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Bragg Gaming Group

Leaping into the US gaming market

Kambi/Seneca partnership

Technology

Bragg has made a significant first entry into the US gaming market, with a deal to provide casino services and player account management to Seneca Gaming Corp (SGC), which operates three tribal casinos in Western New York. The agreement is in partnership with Kambi and rollout is to commence imminently for sports, with online casino to follow (pending regulation). Bragg has entered another partnership with Kambi to explore strategic options, primarily in the US. In our view, these two deals provide Bragg with enormous credibility and bode well for future growth prospects. We leave our forecasts unchanged, with Q3 figures due on 12 November. Another catalyst would be the sale of GiveMeSport (GMS).

Year end	Revenue (C$m)	EBITDA (C$m)	EPS* (C$)	DPS (C$)	P/E (x)	Yield (%)
12/18**	12.2	(3.3)	(0.05)	0.0	N/A	N/A
12/19e	38.4	1.7	0.01	0.0	13.8	N/A
12/20e	47.3	3.6	0.02	0.0	8.5	N/A
12/21e	54.5	5.1	0.02	0.0	9.6	N/A

Note: *EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments. **FY18 results are largely from GiveMeSport (not Oryx).

Seneca: Tribal casinos in Western New York

SGC operates three tribal casinos in Western New York and has recently become the official casino partner of the Buffalo Bills. In order to deliver a fully integrated sportsbook offering, SGC has signed a multi-channel agreement, involving both Kambi and Bragg. Kambi will provide its portfolio of on-property sports wagering products inside SGC's casinos, while Bragg (via Oryx) will provide casino and player account management services. SGC expects to begin the roll-out of on-property sportsbooks imminently, enabling all three casinos to offer sports betting before the end of the year. The Bragg-Kambi team also plans to launch online and mobile sports wagering and casino throughout the SGC network once regulatory clearance has been obtained (similar to other states such as New Jersey).

Kambi: A strategic partner for US growth

In tandem with the Seneca agreement, Bragg has also announced a global gaming partnership with Kambi to explore and collaborate on strategic opportunities, focusing primarily on the fast-growing US market. Kambi is a leading global sportsbook platform provider, with an existing presence in the US and this partnership provides Oryx with a great deal of credibility. For a discussion on Oryx's business model, please see our September initiation report.

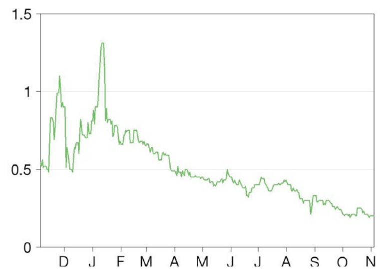
Valuation: High growth at 8.5x FY20 P/E

Bragg Gaming has a limited reporting history and has yet to generate net profit or positive net cash. However, the core Oryx business is growing very strongly and there should be upside to our figures from the US opportunity. On our current forecasts, the group trades at 13.5x EV/EBITDA and 8.5x P/E for FY20e. We note that the potential sale of GMS could also provide significant upside to our DCF valuation of C$0.36: every C$1m sale price equates to C$0.013/share upside.

5 November 2019

Price	**C$0.20**
Market cap	**C$16m**
	€0.682/C$
Adjusted net debt (C$m) at 30 June 2019	32.7
Shares in issue	77.9m
Free float	60%
Code	BRAG
Primary exchange	TSX.V
Secondary exchange	OTC.QX

Share price performance



%	1m	3m	12m
Abs	(4.8)	(50.6)	(63.0)
Rel (local)	(6.0)	(51.8)	(66.4)
52-week high/low		C$1.31	C$0.19

Business description

Bragg Gaming Group (formerly Breaking Data Corp) is a Toronto-based B2B online gaming holding company. The core asset is Oryx Gaming, a predominantly European B2B online gaming platform. Bragg's online sports media outlet is under strategic review, including a possible sale.

Next events

Q319 results	12 November

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Exhibit 1: Financial summary

C$000s	2018	2019e	2020e	2021e	2022e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	12,226.1	38,371.6	47,285.4	54,469.1	60,207.4
Cost of Sales	(6,123.2)	(20,725.2)	(25,534.1)	(29,413.3)	(32,512.0)
Gross Profit	6,102.9	17,646.5	21,751.3	25,055.8	27,695.4
EBITDA	(3,333.1)	1,657.5	3,587.5	5,115.1	6,635.3
Normalised operating profit	(3,385.6)	1,186.1	3,108.3	4,628.0	6,140.0
Amortisation of acquired intangibles	(22,944.9)	(2,728.2)	(2,728.2)	(2,728.2)	(2,728.2)
One-off items inc changes in fair value of contingent/ deferred consideration	(3,882.0)	(4,897.6)	0.0	0.0	0.0
Share-based payments	(5,128.3)	(1,900.0)	(1,400.0)	(1,400.0)	(1,400.0)
Reported operating profit	(35,340.9)	(8,339.7)	(1,019.9)	499.8	2,011.8
Net Interest	(249.4)	(51.3)	(530.7)	(1,406.1)	(1,842.9)
Profit Before Tax (norm)	(3,635.0)	1,134.8	2,577.7	3,221.8	4,297.1
Profit Before Tax (reported)	(35,590.3)	(8,391.1)	(1,550.6)	(906.4)	168.9
Reported tax	(3.1)	(235.7)	(206.2)	(257.7)	(343.8)
Profit After Tax (norm)	(3,635.4)	1,166.7	2,371.4	2,964.1	3,953.3
Profit After Tax (reported)	(35,593.4)	(8,626.8)	(1,756.8)	(1,164.1)	(174.9)
Discontinued operations	0.0	(2,650.5)	1,168.5	0.0	0.0
Net income (normalised)	(3,635.4)	1,166.7	2,371.4	2,964.1	3,954.3
Net income (reported)	(35,593.4)	(11,277.3)	(588.3)	(1,164.1)	(174.9)
Basic average number of shares outstanding (m)	78	79	94	123	138
EPS - basic normalised (C$)	(0.05)	0.01	0.03	0.02	0.03
EPS - diluted normalised (C$)	(0.05)	0.01	0.02	0.02	0.03
EPS - basic reported (C$)	(0.46)	(0.14)	(0.01)	(0.01)	(0.00)
Dividend (C$)	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	14.2	213.9	23.2	15.2	10.5
Gross Margin (%)	49.9	46.0	46.0	46.0	46.0
EBITDA Margin (%)	-27.3	4.3	7.6	9.4	11.0
Normalised Operating Margin	-27.7	3.1	6.6	8.5	10.2
BALANCE SHEET					
Fixed Assets	55,367.7	53,656.1	51,448.7	49,233.4	47,009.8
Intangible Assets	55,075.2	52,595.0	50,486.7	48,378.5	46,270.3
Tangible Assets	292.5	1,061.2	962.0	854.9	739.6
Investments & other	0.0	0.0	0.0	0.0	0.0
Current Assets	15,445.1	8,504.8	9,875.8	11,846.8	14,815.8
Stocks	0.0	0.0	0.0	0.0	0.0
Debtors	6,414.8	6,914.8	7,414.8	7,914.8	8,414.8
Cash & cash equivalents	8,571.7	1,090.0	1,981.0	3,472.0	5,961.0
Other	458.6	500.0	480.0	460.0	440.0
Assets classified as held for sale	0.0	1,363.8	0.0	0.0	0.0
Current Liabilities	(15,832.2)	(24,312.1)	(25,691.1)	(7,941.1)	(7,441.1)
Creditors	(12,453.1)	(8,500.0)	(8,000.0)	(7,500.0)	(7,000.0)
Deferred and contingent consideration	(3,038.0)	(15,371.0)	(17,250.0)	0.0	0.0
Short term borrowings	(151.0)	(291.1)	(291.1)	(291.1)	(291.1)
Other	(190.1)	(150.0)	(150.0)	(150.0)	(150.0)
Long Term Liabilities	(30,113.1)	(20,793.9)	(11,248.9)	(19,893.9)	(19,913.9)
Long term borrowings	(434.2)	(959.7)	(8,665.2)	(17,310.2)	(17,330.2)
Contingent Consideration	(27,095.2)	(17,250.5)	0.0	0.0	0.0
Other long term liabilities	(29,678.9)	(19,834.2)	(2,583.7)	(2,583.7)	(2,583.7)
Liabilities classified as held for sale	0.0	(2,532.3)	0.0	0.0	0.0
Net Assets	24,867.5	15,886.3	24,384.5	33,245.1	34,470.6
Shareholders' equity	24,867.5	15,886.3	24,384.5	33,245.1	34,470.6
CASH FLOW					
Op Cash Flow before WC and tax	(2,969.4)	1,657.5	3,587.5	5,115.1	6,635.3
Working capital	5,457.0	(4,453.1)	(1,000.0)	(1,000.0)	(1,000.0)
Exceptional & other	(3,208.2)	(50.0)	0.0	0.0	0.0
Tax	(3.1)	(235.7)	(206.2)	(257.7)	(343.8)
Net operating cash flow	(723.6)	(3,081.4)	2,381.3	3,857.4	5,291.6
Capex	(223.7)	(1,500.0)	(1,000.0)	(1,000.0)	(1,000.0)
Acquisitions/disposals	(5,772.2)	(1,755.0)	(15,371.0)	(17,250.0)	0.0
Net interest	(248.6)	(31.3)	(510.7)	(1,386.1)	(1,822.9)
Equity financing	12,839.0	800.0	7,685.5	8,625.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other	0.0	(1,622.0)	0.0	0.0	0.0
Net Cash Flow	5,870.8	(7,189.7)	(6,814.9)	(7,153.8)	2,468.6
Opening net debt/(cash)	(2,368.5)	(7,986.4)	160.8	6,975.7	14,129.4
FX	(252.9)	(241.0)	0.0	0.0	0.0
Other non-cash movements	0.0	(716.5)	0.0	0.0	0.0
Closing net debt/(cash)	(7,986.4)	160.8	6,975.7	14,129.4	11,660.8
Adjusted net debt/(cash)	22,146.7	32,782.3	24,225.7	14,129.4	11,660.8

Source: Bragg Gaming accounts, Edison Investment Research

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