



ERIK PENSER BANK

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Angler Gaming

Further healthy growth in the quarter

Operational key figures reinforce turnaround...

Revenues reached EUR 9.5m in Q2, implying y/y growth of 36.5%. EBIT came in at EUR 0.7m, leading to a margin of 7.2%. The key reason for the lower margin q/q was that the gross margin was 24.9% – down q/q but up from the 23.1% reported for 2022. The variation in the gross margin between quarters stems from differences in affiliate expenses, payment solutions, and royalties to suppliers. Customer deposits in Q2 came in at EUR 17.7m, suggesting growth of 16.4% y/y. Gross gaming revenues reached EUR 10.9m, implying 31% growth y/y. The key figure of hold, which measures the relationship between deposits and gaming surpluses, rose to 58.7% from 51.8% in Q2. We thus believe many of the key operational figures developed well, as confirmed by Q3 having started with a daily average gaming surplus 30% higher than for the entire Q3 2022 and up 15% on the whole of Q2 2023.

...which has now begun to show...

Previously, Angler offered high, profitable growth through exposure to emerging i-gaming markets. Recent quarters have been plagued by operational problems that have put significant pressure on both margins and growth, however. Q2 demonstrates that the initiatives taken during 2022 to improve profitability are starting to bear fruit. Moreover, we believe the company's endeavours to sell its platform solution are starting to bear fruit, with three new projects going live in Q3.

...mainly in estimates

We have previously stated that Angler needs to show proof of progress in its profitability-strengthening initiatives before we can adjust our estimates and fair value. The Q2 report suggests the company continues to move in the right direction. Based on the robust trading update and the quarter's figures, we lift our revenues estimates by an average of 14.2% over the forecast period. As the gross margin development in Q2 was not in line with our estimate for the full year, we lower our expectations for this margin expansion. We thus raise our EBIT estimates by just 5.3% on average across the forecast period. Despite the progress in the quarter, we leave our fair value unchanged at SEK 7.0–7.2.

Change in estimates				Forecast (€ m)				Value and risk														
	23e	24e	25e		2022	2023e	2024e	2025e	Fair value	SEK 7,0 - 7,2												
Total revenue	10,0%	16,0%	16,7%	Total revenue	31	40	45	47	Share price	SEK 4,9												
EBIT, adj.	2,0%	5,6%	8,2%	Revenue growth	-28%	26%	14%	4%	Risk level	High												
EPS, adj.	-4,6%	6,7%	9,7%	EBITDA, adj.	1	4	5	6	<div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">Price Performance 12 months</div>													
<div style="background-color: #004a99; color: white; padding: 5px;">Upcoming events</div>				EBIT, adj.	1	4	5	6														
Q3 - report	16 November 2023			EPS, adj.	0,0	0,0	0,1	0,1	<div style="background-color: #004a99; color: white; padding: 5px;">Conflicts of interest</div>													
Q3 - report	20 February 2024			EPS growth, adj.	N.m.	N.m.	42%	10%														
<div style="background-color: #004a99; color: white; padding: 5px;">Company facts (€ m)</div>				BV/share	0,1	0,1	0,1	0,2	<table border="1"> <thead> <tr> <th></th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Liquidity provider</td> <td></td> <td>✓</td> </tr> <tr> <td>Certified adviser</td> <td></td> <td>✓</td> </tr> <tr> <td>Transactions 12m</td> <td></td> <td>✓</td> </tr> </tbody> </table>			Yes	No	Liquidity provider		✓	Certified adviser		✓	Transactions 12m		✓
	Yes	No																				
Liquidity provider		✓																				
Certified adviser		✓																				
Transactions 12m		✓																				
Number of shares	75m			Dividend per share	0,0	0,0	0,0	0,0														
Market capitalization	30			EBIT margin	2,5%	11,0%	11,8%	12,0%														
Net debt	-2			ROE, adj.	Neg.	56,7%	54,1%	38,3%														
EV	28			ROCE, adj.	7,9%	79,9%	65,5%	44,7%														
Free float	92%			EV/Sales	0,9x	0,7x	0,6x	0,6x														
Daily trading volume, average	0k			EV/EBITDA	36,6x	6,5x	5,3x	5,0x														
Bloomberg Ticker	ANGL SS EQUITY			EV/EBIT	37,2x	6,5x	5,3x	5,0x														
<div style="background-color: #004a99; color: white; padding: 5px;">Analyst</div>				P/E, adj.	-	9,7x	6,8x	6,2x														
Rikard Engberg				P/BV	6,1x	5,0x	2,9x	2,0x														
rikard.engberg@penser.se				Dividend yield	0,0%	5,2%	7,3%	7,8%														
				FCF yield	3%	32%	19%	18%														
				Net debt / EBITDA	-1,5x	-0,3x	-1,0x	-1,8x														

Investment case

Angler Gaming is active in the i-gaming industry, a cyclically sensitive area with high structural growth. We expect the industry to grow by 10–12% annually in the coming years, driven by a shift from land-based gaming and increased mobile and internet penetration. Angler Gaming operates in markets that many international players do not reach, which has historically brought it high margins and growth.

The international i-gaming market was worth USD 2017bn in 47 and is expected to grow by some 10–12% a year. We see two key growth drivers fuelling this. First, i-gaming still represents a relatively low share of total gaming. Online penetration in Sweden and the UK, which are considered among the most mature such markets, is around 50–70%. It is at less than 10% in many of Angler Gaming's markets. Moreover, we believe the vertical in which Angler is active – casino games – has the lowest online penetration, which can result in high growth. We also see a relatively low/negative correlation between that online gaming and the general business cycle. For example, gross winnings revenues in the UK and Ireland grew in 2008–2009 despite the economy as a whole shrinking.

Angler Gaming has previously reported strong key operational figures in its balance sheet and income statement. One key indicator that sticks out is that it has previously had the industry's highest EBIT per employee. We see two possible reasons for this, the first being that it can keep costs down by owning its own platform. Many other smaller companies in the sector use third-party platforms paid for out of their gross winnings revenues. Second, a small and dedicated team can move rapidly when launching new products and choosing markets. We believe the company is now starting to return to the profitable high growth it experienced in 2018–2020.

Valuation

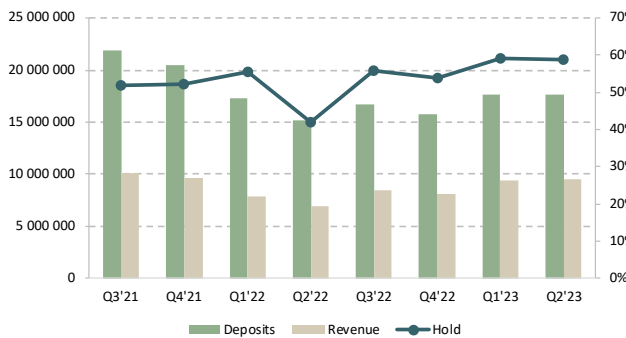
We have used a DCF model to value Angler, arriving at a fair value of SEK 7.0–7.2.

Brief overview of the quarter

Revenues reached EUR 9.5m in Q2, implying y/y growth of 37%. The key reason for the solid growth was that hold (net gaming revenues/customer deposits) came in at 58.7% – a healthy figure given that hold was 53% for full-year 2022. Customer deposits reached EUR 17.7m in Q2, representing growth of 16.4% y/y.

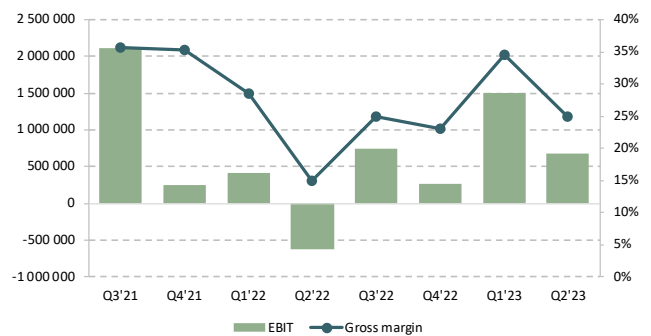
The operating result in the quarter was EUR 0.7m, with a margin of 7.2%. The key factor behind this growth was that the gross margin was 24.9% in Q2, compared with 23.1% for 2022. However, this figure is a step down from the strong Q1 2023. We believe that the gross margin will gradually rise from these levels, partly as a result of larger volumes at Angler, but also as it terminated a handful of unprofitable affiliate programmes during the quarter.

Solid hold contributed to growth q/q and y/y...



Source: Company, EPB, figures in EUR

...the gross margin driving robust EBIT growth



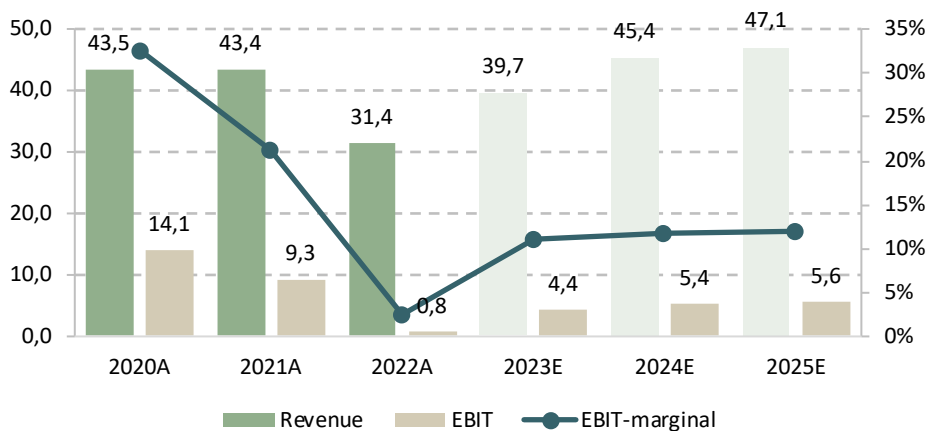
Source: Company, EPB, figures in EUR

Estimate changes

Based on the robust trading update and the quarter's figures, we lift our revenues estimates by an average of 14.2% over the forecast period. We see distinct signs that the company is back on the growth track, given the higher deposits in the quarter, hold stabilising a high level, and the trading update we saw presented with the report.

As the gross margin was down q/q, we only raise our EBIT estimate by an average of 5.3% for the forecast period. In our view, given the volume growth seen in both the quarterly report and the trading update, Angler will achieve a solid gross margin of around 30% towards the end of the forecast period, an assumption far lower than its historical levels of 35–40%. We believe the industry climate has changed to some extent and costs related to payment solutions and affiliate customers have risen, putting pressure on the gross margin.

In our view, the EBIT margin has reached its trough



Source: EPB

Income statement

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Net sales	13	18	29	43	43	31	40	45	47
Total revenue	13	18	29	43	43	31	40	45	47
Cost of goods sold	-6	-10	-16	-24	-28	-24	-28	-32	-33
Gross profit	6	8	12	19	16	7	11	13	14
R & D Expenses	0	-2	-3	-2	-2	-1	-2	-2	-2
Other Operating Expenses	-1	-2	-2	-3	-5	-5	-5	-6	-6
EBITDA	5	5	7	14	9	1	4	5	6
EBITDA, adjusted	5	5	7	14	9	1	4	5	6
EBITA, adjusted	5	5	7	14	9	1	4	5	6
EBIT	4	5	7	14	9	1	4	5	6
EBIT, adjusted	4	5	7	14	9	1	4	5	6
Net Financial Items	2	0	0	-2	-2	-5	-1	-1	-1
Profit before tax	6	4	6	12	7	-4	3	5	5
Profit before tax, adjusted	6	4	6	12	7	-4	3	5	5
Net income	6	4	6	12	7	-3	3	4	5
Net income, adjusted	6	4	6	12	7	-3	3	4	5
Sales Growth	-	47%	55%	52%	0%	-28%	26%	14%	4%
Gross Margin	49,4%	43,5%	42,5%	44,2%	35,7%	23,1%	28,8%	29,0%	30,0%
EBIT Margin, Adjusted	35,8%	24,5%	23,4%	32,5%	21,3%	2,5%	11,0%	11,8%	12,0%
EPS, Adjusted	0,08	0,06	0,08	0,15	0,10	-0,05	0,04	0,06	0,06
EPS Growth, Adjusted	-	-31%	39%	89%	-37%	N.m.	N.m.	42%	10%

Source: Angler Gaming, EPB

Cash flow statement

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
EBIT	4	5	7	14	9	1	4	5	6
Other Cash flow Items	2	0	0	-2	-2	-1	0	0	0
Changes in working capital	-1	-2	-2	-1	-2	1	5	0	0
Cash flow from operating activities	6	2	5	10	5	1	10	6	5
Investments in intangible fixed assets	-2	0	0	0	0	0	0	0	0
Cash Flow From Investments	-2	0	0	0	0	0	0	0	0
Free cash flow	3	2	5	10	5	1	10	6	5
Change in liabilities	0	0	0	0	0	1	0	0	0
Dividends	0	-3	-3	-5	-9	-6	0	-2	-2
Cash flow from financing	0	-3	-3	-5	-9	-5	0	-2	-2
Cash flow	3	-1	1	5	-4	-4	10	4	3
Net debt	-4	-3	-5	-10	-6	-1	-2	-6	-10

Source: Angler Gaming, EPB

Balance sheet

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
ASSETS									
Other intangible assets	1	1	1	1	1	1	1	1	1
Total fixed assets	1	1	1	1	1	1	1	1	1
Accounts receivable	2	5	6	10	12	8	9	10	10
Cash and cash equivalents	4	3	5	10	6	1	2	6	10
Total current assets	6	8	11	19	18	9	10	16	21
TOTAL ASSETS	7	9	12	21	19	10	12	17	22
EQUITY AND LIABILITIES									
Equity	6	7	10	16	15	5	6	10	15
Total equity	6	7	10	16	15	5	6	10	15
Accounts payable	1	1	2	4	4	5	6	7	7
Total current liabilities	1	2	2	4	4	5	6	7	7
TOTAL EQUITY AND LIABILITIES	7	9	12	21	19	10	12	17	22

Source: Angler Gaming, EPB

Growth and margins

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Revenue growth	-	47%	55%	52%	0%	-28%	26%	14%	4%
EBITDA growth, adjusted	-	-1%	45%	>100%	-34%	-91%	>100%	22%	5%
EBIT growth, adjusted	-	1%	48%	>100%	-34%	-92%	>100%	22%	6%
EPS growth, adjusted	-	-31%	39%	89%	-37%	N.m.	N.m.	42%	10%
Gross margin	49,4%	43,5%	42,5%	44,2%	35,7%	23,1%	28,8%	29,0%	30,0%
EBITDA margin	37,2%	25,2%	23,6%	32,5%	21,4%	2,5%	11,1%	11,8%	12,0%
EBITDA margin, adjusted	37,2%	25,2%	23,6%	32,5%	21,4%	2,5%	11,1%	11,8%	12,0%
EBIT margin	35,8%	24,5%	23,4%	32,5%	21,3%	2,5%	11,0%	11,8%	12,0%
EBIT margin, adjusted	35,8%	24,5%	23,4%	32,5%	21,3%	2,5%	11,0%	11,8%	12,0%
Profit margin, adjusted	50,9%	23,8%	21,4%	26,5%	16,8%	Neg.	7,8%	9,7%	10,3%

Source: Angler Gaming, EPB

Return

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
ROE, adjusted	Neg.	64%	69%	87%	47%	Neg.	57%	54%	38%
ROCE, adjusted	Neg.	66%	76%	>100%	59%	8%	80%	66%	45%
ROIC, adjusted	Neg.	>100%	>100%	>100%	>100%	12%	>100%	>100%	>100%

Source: Angler Gaming, EPB

Capital efficiency

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Accounts receivable / total revenue	18%	27%	22%	22%	28%	25%	23%	23%	22%
Accounts payable / COGS	14%	14%	11%	15%	14%	22%	20%	22%	21%
Total short-term liabilities / total cost	13%	12%	9%	14%	13%	17%	16%	18%	17%
Working capital / total revenue	10%	18%	16%	13%	18%	8%	8%	8%	7%
Capital turnover rate	2,0x	2,5x	2,8x	2,6x	2,9x	6,4x	6,6x	4,4x	3,1x

Source: Angler Gaming, EPB

Financial position

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Net debt	-4	-3	-5	-10	-6	-1	-2	-6	-10
Equity ratio	87%	82%	84%	80%	77%	48%	52%	60%	68%
Net debt / equity	-0,6x	-0,4x	-0,4x	-0,6x	-0,4x	-0,2x	-0,2x	-0,5x	-0,7x
Net debt / EBITDA	-0,8x	-0,6x	-0,7x	-0,7x	-0,6x	-1,5x	-0,3x	-1,0x	-1,8x

Source: Angler Gaming, EPB

Per share data

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
EPS	0,08	0,06	0,08	0,15	0,10	-0,05	0,04	0,06	0,06
EPS, adjusted	0,08	0,06	0,08	0,15	0,10	-0,05	0,04	0,06	0,06
FCF per share	0,04	0,03	0,06	0,14	0,07	0,01	0,13	0,08	0,07
Dividend per share	0,05	0,04	0,05	0,12	0,09	0,00	0,02	0,03	0,03
Book value per share	0,08	0,10	0,14	0,22	0,20	0,07	0,08	0,14	0,20
Number of shares, m	75,0	75,0	75,0	75,0	75,0	75,0	75,0	75,0	75,0
Number of shares after dilution, average	75,0	75,0	75,0	75,0	75,0	75,0	75,0	75,0	75,0

Source: Angler Gaming, EPB

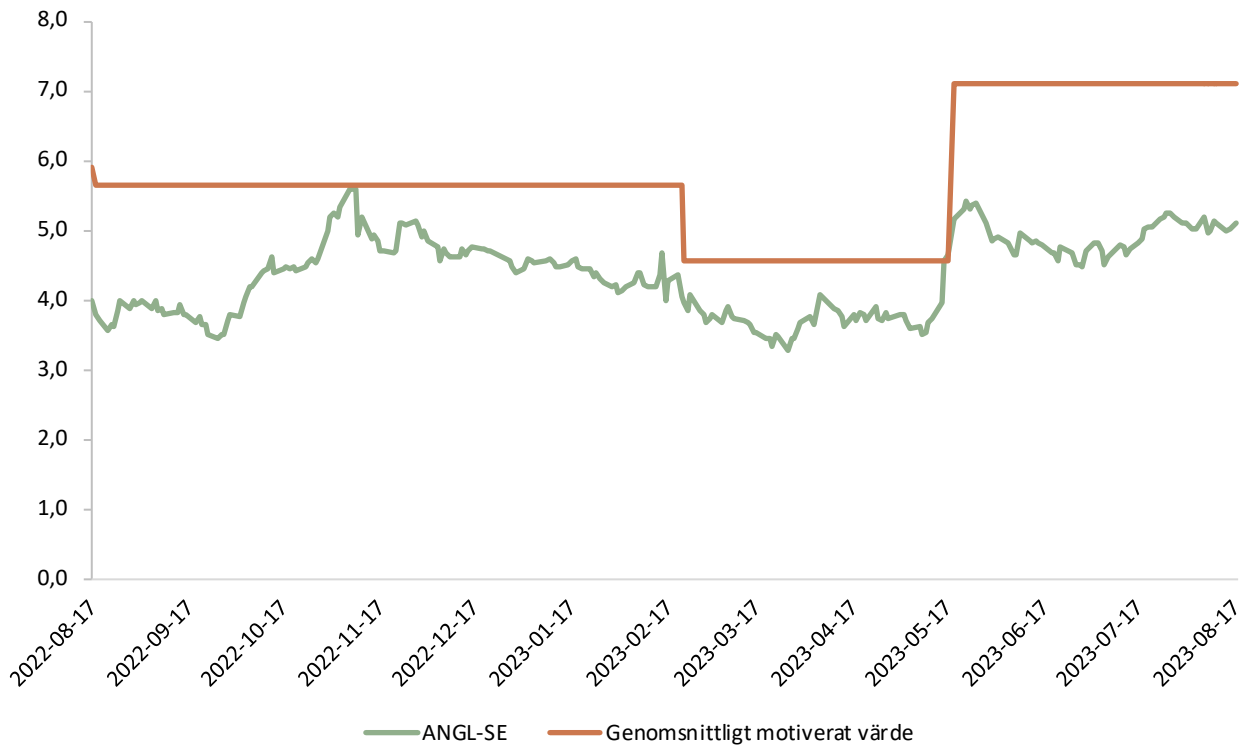
Valuation

	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
P/E, adjusted	4,7x	6,9x	4,9x	2,6x	4,1x	Neg.	9,7x	6,8x	6,2x
P/BV	4,8x	4,0x	3,0x	1,8x	2,0x	6,1x	5,0x	2,9x	2,0x
P/FCF	9,4x	12,5x	6,3x	2,9x	5,9x	32,8x	3,1x	5,3x	5,6x
FCF-yield	11%	8%	16%	34%	17%	3%	32%	19%	18%
Dividend yield	11,2%	11,1%	12,9%	29,9%	21,2%	0,0%	5,2%	7,3%	7,8%
Payout ratio, adjusted	53,0%	76,6%	63,6%	78,1%	87,6%	0,0%	50,0%	50,0%	48,4%
EV/Sales	Neg.	Neg.	0,9x	0,5x	0,6x	0,9x	0,7x	0,6x	0,6x
EV/EBITDA, adjusted	Neg.	Neg.	3,8x	1,5x	2,6x	36,6x	6,5x	5,3x	5,0x
EV/EBIT, adjusted	Neg.	Neg.	3,8x	1,5x	2,6x	37,2x	6,5x	5,3x	5,0x
EV	Neg.	Neg.	26	21	24	29	28	28	28
Share price, year end	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4

Source: Angler Gaming, EPB

Share Price and Fair Value Chart

Angler Gaming (ANGL SS EQUITY)



Source: EPB, IDC

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