EBITA marginal	39%	34%	25%	33%	26%	25%	25%
Rörelsemarginal	38%	34%	25%	32%	26%	25%	25%
Vinstmarginal, justerad	51%	24%	23%	27%	23%	23%	24%
Skattesats	6%	10%	10%	10%	10%	10%	10%
Lönsamhet							
ROE	68%	59%	64%	70%	60%	57%	58%
ROE, 3-årsnitt		63%	63%	64%	65%	62%	59%
ROCE	73%	82%	68%	83%	64%	60%	61%
ROCE, 5-årsnitt		78%	74%	78%	72%	69%	62%
	2017A	2018A	2019A	2020A	2021E	2022E	2023E
P/E, justerat			20,9	11,8	12,0	10,1	8,6
P/EK			13,3	8,2	7,2	5,8	5,0
P/FCF			26,8	13,1	11,1	11,0	10,3
Direktavkastning			0,0	0,1	0,1	0,1	0,1
Utdelningsandel, justerad			0,6	0,8	0,7	0,7	0,6
EV/Sales			4,6	2,9	2,5	2,0	1,7
EV/EBITDA			19,4	8,9	9,9	8,4	6,8
EV/EBIT			19,6	8,9	9,9	8,4	6,8
EV, årets slut			130,8	125,7	122,3	118,7	115,1

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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