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Aspire Global

Travel & leisure

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Investigating how to enhance growth

Aspire Global (AG) has announced a review of the role of the B2C segment (proprietary online gaming brands) in the group structure. The motivation for the review is to identify how best to accelerate the segment's revenue growth profile, and thus the overall group profile. Potential outcomes include the sale of the segment or to merge it with another similar business, and management expects that the B2C brands would likely continue to be customers of its B2B segment. As well as providing profitable growth to AG since its IPO in FY17, strategically the segment has provided insight into wider product development in iGaming for the rest of the group. The B2C segment has provided CAGRs in revenue and EBITDA of c 13% and c 10% respectively since FY16, versus the group averages of 29% and 24%. CEO Tsachi Maimon discusses the review of the B2C segment in the following executive interview.

The B2C segment includes AG's proprietary online gaming sites, which use the company's B2B technology platform and managed services, and are marketed to the company's own online customers. The segment's best-known brand is Karamba.

Management's strategy for the B2C segment has been to enter new verticals and markets, grow the number of games offered, and thus present the opportunity to attract new online customers and grow the segment. From a pure focus on casino games at the time of the IPO, AG's sportsbook was launched in H118 to benefit from betting volumes during the FIFA World Cup, which drove strong growth in the number of users, transactions, revenue and profitability. In FY19, ongoing innovation and entry into new markets continued, however regulatory changes and operating restrictions in certain key geographies hampered growth towards the end of the year and into the early part of FY20. AG's continuous investment in CRM led to improving KPIs and financial results as FY20 progressed, and as a result, B2C's revenue was at an all-time high in FY20.

In FY20, B2C contributed revenue of €51.0m, revenue (net of VAT) of €47.5m and EBITDA of €6.2m, representing 31% of group revenue and 23% of EBITDA. The segment's revenue has grown in every year since FY16, the year prior to AG's IPO, with a CAGR of c 13%. B2C's EBITDA CAGR since FY16 has been c 10%, lagging revenue growth due to management's strategy of targeting growth in regulated markets, in which taxes and duties are more predictable, albeit higher. B2C's FY20 EBITDA margin of 12.1% compares with the B2B segment's EBITDA margin of 19.1%. At the end of FY20, AG secured repayment of the outstanding bond and had net debt of c €5m, therefore it is financially well placed as it conducts the review of the B2C segment.

Consensus estimates

Year end	Net revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)	Yield (%)
12/19	127.5	21.7	0.01	0.00	13.0	N/A
12/20	156.8	27.1	0.28	0.00	10.4	N/A
12/21e	186.1	31.3	0.46	0.18	9.0	3.0
12/22e	224.9	39.3	0.56	0.25	7.2	4.1

Source: Refinitiv consensus estimates

Price	**SEK60.8**
Market cap	**SEK2.8bn**

Share price graph

Share details

Code	ASPIRE
Listing	Nasdaq First North Premier Growth Market
Shares in issue	46.4m

Business description

Aspire Global is a leading B2B provider of iGaming solutions, offering partners all relevant products to operate a successful iGaming brand. It also owns/offers B2C online gaming brands, including Karamba. Aspire operates in 26 regulated markets across Europe, the US, South America and Africa.

Bull

- Structural growth in regulated online gaming markets with industry-leading products. It recently entered growth markets such as the US, South America and Africa.
- Highly scalable business as the addition of new partners does not require the addition of major overheads.
- Revenue share model aligns Aspire Global's interests with those of business partners.

Bear

- The online gaming industry is subject to political and regulatory risks. However, Aspire's main focus is on regulated markets, where risks should be lower.
- The online gaming industry is highly competitive.
- Annual dividend distributions have not been consistent since the IPO in 2017 due to Aspire'sactive M&A agenda. Management continues to target a long-term payout ratio of 50%.

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