



## ERIK PENSER BANK

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

# Angler Gaming

## In line with earlier profit warning

### Weak second quarter

Revenues in Q2 were EUR 10.1m, in line with the earlier profit warning and corresponding to contraction of 13% y/y. EBIT was EUR 1.9m, representing a margin of 19%. The weak Q2 performance is down to customer flight to established sportsbook operators during the UEFA Euros and Copa America, high winnings and a high customer acquisition cost (see below). The company has also had its gross margin pressured by supplier costs.

### Trading update shows the wind may have turned

The company points to growth in its trading update. Sales in the first 40 days of Q3 2021 were about 8.2% higher than in the same period of Q3 2020. Angler is also experiencing a strong inflow of new customers. Daily new depositing customers are 24% higher than in Q2 2021. However, we remain conservative in our forecasts, which results in us lowering our sales estimates by 3–5% for the coming years.

### Fair value retained

We retain our fair value of SEK 22–23. We believe the negative momentum that led to the profit warning may have been halted. However, we remain cautious about raising our estimates for operating key figures in our analysis. We note that the company has won two major customers for its affiliate joint venture in the South American market, and here too we want to see more results before we value the project.

Estimate Changes (EUR)			Estimates (EUR)				Risk and Potential			
	Now	Before		20	21e	22e	23e	Motivated value	22.00 - 23.00	
EPS, adj 21e	0.14	0.15	-4.9%	Sales,m	43	47	55	63	Current price	€1.68
EPS, adj 22e	0.17	0.18	-3.3%	Sales Growth	52.1%	8.1%	18.3%	13.6%	Risk level	Medium
EPS, adj 23e	0.2	0.21	-4.3%	EBITDA, m	14.1	11.7	13.6	16.1		
				EBIT, m	14.1	11.7	13.9	16.1		
				EPS, adj	0.15	0.14	0.17	0.20		
				EPS Growth	77.9%	30.2%	16.2%	17.1%		
				Equity/Share	0.2	0.2	0.3	0.4		
				Dividend	0.12	0.10	0.11	0.12		
				EBIT Marginal	32.5%	24.9%	25.1%	25.6%		
				ROE (%)	70.0%	58.9%	56.9%	57.2%		
				ROCE	83.5%	62.1%	59.7%	59.9%		
				EV/Sales	2.84x	2.63x	2.22x	1.95x		
				EV/EBITDA	8.7x	10.6x	9.0x	7.6x		
				EV/EBIT	8.7x	10.6x	8.8x	7.6x		
				P/E, adj	10.9x	11.7x	9.7x	8.3x		
				P/Equity	7.7x	6.9x	5.5x	4.8x		
				Dividend yield	6.9%	5.8%	6.5%	6.9%		
				FCF yield	7.9%	9.2%	9.2%	9.7%		
				Net Debt/EBITDA	(0.7)g	(1.1)g	(1.2)g	(1.2)g		

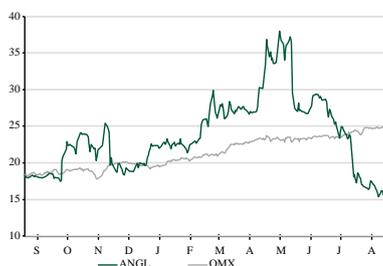
### Calendar Events

Q3'21 rapport den 10 november 2021

### Key Figures (EURm)

Number of Shares	75.0m
Market cap	126
Net Debt	(3)
EV	123
Free Float	90.00%
Avg. No. of Daily Traded Sh.	659.6(k)
Reuters/Bloomberg	ANG.ST/ANGL SS

### One Year Performance Chart



### 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 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

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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

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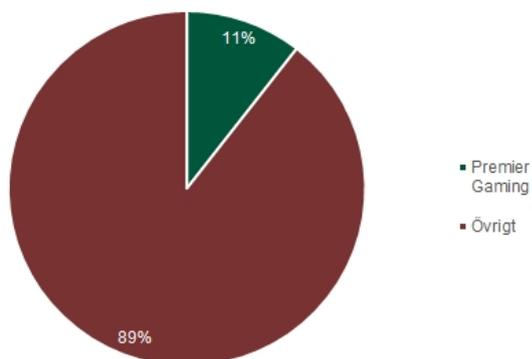
In our assessment, Angler is capable of approaching the valuations of some of the larger companies in the sector, and our DCF indicates a value at these levels. We believe the company will successfully grow in line with our estimates based on the structural growth in the industry and the key performance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

### Target Price

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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.

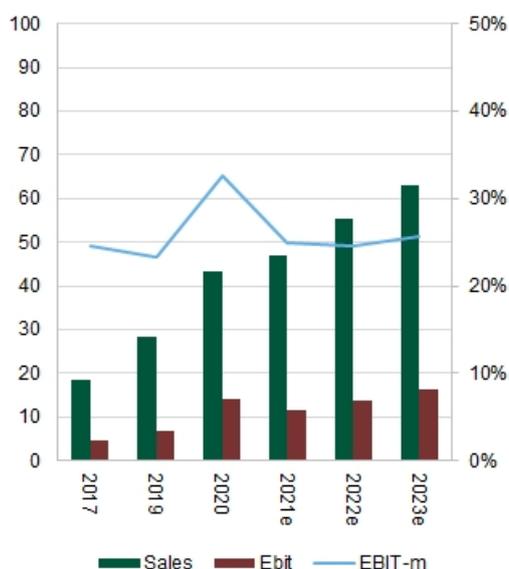
## segment (Q2)



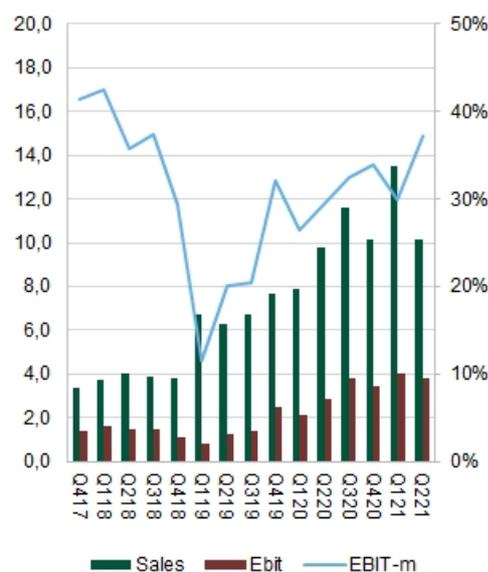
## Estimate changes

	2021	2022	2023
Sales	-3,2%	-4,3%	-5,0%
EBIT	-5,8%	-3,2%	-4,1%
EPS	-4,9%	-3,3%	-4,3%

## Sales and EBIT y/y



## Sales and EBIT (q/q)



## Peers

	Kurs	MV	EV/Sales (just.)			EV/EBITDA (just.)			EV/EBIT (just.)			P/E (just.)			Dir.avk.			EBIT-marg.			Kursutveckling	
			SEK	(mdkr)	21	22	23	21	22	23	21e	22e	23e	21e	22e	23e	22e	21e	22e	23e	1mån	6mån
<b>Svenska Operatörer</b>																						
Betsson	77,6	SEK	11	1,5	1,4	1,3	6,6	6,7	6,9	8,3	8,8	8,8	9,5	10,4	10,9	4,9%	18,7%	16,3%	14,7%	5%	12%	
Kindred (Market)	146,5	GBP	33	1,8	1,6	1,4	6,3	7,9	7,0	7,1	9,6	8,5	9,2	12,5	11,4	4,1%	25,2%	16,4%	16,7%	-4%	13%	
Leo Vegas	36,3	EUR	4	0,9	0,8	0,6	7,4	5,7	4,7	11,2	7,5	5,6	10,8	8,6	7,4	5,1%	9,1%	9,7%	10,7%	1%	-12%	
Medel				1,4	1,2	1,1	6,8	6,8	6,2	8,9	8,7	7,7	9,8	10,5	9,9	4,7%	18%	14%	14%			
Median				1,5	1,4	1,3	6,6	6,7	6,9	8,3	8,8	8,5	9,5	10,4	10,9	4,9%	19%	16%	15%			

## The quarter in detail

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Sales amounted to EUR 10.1m, which was in line with previously provided figures. This corresponds to negative growth of 12.6%. The company sees two main reasons for the reduced sales:

- **Weak growth in new registered customers:** The number of new registered customers amounted to 58,078, a decrease of about 15%. We consider this to be a consequence of the fact that customer acquisition costs increased sharply during this summer's major football championships.
- **Gaming revenue discrepancy:** A number of big wins were paid out during the quarter. The largest were in Premier Gaming Ltd and led to the company losing revenue of approximately EUR 0.35m, which corresponds to about 3.5% of revenue in the quarter.

During the beginning of the quarter, Angler Gaming began to see new momentum in growth and other KPIs as a result of its gaming platform being developed.

- Daily new depositing customers were up 24% in the first 40 days of the quarter compared to the whole of Q2 2020.
- Net gaming revenues are about 8% higher than in the first 40 days of Q3 2020.

Of the new depositing customers, approximately 9% are from the company's newly launched sportsbook. We estimate that this will be an important source of growth in the future.

EBIT amounted to EUR 1.8m, a decrease of approximately 49% y/y. The discrepancy can be explained by the fact that the gross margin has fallen to 32% from the previous 43%. This can partly be attributed to increased costs linked to payment solutions and higher affiliate costs, but we believe that the biggest reason has been bonus programs with low profitability, which have now been discontinued.

In September, the company will launch its affiliate JV targeting the South American market. The company has already managed to sign two Tier 1 operators.

## Thoughts on the long-term and estimates

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Angler Gaming is now in the same operating position as after Q3 2020. At that time, the company had issued a weak trading update that caused the share to fall on the reporting date. The business recovered after that quarter, and Q4 2020 and Q1 2021 were both strong. However, we believe that some of the growth during these two quarters was achieved by overinvesting in bonus programs, which put pressure on profitability and the gross margin. Our assessment is that Angler will reduce investments in bonus programs in the future and that the gross margin will thus recover to the levels we saw in Q1 2021. However, in order to forecast further margin improvements towards 2020 levels, we need first and foremost to see that the declining margin trend has turned. We believe that lower investments in bonus programs will have a negative effect on growth, which is why we are lowering our sales forecast somewhat. In the slightly longer term, we believe that some restraint in bonus investments will continue and that this will provide an environment for sustainably improved gross margins at the price of slightly lower growth. However, based on previous EPB estimate levels, where we have taken into account what we perceived as overinvestment in bonus programs, our adjustments are limited to about -5%.

The clearest example of how bonus costs pressured profitability and growth was that the gross game win in Q2 2021 was only 1.2% lower while the win after bonuses fell by about 5%. This difference partly explains the contraction of the gross margin.

## income statement

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net sales	12,5	18,4	28,5	43,5	46,2	55,5	63,0
Cost of goods sold	-6,3	-10,4	-16,4	-24,3	-29,4	-34,4	-39,1
Gross profit	6,2	8,0	12,1	19,2	16,7	21,1	23,9
Marketing	-0,2	-1,7	-3,1	-1,9	-1,5	-1,7	-1,9
Personnel costs	-0,7	-0,9	-1,2	-1,6	-1,8	-3,1	-3,3
Other operating costs	-0,6	-0,7	-1,0	-1,6	-2,0	-2,4	-2,6
EBITDA	4,7	4,6	6,7	14,1	11,5	13,6	16,1
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	11,5	13,6	16,1
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	11,5	13,6	16,1
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	-0,7	-0,6	-0,6
Profit before tax	6,5	4,5	6,3	11,9	10,7	13,0	15,6
Tax	-0,1	-0,1	-0,2	-0,3	-0,2	-0,4	-0,5
Net profit (reported)	6,4	4,4	6,1	11,6	10,6	12,6	15,1
Net profit (adjusted)	6,4	4,4	6,1	11,6	10,6	12,6	15,1

## Cashflow statement

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net profit (reported)	6,4	4,4	6,1	11,6	10,6	12,6	15,1
Non cash items	0,2	0,1	0,2	0,1	0,0	0,0	0,0
Cashflow before changes in working capital	6,5	4,5	6,3	11,7	10,6	12,6	15,1
Cash flow from operating activities	5,6	2,4	5,0	10,3	11,9	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	11,9	11,8	12,7
Dividends	0	-3	-3	-5,2	-9,0	-8,4	-8,4
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	2,9	6,3	6,3
Net Debt	-3,7	-2,9	-4,5	-9,6	-12,7	-16	-19

## 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>	1,4	1,3	1,2	1,2	1,2	1,2	1,2
Trade receivables	2,2	4,9	6,4	9,7	7,6	9,5	10,2
Summa omsättningstillgångar	2,2	4,9	6,4	9,7	7,6	9,5	10,2
Cash and cash equivalents	3,7	2,9	4,5	9,6	12,7	16,0	19,2
<b>TOTAL ASSETS</b>	7,3	9,0	12,1	20,5	21,4	26,7	30,6
<b>EQUITY AND LIABILITIES</b>							
Equity	6,3	7,4	10,2	16,4	17,9	22,5	26,1
Minority interests							
<b>Total equity</b>	6,3	7,4	10,2	16,4	17,9	22,5	26,1
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>	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	2,9	3,7	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
<b>Total current liabilities</b>	1,0	1,6	2,0	4,1	3,5	4,2	4,5
<b>TOTAL EQUITY AND LIABILITIES</b>	7,3	9,0	12,1	20,5	21,4	26,7	30,6

## KPIs

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Omsättningstillväxt	74%	47%	55%	52%	6%	20%	14%
Rörelseresultat, tillväxt	169%	32%	13%	100%	-19%	22%	16%
EPS, årsförändring	n.m.	n.m.	48%	78%	-3%	24%	17%
EBITA-marginal	39%	34%	25%	33%	25%	25%	26%
Rörelsemarginal	30%	34%	25%	32%	25%	25%	26%
Vinstmarginal, justerad	51%	24%	23%	27%	23%	23%	24%
Skattesats	6%	10%	10%	10%	10%	10%	10%
<b>Lönsamhet</b>							
ROE	68%	59%	64%	70%	58%	58%	58%
ROE, 3-årsnitt		63%	63%	64%	64%	62%	58%
ROCE	73%	82%	68%	83%	62%	60%	60%
ROCE, 5-årsnitt		78%	74%	78%	71%	68%	61%
<b>P/E, justerat</b>							
P/EK			19,4	10,9	12,0	9,7	8,3
P/FCF			12,4	7,7	7,0	5,6	4,8
Direktavkastning			24,9	12,2	10,6	10,7	9,9
Utdelningsandel, justerad			0,0	0,1	0,1	0,1	0,1
EV/Sales			0,6	0,8	0,7	0,7	0,6
EV/EBITDA			4,3	2,7	2,4	2,0	1,7
EV/EBIT			18,0	8,2	9,9	8,1	6,6
EV, årets slut			18,2	8,2	9,9	8,1	6,6
			121,2	116,2	113,1	109,7	106,6

## Quarterly Data

	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221
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	10,1
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	-6,9
<b>Gross profit</b>	<b>1,7</b>	<b>1,9</b>	<b>1,8</b>	<b>1,8</b>	<b>1,5</b>	<b>2,8</b>	<b>2,5</b>	<b>2,9</b>	<b>3,5</b>	<b>3,5</b>	<b>4,3</b>	<b>5,1</b>	<b>4,6</b>	<b>5,1</b>	<b>5,2</b>	<b>3,3</b>
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	-0,3
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	-0,6
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	-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	1,9
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	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	1,9
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	0,0
<b>EBIT (adjusted)</b>	<b>1,4</b>	<b>1,6</b>	<b>1,4</b>	<b>1,4</b>	<b>1,1</b>	<b>0,8</b>	<b>1,3</b>	<b>1,4</b>	<b>2,5</b>	<b>2,1</b>	<b>2,9</b>	<b>3,8</b>	<b>3,5</b>	<b>4,0</b>	<b>3,8</b>	<b>1,9</b>
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	-0,1
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	1,8
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	-0,1
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net profit (reported)</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1,4</b>	<b>1,1</b>	<b>0,7</b>	<b>1,2</b>	<b>1,2</b>	<b>2,3</b>	<b>1,9</b>	<b>2,5</b>	<b>3,3</b>	<b>2,2</b>	<b>3,5</b>	<b>3,4</b>	<b>1,7</b>
<b>Net profit (adjusted)</b>	<b>1,3</b>	<b>1,6</b>	<b>1,4</b>	<b>1,4</b>	<b>1,1</b>	<b>0,7</b>	<b>1,2</b>	<b>1,2</b>	<b>2,3</b>	<b>1,9</b>	<b>2,5</b>	<b>3,4</b>	<b>2,2</b>	<b>3,5</b>	<b>3,4</b>	<b>1,7</b>

### Tillväxt och marginaler

	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221
Sales growth					13%	80%	56%	75%	102%	17%	55%	73%	33%	51%	39%	-13%
EBIT growth (adjusted)					nml	-51%	nml	-4%	121%	169%	128%	174%	41%	94%	31%	-49%
Gross margin	51%	52%	44%	48%	41%	42%	40%	44%	46%	45%	44%	44%	45%	43%	39%	32%
EBITDA margin (excluding IFRS 16)	40%	41%	35%	37%	29%	11%	20%	20%	32%	26%	29%	39%	34%	41%	39%	20%
EBIT margin (adjusted)	14%	16%	15%	15%	11%	8%	13%	14%	25%	21%	30%	39%	35%	41%	39%	20%

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