

# Aspire Global

Q321 results

## Exceeding management's FY21 guidance

The strength of Aspire Global's (AG's) performance in the year to date is indicated by its last 12-months (LTM) revenue and EBITDA already exceeding management's prior FY21 guidance. AG continues to enjoy strong revenue momentum from new client wins and geographic expansion. With a healthy pro forma net cash position assuming the imminent proposed disposal of B2C, the group is well placed to invest in its content and services to grow its client base and geographic coverage. We upgrade our FY21 and FY22 EBITDA forecasts by 2–3%, which feed through to an increase in our DCF-based valuation to SEK116/share.

Year end	Revenue** (€m)	EBITDA* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	131.4	21.8	0.32	0.00	26.5	N/A
12/20	161.9	27.6	0.32	0.00	26.5	N/A
12/21e	218.0	37.6	0.58	0.21	14.6	2.5
12/22e	248.4	44.6	0.71	0.33	12.0	3.9

Note: \*EBITDA and EPS (fully diluted) are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. \*\*Includes VAT.

## Q321: Revenue growth accelerated

In Q321 AG's revenue increased c 46% year-on-year to €58.6m with EBITDA up 38% to €9.1m (15.5% margin). The revenue growth reflected strong organic growth year-on-year (c 39%), boosted by the first-time consolidation of Sports. Organic revenue growth accelerated from c 28% in H121. The EBITDA margin decline to 15.5% was solely attributable to higher gaming taxes in Germany after regulatory changes for online gaming companies. AG's LTM revenue of c €207m and EBITDA of €36m have already exceeded management's prior FY21 guidance for revenue of €200m and EBITDA of €32m.

## FY21 and FY22 EBITDA forecasts upgraded by 2–3%

We upgrade our revenue forecasts for FY21 by c 1% to €218m and by 3% in FY22 to €248.4m, as we take a more optimistic outlook for Core. This represents year-on-year growth of c 35% and c 14%, respectively. We also increase our EBITDA forecasts in both years by 2–3%, giving year-on-year growth of c 37% and 19%, respectively. Based on the nine-month performance, we include higher EBITDA margin assumptions for both Core and Games, while taking a more cautious stance on the outlook for B2C's profitability.

## Valuation: DCF valuation increased to SEK116/share

Our upgraded forecasts and AG's improved financial position lead to an increase in our DCF-based valuation, with a WACC of 9% and a terminal growth rate of 2%, to SEK116/share from SEK110. The shares continue to trade at a significant discount to peers and an EV/EBIT for CY21 of 12.2x is a discount of 43% to the adjusted peer average of 21.5x. Our analysis shows a relative de-rating to the peers once the proposed disposal of B2C is considered, which appears unwarranted given the expected improvement in AG's growth prospects and profitability.

## Travel & leisure

10 November 2021

Price **SEK84.9**

Market cap **SEK3,948m**

€0.1/SEK

Net cash (€m) at 30 September 2021 7.5  
(excluding IFRS 16 liabilities and client cash)

Shares in issue 46.5m

Free float 25.8%

Code ASPIRE

Primary exchange Nasdaq First North Premier  
Growth Market, Stockholm

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 15.0 34.1 136.8

Rel (local) 5.8 33.5 76.4

52-week high/low SEK85 SEK35

## Business description

Aspire Global is a leading B2B provider of iGaming solutions, offering partners all relevant products to operate a successful iGaming brand. It has announced the proposed disposal of the B2C online gaming brands, including Karamba. Aspire operates in 30 regulated markets across Europe, the United States, South America and Africa.

## Next events

FY21 results 17 February 2022

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## Improved revenue momentum in Q321

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AG reported yet another all-time high quarterly revenue in Q321 as it continued to benefit from very strong year-on-year organic revenue growth of 39% and the first-time contribution of Sports (consolidated from Q420). AG's LTM revenue of c €207m and EBITDA of €36m have already exceeded management's prior FY21 guidance for revenue of €200m and EBITDA of €32m, which is impressive given the apparent momentum in the businesses that is likely to boost the full year's outturn. Management highlights good momentum in sports and casino and reiterates a continued focus on geographic expansion, with Brazil being of note (see below).

The lower Q321 EBITDA margin of 15.5% versus 17.8% for H121 predominantly reflects higher gaming taxes following regulation changes in Germany, which dampened the margin for the first nine months of 2021 to 16.9%, still well ahead of the first nine months of 2020 margin of 16.0%.

The proposed disposal of B2C is expected to complete before the end of November and assuming a successful completion this will leave AG with a B2B focus and a strong pro forma net cash position. This will enable further investments in technology and content, and increase investment in all focus markets, notably in the United States and Brazil.

Management expects a phased regulation of the various parts of the Brazilian gaming market from here and has therefore positioned AG accordingly, by strengthening its local content with exclusive deals and adjusting the sport retail solution to suit the local market. AG is already partnering with four companies that are specifically targeting the Brazilian market.

### Group performance

During Q321, AG's revenue including VAT increased by 46% y-o-y to €58.6m, revenue excluding VAT rose 50% to €58.5m, EBITDA (AG's definition) increased 38% to €9.1m (a 15.5% margin), PBT (excluding associates) increased c 79% to €7.0m and adjusted diluted EPS rose 50% to €0.13. The higher year-on-year revenue growth during Q321 led to an acceleration in the year-to-date revenue growth of c 38% versus 34% at the interim stage.

**Exhibit 1: Summary income statement**

€m	H120	Q320	9M20	Q420	FY20	Q121	Q221	H121	Q321	9M21
<b>Revenue (inc VAT)</b>	<b>77.4</b>	<b>40.1</b>	<b>117.5</b>	<b>44.4</b>	<b>161.9</b>	<b>48.1</b>	<b>55.8</b>	<b>103.9</b>	<b>58.6</b>	<b>162.4</b>
Growth y-o-y	17.4%	20.7%	18.5%	37.6%	23.2%	42.6%	27.7%	34.2%	46.0%	38.2%
Organic y-o-y	6.6%	8.8%	0.0%	30.8%	15.0%	35.6%	21.6%	27.7%	39.0%	31.5%
Two-year average organic						11.8%	21.4%	16.7%	23.0%	14.7%
<b>Revenue (excl VAT)</b>	<b>74.8</b>	<b>39.0</b>	<b>113.8</b>	<b>43.1</b>	<b>156.8</b>	<b>46.5</b>	<b>54.3</b>	<b>100.9</b>	<b>58.5</b>	<b>159.4</b>
Growth y-o-y	16.4%	21.2%	18.0%	38.4%	23.0%	42.8%	28.8%	34.9%	50.0%	40.1%
Gaming duties	(1.9)	(1.2)	(3.1)	(1.3)	(4.3)	(1.6)	(2.4)	(4.0)	(7.1)	(11.1)
% of revenue inc VAT	2.4%	2.9%	2.6%	2.8%	2.7%	3.3%	4.4%	3.9%	12.1%	6.8%
Distribution expenses	(52.4)	(27.4)	(79.7)	(28.7)	(108.4)	(31.4)	(36.2)	(67.6)	(37.0)	(104.6)
% of revenue inc VAT	67.6%	68.3%	67.8%	64.6%	67.0%	65.3%	64.9%	65.1%	63.1%	64.4%
Administration expenses	(8.3)	(3.9)	(12.1)	(4.9)	(17.0)	(5.0)	(5.8)	(10.8)	(5.4)	(16.2)
% of revenue inc VAT	10.7%	9.7%	10.3%	11.0%	10.5%	10.3%	10.4%	10.4%	9.2%	10.0%
<b>EBITDA (AG definition)</b>	<b>12.3</b>	<b>6.6</b>	<b>18.8</b>	<b>8.3</b>	<b>27.1</b>	<b>8.6</b>	<b>9.9</b>	<b>18.4</b>	<b>9.1</b>	<b>27.5</b>
Margin	15.8%	16.4%	16.0%	18.6%	16.7%	17.8%	17.7%	17.8%	15.5%	16.9%
Growth y-o-y	1.1%	25.7%	8.5%	189.9%	24.8%	64.2%	40.1%	50.3%	38.0%	46.0%
<b>EBITDA (Edison definition)</b>	<b>12.4</b>	<b>6.7</b>	<b>19.2</b>	<b>8.5</b>	<b>27.6</b>	<b>8.8</b>	<b>10.1</b>	<b>18.9</b>	<b>9.2</b>	<b>28.1</b>
Margin	16.6%	17.3%	16.9%	19.6%	17.6%	18.9%	18.6%	18.7%	15.7%	17.6%
Growth y-o-y	2.0%	28.3%	9.9%	192.9%	26.6%	68.3%	39.7%	51.7%	0.0%	0.0%
Operating income	9.6	4.9	14.5	6.3	20.8	6.5	9.9	14.3	6.8	21.1
Margin	12.4%	12.3%	12.3%	14.2%	12.9%	13.6%	17.7%	13.8%	11.7%	13.0%
Growth y-o-y	(7.3)%	15.5%	(0.6)%	14.2%	17.3%	66.3%	74.6%	49.3%	38.7%	45.7%
Net finance costs	(2.0)	(1.0)	(3.0)	(1.4)	(4.4)	0.1	(0.3)	(0.1)	0.1	0.0
<b>PBT (excl associates)</b>	<b>7.6</b>	<b>3.9</b>	<b>11.5</b>	<b>4.9</b>	<b>16.4</b>	<b>6.7</b>	<b>9.6</b>	<b>14.2</b>	<b>7.0</b>	<b>21.2</b>
Growth y-o-y	(21.7)%	(15.1)%	(19.6)%	98.2%	(3.0)%	137.2%	100.8%	86.6%	79.2%	84.1%
Tax	(0.6)	(0.1)	(0.7)	(0.7)	(1.4)	(0.6)	(0.6)	(1.2)	(0.6)	(1.8)
Effective rate	7.6%	2.4%	5.9%	14.6%	8.5%	8.5%	6.6%	8.5%	8.5%	8.5%
PAT	7.0	3.8	10.8	4.2	15.0	6.1	9.0	13.0	6.4	19.4
Associates	(0.5)	(0.3)	(0.8)	(1.1)	(1.9)	(0.1)	(0.5)	(0.6)	(0.4)	(1.0)
Net income	6.5	3.5	10.1	3.1	13.1	6.0	8.5	12.4	6.0	18.3
Normalised EPS (€)	0.14	0.09	0.22	0.09	0.32	0.13	0.18	0.27	0.13	0.40
Growth y-o-y	(18)%	(16)%	(18)%	0%	0%	161%	87%	89%	50%	80%

Source: Aspire Global

Please see our [initiation note](#) for commentary on AG's disclosure of divisional/group revenue and minor differences in its definition of EBITDA versus ours. Management's commentary on revenue and profitability, specifically EBITDA margin, is typically with reference to revenue including VAT, therefore we will be consistent with management's narrative.

Q3 organic revenue growth of 39% accelerated from Q221's c 22%. The two-year average growth rate also accelerated to c 23% from c 21% in Q2, highlighting the impressive momentum across the group.

We look at the divisional drivers to AG's performance below. However, from a cost perspective, the total group continued to demonstrate good leverage of distribution and administration expenses, due to a combination of post-acquisition synergies and the natural leverage of the strong revenue growth. As already highlighted, the increase in gaming duties is due to the regulatory changes in Germany.

The effective tax rate of 8.5% was consistent with FY20 and our expectations.

## Divisional performance

As previously highlighted, the lower group EBITDA margin of 15.5% in Q321 reflects a higher B2B EBITDA margin (20.5% versus 19.7% in Q320), with margin improvements at those businesses held in both periods (Core and Games) offset by a lower B2C margin (5.5% versus 8.8% in Q320), due to German taxes. For the nine months to September 2021, the group margin improved to

16.9% (first nine months of 2020: 16.0%), again due to the improvement in B2B's total margin, a combination of higher margins for all business and the mix effects of a greater or new contribution from business with higher than average margins (Games and Sports), and the lower B2C margin.

#### Exhibit 2: Divisional financial performance

€m	H120	Q320	9M20	Q420	FY20	Q121	Q221	H121	Q321	9M21
Revenue* (inc VAT):										
- Core	45.9	23.8	69.8	23.0	92.7	24.4	27.5	51.9	29.0	80.9
- Games	7.1	4.0	11.1	4.9	16.0	5.6	6.2	11.7	6.9	18.7
- Sports				2.2	2.2	2.4	2.7	5.0	2.8	7.8
- B2B total	53.1	27.8	80.8	30.1	110.9	32.3	36.3	68.7	38.7	107.4
- B2C	24.4	12.3	36.7	14.3	51.0	15.7	19.5	35.2	19.8	55.0
Total	77.4	40.1	117.5	44.4	161.9	48.1	55.8	103.9	58.6	162.4
Growth y-o-y:										
- Core	17.8%	13.6%	16.3%	26.7%	14.3%	24.3%	4.5%	12.9%	21.8%	16.0%
- Games	N/M	N/M	N/M	61.7%	424.1%	79.0%	54.1%	65.0%	75.6%	68.8%
- Sports	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
- B2B total	36.1%	17.0%	19.7%	131.8%	36.7%	42.2%	19.8%	29.4%	39.6%	32.9%
- B2C	(12.4)%	0.7%	(8.4)%	29.8%	(0.1)%	43.5%	49.4%	46.7%	70.5%	54.8%
Total	17.4%	20.7%	18.5%	37.6%	23.2%	42.6%	27.7%	34.2%	46.0%	38.2%
EBITDA (AG definition)										
- Core	7.5	4.4	11.9	4.3	16.1	4.4	5.0	9.3	5.5	14.8
- Games	1.8	1.1	2.8	1.3	4.2	1.8	2.2	4.1	2.0	6.1
- Sports				0.6	0.6	0.7	0.6	1.3	0.5	1.8
- B2B total	9.2	5.5	14.7	6.2	20.9	6.9	7.8	14.7	8.0	22.7
- B2C	3.0	1.1	4.1	2.0	6.2	1.6	2.1	3.7	1.1	4.8
Total	12.3	6.6	18.8	8.3	27.1	8.6	9.9	18.4	9.1	27.5
EBITDA margins*:										
- Core	16.2%	18.6%	17.0%	18.6%	17.4%	18.0%	18.0%	18.0%	18.8%	18.3%
- Games	25.1%	26.6%	25.6%	26.8%	26.0%	32.9%	36.1%	34.6%	28.7%	32.4%
- Sports				29.0%	29.0%	30.2%	22.4%	26.1%	17.9%	23.1%
- B2B total	17.4%	19.7%	18.2%	20.7%	18.9%	21.4%	21.4%	21.4%	20.5%	21.1%
- B2C	12.4%	8.8%	11.2%	14.3%	12.1%	10.3%	10.8%	10.6%	5.5%	8.8%
Total	15.8%	16.4%	16.0%	18.6%	16.7%	17.8%	17.7%	17.8%	15.5%	16.9%

Source: Aspire Global. Note: \*Revenues and EBITDA margin as shown include VAT but exclude inter-segment revenues.

The main operational and financial highlights for the divisions in Q321 were:

- Core:** management's message is consistent: the recently launched CRM system, Engage and other enhancements are being well received by customers, leading to increased spend per partner and per brand; we estimate year-on-year growth rates of over 40% and c 20%, respectively during Q321. In aggregate, the number of platform partners at the period end fell to 39 from 41 at Q221, as AG focuses on higher-spending clients with greater growth potential, as evidenced by three new brand launches and signing two new platform deals covering the entire proprietary offering, which should stimulate future revenue growth. There was a sequential quarter-on-quarter improvement in Core's revenue growth, reflecting different growth rates in the comparative period. Therefore, we highlight the relatively consistent two-year average revenue growth rates of c 18% Q3 versus Q2's c 19% that indicate good momentum, which is helping improve profitability.
- Games:** revenue momentum improved, with a growth rate of c 13% in Q321 versus 10% in Q221 and its revenue of €6.9m was c 76% higher than the comparative in Q320 of €4.0m. Since being acquired in Q420, the business has benefited from consistent growth in the number of operators and revenue per operator, and investment in the games studio, which is driving growth in the number of proprietary games and should boost future profitability. During Q321, eight new operator deals were signed and geographic expansion increased with AG's first entry into Brazil and expansion in Colombia. In addition, it gained a full iGaming Supplier License in West Virginia to complement the licence in New Jersey. The EBITDA margin of 28.7% in Q321 remained well above Q320's margin of 26.6%, despite the higher investment in

the studio, a greater revenue share from third-party (lower-margin) games, and higher taxes in Germany following regulatory changes.

- **Sports:** Q321 represented the third consecutive period of sequential, quarter-on-quarter revenue growth since Sports was acquired at the start of Q420. The most significant event during the period was the first client going live with the sportsbook on the Core platform, with all larger brands expected to migrate by the end of 2021. The sequential decline in the EBITDA margin to 17.9% from 22.4% reflects a more favourable betting outcome for customers, which is consistent with the messages from other operators, bringing the nine-month margin to 23.1%.
- **B2C:** the B2C division continued to produce high year-on-year revenue growth of c 71% due to widespread strength across the brands. The increased gaming taxes in Germany and higher marketing expenses led to a reduction in the EBITDA margin from 8.8% in Q320 to 5.5% in Q321.

## Cash flow and balance sheet

Following the move to a net cash position (excluding leases and client cash) in Q221 of €2.3m, the free cash flow, post interest, of €4.8m generated during Q321 and minimal financing outflows of €0.4m increased the period end net cash position to €7.5m (excluding lease liabilities and client cash). Lease liabilities at the period end were €1.6m.

Operating cash flow of €8.0m was consistent with the prior quarter as a working capital outflow was partially offset by the expected corporation tax refund.

On a gross basis, the company's cash position of €23.8m increased (H121: €19.4m) while the debt position was relatively unchanged at €10.6m (H121: €10.4m).

After the period end, AG announced the proposed sale of B2C with estimated gross proceeds of €65m, including cash of €50m, promissory notes of €10m and €5m equity investment in the acquiror. Based on the cash component this would give a pro forma net cash position of €57.5m.

Management has ambitions to add content and services in bingo and live dealer via M&A. The potential to pay a dividend is typically reviewed in Q4, therefore cash returns to shareholders will depend on near-term M&A opportunities.

## Forecasts: Further upgrades

We upgrade our revenue forecasts for FY21 by c 1% to €218m and FY22 by 3% to €248.4m, which represent year-on-year growth of c 35% and c 14%, respectively. The main change to our forecasts is a more optimistic assumption for Core as a result of improving revenue generation per partner.

Further down the P&L, we are more optimistic about the EBITDA margin for both Core and Games, and take a more cautious stance on the outlook for B2C's profitability, all as a result of the nine-month performances. Our forecasts for FY21 and FY22 EBITDA increase by 2–3%.

While the previous FY21 guidance for revenue of €200m and EBITDA of €32m is no longer in place, our revised forecasts are also ahead of the old guidance by 9% and 17%, respectively.

**Exhibit 3: Forecast changes**

€m	FY20	FY21e new	FY22e new	FY21e old	FY22e old	Change FY21e	Change FY22e
<b>Revenue (inc VAT)</b>							
- Core	92.7	110.7	126.7	107.9	120.0	3%	6%
- Games	16.0	25.4	30.3	25.4	30.3	0%	0%
- Sports	2.2	11.7	16.2	11.7	16.2	0%	0%
- B2B total	110.9	147.8	173.2	145.0	166.5	2%	4%
- B2C	51.0	70.2	75.2	69.9	74.9	0%	0%
Total	161.9	218.0	248.4	214.9	241.4	1%	3%
<b>Revenue (excl VAT)</b>							
- Core	91.2	108.9	124.5	106.0	117.8	3%	6%
- Games	16.0	25.4	30.3	25.4	30.3	0%	0%
- Sports	2.2	11.7	16.2	11.7	16.2	0%	0%
- B2B total	109.4	146.0	171.0	143.1	164.3	2%	4%
- B2C	47.5	67.4	72.1	65.0	69.6	4%	4%
Total	156.8	213.4	243.2	208.1	233.9	3%	4%
<b>EBITDA</b>							
- Core	16.1	19.9	22.8	18.8	20.9	6%	9%
- Games	4.2	7.6	9.1	7.1	8.5	7%	7%
- Sports	0.6	3.2	5.4	3.2	5.4	0%	0%
- B2B total	20.9	30.7	37.3	29.0	34.8	6%	7%
- B2C	6.2	6.3	6.8	7.4	7.9	(15)%	(15)%
Total	27.1	37.0	44.1	36.5	42.7	2%	3%
<b>EBITDA margin</b>							
- Core	17.4%	18.0%	18.0%	17.4%	17.4%		
- Games	26.0%	30.0%	30.0%	28.0%	28.0%		
- Sports	29.0%	27.0%	33.4%	27.0%	33.4%		
- B2B total	18.9%	20.8%	21.5%	20.0%	20.9%		
- B2C	12.1%	9.0%	9.0%	10.6%	10.6%		
Total	16.7%	17.0%	17.7%	17.0%	17.7%		

Source: Edison Investment Research. Note: \*Revenues and EBITDA margin as shown include VAT but exclude inter-segment revenues.

## Valuation: DCF-based valuation increased to SEK116/share

Our upgrade to forecasts and improved financial position leads to an increase in our DCF-based share price valuation to SEK116/share from SEK110.

At the current share price, AG continues to trade at a significant discount to its peers, the quoted B2B gaming platform companies, which have a wide range of multiples. AG's EV/EBIT for CY21 of 12.2x is a discount of 43% to the adjusted peer average (ex Bragg and Gan) of 21.5x.

**Exhibit 4: Peer valuations**

Company	Share price (local ccy)	Ccy	Market cap (€m)	Sales growth CY21 (%)	Sales growth CY22 (%)	EBIT margin CY21 (%)	EBIT margin CY22 (%)	EV/EBITDA CY21 (x)	EV/EBITDA CY22 (x)	EV/EBIT CY21 (x)	EV/EBIT CY22 (x)	P/E CY21 (x)	P/E CY22 (x)
Bragg Gaming Group Inc	11.4	C\$	157	20.1	8.5	N/A	(1.6)	23.9	20.0	N/A	N/A	N/A	43.8
Evolution AB (publ)	1,351.6	SEK	29,291	92.1	33.4	61.7	63.6	39.1	28.8	43.6	31.6	48.0	35.4
Gaming Innovation Group Inc	18.4	NOK	180	24.5	12.1	11.5	15.9	10.1	8.1	24.1	15.5	124.9	18.7
Gan Ltd	14.6	US\$	530	271.4	30.7	(10.7)	(1.2)	56.1	22.3	N/A	N/A	N/A	N/A
International Game Technology PLC	30.3	US\$	5,363	29.7	3.0	19.7	20.0	8.5	8.2	16.7	15.9	16.4	22.6
Kambi Group PLC	230.4	SEK	721	33.4	11.5	33.8	32.0	8.9	N/A	12.5	11.8	16.7	15.7
Playtech PLC	726.0	GBP	2,590	10.8	17.7	13.2	13.9	11.1	9.7	20.4	16.5	40.6	29.5
Scientific Games Corp	78.8	US\$	6,552	17.9	7.4	17.0	20.3	12.7	11.9	29.0	22.6	50.3	34.3
<b>Average</b>				<b>68.6</b>	<b>16.5</b>	<b>20.9</b>	<b>23.5</b>	<b>17.9</b>	<b>12.0</b>	<b>24.4</b>	<b>19.0</b>	<b>49.5</b>	<b>26.0</b>
<b>Average ex Bragg and Gan</b>				<b>71.6</b>	<b>15.9</b>	<b>12.9</b>	<b>16.2</b>	<b>19.8</b>	<b>13.0</b>	<b>21.5</b>	<b>16.6</b>	<b>58.1</b>	<b>24.6</b>
<b>Aspire Global</b>	<b>84.9</b>	<b>SEK</b>	<b>387</b>	<b>36.1</b>	<b>13.9</b>	<b>13.6</b>	<b>14.2</b>	<b>10.2</b>	<b>8.6</b>	<b>12.2</b>	<b>10.1</b>	<b>14.5</b>	<b>11.7</b>
<b>Premium/ (discount) to average ex Bragg and Gan</b>				<b>(50)%</b>	<b>(12)%</b>	<b>5%</b>	<b>(12)%</b>	<b>(48)%</b>	<b>(34)%</b>	<b>(43)%</b>	<b>(39)%</b>	<b>(75)%</b>	<b>(52)%</b>

Source: Refinitiv, Edison Investment Research. Note: Priced at 9 November 2021.

The imminent proposed sale of B2C (due to complete in November) should lead to better growth prospects and profitability for the group and a significant improvement in the net cash position. We attempt to show the underlying valuation for AG's B2B businesses.

As part of the proposed disposal of the B2C division to Esports Technologies (ET), ET has agreed to use AG's Core platform and services for the operation of those brands with an estimated gross revenue to AG of €70m over four years. However, management has yet to provide any guidance for the estimated impact of the proposed sale on AG's profitability.

For FY22, if we substitute the B2C revenue and EBITDA above for the 'new' revenue from ET at an average existing Core EBITDA of 18%, we derive a 'rough' estimate of AG's post disposal financials as follows:

<b>Exhibit 5: Potential effect of sale of B2C</b>	
	<b>€m</b>
FY22e revenue – existing	248.4
Less 'old' B2C revenue	(75.2)
Add 'new' Core revenue	17.5
<b>New FY22e revenue</b>	<b>190.7</b>
FY22e EBITDA – existing	44.1
Less 'old' B2C EBITDA	(6.8)
Add 'new' Core EBITDA	3.2
<b>New FY22e EBITDA</b>	<b>40.5</b>

Source: Edison Investment Research

With expected cash proceeds of €50m as per the company's announcement dated 1 October 2021, AG's pro forma net cash position would be €57.5m, giving an EV of c €329m at a market cap of c €387m at €0.1/SEK. For CY22, the resulting EV/EBITDA multiple, using our rough EBITDA estimate of €40.5m, would be 8.1x, lower than the current multiple of 8.6x and a greater discount to the peer average of 13.0x.

**Exhibit 6: Financial summary**

	€m	2016	2017	2018	2019	2020	2021e	2022e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>								
Revenue		61.0	71.9	104.6	131.4	161.9	218.0	248.4
VAT		(0.8)	(1.1)	(2.1)	(3.9)	(5.1)	(4.6)	(5.2)
Net revenue		60.2	70.8	102.5	127.5	156.8	213.4	243.2
Operating costs		(48.7)	(56.2)	(81.1)	(105.7)	(129.2)	(175.9)	(198.5)
EBITDA (Edison)		11.5	14.6	21.4	21.8	27.6	37.6	44.6
EBITDA		11.4	14.3	21.2	21.7	27.1	37.0	44.1
Normalised operating profit		10.6	13.3	19.5	18.7	22.8	31.2	37.4
Amortisation of acquired intangibles		0.0	0.0	0.0	(0.9)	(1.5)	(1.6)	(1.5)
Share-based payments		(0.1)	(0.3)	(0.2)	(0.1)	(0.5)	(0.5)	(0.5)
Reported operating profit		10.6	13.0	19.3	17.7	20.8	29.0	35.4
Net Interest		1.7	(0.0)	0.2	(0.8)	(4.4)	0.4	(0.1)
Profit Before Tax (norm)		12.3	13.3	19.7	17.9	18.4	31.5	37.3
Profit Before Tax (reported)		12.3	13.0	19.5	16.9	16.4	29.4	35.2
Profit Before Tax (incl associates)		12.3	10.6	17.2	15.4	14.5	27.4	34.2
Reported tax		(0.7)	(0.8)	(1.0)	(15.0)	(1.4)	(2.5)	(3.0)
Profit After Tax (norm)		11.6	12.6	18.7	16.5	17.0	29.1	34.3
Profit After Tax (reported)		11.6	12.3	18.5	1.9	15.0	26.9	32.2
Associates		0.0	(2.5)	(2.3)	(1.5)	(1.9)	(2.0)	(1.0)
Discontinued operations		3.6	1.3	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		11.6	10.1	16.4	15.0	15.1	27.1	33.3
Net income (reported)		15.1	11.1	16.2	0.4	13.1	24.9	31.2
Average number of shares outstanding (m)		42.0	43.0	44.5	46.0	46.4	46.5	46.5
EPS - normalised (c)		27.7	23.5	36.8	32.7	32.6	58.2	71.7
EPS - diluted normalised (€)		0.27	0.22	0.35	0.32	0.32	0.58	0.71
EPS - basic reported (€)		0.36	0.26	0.36	0.01	0.28	0.54	0.67
Dividend (€)		0.27	0.28	0.09	0.00	0.00	0.21	0.33
Revenue growth (%)		N/A	17.9	45.4	25.7	23.2	34.7	13.9
EBITDA Margin (%)		18.7	19.8	20.3	16.5	16.7	17.0	17.7
Normalised Operating Margin		17.4	18.6	18.7	14.2	14.1	14.3	15.1
<b>BALANCE SHEET</b>								
Fixed Assets		18.5	17.3	21.9	47.2	89.1	79.8	84.9
Intangible Assets and goodwill		2.8	5.0	7.0	25.6	67.4	74.8	81.0
Tangible Assets and Right-of-use assets		1.1	1.3	1.2	4.3	3.8	3.6	3.5
Investments & other		14.6	11.0	13.7	17.3	17.9	1.4	0.4
Current Assets		24.5	34.3	76.2	54.1	55.2	80.5	93.4
Debtors		10.7	20.1	21.7	24.6	26.2	30.5	32.9
Cash & cash equivalents including client cash		12.3	13.4	53.7	29.0	28.7	31.7	60.2
Other and restricted cash		1.5	0.9	0.8	0.4	0.3	18.3	0.3
Current Liabilities		(15.4)	(25.5)	(32.2)	(37.7)	(77.1)	(75.3)	(76.8)
Creditors		(6.8)	(11.5)	(13.7)	(16.6)	(24.2)	(33.1)	(37.9)
Tax and social security		(5.6)	(10.5)	(11.3)	(12.9)	(12.3)	(12.3)	(12.3)
Short term borrowings		0.0	0.0	(0.5)	(0.5)	(27.9)	(10.0)	0.0
Other		(3.0)	(3.5)	(6.7)	(7.6)	(12.7)	(19.9)	(26.6)
Long Term Liabilities		(0.7)	(0.7)	(27.5)	(29.4)	(19.2)	(21.0)	(21.0)
Long term borrowings		0.0	0.0	(26.9)	(27.2)	0.0	0.0	0.0
Other long term liabilities		(0.7)	(0.7)	(0.7)	(2.2)	(19.2)	(21.0)	(21.0)
Net Assets		26.8	25.4	38.5	34.2	47.9	64.0	80.4
Minority interests		0.2	0.2	0.2	0.2	(0.3)	(0.3)	(0.3)
Shareholders' equity		27.0	25.6	38.7	34.4	47.6	63.7	80.1
<b>CASH FLOW</b>								
Normalised operating profit		10.6	13.3	19.5	18.7	22.8	31.2	37.4
Depreciation and amortisation		0.8	1.2	1.9	4.0	6.3	6.4	7.2
Working capital		(0.2)	0.8	4.5	(2.4)	5.9	6.7	3.5
Exceptional & other		2.5	0.8	(0.6)	(1.3)	(4.1)	(0.7)	(1.5)
Tax		(0.8)	(0.1)	(0.9)	(14.5)	(1.3)	(2.5)	(3.0)
Operating cash flow		13.0	16.0	24.5	4.5	29.6	41.1	43.6
Capex		(2.4)	(3.6)	(3.9)	(6.3)	(8.7)	(11.7)	(13.3)
Acquisitions/disposals		0.0	0.0	0.0	(12.8)	(15.6)	(4.9)	0.0
Associates		(0.4)	(4.0)	(2.8)	(2.2)	(2.1)	0.0	0.0
Net interest		0.0	0.0	(0.8)	(2.0)	(2.0)	(3.5)	(0.1)
Equity financing		0.0	4.8	0.0	0.0	0.0	0.0	0.0
Debt financing		0.0	0.0	26.9	0.0	0.0	(17.9)	(10.0)
Dividends		(11.5)	(12.0)	(3.8)	(5.4)	0.0	0.0	(9.8)
Other		(0.1)	(0.1)	0.4	(0.5)	(1.5)	(0.0)	18.0
Net Cash Flow		(1.432)	1.152	40.308	(24.685)	(0.325)	3.014	28.460
Opening net debt/(cash) ex client money		(10.7)	(9.2)	(9.9)	(19.7)	4.1	5.2	(14.8)
FX		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements		0.0	(0.5)	(30.5)	0.9	(0.7)	17.0	9.1
Closing net debt/(cash)		(9.2)	(9.9)	(19.7)	4.1	5.2	(14.8)	(52.4)

Source: Aspire Global, Edison Investment Research



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