

## Reinventing online casino

Through its innovative PayNplay solution and strong branding, Global Gaming has managed to break into the highly competitive Nordic online casino market. The company intends to strengthen its position by broadening its product portfolio and pursuing growth in new regional markets. We forecast EPS CAGR of 8.5% in 2018-21 in our base case and we view Global Gaming as both a potential consolidator and target.

### Key Data (2018E)

Price (SEK)	36.50
Reuters	Global:ST
Bloomberg	Global:FN
Market cap (SEKm)	1,516
Market cap (USDm)	168
Market cap (EURm)	148
Net debt (SEKm)	(301)
Net gearing	(87%)
Net debt/EBITDA (x)	(1.5)
Shares fully dil. (m)	41.5
Avg daily turnover (m)	0.0
Free float	0%

### Investment case – a proven brand-builder set for expansion

Through its PayNPlay solution and strong brand proposition, the company has managed to break into the highly competitive Nordic online casino market through its flagship brand, Ninja Casino. Management now aspires to strengthen its position and the roadmap for expansion comprises product expansion, geographical expansion, and organic growth through new brands or acquisitions. With a growing cash position and debt free balance sheet, the company may mix organic growth with acquisitions and build a range of brands. In our view, Global Gaming is also poised as an attractive acquisition target.

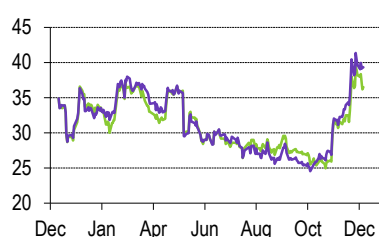
### Financial forecasts: 2019 hit on margins, but plenty of buffer to recover

We forecast 19% revenue CAGR to 2021, but we expect EPS CAGR of 8.5% as a result of the impact on gross margin from the Swedish online gambling tax set to take effect in 2019. Based on estimated 80% exposure to the Swedish market, we estimate a negative effect on gross margin of 14.2%, but as the company operates on 10% lower underlying gross margin than peers, there should be buffers to recover lost profitability by raising underlying gross margin.

### Equity valuation – trading at a discount to peers

On our forecasts, Global Gaming trades at EV/EBIT of 5.9x in 2018 and 6.6x in 2019. This is 13% below the peer group average of 7.5x. Our DCF model with 10% WACC yields a mid-point value of SEK 56 and a range of SEK 47-68 if we adjust our base case EBITDA margin and growth forecasts by +/- 2pp.

### Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

### Marketing communication commissioned by: Global Gaming

### Financials (SEK)

Year end: Dec	2016	2017	2018E	2019E	2020E
Revenues (m)	97	458	969	1,282	1,498
Adj. EBIT	13	122	202	165	218
Pre-tax profit (m)	13	122	202	165	218
EPS	0.31	2.78	4.18	3.57	4.77
Adj. EPS	0.31	2.78	4.18	3.57	4.77
DPS	0.15	1.40	1.50	1.75	2.00
Revenue growth (%)	n.m.	372.2	111.6	32.2	16.9
Adj. EBIT growth (%)	n.m.	817.3	65.9	(18.6)	32.1
Adj. EPS growth (%)	n.m.	810.1	50.6	(14.6)	33.5
Adj. EBIT margin (%)	13.7	26.6	20.9	12.9	14.5
ROE (%)	23.6	65.5	60.3	38.1	39.9
ROCE (%)	26.3	73.8	70.3	42.3	43.8
PER (x)		10.9	8.7	10.2	7.7
Free cash flow yield (%)		10.1	13.5	11.0	13.9
Dividend yield (%)		4.6	4.1	4.8	5.5
P/BV (x)		5.41	4.31	3.45	2.67
EV/Sales (x)		2.38	1.25	0.87	0.65
EV/Adj. EBITDA (x)	0.0	8.9	6.0	6.6	4.4
EV/Adj. EBIT (x)	0.0	8.9	6.0	6.7	4.5
Operating cash flow/EV (%)		11.0	17.1	15.4	22.3
Net debt/Adj. EBITDA (x)	(1.08)	(1.26)	(1.48)	(2.42)	(2.45)

Source for all data on this page: SEB (estimates) and SIX/Thomson Reuters (prices)

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*The company, Global Gaming 555, will be referred to as "Global Gaming" or "the company" in this report.*

# Investment case summary

## Reinventing online casino

Global Gaming group is a gambling operator active in the Nordic online gambling market. Through its PayNPlay solution and a best-in-class go-to-market strategy, the company has managed to set a new industry standard and break in-to the competitive Nordic online casino market. In our view, the investment case presents four main attractions:

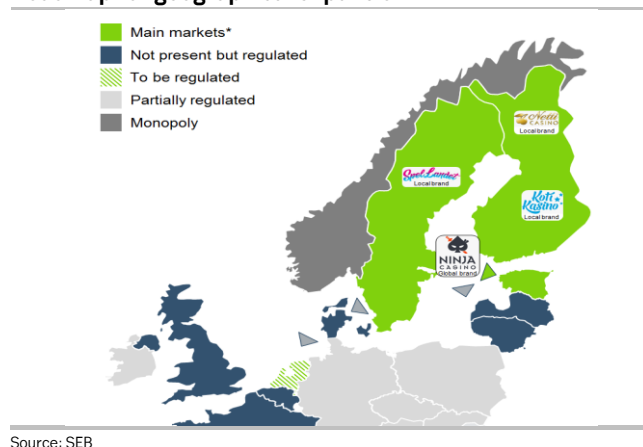
- **Strong brand proposition:** Ninja Casino is the flagship brand for Global Gaming and has managed to grab a market leading position in Sweden by offering a smooth gaming experience. Ninja is complemented with other locally oriented brands targeting new demographics, such as SpelLandet.
- **Roadmap for expansion:** The company aspires to continue to gain market share in Sweden. It has thus far only focused on casino, leaving almost half of the market up for grabs as the sports betting product will be added to the portfolio in 2019. The company launched Ninja Casino in Estonia in November 2018, which is the first part in its geographical expansion.
- **Re-regulation and efficiencies:** We estimate close to 80% of Global Gaming's revenues are generated in the Swedish market, which is set to re-regulate in 2019. This will de-risk the operational profile, but also cost on gross margin, 14.2% if unmitigated. Global Gaming operates on a tax adjusted gross margin of 10% below Nordic peers, and we see plenty of scope to recoup margin after regulation as it catches up.
- **Consolidation:** The fast revenue ramp-up combined with the digital asset-light business model, including very little capex demand, has allowed Global Gaming to build a fairly substantial cash holding, around SEK 250m in Q3. We believe the company will use its cash and debt free balance sheet to mix its organic growth with acquisitions to build a range of brands and reduce its dependence on Ninja Casino. In addition, the industry is undergoing consolidation and Global Gaming is, in our view, an attractive acquisition target given its clear operational model.

### Building a range of brands with Ninja Casino as flagship



Source: Global Gaming

### Roadmap for geographical expansion



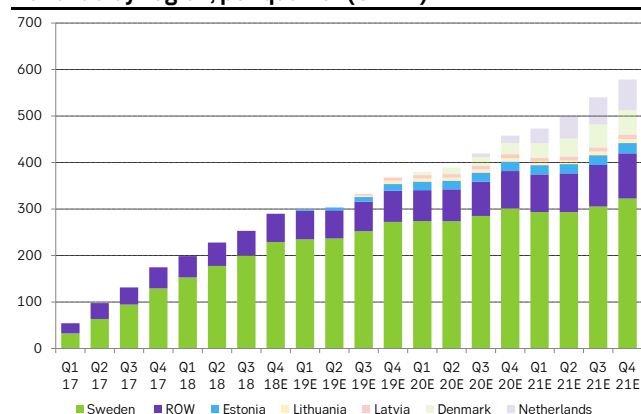
Source: SEB

## Growth and earnings expectations

Global Gaming has experienced extensive revenue and organisational ramp-up and is transitioning from a start-up company to an industrial online gambling operator. Growth has been driven purely by organic means and the company has been profitable since 2016. We expect around SEK 1bn in revenue in 2018, and revenue CAGR of 19% to 2021 and EPS CAGR of 8.5%.

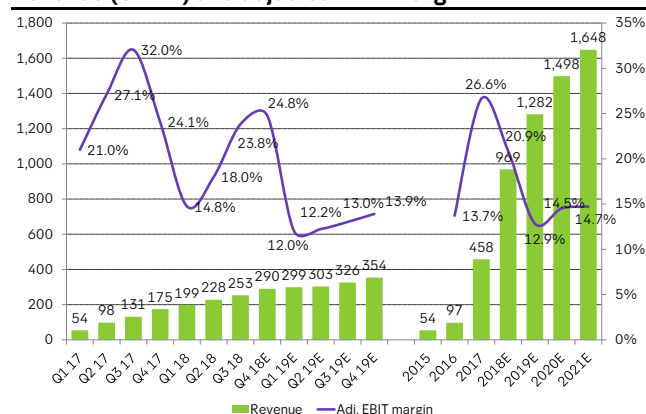
We expect growth to be driven by continued market share gains in Sweden, the addition of the sports betting product, and geographical expansion with start in 2019 through its entry in Estonia. We also see scope for the company to expand into the rest of the Baltics, Denmark, and the Netherlands in time, but we have not included this in our official forecasts.

Revenue by region, per quarter (SEKm)



Source: SEB

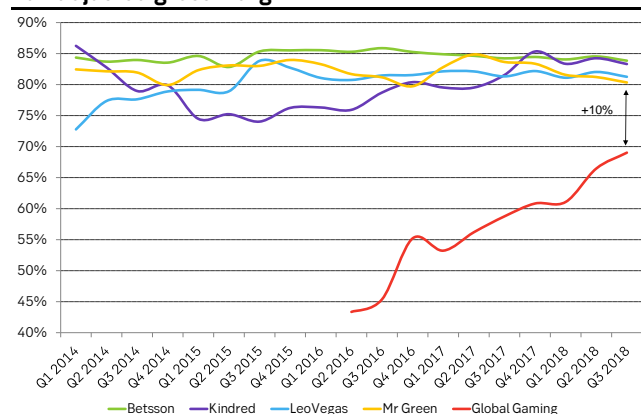
Revenue (SEKm) and adjusted EBIT margin



Source: SEB

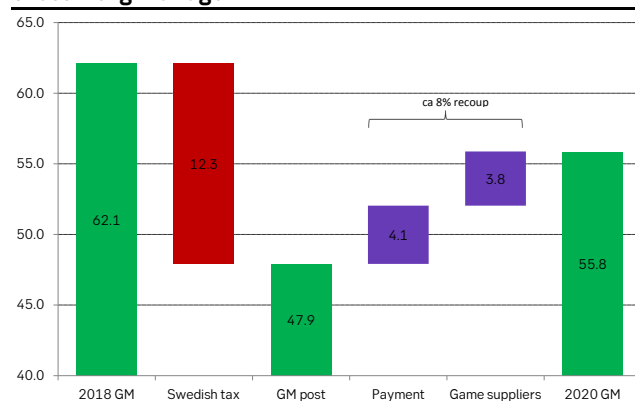
Although Global Gaming has shown rapid growth in revenue and earnings, the company operates on an underlying gross margin much lower than peers, 10% or more compared with the Nordic peer group. By renegotiating game and payment supplier contracts, Global Gaming could be able to recoup much of the margin loss which will stem from the Swedish online gambling tax rate set to take effect in 2019. We forecast that EBIT margin will trough in Q1 2019 at 12% and recover incrementally, with a long-term durable margin of about 15%, driven primarily by the catch-up in gross margin. We believe our estimates are conservative, because if the company is able to secure better terms from its payment provider, for example switching Trustly for Swish, the entire gross margin loss could be recouped in a best case scenario.

Tax adjusted gross margin



Source: SEB, company reports

Gross margin bridge



Source: SEB, company reports

## Trading at a discount to Nordic peers

### Discount to peers on higher operational risk

In the most simple sense the P/E ratio works fine as a comparable valuation multiple, given that the companies are at normalised earnings capacity. In a more thorough analysis, we would recommend using EV based multiples given that it is balance sheet neutral and Global Gaming has net cash position whilst some of its peers are geared.

Global Gaming trades at 6.9x EV/EBITDA on our 2019 forecasts, making it the lowest valued Nordic online gambling operator, about 13% below the average of the operator peer group. The discount against peers is likely explained by a higher risk premium due to higher operational risk related to dependence on a single market (Sweden) and a single brand (Ninja Casino) and short company history.

### Peer group valuation

Operators	EV Mkt cap (EURm) (EURm)		PER			EV/EBIT			EV/EBITDA			EV/Sales			Sales CAGR 2017-20	EBITDA margin (%)		
			2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E		2018E	2019E	2020E
Kindred group	1,872	1,914	12.8	13.8	12.7	11.3	11.6	10.2	8.7	8.6	7.7	1.9	1.6	1.4	16.2	222	19.1	18.1
LeoVegas	510	357	18.8	12.0	7.9	19.0	11.1	6.7	9.3	7.0	4.8	1.2	1.0	0.7	30.1	132	13.6	15.2
Betsson	997	939	10.8	10.8	10.2	8.5	10.0	9.1	6.7	7.4	6.7	1.9	1.6	1.4	13.3	27.7	22.0	20.9
MRG (under bid)	167	276	22.0	22.2	19.8	17.9	17.1	14.3	9.5	8.3	6.9	1.4	1.1	0.9	25.2	150	13.6	13.5
Paddy Power Betfair	559	573	17.2	18.5	18.5	13.8	15.0	14.3	11.2	11.9	11.4	2.7	2.5	2.3	9.6	24.5	20.8	19.7
888	775	646	10.2	9.8	9.1	7.1	7.0	6.5	5.6	5.4	5.1	1.1	1.0	1.0	4.2	18.9	18.6	18.9
GVC	6,794	4,454	8.8	9.5	9.4	9.6	10.0	10.3	7.4	7.7	7.8	1.6	1.6	1.6	58.2	21.5	20.9	20.6
William Hill	2,047	1,526	7.3	8.3	8.8	6.2	7.0	7.6	4.8	5.3	5.5	0.9	0.9	0.9	-0.4	19.6	17.0	16.5
<b>Global Gaming</b>	<b>775</b>	<b>147</b>	<b>8.6</b>	<b>10.1</b>	<b>7.6</b>	<b>5.9</b>	<b>6.6</b>	<b>4.4</b>	<b>5.9</b>	<b>6.5</b>	<b>4.3</b>	<b>1.2</b>	<b>0.9</b>	<b>0.6</b>	<b>48.4</b>	<b>21.0</b>	<b>13.1</b>	<b>14.9</b>
Average (excl.MRG)	1,764	1,491	11.6	11.6	10.4	10.2	9.8	8.7	7.5	7.5	6.7	1.6	1.4	1.2	19.6	20.3	18.2	17.9
GG vs average			-25%	-13%	-27%	-42%	-32%	-49%	-21%	-13%	-36%	-21%	-38%	-48%	29%	1%	-5%	-3%
Nordic			14.2	13.8	11.6	11.2	9.8	7.6	7.7	7.4	5.9	1.6	1.3	1.0	26.7	19.8	16.3	16.5
UK			10.9	11.5	11.2	9.2	9.8	9.7	7.2	7.6	7.5	1.6	1.5	1.4	17.9	21.1	19.3	18.9
Large > Mcap EUR 1bn			11.0	12.2	11.7	9.9	10.7	10.3	7.8	8.2	7.8	1.8	1.6	1.5	19.4	23.1	20.0	19.2
Smaller < Mcap EUR 1bn			12.5	10.6	8.2	10.7	8.3	5.9	6.9	6.3	4.7	1.2	0.9	0.8	27.0	17.0	14.7	15.6

Source: SEB

### DCF valuation range of SEK 47-68 per share

We derive a DCF based value per share of SEK 56 using a cost of equity of 10% and a steady-state EBIT margin of 14%. Deducting or adding 2pp to our revenue growth assumptions, we derive an equity value range of SEK 52-61 per share.

### DCF Summary

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	1,064	Risk free interest rate	2.5
NPV of continuing value	938	Risk premium	7.5
<b>Value of operation</b>	<b>2,002</b>	<b>Cost of equity</b>	<b>10.0</b>
Net debt	(301)	<b>After tax cost of debt</b>	<b>1.8</b>
Share issue/buy-back in forecast period	-	<b>WACC</b>	<b>10.0</b>
Value of associated companies	-		
Value of minority shareholders' equity	-		
Value of marketable assets	-	<b>Assumptions</b>	
<b>DCF value of equity</b>	<b>2,303</b>	Number of forecast years	10
<b>DCF value per share (SEK)</b>	<b>56</b>	EBIT margin - steady state (%)	13.6
Current share price (SEK)	36.34	EBIT multiple - steady state (x)	7.3
DCF performance potential (%)	56	Continuing value (% of NPV)	46.8

Source: SEB

## Risks to our forecasts

The company targets SEK 1,000m in revenue in 2018 with 20% EBITDA margin, i.e. about 19% EBIT margin. It has not communicated targets beyond these. We forecast SEK 969m in revenue in 2018 and 21.0% EBITDA margin.

### Both positive and negative risks

Global Gaming operates in a changing regulatory environment. At times amendment to existing legal frameworks or entirely new regulations can affect the company's ability to conduct business in a market. In 2019 Sweden will become a regulated online gambling jurisdiction. We have accounted for the effect of the new gambling tax in our estimates based on the assumption of 80% of revenues stemming from Sweden, if this is not true the outcome will differ.

The company will face new competition from the (ex)monopolies in the casino segment after regulation, and given that Global Gaming is one of the top three market shareholders on the casino product, the changing competitive situation could result in market share losses.

The company has historically pushed the PayNPlay concept as a unique selling point in its promotions and offerings to customers. As it is not a proprietary solution, but insourced from a third party, competitors have now caught up and included the BankID log into their Swedish sites as well, which might cause market share losses.

We have limited insights of the terms of supplier contracts and the forecasted improvement in underlying gross margin is based solely on our assumptions and is dependent on price reductions. This could result in our gross margin estimates being either too low or too high. If Global Gaming is able to switch the Trustly PayNPlay solution for Swish (for example), there could be scope for the company to recoup the entire margin slump from the Swedish tax hit.

### Valuation scenario matrix, 2020 PER vs EPS

		2020 PER																	
		Current LeoVegas					Betsson Peer group average							Kindred					
	2020EPS	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
Full GM recovery & aggressive expansion	8.74	61	66	70	74	79	83	87	92	96	101	105	109	114	118	122	127	131	
	8.44	59	63	68	72	76	80	84	89	93	97	101	106	110	114	118	122	127	
	8.14	57	61	65	69	73	77	81	85	90	94	98	102	106	110	114	118	122	
	7.84	55	59	63	67	71	74	78	82	86	90	94	98	102	106	110	114	118	
	7.54	53	57	60	64	68	72	75	79	83	87	90	94	98	102	106	109	113	
Full GM recovery Aggressive expansion	7.24	51	54	58	62	65	69	72	76	80	83	87	91	94	98	101	105	109	
	6.94	49	52	56	59	62	66	69	73	76	80	83	87	90	94	97	101	104	
	6.64	46	50	53	56	60	63	66	70	73	76	80	83	86	90	93	96	100	
	6.34	44	48	51	54	57	60	63	67	70	73	76	79	82	86	89	92	95	
	6.04	42	45	48	51	54	57	60	63	66	69	72	76	79	82	85	88	91	
SEB base case	5.74	40	43	46	49	52	55	57	60	63	66	69	72	75	77	80	83	86	
	5.44	38	41	44	46	49	52	54	57	60	63	65	68	71	73	76	79	82	
	5.14	36	39	41	44	46	49	51	54	57	59	62	64	67	69	72	75	77	
	4.84	34	36	39	41	44	46	48	51	53	56	58	61	63	65	68	70	73	
	4.54	32	34	36	39	41	43	45	48	50	52	54	57	59	61	64	66	68	
Market share loss	4.24	30	32	34	36	38	40	42	45	47	49	51	53	55	57	59	61	64	
	3.94	28	30	32	33	35	37	39	41	43	45	47	49	51	53	55	57	59	
	3.64	25	27	29	31	33	35	36	38	40	42	44	46	47	49	51	53	55	
	3.34	23	25	27	28	30	32	33	35	37	38	40	42	43	45	47	48	50	
	3.04	21	23	24	26	27	29	30	32	33	35	36	38	40	41	43	44	46	
	2.74	19	21	22	23	25	26	27	29	30	32	33	34	36	37	38	40	41	
	2.44	17	18	20	21	22	23	24	26	27	28	29	31	32	33	34	35	37	
	2.14	15	16	17	18	19	20	21	22	24	25	26	27	28	29	30	31	32	
	1.84	13	14	15	16	17	17	18	19	20	21	22	23	24	25	26	27	28	
	1.54	11	12	12	13	14	15	15	16	17	18	18	19	20	21	22	22	23	

Source: SEB

# This is Global Gaming

## Company background and profile

### Global Gaming is best known for the brand Ninja Casino

#### A brief description of Global Gaming

Global Gaming is an online gambling operator and platform owner, and mostly known for its consumer facing brand, Ninja Casino, which aims to offer a superior entertainment and gaming experience, while providing a safe and responsible gaming environment. The brand was able to gain market share by being the first operator to apply the PayNplay solution, which allows rapid deposit and withdrawal, usually within five to 15 minutes.

The company was founded in 2007 as a technology and platform company but later refocused to online casino B2C operations after a merger in 2015 between Connected Table AB and LMA Gaming limited, and the acquisition of Winlando Group. The flagship brand, Ninja Casino, was launched in 2016. In total Global Gaming operates nine brands, where Ninja Casino is the largest revenue contributor at around 90% of revenue for the trailing 12 months. The company also has a handful of brands operating on a third party platform, part of a legacy business from the merger. B2B revenues consists of white label brands operating on Global Gaming's platform, comprising 2% of total revenue in Q3, but these will be decommissioned by year-end in order to assert more focus and resources to the core business.

### Transition from start-up to industrial operator

The group employed 117 FTEs as of the end of Q3 and the head office is located in Malmö, where the group management and a part of the development team is located. The company is in an expansion phase and is investing in its offices in Estonia and Malta, where it is establishing an operations centre, hiring customer support and marketing staff, and data analysts. The number FTEs is expected to rise to 140 by year-end. The management team has also seen changes as the company transitions from a start-up to a larger entity, similar in scope to the larger operators. Joacim Möller was appointed the new CEO in 2018 and a COO and CFO have been appointed for the Malta team.

The company has online gambling licences in Curacao, Malta, Estonia, and was recently granted a licence in Sweden, where the legislation is expected to go live on 1 January 2019.

The company's product offering consists of premium casino games, both the classic video slot products and the fast growing live casino product, while in 2019 betting will be launched. The main markets in terms of revenue are Sweden and Finland, where Sweden has grown to be the single largest and most important market following the launch and success of the Ninja Casino brand.

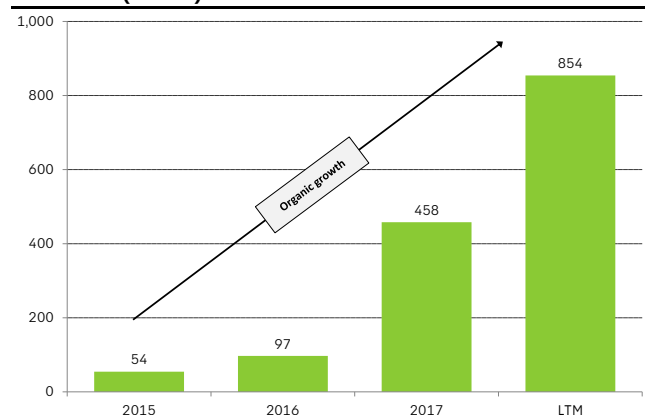
The company was listed in October 2017 on First North, a Swedish marketplace for small and medium size companies on NASDAQ. As the company did not have need of liquidity, only SEK 22m was raised in the IPO. The premise with the listing was to increase awareness of Global Gaming and its brands and a wider distribution of ownership.

## Impressive ramp-up

### Impressive ramp-up, further expansion on the agenda

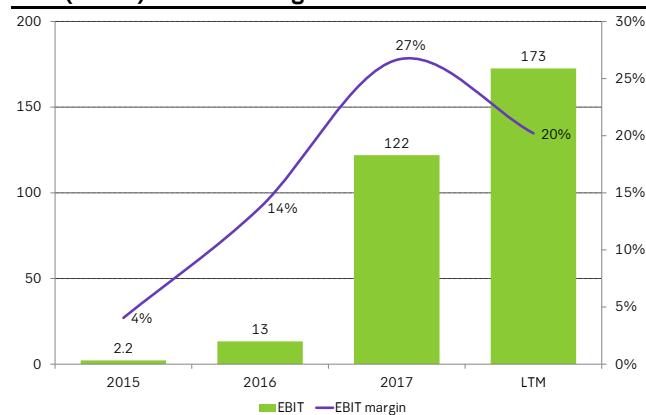
The company has shown strong growth since the launch of Ninja Casino, with revenue increasing from SEK 54.3m to SEK 854m for the last 12 months, solely by organic growth. On our forecasts the company looks set to end the year close to SEK 1bn in revenue, which translates to growth by a factor of x20 in three years. This is an impressive ramp up. During this time the company has remained profitable and management has the ambition to continue to run the company for profitable growth.

#### Revenues (SEKm)



Source: Global Gaming

#### EBIT (SEKm) and EBIT margin



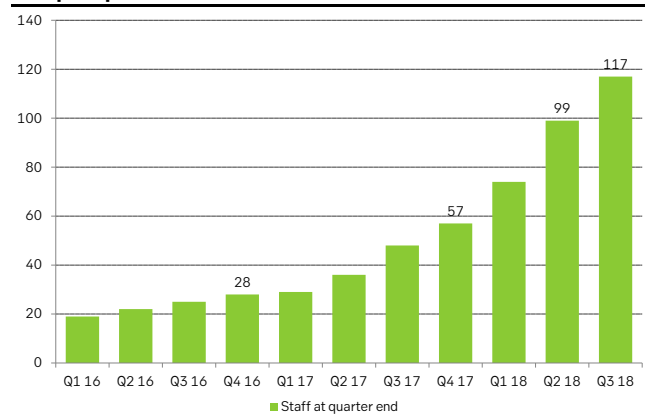
Source: Global Gaming

Expanding revenues this fast may be unheard of by many, but given the digital business model where the customer interface is online and through mobile apps, including unlimited intangible product supply, scaling can be achieved quickly. However, Global Gaming has been forced to work hard and is still on the transition from a start-up to an industrial online gambling operator in terms of organisational size, structure, and business conduct.

### Transition from start-up to industrial online gambling operator

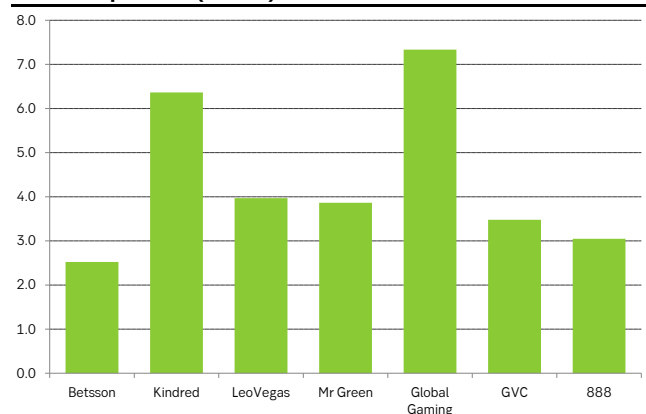
The number of employees was 28 by the end of 2016, 37 by the end of 2017, and 117 in Q3, which translates to SEK 7.3m in revenue per FTE for the last 12 months, clearly far above Nordic operator peers and a reflection of the fast growth and organisational debt which followed. The company guides that hiring will continue, but now at a slightly lower pace.

#### FTE per quarter



Source: Global Gaming

#### Revenue per FTE (SEKm)



Source: LTM as of Q3 for Global Gaming, 2017 for peers.



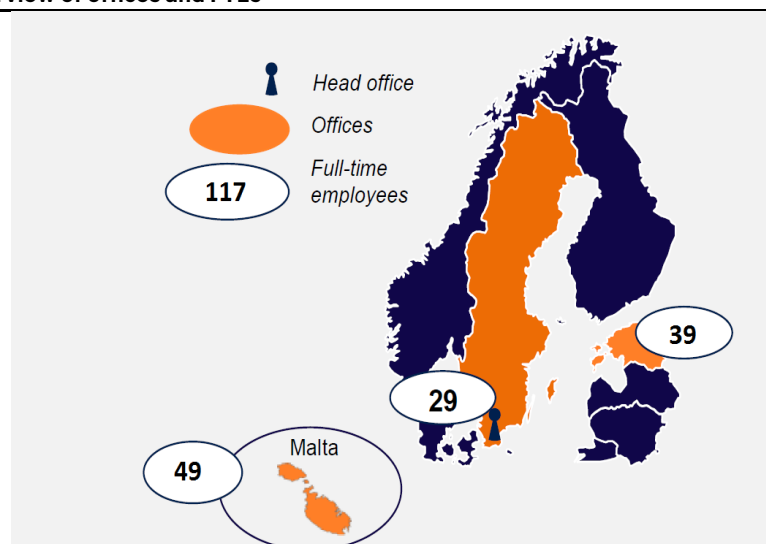
## Joacim Möller started as the new CEO for Global Gaming in 2018

Investments in staff has to a large degree been allocated to Malta and Estonia as the company is changing its organisational structure, from having the bulk of operations in the main office in Malmö, to an operational centre in a corporation in Malta, as is industry practice, while some support functions in Estonia leave mostly management in the parent company in Malmö. Global Gaming recently appointed an operational COO and CFO to handle day-to-day operations. Joacim Möller was appointed new CEO for the group and replaced Stefan Olsson in May. Mr Möller was previously COO in Global Gaming and led the company's organisation ramp-up during the recent intense growth phase. The current group CFO will leave the company by the end of February and a new CFO has been assigned, Niklas Jönsson, previously CFO of Evolution Gaming Malta.

In Q2 the company sold the technical platform from the parent company to the Maltese subsidiary. The sale was at the price suggested by an external independent valuator, and a capital gain recorded. Related to the gain a tax had to be paid, boosting taxation in Q2 by SEK 7.1m, increasing tax rate to 29.5%. In Q3 the tax rate was 10.1%. A result of moving more of the operations abroad will be that blended group corporate tax will be reduced. In Malta the corporate tax, including subsidies, is 6% vs the Swedish corporate tax of 22% and Estonian 20%. Global Gaming paid 11.2% in corporate tax in 2017 and we expect a slow convergence towards slightly over 6% over a couple of years.

## Transitioning from start-up to industrial operator

### Overview of offices and FTEs



Source: Global Gaming

## In-house technical platform

Global Gaming has developed an in-house API based technical platform for its operation, a prerequisite for any operator which aspires to be among the tier-one operators, we believe. It allows full control of information flow, easy plug-in of new game suppliers and payment providers, and flexibility when it comes to front-end and user experience. Through a proprietary IT platform, an operator may easily diversify itself from the competition as it has more control over its operation and may adapt user experience to a higher degree than competition running on a third party platform. Secondly, and more importantly, it may make optimal use of the large sets of data the operations generate. Data management is a key success factor in a digital operation, from basic customer management, to data driven marketing, and privacy and security governance.

Global Gaming is ramping up a data analytics team. Running data analytics is very much about accumulating knowledge about the customer base and acquisition models and we expect the company to continuously improve its efficiency and eventually close in on the industry leaders.

## Branding, products, and value proposition

### Clear brand proposition, focusing on a smooth user experience

#### Enabling a smooth gambling experience

Global Gaming has achieved success with its PayNPlay solution, where it enjoyed first mover advantage through the Ninja Casino brand. Although competitors have implemented PayNPlay, Ninja Casino continues to gain traction among customers and is increasing on the basis of its strong brand proposition and gaming experience. The aim is to offer an overall smooth gambling and entertainment experience which stretches beyond PayNPlay. This includes ease of use of the website and on mobile platforms, fast reply times from customer support, and straight forward bonuses.

### Fast and secure identification process with Bank-ID

#### The PayNPlay solution

The PayNPlay concept allows customers to register via electronic ID (Bank-ID) making the 'know your customer' (KYC), registration, logon, and deposit/withdrawal processes seamless. This is especially true when the customers access through a mobile device with a biometric sensor, a simple touch with the thumb, and the registration process or logon is completed, no need for passwords.

The Bank-ID is a Swedish electronic identification which the Swedish banks issue as a service to their customers to facilitate identification when using remote bank services. The other Nordic countries have their equivalents, as well as the Baltics.

Through the use of Bank-ID, Global Gaming may also make certain that no underage people are able to access the gambling service and all necessary KYC information about the customer such as social security number and address is accessed and authenticated through the Bank-ID database. The service is hosted by PSP (Payment Service Provider) company Trustly, and it is not a proprietary tool developed by Global Gaming.

In some jurisdictions, there are requirements for additional information about the customer than can be provided from Bank ID, such as the email address, which can be readily complemented by manual input.

We believe that after re-regulation in Sweden, the use of Swish in combination with Bank ID could be made possible to transfer money to the gambling account. Svenska Spel currently offers deposits via Swish.

### No username, no passwords

#### Fast and secure identification and logon with Bank-ID



Source: Global Gaming

### Overview of brand portfolio

Although Global Gaming is mostly known for Ninja Casino, the company has a total of nine brands in its portfolio. Only three of them are operated by Global Gaming and run on the in-house platform, Ninja Casino, Spelandet, and KotiKasino. The others are outsourced to Aspire Global, which takes a commission on the gross gaming revenue (GGR) it generates from the respective brands. Global Gaming also has white label contracts and some affiliate traffic in its B2B offering, which in Q3 accounted for 2% of revenue and the unit will be decommissioned by year-end.

### Casino focused product portfolio

Global Gaming is a pure play casino operator and all of the B2C revenues stem from casino. The company has fairly few game suppliers, we count eight contracts, while tier 1 peers usually have dozens. The company is set to integrate more game suppliers to its platform in 2019 and an increased supply of games could aid to drive revenue growth. For brands driven by Aspire Global, the product offering is wider, but lacks the PayNPlay concept as that is integrated with Global Gaming's platform.

### Ninja Casino is about 90% of total revenues

**Ninja Casino** is the largest brand in the portfolio and by far the largest revenue contributor, as of Q3 2018 91%. It launched in 2016 on the in-house technical platform and through the PayNPlay concept it has managed to take a large share of the Swedish casino market by offering the most user friendly gambling experience, "*smooth, like a ninja*". The Ninja Casino brand does not have a Maltese gambling licence, although Spelandet has, but licences in Curacao, Estonia, and in Sweden. The brand has an internationally viable profile and through Ninja Casino the company will start its geographical expansion. The brand is revamping its product offering, it will launch dedicated live casino tables with Evolution Gaming in 2019 and with NetEnt for the 3D environment product. It also signed a contract with Kambi for sportsbook which will launch on Ninja Casino in 2019 making it a full service operator.

### Overview of brands

Ninja Casino	Platform	PayNPlay/Dedicated live casino/Sportbook	Comment	Target market
	Global Gaming	Yes/NetEnt/to be launched	Ninja Casino is the flagship brand in the group and gained traction through the PayNPlay-concept. It is available for Swedish and Finnish players, but given an international branding management intends to launch it in new markets, Estonia next. The ninja represents a fast and smooth experience.	Sweden/Global - Younger, High share of male
Spelandet	Global Gaming	Yes/No/No	Spelandet is the newest brand in the group, the first revenue being recorded in Q3. The value proposition lies in offering a seamlessly smooth and fun online casino experience, including use of the PayNPlay concept. The marketing is quirky and slightly softer than Ninja Casino. The focus market is Sweden and aim to reach customer demographics that are not appealed by Ninja Casino.	Sweden -Older, High share of female
Netti Casino	Aspire Global	No/No/No	Launched in 2010, Finnish Casino. Part of legacy business with operation running on Aspire Globals platform.	Finland
Viking Slots	Aspire Global	No/No/No	A Viking themed online casino site, focusing on the Nordic market.	Nordic
Kultakaivos	Aspire Global	No/No/No	Launched 2014 for the Finnish market, gold mining theme.	Finland
KotiKasino	Global Gaming	Yes/No/No	Migrated to new platform in Q4 2016. Mobile focused casino	Finland
NettiArpa	Aspire Global	No/No/No	The oldest brand, launched 2009. Netti Arpa means scratch card in Finnish. The site also offer casino aside of scratch card.	Finland, scratch cards
Mr.Spil	Aspire Global	No/No/No	Casino brand focused on the Danish market.	Denmark

Source: SEB, Global Gaming

### Marketing strategy with focus on brand building, not bonuses

### Marketing strategy, focus on brand building, and happy customers

The marketing focus is on offering a positive customer user experience and branding, rather than maximising profits on bonuses and hard selling. In this way, the company aims to attract more long-term customers, reduce churn, and add stickiness to the brand. As the company has not released any statistics on the number of customers, churn rate, or ARPU, we can only assume its strategy is working. When the company develops a promotional campaign, it generally tries to avoid:

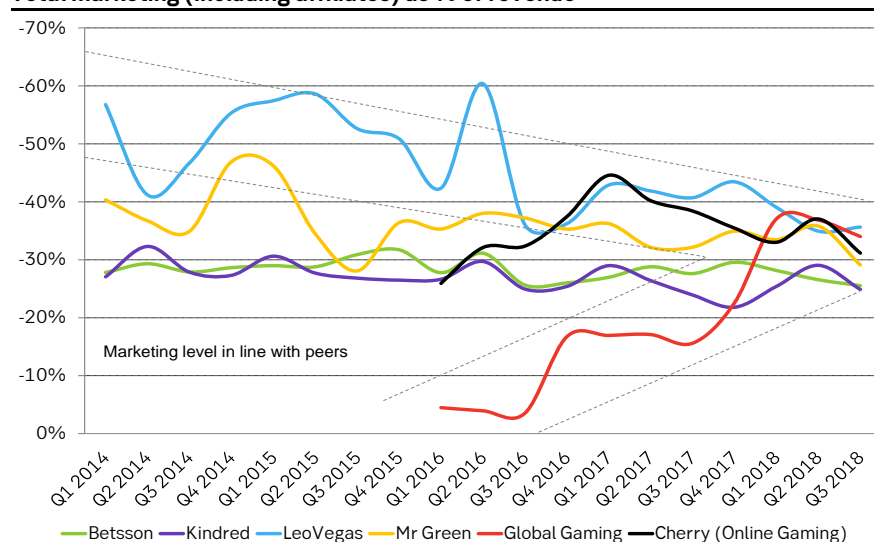
- Bonus marketing.
- Free spin marketing.
- Invasive marketing via text or email.

### Growing budget and broader marketing mix

Global Gaming aims to grow with profitability and has increased marketing along with positive growth indications, in opposite to, for example, LeoVegas which operated with a negative EBIT contribution for some time. Global Gaming has scaled down the relative spend on marketing with increasing size. For the last 12 months opex related marketing to sales was 34% compared with 8% in 2016 when Ninja Casino was launched.

### Global Gaming has scaled up marketing in level with peers

**Total marketing (including affiliates) as % of revenue**



Source: SEB, company reports

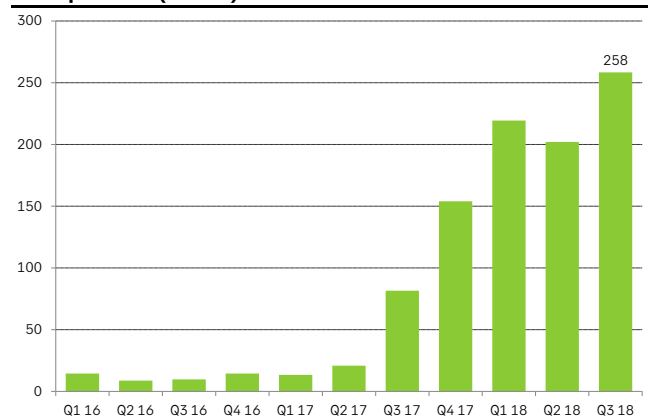
Marketing for gaming projects, excluding affiliate spending, is expected to be around 30% in the near future according to the company. Given the fast revenue growth, the marketing budget has become quite sizable and the company today makes use of a wide range of channels, including promotional marketing posters and banners, radio, podcasts and television. The company has also started using internet affiliates after having pursued only organic customer acquisition before. The spending on affiliates was 4.5% in Q3. This is similar to the larger peers which mostly rely on their strong brands, Betsson spent 8.2% in Q3 and Kindred 5.4%. From our understanding, smaller operators normally rely more on affiliates than large, making Global Gaming something of an exception from the norm.

## Financial position

### Debt free, profitable, with increasing cash

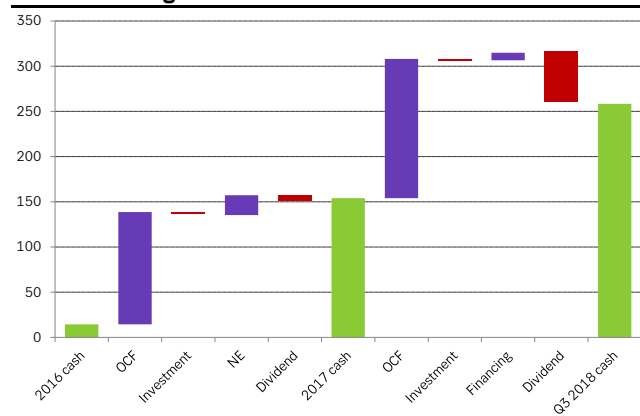
Management's aim is to deliver profitable growth to shareholders, which it has been fairly successful at achieving. The company does not have any interest bearing debt and the gross cash position has continued to expand, amounting to SEK 258m by the end of Q3. This is 17% of the current market capitalisation. The company distributes 50% of annual profits, but given the low investment need, most of the remaining cash has been left in the bank.

**Cash position (SEKm)**



Source: SEB, company report

**Cash flow bridge 2016 to Q3 2018**



Source: SEB

### Some goodwill, no interest bearing debt

### Some goodwill from 2015 formation of Global Gaming 555

Global Gaming 555 (full company name) was formed in 2015 through the merger of Connected Table AB and LMA Gaming limited, and the new company also acquired Winlando Group forming the company which exist today. As a result, the company has around SEK 30m in goodwill in the balance sheet and SEK 50m of intangible assets related to domain and brand. The company has historically taken all development costs through the P&L, but in accordance with IFRS, as of 2018 certain development work is capitalised to the balance sheet and later amortised in the P&L.

## Financial position

Balance sheet	Q3/18	2017	Comment
Intangible assets	86	81	
- whereof capitalized development	1.3	0	The company started to activate development costs in 2018
- whereof brands	55	51	
- whereof goodwill	30	30	
PPE	3.2	2	Asset light
Deferred tax	3.2	6	
Other long term receivables	0	0	
<b>Fixed assets</b>	<b>92.4</b>	<b>89</b>	
Current receivables	28.8	32	
Cash and cash equivalents	258.4	154	Substantial cash position
<b>Current assets</b>	<b>287.2</b>	<b>186</b>	
<b>Assets</b>	<b>379.6</b>	<b>275</b>	
<b>Equity</b>	<b>296.6</b>	<b>230</b>	
Deferred tax assets	0.9	1	
<b>Long term debt</b>	<b>0.9</b>	<b>1</b>	No interest bearing debt
Other short term debt	82.1	45	Tax, supplier debt and player accounts
<b>Current debt</b>	<b>82.1</b>	<b>45</b>	
<b>Equity and Liabilities</b>	<b>379.6</b>	<b>275</b>	

Source: SEB, company report

## Sustainability and governance

### Regulatory compliance is fundamental

#### Regulatory compliance is key in the online gambling industry

Sustainability is a topic which receives more attention in the online gambling industry. The European market is generally experiencing regulatory changes resulting in higher demands on the operators. Each country has its own set of requirements and guidelines, no pan-European harmonisation exists yet, but we clearly see a trend of benchmarking between the countries in the pursuit of best practices and historically the UK market has stood as a frontrunner.

As a small company, Global Gaming has had to adapt quickly and enforce policies in order to be compliant. From our point of view, the company has managed well and has never been subject to any fine or verdict.

Key topics which must be addressed by operators and where a clear approach and governance is required include areas of:

- **Marketing prudence** – Truthfulness and moderation in marketing is required. Usually there must be appropriate disclaimer informing about the risks associated with gambling. Among most recent regulatory changes is the UK gambling commission verdict that it will hold operators responsible for the actions of their marketing partners (affiliate companies).
- **Information security** – The most recent largescale implementation regarding information security is the introduction of GDPR in May 2018, which enforced stricter policies on the operators warehousing and use of customer information.
- **Response to problematic gambling and AML procedures** – One of the most important and sensitive issues for an operator is to handle problematic gambling. Operators must have systems to monitor gambling behaviour and a clear plan if a customer is flagged as a problematic player. Deposit limits and self-exclusion are tools which are required. Marketing against a customer which has self-excluded is not allowed. Furthermore, appropriate anti-money-laundering (AML) procedures and controls are required.

### Failure to comply could result in fines or loss of license

Failure to comply with rules and requirements may lead to official warnings, fines, or loss of license. We notice that the medial “badwill” a fine causes or verdict may affect customer intake and the equity market’s risk premium on the stock.

#### Remuneration policies

According to the company’s 2017 annual report, “Remuneration must be market based and competitive in order to attract and retain skilled individuals in senior executive roles”. Global Gaming mixes fixed salaries with variable pay. The fixed pay is set in proportion to the responsibilities of the position and the variable pay is capped at SEK 1.2m for senior executives and SEK 1.5m for the CEO.

Part of the motivation behind the IPO was to allow staff to buy into the shares and become co-owners of the company.

# Market overview

## European online gambling market

### A large market in structural growth trend

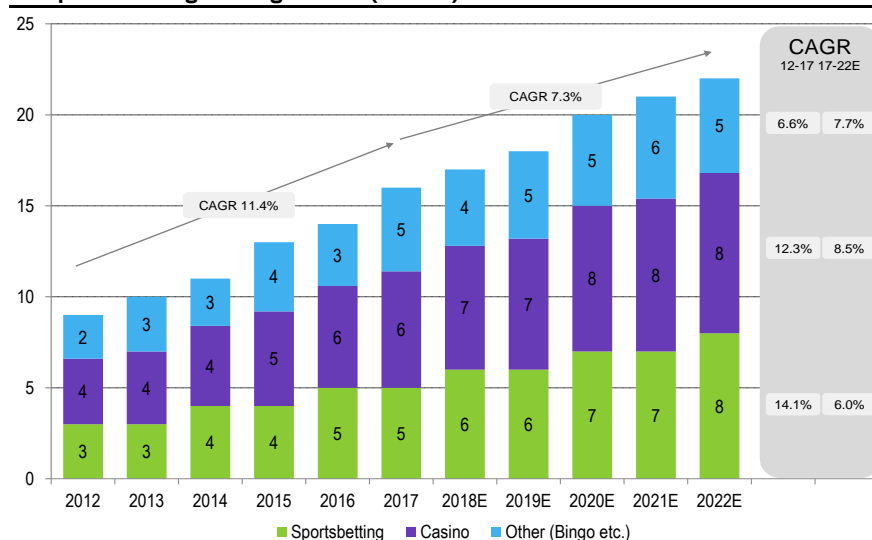
The total global gambling market is estimated to be worth around EUR 400bn in 2017, both online and offline, according to H2GC and generally grows in line with global GDP and is fairly non-cyclical in its nature. Worldwide about 10% of all gambling is conducted through online and mobile channels. Despite its name, Global Gaming has not yet expressed ambitions of a global rollout and we will limit our market analysis to the European market in general and Swedish market in particular.

### EUR 18bn European online gambling market

The primary growth trend in online gambling is driven by digitalisation where offline players are migrating online, but also thanks to secondary trends such as liberalisation and product innovations, where improved product offering increases the overall spending. H2GC estimates that the European online gambling market is worth EUR 18bn and set to increase at a CAGR of 7.3% towards 2022. Online penetration in Europe is estimated to have amounted to 20% in 2017 and grow to 28% in 2022.

### High single-digit growth driven by continued online adoption

#### European online gambling market (EURbn)



Source: H2GC

The market can be divided into different products, where sports betting, casino and other (poker, bingo and other) are the largest. Betting is the product which has migrated online the fastest, much helped by the increase in hours of sports being broadcasted on television and through the internet, combined with the launch of live betting which makes betting more immersive and has shown to be a strong turnover driver. Sports betting is expected to grow slightly slower than the market with a CAGR of 6.0% towards 2022.

Casino still has a stronghold in the brick and mortar casinos, but given a lower online penetration it is expected to grow faster than the other product verticals. Live Casino, which is a product where the consumer may stream live black jack, roulette, and more with a real live dealer directly on mobile and desktops, is one of the fastest growing sub-segments. Casino is expected to grow faster than the market at a CAGR of 8.5%. Other, which includes poker, bingo, is generally a small category, but growing in line with the market.

### Different maturity in different markets

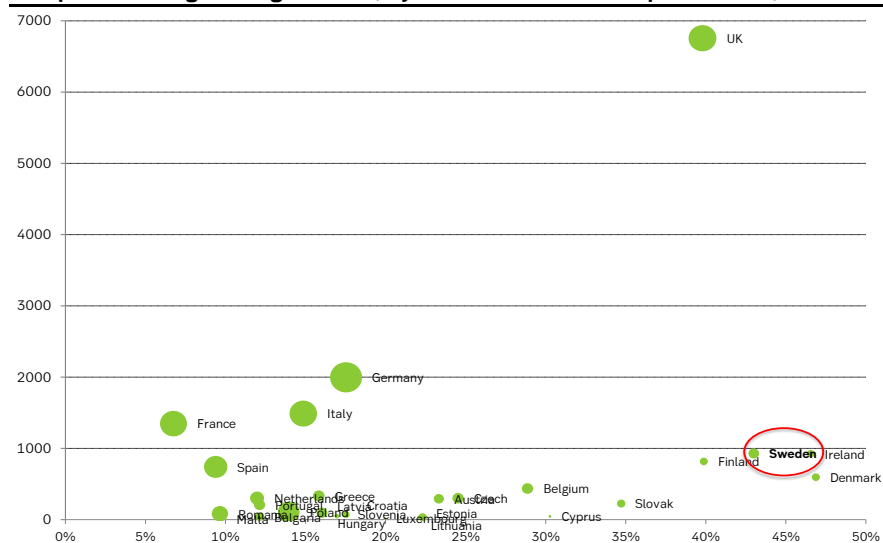
The degree of maturity varies between the different regions in Europe where in general the Northern and Western European countries report the higher degree of online penetration. In the Nordics and the UK it is today close to 50%, whilst the online penetration is below the 20% average in many of the Mediterranean countries.

### UK is the largest European market

The largest online gambling market in Europe is the UK, worth around EUR 7bn, while other large markets include Germany (which does not have harmonised legislation yet), Italy, France, and Spain.

### Nordics have high online adoption

European online gambling markets, by size EURm and online penetration, 2015

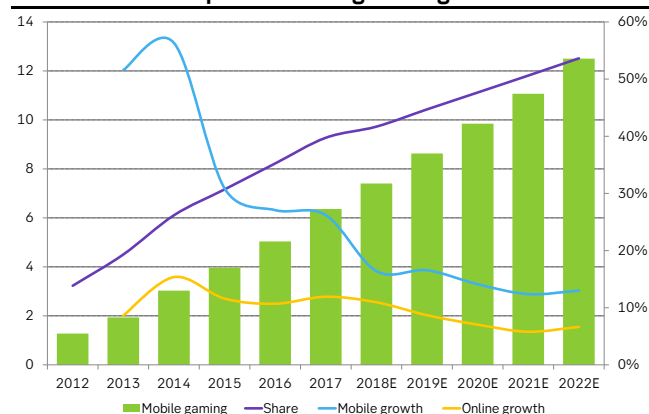


Source: H2GC

### Mobile is the most important channel now

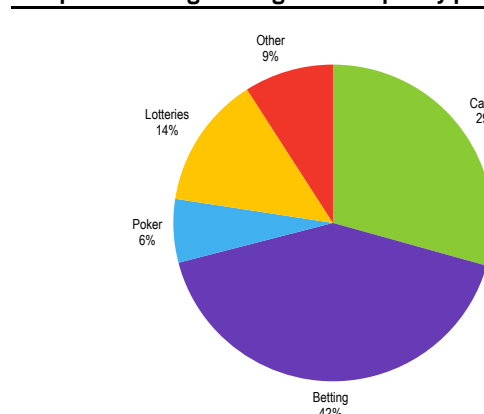
A decade ago, increased broadband penetration was a springboard for online gambling penetration. Today, mobile devices account for around 40% of GGR and are growing around twice that of the online market on aggregate. Mobile CAGR towards 2020 is expected to be 14.5%.

Mobile channel as part of online gambling market



Source: H2GC

European online gambling market split by product



Source: H2GC

Being a fairly young company, Global Gaming was able to approach the mobile segment straight away and has a high mobile penetration, in Q3 2018 75% of all revenue stemmed from the mobile.



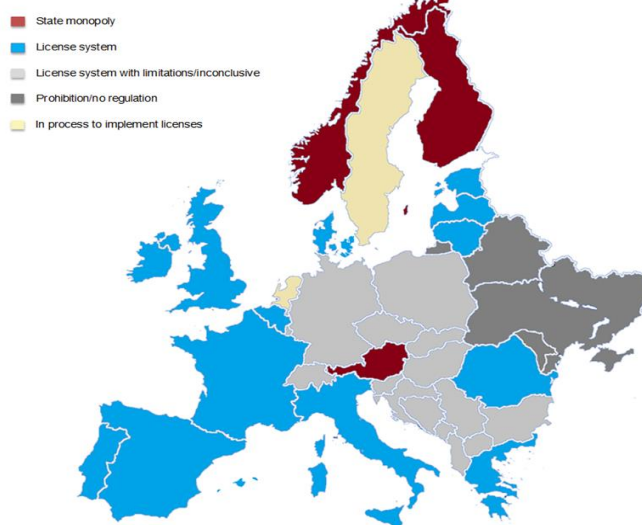
## European regulatory overview

### Market undergoing regulatory changes

Regulation has been, and will remain, an important theme when investing in online gambling. There is no global or European legislation or standard which is common for all nations, for most part it is down to each local national authority to regulate the online gambling market. As a result, many nations lack legislation as lawmakers have lagged digitalisation. The European Union has called for member states to revise their gambling laws to enable online operators to enter the markets in a legal, free, and transparent way, and we have seen increasing efforts along these lines, where larger gambling nations in Europe have licence systems in place, putting most of the legislative uncertainty in the past from a European perspective.

### European nations are implementing online regulations

#### European regulatory overview



\*The definitions are SEB own. Given a fast paced regulatory environment, we would highlight the risk that some data point might be outdated or not yet update.

Source: SEB

### Increased taxation is one consequence

The legislations typically have gravity on the requirements of the gambling operators, but often suppliers and affiliates are required to seek licences and endure regular audits. The UK market has been regulated since 2005 and has seen multiple amendments since then. The change to a point of consumption tax in 2014 was one of the larger changes and the upcoming remote gaming duty hike from 15% to 21% scheduled for April 2019. The UK tends to be a frontrunner on the regulatory arena and the amendments are not only limited to tax. In a statement in 2017 the regulator stated that licensees (operators) will be held accountable for the actions of their affiliate partners. As a result, several larger operators closed or limited their affiliate programmes to minimise the potential risk from affiliates which sent ripples through the whole industry. Unwanted behaviour includes the use of too aggressive, or at times even fraudulent, marketing.

### High degree of self-regulation

In our view, there is a high degree of self-regulation, but the general trend is that with time complexity and amount of restraint increases. We also identify two trends related to taxation, a convergence towards the average and a slow increase of the average. The most important event coming up, especially for Global Gaming, is the reregulation of the Swedish market in 2019. Furthermore, the Dutch market has a bill waiting to be voted through and implemented sometime in the future, which would open up a new market.

## Swedish gambling market

### An attractive EUR 1bn online gambling market

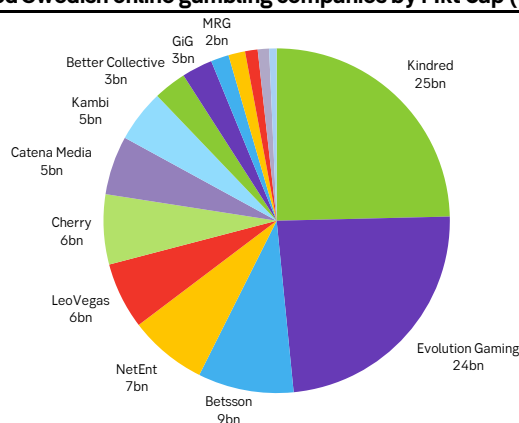
We believe Sweden is an attractive market for online gambling operators and looks to remain after regulation. There is high smartphone penetration and the online migration is a long way forward, creating a large accessible revenue pool. According to the latest data from the national gambling authority, around 50% of gambling is conducted online, and although size of the country is relatively small (10m population), high disposable incomes and high gambling spend per adult (net around EUR 200 per year) makes Sweden one of the largest online gambling markets in Europe.

### EUR 2.1bn gambling market of which EUR 1bn was online in 2017

Of the EUR 2.1bn total gambling GGR, EUR 1bn was online in 2017. Offshore companies (those not operating under Swedish license) accounted for 25% of GGR and Swedish licenced operations 75% of the total gambling market and about 50% each of the online gambling market. In the latest data, from Q3 2018, the online share of gambling was 52%.

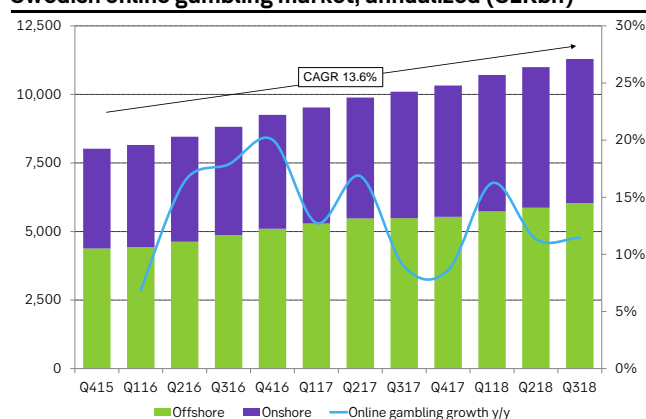
There are multiple large successful industry actors stemming from Sweden, Kindred, Betsson, Evolution Gaming, Catena Media to mention a few, and plenty of smaller contenders. Aggregated market capitalisation of listed online gambling companies on the Swedish stock exchange is around EUR 10bn.

Listed Swedish online gambling companies by Mkt Cap (SEK)



Source: SEB

Swedish online gambling market, annualized (SEKbn)



Source: SEB

Despite being a fairly mature market with about 50% online penetration, growth is still healthy at low double-digit. Online gambling grew 15.4% in 2016 and 11.5% in 2017. 2018 showed a strong start with online gambling growing 16.2% in Q1 with onshore outperforming offshore thanks to strong growth at Svenska Spel. The numbers from Q2 and Q3 include performance over the FIFA World Cup and presented growth of 11%.

### Monopolies are gearing up for reregulation in 2019

Looking at market shares on the online channel, offshore operators hold the majority stake over the onshore although only by a small margin. In 2017, 53.6% of all online gambling in the Swedish market was conducted on offshore operators vs 46.4% on onshore operators. As the monopoly companies will be able to add new products to their offering in 2019, online casino for Svenska Spel and online casino and betting for ATG, we believe there is a fair chance that the (ex)monopoly companies may win back market share from the offshore companies. Svenska Spel and ATG have already worked up a strong online presence, around 30% at Svenska spel and 60% at ATG, and may swiftly cross-sell the new products to an already existing player base.

### Market shares in Sweden by operator

We have made an estimate of market share per operator in the Swedish market. We believe Global Gaming is among the top five offshore operators measured in revenue and among the top three counting only online casino, it is likely a close call between the market leading operators. As only a few actually report their exposure to Sweden and a large number of the operators are unlisted, we underline that the estimate bears high uncertainty.

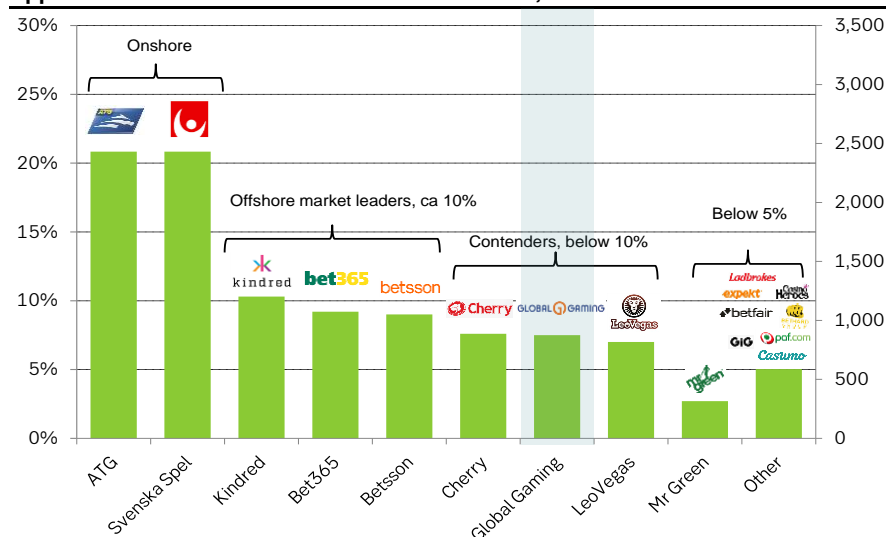
#### (ex)monopoly is online market leaders

- Svenska Spel and ATG should hold about 20% each of the Swedish online market, despite lacking online casino product.
- Kindred, Bet365, and Betsson are offshore market leaders at around 10% market share each. Kindred and Bet365 are tilted toward sport and Betsson with a product mix tilted to casino.
- Contending operators at 6-8% include LeoVegas, Global Gaming Group, Cherry.
- Among the cluster of other operators, MRG and privately owned Bethard and Casumo are prominent names in Sweden. International operators such as Ladbrokes, Stars Group, and Betfair also have market share.

Competition should increase after reregulation...

...but US market draws away some attention

### Approximation of online market shares in Sweden, 2018



Source: SEB estimation. Observe that the data may deviate from actual numbers. We have accounted for SEK 12bn online market in 2018.

#### Base case is "business as usual"

### Competitive landscape is changing due to regulation

We expect intensified competition stemming from the reregulation of the Swedish market. The (ex)monopoly will try to win back lost market share and large international operators, GVC, 888, William Hill, PaddyPower-Betfair, Stars Group, Interwetten to name few, should be able to increase their efforts towards Sweden, putting operators in a prisoner's dilemma, if someone goes in aggressively the others must defend their market shares which might hurt industry profitability. But we do not expect an excessive escalation to play out, as many of the large international operators are preoccupied building presence and readiness in the much larger US market, leaving less interest for an expensive organic entry into Sweden and small operators typically see their recourses to investment in marketing curtailed by the increase in taxation, and therefore a status quo is the most probable outcome.

**M&A is set to increase****M&A is set to increase**

We expect M&A intensity to increase as part of the Swedish regulation coming in place, incentives for both sellers and buyers to reach an understanding increase. Some operators have refrained to enter the Swedish market given the unregulated status, but as it opens up the compliance light goes from yellow to green. Given the crowded market, it could be more strategic to acquire a foothold rather than to risk an expensive organic expansion. Seller incentives are to strengthen on the logic of profitability, competitive situation, and increased valuation for regulated businesses. We do not expect the 18% tax rate to kill-off most smaller operators, but the long-term effect will most likely inevitably be that they will be outcompeted by the more resourceful players.

William Hill's SEK 69m bid for MRG in October is a move along these lines and we expect further similar deals could follow. In this instance, Global Gaming is a potential target.

**18% GGR tax and strengthened consumer protection are the main topics****Swedish regulation**

The Swedish Gambling authority began accepting applications on 1 August, while the live date for the new regulation is set for 1 January 2019.

The licences will stretch for a maximum of five years and the cost will be between SEK 60-700,000, with an annual fee of SEK 30-100,000 depending on the size of the operator as measured by turnover. There will be six types of operator licences: government games, public purposes/non-profit, commercial online gambling, commercial land based gambling, betting, and international sea traffic. There are three types of miscellaneous licences, games provider, games manufacturer, and slot machines holder.

**Base case is that regulation goes live 1 January 2019****Key corners in the bill include:**

- 18% tax on gross gambling revenue.  
Requirement of player registration (KYC).
- Central registry for self-exclusion and *omsorgsplikt* "customer care".
- Must offer deposit limit and not allowed to offer credit accounts.
- Transactional data warehousing for 12 months. Alignment with GDPR.
- Responsibility to have tools to track player behaviour and framework in order to work against excessive gambling and money laundry.
- Punishment for unlawful offer of gambling services, match fixing, and marketing towards persons who have excluded themselves.
- Bonuses are only to be allowed for first deposit, not continuously.
- Technical demand on platform to be located in Sweden, or remotely accessible if located in other EU licensed nation.

**Regulator may issue temporary licences**

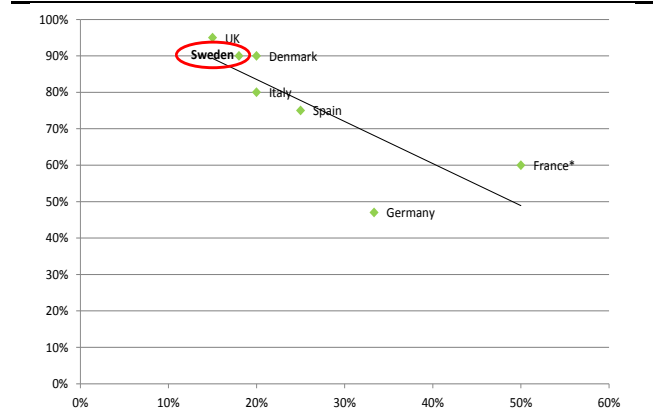
In our view, it is visible that the Swedish regulator has benchmarked the Danish and UK bills. The tax rate is in-between, 18% vs 15% in UK and 20% in Denmark. Overall, it is much in line with the average in the EU.

Similar to the case with the UK regulation, we expect the Swedish regulation to see amendments over the coming years, probably making it more demanding and granular, not more liberal. We believe marketing restrictions might be one of the first topics to land on the drawing table, but initially there will be reliance on a system of self-regulation and amendments decided by how the regulator views on how well the self-regulation works.

## 18% GGR is close to the EU average

The Swedish gambling tax rate of 18% on GGR is close to average among the EU countries where the high-end is around 30% and the low-end at 5%. Sweden will use gross gambling revenue as tax base, which means tax will be deducted after player winnings have been paid-out in contrary to turnover-based taxes, which taxes before player winnings have been paid out. Taxing on turnover creates a high effective tax burden. Depending on game type and local market, the game margin for the operator is usually 3-15% and explains the relation of which turnover is translated to revenue. For example, in France the game margin is 15% and the tax is 7%, and the effective tax is 50% on revenues.

Online gambling tax rate (X-axis) vs channelisation



Source: Based on data from Copenhagen Economics

Relation between tax rate, channelization, and taxation

Product Taxbase	Casino GGR	Betting (if other) GGR	Turnover
Estonia	5%		
Lithuania	10%		
Belgium	11%		
UK	15%		
Georgia	15%		
Latvia	15%		
Romania	16%		
<b>Sweden</b>	<b>18%</b>		
Germany	19%		5%
Denmark	20%		
Italy	20%		
Spain	20%		
Ireland	23%		1%
Portugal	15-30%		8-16%
Netherlands	29%		
Greece	35%		
France	n.a.		7%
Poland	n.a.		12%

Source: Copenhagen Economics

## Tax is converging towards the average...

From a European perspective, we expect a convergence in tax rates towards the average, 20%, and some changes along the lines which have already been made. Earlier in 2018 Spain lowered its tax from 25% to 20% and the UK has announced that it is considering increasing its tax rate, which is currently 15%. However, we believe it is more likely for nations to raise tax rates marginally rather than lowering as that creates a deficit in federal budgets, and there are likely two trends working in parallel, the convergence to the average and a slow increase of the average.

## ...and the average is slowly increasing

The Swedish government targets 90% channelization through the licence system, meaning that 90% of the gambling turnover online is conducted via licenced operators. Looking at implementations in other countries, there is an inverse relationship between the tax rate and market channelization. With the UK having 95% channelization at 15% tax rate and Denmark close to 90% at 20%, Sweden should be able to reach its target according to the regression.

## Value chain dynamics

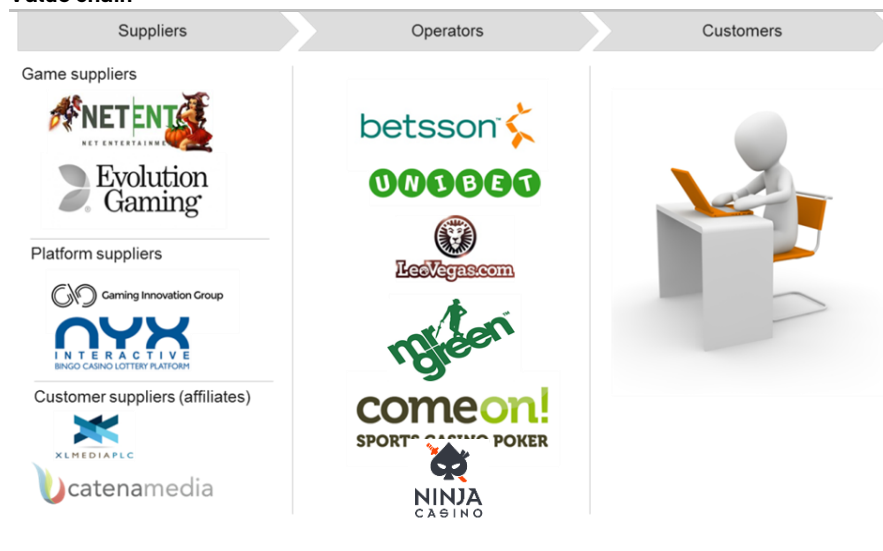
### A mash-up of IT and consumer industry dynamics

The online gambling sector combines high IT intensity with the ability to cater to consumer demand. The value chain is straightforward: B2B companies such as game suppliers (e.g. NetEnt and Evolution Gaming) licence their generic and customised solutions to gaming operators with a revenue-share commission model, enabling significant operating scalability.

In the early days of the industry a single company often held both the role of operator and supplier, but as the industry matured and became more complex, specialisation increased. However, some companies try to pursue a conglomerate approach, where they try to own the whole value chain and as such as much of the customer's wallet as possible.

In order to attract new customers, operators often work with affiliates (typically operating on a revenue share agreement). Players tend to pass through an affiliate site on their way to operators as they may want help finding the best bonus, specific gaming content, or the highest jackpot.

#### Value chain

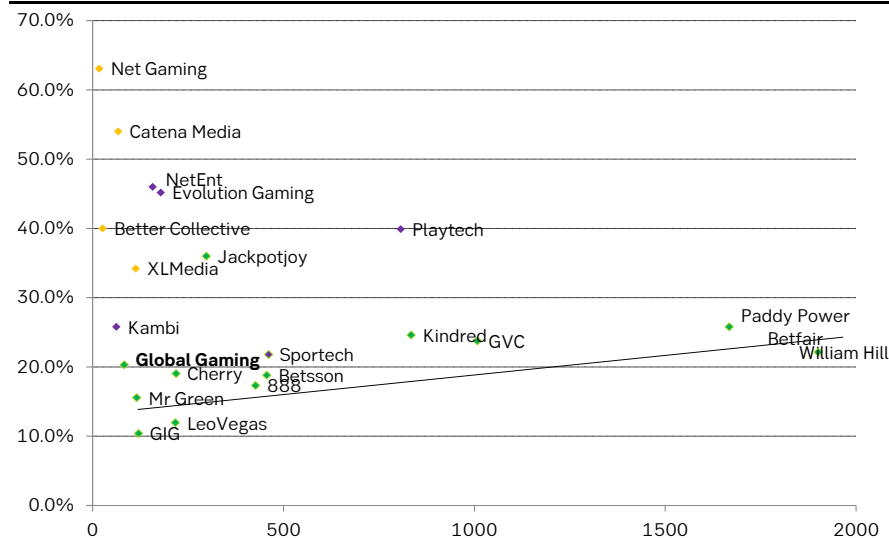


Source: SEB and company data

In general, we believe that the dynamics are benign in the industry, in our view explained by the royalty/commission based revenue models which create a clear alignment throughout the whole value chain to always bring the best possible products and performance to the table.

### Margins vary in the value chain due to operational models

The single strongest marker for profitability for operators in the sector is scale, given the high gross margins it all comes down to gaining volumes to absorb the fixed cost base, and leveraging the scalability. Viewing the whole value chain, affiliates tend to be the most profitable given that their operation usually requires little investment and can be opex light. The game suppliers' operations require more development costs, but are much alike the software-model, operators tend to be most people intense and have to absorb the gambling taxes, and they have the lowest profitability in the value chain.

**Revenue vs EBITDA margins, 2017 (Global Gaming LTM)**

Source: SEB, company reported numbers. Operators in green, Suppliers in purple, Affiliates in yellow

**Global Gaming is actually showing best in class scalability**

Comparing the different operators scalability defined as revenue per FTE, Kindred has for many years stood out as best in class. However, thanks to its recent revenue scale-up, Global Gaming managed to show as good KPI as Kindred. We do not expect this to be durable as the company is ramping up its organisation from start-up to industrialised, but given that the company's cost efficient culture and strategy remains unbroken, it has a good starting point to continue to remain efficient.

# Roadmap for expansion

## Growth summary

We forecast that Global Gaming will increase revenues at a CAGR of 19% to 2021 to SEK 1,65bn. Sweden is expected to remain the main growth engine through extended product offering and new brands. We have accounted for expansion into Estonia, adding 5% to the top line. If the company successfully pursues growth in a second leg of expansion into the rest of the Baltics, Denmark, and the Netherlands, we could add SEK 500m or 30% on top of our base case forecasts to a top line close to SEK 2.1bn.

## Three growth venues

Global Gaming has its scope set for continued growth and expansion, the company targets SEK 1bn in revenue in 2018 and looking beyond the company outlines three main growth venues:

- Continued market share gains in Sweden.
- Geographical expansion.
- Expansion in new product verticals.

### Continued market share gains in Sweden

Global Gaming sees room for more market share gains in Sweden and the growth rate is fairly strong despite having grown much and taken a lot of market share already over the past two years. LTM growth was 17% y/y in Q3, and we estimate market share in Sweden of 10%, making Global Gaming one of the top three players among the non-monopoly companies.

### Expanding the product portfolio in 2019

Looking at the product portfolio there is room for improvement and delivering more entertainment may translate into more customers and higher revenues. The company has invested in dedicated live casino environments from both Evolution Gaming and NetEnt, which are set to go live in 2019 and will add new video slot suppliers and a sportsbook. Currently, the supplier and games list is rather slim compared with competitors. Betsson has 2,700 casino games and we find 12 game suppliers at Comeon, and LeoVegas has one of the broadest live casino offerings with games from eight different suppliers by our count.

#### Game supplier list Global Gaming, existing and to be launched

Casino	Live casino	Sportsbetting
NetEnt	Evolution Gaming	Kambi
Yggdrasil	NetEnt	
Play'n'Go		
Microgaming		

Source: SEB, Global Gaming

The company intends to target new customer groups which are not appealed by the Ninja Casino brand and recently launched the brand Spellandet in Sweden. A third factor which may drive additional growth in Sweden for Global Gaming, and the large operators in general, is that some operators will withdraw from the market or stand outside of the licensing system after regulation, this is expected to create a situation where some customer will flow back to the large operators.

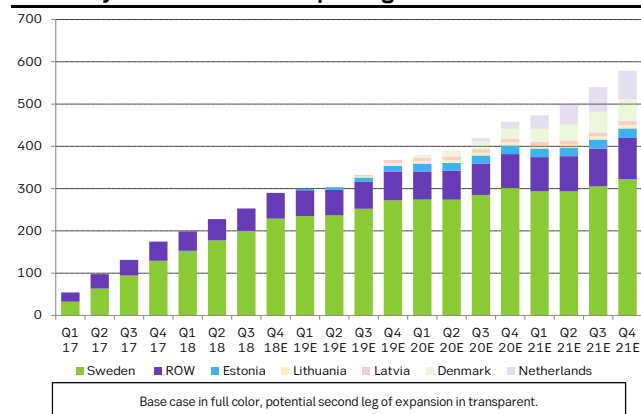


## Launch of Ninja Casino in Estonia in November 2018

### Geographical expansion

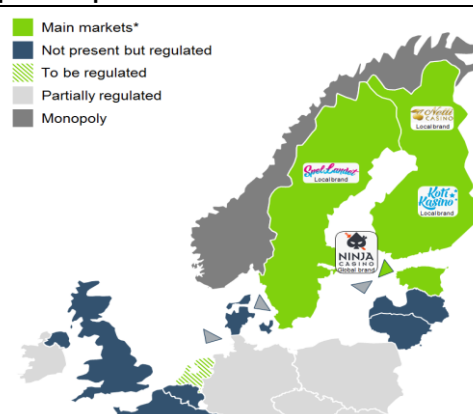
The geographical expansion is underway, and Ninja Casino was launched in Estonia in November. Estonia is a fairly small market, H2GC estimates that the online market is worth EUR 35m in GGR in 2018, but the business climate is benign and the tax rate only 5% on GGR. The widespread use of digital ID in the Baltics will enable the use of the PayNPlay concept, which was Ninja's ice breaker in Sweden. We think Estonia could account for 5% of group revenue by 2021, about SEK 80m, corresponding to about 15% market share assuming market growth of 12%.

### Quarterly revenue forecasts per region



Source: SEB

### Geographical expansion



\*Sweden is to be regulated by January 1<sup>st</sup> and Global Gaming has a license. Finland, like Norway, and Sweden before, has a monopoly.

Source: SEB, Global Gaming

Looking further out, expansion into the rest of the Baltics would be a logical step and Denmark is an attractive market. Given that Global Gaming focuses on locally regulated markets, efforts in Norway and Finland will likely not be pursued given the current regulatory environment. When the Netherlands reregulates, the company view the country as an attractive market. In conclusion, there are a lot of blank spaces on the map to enter, as we estimate that around 80% of revenue stemmed from Sweden over the last 12 months. We believe Global Gaming will be able to reach SEK 1.65bn in revenue in 2021, with the optionality for another 30% on top of that to SEK 2.1bn if the company successfully pursues a second leg of expansion.

### Expansion in new product verticals

As highlighted in the first growth venue, growth in Sweden, Global Gaming will improve its product offering by including more games and more suppliers. Importantly, it has signed a contract with Kambi for sports book services and aims to launch the sports book on Ninja Casino in 2019.

### Sportsbook to be added in 2019

*"Following an extensive selection process, we are delighted to be able to partner up with Kambi as our sportsbook provider and look forward to being able to offer high levels of product, service and user experience that our customers have grown to expect through the Ninja Casino brand," said Christopher Naudi, head of sportsbook at Global Gaming.*

### We expect sports to be around 10% of revenues after two years

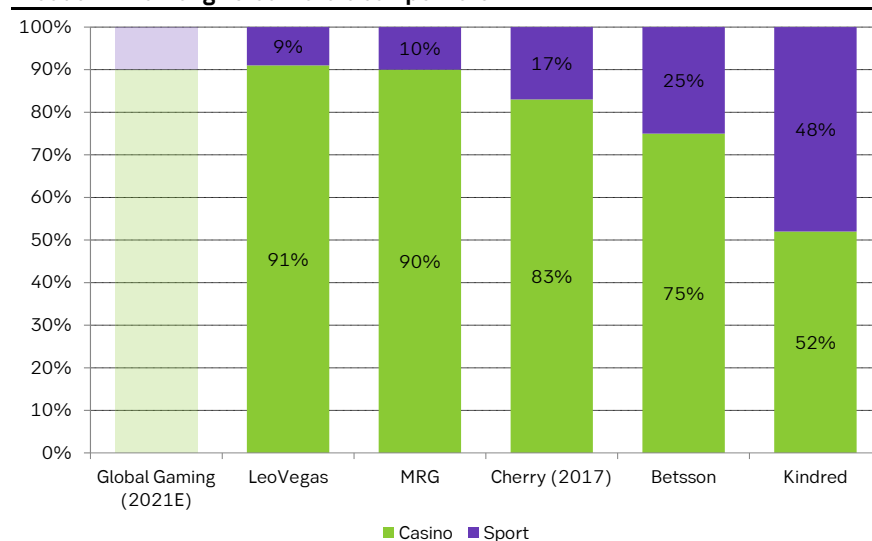
By having a sports book the company may be able to capture more of each customer's total gambling spend and attract new customer groups which are not appealed by the pure casino offering. The sports book can also be used as an efficient marketing and customer acquisition tool. This has been done successfully by other operators before, such as LeoVegas and MRG, which we argue are good benchmarks for Global Gaming.

We have chosen not to do separate forecasts on the sport book launch. Global Gaming will likely not split out sport revenue in its reporting for a long time, so it will be difficult to follow up. LeoVegas launched its sportsbook in Q2 2016 and reported 9% of group revenue from sports in Q3 2018. MRG launched its sportsbook in Q2 2018 and in Q3 2018 it accounted for close to 10% of revenue. We view these numbers as a proxy, 8-10% of group total, revenue of SEK 100-150m from the sports book in 2021 could be plausible, two years after launch.

We do not expect Global Gaming will be able to make it into the top five in sport betting any time soon, but compete with the likes of MRG, LeoVegas, ComeOn, and Bethard in the second tier bracket. The top five online sports book operators in the post-regulated Swedish market will likely be, Svenska Spel, ATG, Bet365, Unibet, and Betsson.

**We believe revenue ramp up will take some time**

**Product mix among listed Nordic competitors**



Source: SEB

## Plenty of margin potential

### Margins to trough in Q1 2019 and recover incrementally

Thanks to increasing volume leverage and renegotiation with suppliers, we see plenty of scope for Global Gaming to increase underlying profitability. Improved profitability will aid Global Gaming to recover the negative effect stemming from the introduction of 18% tax rate in Sweden, which we estimate will impact gross margin by 14.2%. Q1 2019 will likely be the trough in terms of profitability and incremental improvement in margin to follow.

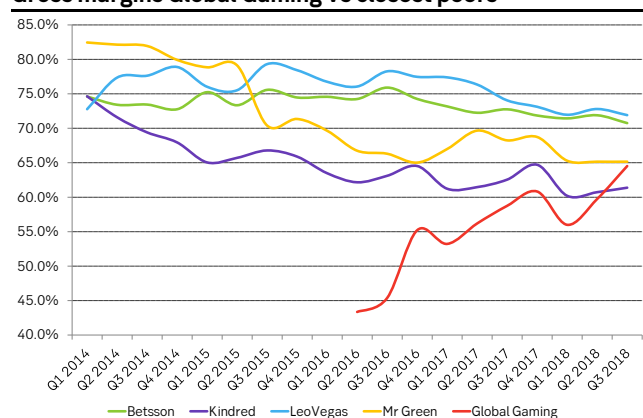
### Potential to increase underlying profitability

### 10% potential in tax adjusted gross margin vs peers

Compared against peers, Global Gaming has a low gross margin, in Q3 it was 64.5% and 60.5% for LTM vs LeoVegas, Betsson, Kindred and MRG which are found between 60-75%. A small negative difference to the mean of this magnitude might look reasonable given that it is a smaller company, but in reality it is not a like-for-like comparison. If we adjust the gross margin for betting duties and affiliate costs, it is clear that Global Gaming operates on a low gross margin, more than 10% lower than peers. This is explained by Global Gaming having supplier contracts that are not on marketable terms, i.e. too expensive, given the size and position they are in now.

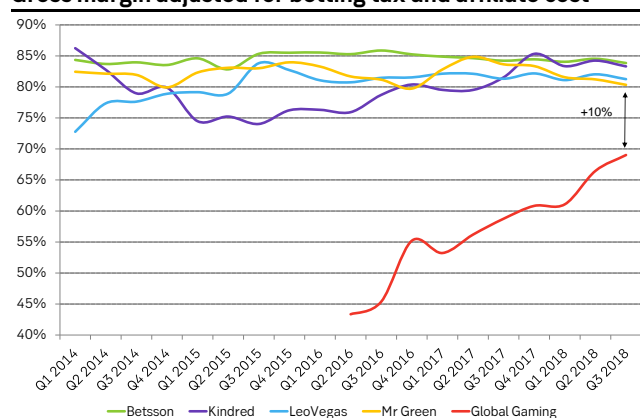
A large part of the supplier contract stock has been renegotiated over 2018, which can be seen in recent gross margin expansion, from 56% in Q1 2018 to 64.5% in Q3 2018. Global Gaming renegotiated its payment terms in Q4, and the trend should be continued over the coming quarter.

**Gross margins Global Gaming vs closest peers**



Source: SEB, company reports

**Gross margin adjusted for betting tax and affiliate cost**



Source: SEB, company reports

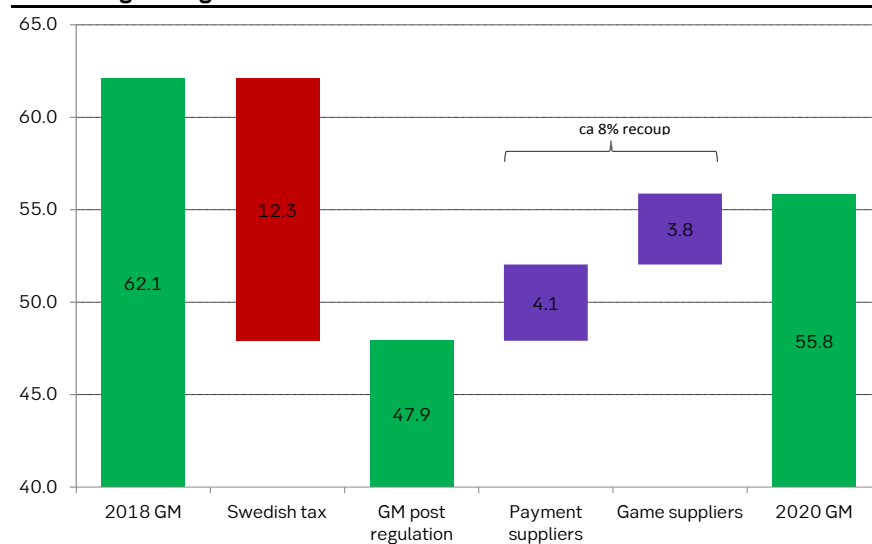
In general, the betting product is more expensive than the casino product and product mix affects gross margin. Although Kindred and Betsson have more betting in the mix than MRG and LeoVegas, they have the highest gross margins explained by their superior scale. Although we see large scope for improvement, we do not expect Global Gaming to be able to achieve gross margin in line with Betsson or Kindred, nor LeoVegas or MRG. This is explained by Global Gaming having the PayNPlay concept as an inherent part of its unique selling point and it is an expensive payment solution. Moreover, the branding around a "smooth experience" likely triggers more deposits and withdrawals than for other operators, further fuelling payment service costs.

We have not found conclusive data on pricing, but our best guess is that the game commission rate is currently in the mid-teens, earlier probably in the high teens. The total payment supplier cost at listing in late 2017 was reported to be 12%, which is high compared against the industry standard, and it was probably higher in 2018 as Ninja Casino has continued to grow as part of the mix. The low gross margin in 2016 is explained by B2B white label business being a large part of the revenue mix, which is now negligible. Through better terms on payment services and game supplier contracts, a large part of the 10% divide should be recouped and much of the negative effect from the Swedish online gambling tax be mitigated.

### Potential to recoup much of the gross margin drop

We expect the Swedish online gambling tax to reduce gross margin by 14.2% in 2019, towards 2021 we expect tax adjusted gross margin can recoup 8%. The margin recoup should be most visible over the course of 2019, and at a slower pace during 2020, partly explained by the expectation of live casino and sports becoming a larger part of the product mix.

**Gross margin bridge 2018 to 2020**



Source: SEB

### More upside if the company can get new PSP contract

The largest swing factor in our estimates is if the company is able to add Swish as the major payment service, replacing PayNPlay. This could recoup all the impact of the Swedish tax rate. But we do not yet know if this will be allowed, or to what price, or what share Swish would have of the company's total payment streams.

We forecast EBIT margin to contract to 12.9% in 2019 and we expect the company to have close to 15% in 2021. Gross margin should be close to 62% for full year 2018, with its trough between 53-54% in Q1 2019 and recover to 55.8% in 2021.

**Margin forecasts**

	2017	2018E	2019E	2020E	2021E
<b>Gross margin (%)</b>	<b>58.3</b>	<b>62.1</b>	<b>54.6</b>	<b>55.8</b>	<b>55.8</b>
Gross margin ex betting duties (%)	58.3	62.2	68.7	69.7	69.3
Gross margin ex affiliates (%)	66.3	70.1	62.6	63.8	63.8
Gross margin ex betting duties and affiliates (%)	66.3	70.2	76.7	77.7	77.3
EBITDA margin (%)	26.7	21.0	13.1	14.9	15.2
EBITDA margin, adjusted (%)	26.7	21.0	13.1	14.9	15.2
EBIT margin (%)	26.6	20.9	12.9	14.5	14.7
<b>EBIT margin, adjusted (%)</b>	<b>26.6</b>	<b>20.9</b>	<b>12.9</b>	<b>14.5</b>	<b>14.7</b>

Source: SEB

## Consolidate or be consolidated

### Consolidation is a key theme

Consolidation has been a theme for several years in the sector. The highly fragmented market combined with clear benefits of scale, increasing burden of compliance, and rising taxes brought on by regulatory changes drives consolidation. M&A is a logical tool, both to quickly build scale, which is a key driver for profitability, and an effective tool to expand geographically or in new product segments. We expect consolidation to remain a key theme for several years ahead.

### Sample of recent operator takeovers in Europe

Sample of industry transactions				Multiple			
Year	Target	Buyer	EV (EURm)	Sales	EBIT	EBITDA	Comment
<b>2018</b>	<b>MRG</b>	<b>William Hill</b>	<b>280</b>	<b>1.6</b>	<b>21.9</b>	<b>11.4</b>	<b>Not yet closed, indicated post synergy EBITDA multiple 7.5x</b>
2018	Sky Betting	Stars Group	5640	n.a.	n.a.	12.8	LTM multiple
2018	Crystalbet	GVC	84	n.a.	n.a.	7.0	50% acquired in 2018, option on remaining in 2021
2018	Ladbrokes Coral	GVC	4485	n.a.	n.a.	13.2	LTM multiple
2018	IPS	LeoVegas	73.5	1.4	n.a.	4.2	Valuation based on annualized Q4 earnings
2018	Snaitech	Playtech	846	1.0	n.a.	6.2	Playtech is a Gaming solutions provider
2017	RoyalPanda	LeoVegas	120	2.4	n.a.	8.0	Based on full earn out (60 + 60)
2017	NetPlay	Betsson	30	0.9	n.a.	7.8	Listed company
2017	32Red	Kindred	201	2.6	n.a.	10.6	Listed company
2017	Dansk Underholding	MRG	10	2.6	7.0	n.a.	
2016	ComeOn	Cherry	280	1.8	10.0	n.a.	Based on full acquisition (80+200)
High			5640	2.6	22	12.8	
<b>Average</b>			<b>1095</b>	<b>1.8</b>	<b>13</b>	<b>9.0</b>	
Low			10	0.9	7	6.2	

Source: SEB

### Likely takeover target

In our view Global Gaming is an attractive and probable acquisition candidate. This conclusion is based on several notions, most striking that the stock is trading at a valuation towards the low-end of recent transactions in the industry, Global Gaming 6.5x EV/EBITDA based on our 2019 estimates vs the average of recent transactions in the industry of 9x. In addition to low valuation, the company has a clear profile – it is set to generate 80% of revenue from regulated markets in 2019, making political risk fairly low. Operations and revenue are focused on the globally viable brand Ninja Casino, which has a strong footprint in the Swedish casino market and growth opportunity through its bridgehead into the Baltics and launch into other Northern European countries. It could be a strong complement to the portfolio of a larger operator including potential to realise large synergies in both fixed and variable costs. In other words, a takeover case similar to William Hills motive behind the bid on MRG. Working against the case is the fairly short company history.

**We recognise many potential bidders for Global Gaming**

We regard GVC as a potential bidder for Global Gaming. GVC has, through a mix of organic growth and many acquisitions, become one of the largest online gambling companies worldwide. Much like William Hill, GVC has high dependence on the UK market and fairly little exposure to the Nordics. The latest update shows that GVC has been granted Swedish licence for bwin, partypoker, and party casino, and we think Global Gaming would make a good contribution to the portfolio. However, with gearing of about 3x EBITDA and ongoing expansion in the US, there is a risk that the Nordics bear low priority in 2019. Other potential bidders in our view would be Stars Group, 888, Ladbrokes, Coral or (ex)horseracing monopoly ATG, which will have free reins in 2019 and lack market share on the casino product.

**Growing cash position allows mix of organic growth and M&A****Growing cash position and debt free balance sheet allow for acquisitions**

In addition to being an attractive acquisition target, we see room for Global Gaming to engage in M&A. This is likely not a key priority as the company has a lot to work on internally and organically and has limited management recourses, but the debt free balance sheet and growing cash position clearly opens up the possibility. We expect the cash position to be close at close to SEK 300m by year-end. The company could lift about SEK 300m in bank loans, given the solid EBITDA profile of SEK 100m after regulation. Depending on transaction multiples a SEK 500m acquisition could add 30% to going concern estimates and leave net debt/EBITDA at 2.0-2.5x, which is not too high in our view.

We think there are many smaller operators up for sale given that it is becoming tougher to compete against the larger operators in the more complex regulatory environment. We would prefer an acquisition that reduces dependence on Sweden, in a regulated or to be regulated market, Denmark, the Netherlands or Germany, perhaps betting oriented in order to allow the brand to run parallel to Ninja Casino. Building a house of brand will reduce dependence and risk.

# Summary of financial forecasts

## Interim financial statement

(EURm)	Q1/18	Q2/18	Q3/18	Q4/18E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2017	2018E	2019E	2020E	2021E	CAGR (%) 2017-21E
<b>Revenues</b>	<b>199</b>	<b>228</b>	<b>253</b>	<b>290</b>	<b>299</b>	<b>303</b>	<b>326</b>	<b>354</b>	<b>458</b>	<b>969</b>	<b>1,282</b>	<b>1,498</b>	<b>1,648</b>	<b>19.4</b>
Direct costs	-87	-92	-90	-99	-138	-139	-147	-158	-191	-367	-582	-662	-728	
<b>Gross profit</b>	<b>111</b>	<b>136</b>	<b>163</b>	<b>191</b>	<b>161</b>	<b>165</b>	<b>179</b>	<b>196</b>	<b>267</b>	<b>602</b>	<b>700</b>	<b>836</b>	<b>920</b>	<b>15.2</b>
Personnel expenses	-13	-18	-21	-26	-28	-30	-32	-33	-29	-77	-123	-151	-177	
Marketing costs	-64	-69	-69	-79	-81	-82	-88	-96	-86	-279	-347	-397	-422	
Other expenses	-8	-10	-12	-14	-14	-14	-14	-15	-22	-43	-56	-60	-65	
Activated development costs	0	0	1	1	1	1	2	2	0	3	6	7	9	
Other operating expenses/income	2	1	-2	-3	-3	-3	-3	-3	-8	-2	-11	-13	-14	
<b>Total opex</b>	<b>-82</b>	<b>-95</b>	<b>-103</b>	<b>-119</b>	<b>-124</b>	<b>-127</b>	<b>-135</b>	<b>-145</b>	<b>-145</b>	<b>-398</b>	<b>-532</b>	<b>-614</b>	<b>-670</b>	<b>18.9</b>
of which non-recurring items	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>EBITDA</b>	<b>29</b>	<b>41</b>	<b>61</b>	<b>72</b>	<b>37</b>	<b>38</b>	<b>43</b>	<b>50</b>	<b>122</b>	<b>203</b>	<b>168</b>	<b>223</b>	<b>250</b>	<b>7.2</b>
<b>Adjusted EBITDA</b>	<b>29</b>	<b>41</b>	<b>61</b>	<b>72</b>	<b>37</b>	<b>38</b>	<b>43</b>	<b>50</b>	<b>122</b>	<b>203</b>	<b>168</b>	<b>223</b>	<b>250</b>	<b>7.2</b>
D&A costs	0	0	0	0	-1	-1	-1	-1	0	-1	-3	-5	-8	
Total opex and D&A	-82	-95	-103	-119	-125	-128	-136	-146	-145	-399	-535	-619	-677	19.2
of which non-recurring items	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>EBIT</b>	<b>29</b>	<b>41</b>	<b>60</b>	<b>72</b>	<b>36</b>	<b>37</b>	<b>42</b>	<b>49</b>	<b>122</b>	<b>202</b>	<b>165</b>	<b>218</b>	<b>243</b>	<b>6.2</b>
<b>Adjusted EBIT</b>	<b>29</b>	<b>41</b>	<b>60</b>	<b>72</b>	<b>36</b>	<b>37</b>	<b>42</b>	<b>49</b>	<b>122</b>	<b>202</b>	<b>165</b>	<b>218</b>	<b>243</b>	<b>6.2</b>
Financial items	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Pre-tax profit</b>	<b>29</b>	<b>41</b>	<b>60</b>	<b>72</b>	<b>36</b>	<b>37</b>	<b>42</b>	<b>49</b>	<b>122</b>	<b>202</b>	<b>165</b>	<b>218</b>	<b>243</b>	<b>6.2</b>
Taxes	-4	-12	-6	-7	-4	-4	-4	-5	-14	-29	-16	-20	-21	
<b>Net profit</b>	<b>26</b>	<b>29</b>	<b>54</b>	<b>65</b>	<b>32</b>	<b>33</b>	<b>38</b>	<b>44</b>	<b>108</b>	<b>174</b>	<b>148</b>	<b>198</b>	<b>222</b>	<b>8.5</b>
Adjusted net profit	26	29	54	65	32	33	38	44	108	174	148	198	222	
EPS reported (EUR)	0.6	0.7	1.3	1.6	0.8	0.8	0.9	1.1	2.6	4.2	3.6	4.8	5.4	8.5
EPS adjusted (EUR)	0.6	0.7	1.3	1.6	0.8	0.8	0.9	1.1	2.6	4.2	3.6	4.8	5.4	8.5
Revenue growth (%)	265.7	133.2	92.6	66.0	50.7	33.2	28.7	22.0	372.2	111.6	32.2	16.9	10.0	
Revenue growth, sequential (%)	13.7	14.7	11.1	14.5	3.2	1.4	7.3	8.6	n.m	n.m	n.m	n.m	n.m	
Gross profit growth (%)														
EBITDA growth (%)	157.9	55.5	43.6	71.3	24.3	-8.2	-28.7	-30.6	812.7	66.4	-17.6	32.8	12.4	
EBITDA growth, adjusted (%)	157.9	55.5	43.6	71.3	24.3	-8.2	-28.7	-30.6	812.7	66.4	-17.6	32.8	12.4	
EBIT growth (%)	157.0	54.7	43.2	71.1	22.8	-9.4	-29.7	-31.5	817.3	65.9	-18.6	32.1	11.5	
Gross margin (%)	56.0	59.7	64.5	66.0	53.8	54.3	54.8	55.3	58.3	62.1	54.6	55.8	55.8	
EBITDA margin (%)	14.8	18.1	23.9	24.9	12.2	12.5	13.3	14.2	26.7	21.0	13.1	14.9	15.2	
EBITDA margin, adjusted (%)	14.8	18.1	23.9	24.9	12.2	12.5	13.3	14.2	26.7	21.0	13.1	14.9	15.2	
EBIT margin (%)	14.8	18.0	23.8	24.8	12.0	12.2	13.0	13.9	26.6	20.9	12.9	14.5	14.7	
EBIT margin, adjusted (%)	14.8	18.0	23.8	24.8	12.0	12.2	13.0	13.9	26.6	20.9	12.9	14.5	14.7	
Marketing cost growth (%)	590.2	310.8	234.6	99.4	27.7	19.9	28.7	22.0	986.1	225.5	24.4	14.1	6.4	
Personnel expenses growth (%)	145.1	181.0	161.7	172.6	127.5	69.4	48.7	29.0	53.7	166.5	59.7	22.7	17.4	
Other expenses growth (%)	225.0	106.5	145.8	28.7	75.0	42.5	20.4	11.5	5,475	91.1	32.5	7.0	8.0	
D&A cost growth (%)			200.0	122.5	464.1	231.5	169.8	121.3		248.3	189.1	76.0	47.2	
Total opex and D&A growth (%)	368.0	234.9	193.4	86.1	52.7	34.2	32.2	22.6	303.3	175.1	34.0	15.6	9.5	
Marketing costs / revenues (%)	-32.0	-30.1	-27.1	-27.1	-27.1	-27.1	-27.1	-27.1	-18.7	-28.8	-27.1	-26.5	-25.6	
Personnel expenses / revenues (%)	-6.3	-7.8	-8.4	-8.8	-9.5	-9.9	-9.7	-9.3	-6.3	-7.9	-9.6	-10.1	-10.7	
Other expenses / revenues (%)	-3.9	-4.2	-4.7	-4.7	-4.6	-4.5	-4.4	-4.3	-4.9	-4.4	-4.4	-4.0	-4.0	
D&A cost / revenues (%)	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3	-0.1	-0.1	-0.2	-0.4	-0.5	
Total opex and D&A costs / revenues (%)														
Effective tax rate (%)	-11.9	-29.5	-10.1	-9.8	-9.7	-10.0	-9.7	-10.5	-11.2	-14.2	-10.0	-9.0	-8.5	
nr of shares	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	40.9	
nr of shares fully diluted	40.9	41.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5	

Source: SEB

## Risks to our forecasts

The company targets SEK 1,000m in revenue in 2018 with 20% EBITDA margin, i.e. about 19% EBIT margin. It has not communicated targets beyond these. We forecast SEK 969m in revenue in 2018 and 21.0% EBITDA margin.

Global Gaming operates in a changing regulatory environment. At times amendment to existing legal frameworks or entirely new regulations can affect the company's ability to conduct business in a market. Examples would be deposit limits, enhanced customer due diligence or product bans, which would affect revenue generation negatively. A more complex regulatory environment also takes more internal recourse in account leading to higher costs and tax hikes may affecting profitability negatively.

In 2019, Sweden will become a regulated online gambling jurisdiction. We have accounted for the effect of the new gambling tax in our estimates based on the assumption of 80% of revenues stemming from Sweden, if this is not true the outcome will differ. The company will also face new competition from the (ex)monopolies on the casino side after regulation, which considering that Global Gaming is a top three market shareholder in the casino product the changing competitive situation may result in market share losses. Furthermore, IFRS 16 which affects operational leases will be implemented in 2019, which will affect the balance sheet, D&A, and financial net.

The company has historically pushed the PayNPlay concept as a unique selling point in its promotion and offering towards customers. As it is not a proprietary solution, but insourced from a third party, competitors have now caught up and included the BankID log into their Swedish sites as well, which might cause market share losses.

We have limited insights of the terms of supplier contracts and the forecasted improvement in underlying gross margin is based solely on our assumptions and is dependent on price reductions, through either volume increases or renegotiations. This could result in our gross margin estimates being either to low or too high.

See earnings sensitivity analysis below. We have included a scenario where the company will apply the Swish major payment service instead of the more expensive PayNPlay, resulting in higher gross margin, recouping all the effect from the Swedish Gambling tax. We also include a case where we are more bullish on the geographical expansion and include revenue from the rest of Baltics, Denmark, and the Netherlands.

### Forecast sensitivity

	Growth			Revenue			Gross margin			EBIT			EBIT margin			EPS		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
	120%	40%	25%	1,006	1,411	1,762	63.1%	55.6%	56.8%	235	249	382	23.4%	17.7%	21.7%	4.8	5.3	8.3
	118%	38%	23%	997	1,378	1,693	62.8%	55.4%	56.6%	227	228	339	22.8%	16.5%	20.0%	4.6	4.9	7.4
	116%	36%	21%	988	1,346	1,693	62.6%	54.1%	55.3%	219	206	297	22.1%	15.3%	18.3%	4.4	4.4	6.4
	114%	34%	19%	979	1,314	1,562	62.4%	53.9%	55.1%	211	185	257	21.5%	14.1%	16.4%	4.3	4.0	5.6
<b>SEB</b>	<b>112%</b>	<b>32%</b>	<b>17%</b>	<b>969</b>	<b>1,282</b>	<b>1,498</b>	<b>62.1%</b>	<b>53.6%</b>	<b>54.8%</b>	<b>202</b>	<b>165</b>	<b>218</b>	<b>20.9%</b>	<b>12.9%</b>	<b>14.5%</b>	<b>4.2</b>	<b>3.6</b>	<b>4.8</b>
	110%	27%	15%	960	1,222	1,404	61.9%	53.4%	54.6%	194	129	161	20.2%	10.5%	11.5%	3.9	2.8	3.5
	108%	22%	13%	951	1,163	1,312	61.6%	53.1%	54.3%	186	94	107	19.6%	8.1%	8.2%	3.8	2.0	2.3
	106%	17%	11%	942	1,104	1,224	61.4%	52.9%	54.1%	178	59	55	18.9%	5.4%	4.5%	3.6	1.3	1.2
	104%	12%	9%	933	1,047	1,140	61.1%	52.6%	53.8%	170	26	6	18.3%	2.5%	0.5%	3.4	0.5	0.1
	102%	7%	7%	924	990	1,059	60.9%	52.4%	53.6%	162	-7	-41	17.6%	-0.7%	-3.9%	3.3	-0.2	-0.9
	100%	2%	5%	914	935	981	60.6%	52.1%	53.3%	155	-39	-86	16.9%	-4.1%	-8.8%	3.1	-0.8	-1.9
<b>Options</b>																		
Swish	112%	32%	17%	978	1,282	1,498	62.1%	63.6%	64.8%	202	261	312	20.9%	20.3%	20.8%	4.2	5.6	6.8
Geo exp.	112%	34%	26%	978	1,303	1,646	62.1%	53.6%	54.8%	202	176	300	20.9%	13.5%	18.2%	4.2	3.8	6.5
Both	112%	34%	26%	978	1,303	1,646	62.1%	62.1%	62.1%	202	274	404	20.9%	21.0%	24.5%	4.2	5.9	8.8

Source: SEB



# Valuation

## Comparison versus its closest peers

In the most simple sense the P/E ratio works fine as a comparable valuation multiple, given that the companies are at normalised earnings capacity. In a more thorough analysis, we would recommend using EV based multiples given that it is balance sheet neutral and Global Gaming has net cash position whilst some of its peers are geared. In order to offset the notion that some companies amortise on acquired intangibles, which is a non-cash item, we would prefer EBITDA above EBIT.

Global Gaming trades at 6.9x EV/EBITDA on our 2019 forecasts, making it the lowest valued Nordic online gambling operator, about 13% below the average of the operator peer group. This implies that the market doubts the earnings outlook or finds factors that otherwise motivate a higher risk premium, such as high dependence on a single market, Sweden, and a single brand, Ninja Casino, and short company history.

If we apply the peer group average PER on 2020E EPS, 11.6x, this translate to a share price of SEK 49.

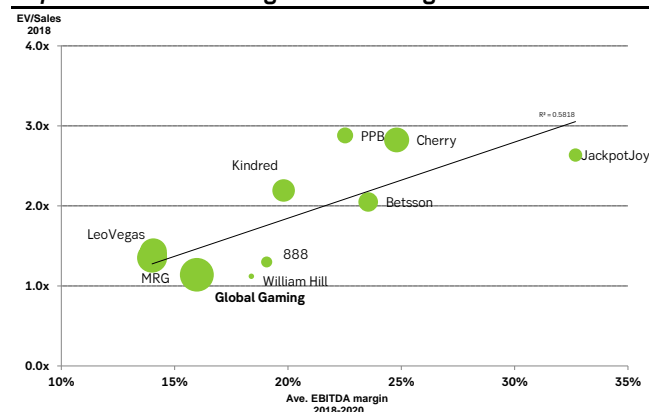
### Peer group valuation

Operators	EV (EURm)	Mkt cap (EURm)	PER			EV/EBIT			EV/EBITDA			EV/Sales			Sales CAGR	EBITDA margin (%)		
			2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2017-2020	2018E	2019E	2020E
Kindred group	1,872	1,914	12.8	13.8	12.7	11.3	11.6	10.2	8.7	8.6	7.7	1.9	1.6	1.4	16.2	22.2	19.1	18.1
LeoVegas	510	357	18.8	12.0	7.9	19.0	11.1	6.7	9.3	7.0	4.8	1.2	1.0	0.7	30.1	13.2	13.6	15.2
Betsson	997	939	10.8	10.8	10.2	8.5	10.0	9.1	6.7	7.4	6.7	1.9	1.6	1.4	13.3	27.7	22.0	20.9
MRG (under bid)	167	276	22.0	22.2	19.8	17.9	17.1	14.3	9.5	8.3	6.9	1.4	1.1	0.9	25.2	15.0	13.6	13.5
Paddy Power Betfair	559	573	17.2	18.5	18.5	13.8	15.0	14.3	11.2	11.9	11.4	2.7	2.5	2.3	9.6	24.5	20.8	19.7
888	775	646	10.2	9.8	9.1	7.1	7.0	6.5	5.6	5.4	5.1	1.1	1.0	1.0	4.2	18.9	18.6	18.9
GVC	6,794	4,454	8.8	9.5	9.4	9.6	10.0	10.3	7.4	7.7	7.8	1.6	1.6	1.6	58.2	21.5	20.9	20.6
William Hill	2,047	1,526	7.3	8.3	8.8	6.2	7.0	7.6	4.8	5.3	5.5	0.9	0.9	0.9	-0.4	19.6	17.0	16.5
<b>Global Gaming</b>	<b>775</b>	<b>147</b>	<b>8.6</b>	<b>10.1</b>	<b>7.6</b>	<b>5.9</b>	<b>6.6</b>	<b>4.4</b>	<b>5.9</b>	<b>6.5</b>	<b>4.3</b>	<b>1.2</b>	<b>0.9</b>	<b>0.6</b>	<b>48.4</b>	<b>21.0</b>	<b>13.1</b>	<b>14.9</b>
Average (excl.MRG)	1,764	1,491	11.6	11.6	10.4	10.2	9.8	8.7	7.5	7.5	6.7	1.6	1.4	1.2	19.6	20.3	18.2	17.9
GG vs average			-25%	-13%	-27%	-42%	-32%	-49%	-21%	-13%	-36%	-21%	-38%	-48%	29%	1%	-5%	-3%
Nordic			14.2	13.8	11.6	11.2	9.8	7.6	7.7	7.4	5.9	1.6	1.3	1.0	26.7	19.8	16.3	16.5
UK			10.9	11.5	11.2	9.2	9.8	9.7	7.2	7.6	7.5	1.6	1.5	1.4	17.9	21.1	19.3	18.9
Large > Mcap EUR 1bn			11.0	12.2	11.7	9.9	10.7	10.3	7.8	8.2	7.8	1.8	1.6	1.5	19.4	23.1	20.0	19.2
Smaller < Mcap EUR 1bn			12.5	10.6	8.2	10.7	8.3	5.9	6.9	6.3	4.7	1.2	0.9	0.8	27.0	17.0	14.7	15.6

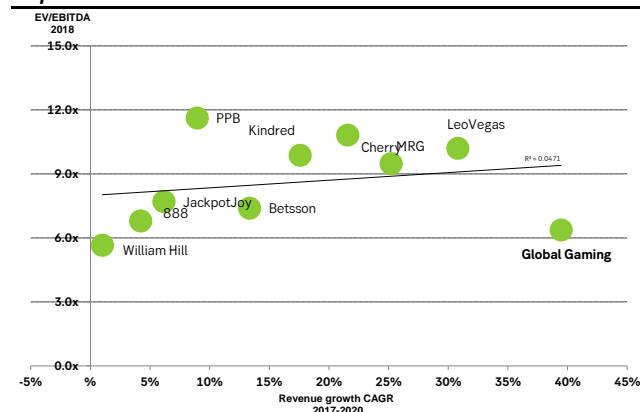
Source: SEB

## Denominators for valuation

There is in general no single clear denominator which provides a good explanation and correlation for valuation in the industry, but anecdotally we underline share of regulated revenue as an important factor. With high share of locally regulated revenue, political risk is lower and thus risk premium of a stock is generally lower. Among financial measures we find the best correlation in regressions between EBITDA margin and EV/Sales.

**EV/Sales 2018 vs average EBITDA margin 2018-2020**

Source: SEB, Reuters

**EV/EBITDA 2018 vs Revenue CAGR 2017-2020**

Source: SEB, Reuters

## DCF valuation yields SEK 47-68

Our DCF model with a 10% WACC yields a valuation range of SEK 46-67 and a mid-point value of SEK 56 per share. We have used a higher WACC on Global Gaming than sector peer Kindred (7.5%) on the basis of short company history, small cap, high dependence on single brand, and single market.

**DCF summary**

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	1,064	Risk free interest rate	2.5
NPV of continuing value	938	Risk premium	7.5
<b>Value of operation</b>	<b>2,002</b>	<b>Cost of equity</b>	<b>10.0</b>
Net debt	(301)	<b>After tax cost of debt</b>	<b>1.8</b>
Share issue/buy-back in forecast period	-	<b>WACC</b>	<b>10.0</b>
Value of associated companies	-	<b>Assumptions</b>	
Value of minority shareholders' equity	-		
Value of marketable assets	-	Number of forecast years	10
<b>DCF value of equity</b>	<b>2,303</b>	EBIT margin - steady state (%)	13.6
<b>DCF value per share (SEK)</b>	<b>56</b>	EBIT multiple - steady state (x)	7.3
Current share price (SEK)	36.16	Continuing value (% of NPV)	46.8
DCF performance potential (%)	56		

Source: SEB

**DCF sensitivity analysis**

		Cost of equity				
		9.0	9.5	10.0	10.5	11.0
Equity capital weight (%)	80	76	72	69	66	63
	90	68	65	62	59	57
	100	62	59	56	54	52
		Absolute change in EBITDA margin - all years				
		-2%	-1%	0	+1%	+2%
Abs. change in sales growth - all years	-2%	47	49	52	55	57
	-1%	48	51	54	57	60
	0	50	53	56	59	62
	+1%	52	56	59	62	65
	+2%	54	58	61	65	68

Source: SEB

**DCF – assumption details**

(SEKm)	2018E	2019E	2020E	2021E	2022E	Average year 6	Average year 7-8	Average year 9-10
Sales growth (%)	111.6	32.2	16.9	10.0	8.0	6.0	3.8	3.0
EBITDA margin (%)	21.0	13.1	14.9	15.2	14.9	14.7	14.0	14.0
EBIT margin (%)	20.9	12.9	14.5	14.7	14.4	14.2	13.5	13.5
Gross capital expenditures as % of sales	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Working capital as % of sales	(4.6)	(5.0)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)
Sales	969	1,282	1,498	1,648	1,780	1,887	1,997	2,123
Depreciation	0	0	0	(3)	(4)	(4)	(4)	(4)
Intangibles amortisation	(1)	(3)	(5)	(5)	(5)	(5)	(5)	(5)
EBIT	202	165	218	242	257	268	270	288
Taxes on EBIT	(61)	(50)	(67)	(74)	(79)	(82)	(83)	(88)
Increase in deferred taxes	0	0	0	0	0	0	0	0
<b>NOPLAT</b>	<b>142</b>	<b>117</b>	<b>156</b>	<b>173</b>	<b>184</b>	<b>191</b>	<b>193</b>	<b>205</b>
Gross capital expenditure	(3)	(5)	(7)	(7)	(8)	(9)	(9)	(10)
Increase in working capital	33	20	14	8	7	6	4	3
<b>Free cash flow</b>	<b>172</b>	<b>133</b>	<b>163</b>	<b>177</b>	<b>186</b>	<b>192</b>	<b>192</b>	<b>203</b>
ROIC (%)	41.2	27.1	27.9	31.4	33.9	35.7	36.4	39.2
ROIC-WACC (%)	31.2	17.1	17.9	21.4	23.9	25.7	26.4	29.2
Share of total net present value (%)	0.0	6.3	7.0	6.9	6.6	6.2	10.7	9.4

Source: SEB

## Valuation sensitivity

In the below table we present valuation sensitivity analysis based on different 2020 EPS scenarios and different PER.

**Valuation scenario matrix, 2020 PER vs EPS**

		2020 PER																	
		Current LeoVegas						Betsson Peer group average						Kindred					
	2020EPS	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
Full GM recovery & aggressive expansion	8.74	61	66	70	74	79	83	87	92	96	101	105	109	114	118	122	127	131	
	8.44	59	63	68	72	76	80	84	89	93	97	101	106	110	114	118	122	127	
	8.14	57	61	65	69	73	77	81	85	90	94	98	102	106	110	114	118	122	
	7.84	55	59	63	67	71	74	78	82	86	90	94	98	102	106	110	114	118	
	7.54	53	57	60	64	68	72	75	79	83	87	90	94	98	102	106	109	113	
Full GM recovery Aggressive expansion	7.24	51	54	58	62	65	69	72	76	80	83	87	91	94	98	101	105	109	
	6.94	49	52	56	59	62	66	69	73	76	80	83	87	90	94	97	101	104	
	6.64	46	50	53	56	60	63	66	70	73	76	80	83	86	90	93	96	100	
	6.34	44	48	51	54	57	60	63	67	70	73	76	79	82	86	89	92	95	
	6.04	42	45	48	51	54	57	60	63	66	69	72	76	79	82	85	88	91	
SEB base case	5.74	40	43	46	49	52	55	57	60	63	66	69	72	75	77	80	83	86	
	5.44	38	41	44	46	49	52	54	57	60	63	65	68	71	73	76	79	82	
	5.14	36	39	41	44	46	49	51	54	57	59	62	64	67	69	72	75	77	
	4.84	34	36	39	41	44	46	48	51	53	56	58	61	63	65	68	70	73	
	4.54	32	34	36	39	41	43	45	48	50	52	54	57	59	61	64	66	68	
Market share loss	4.24	30	32	34	36	38	40	42	45	47	49	51	53	55	57	59	61	64	
	3.94	28	30	32	33	35	37	39	41	43	45	47	49	51	53	55	57	59	
	3.64	25	27	29	31	33	35	36	38	40	42	44	46	47	49	51	53	55	
	3.34	23	25	27	28	30	32	33	35	37	38	40	42	43	45	47	48	50	
	3.04	21	23	24	26	27	29	30	32	33	35	36	38	40	41	43	44	46	
	2.74	19	21	22	23	25	26	27	29	30	32	33	34	36	37	38	40	41	
	2.44	17	18	20	21	22	23	24	26	27	28	29	31	32	33	34	35	37	
	2.14	15	16	17	18	19	20	21	22	24	25	26	27	28	29	30	31	32	
	1.84	13	14	15	16	17	17	18	19	20	21	22	23	24	25	26	27	28	
	1.54	11	12	12	13	14	15	15	16	17	18	18	19	20	21	22	22	23	

Source: SEB

# Appendix

## Board of directors

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### Board of directors



Source: Global Gaming, From left to right: Peter Eidensjö, Tobias Fagerlund, Adriana Hamberg, Ollipekka Vahvaselkä.

**Peter Eidensjö – Chairman of the Board since 2016.** Previous experience: Former CEO of Betsson and CFO, business area manager and CEO of Cherry. Other current assignments: Member of the board of C-Rad. Shareholding 300,000.

**Tobias Fagerlund – Member of the boards since May 2016.** Previous experience: Former CEO of B2B Poker AB, Entraction Ltd and iGame Ltd. Other current assignments: CEO and board member of SpiffX, member of the board of PlayHippo and Net Gaming. Shareholding 0.

**Adriana Hamberg – Member of the boards since May 2016.** Previous experience: CEO and member of the board of Cherry Tivolito LMT. Other current assignments: Member of the board of Hamberg Förvaltning AB. Shareholding 306,900

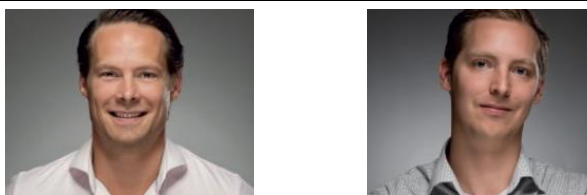
**Ollipekka Vahvaselkä – Member of the boards since May 2016.** Previous experience: Over 20 years experience in the financial market. Other current assignments: Investment Director at Privanet Group. Shareholding 0.

**Edward Ihre – Member of the boards since May 2018.** Previous experience: Managing Director of Parbet Ltd and Ladbrokes Poker, Affiliate Director of Pokerstars and Ogame/Pokerroom. Other current assignment: CEO of Ihre Consulting AB and Earnit Förvaltning AB. Shareholding 0.

## Management team

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### Management team



Source: Global Gaming, From left to right: Joacim Möller, Christoffer Tell

**Joacim Möller – CEO as of 2018.** Previous experience: COO and head of HR at Global Gaming. Has worked as management consultant and Officer in the Swedish Armed Forces. Shareholding 25,000 and 200,000 Warrants.

**Christoffer Tell – CFO since 2016.** Previous experience: Former CFO of Examec AB and has worked as consultant and auditor. Shareholding 287,500. To be replaced by Niklas Jönsson in 2019, previously CFO at Evolution Gaming Malta.

# Overview

## Investment case

Global Gaming aspires to continue to gain market share by improving its product offering and expanding geographically. The company has launched Ninja Casino in Estonia in late 2018 and will add sportsbetting and more live casino games in 2019. Gross margin is far below that of peers, if the company is able to improve underlying profitability by gaining volume and renegotiating supplier contracts then there is high earnings growth potential.

## Company profile

Global Gaming is a Nordic online gambling operator that via its innovative PayNPlay solution has been able to break in to the highly competitive Nordic online casino market. The company is transitioning from a start-up to an industrialized online gambling operator and is ramping up a operational hub in Malta, to complement the group main office in Malmö. Global Gamings generates about 90% of revenue from its main brand Ninja Casino as of Q3 2018.

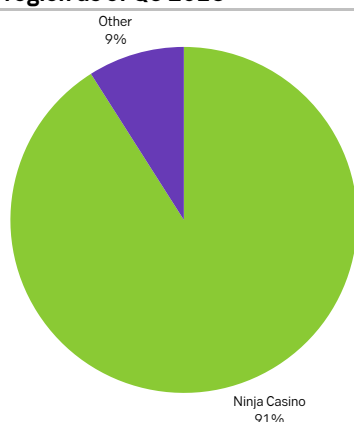
## Valuation approach

We take support in a DCF model using 10% WACC. This is higher than for per example the 7.5% we use for Kindred and motivated by small cap, short company history and high dependence on single market and single brand. We also take support in comparable multiples such as PER and EV/EBITDA.

## Risks

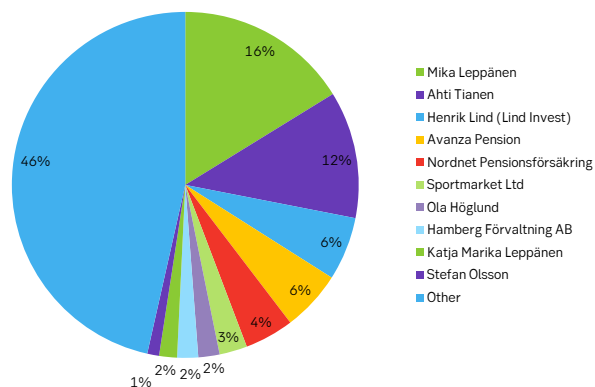
Sweden will re-regulate in 2019. Global Gaming has been granted license, but it is unclear how market shares will be affected post regulation. We assume 80% revenue exposure to Sweden, this will induce 14% gross margin decline in 2019. The case rely on how well Global Gaming will be able to recoup that lost margin.

Revenues by region as of Q3 2018

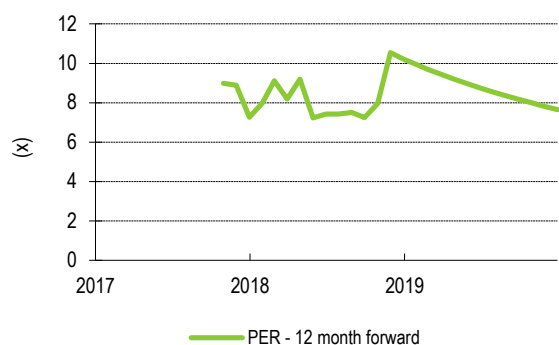


Source: SEB

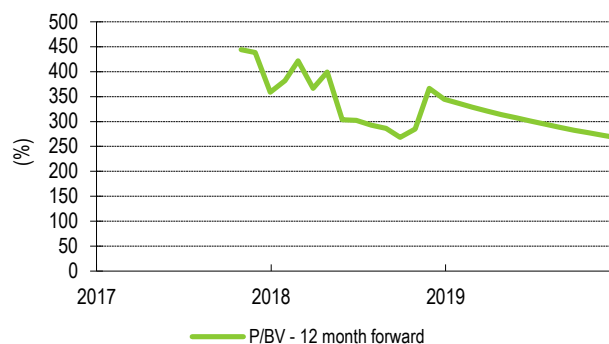
Main shareholders as of Q3 2018



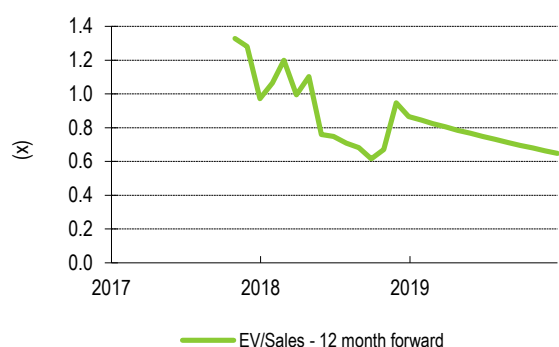
Source: SEB

**PER - 12 month forward**

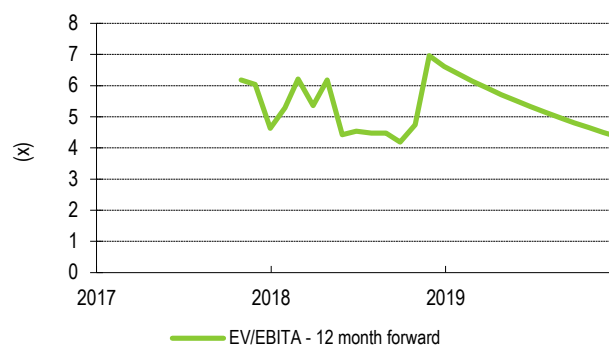
Source: SEB

**P/BV - 12 month forward**

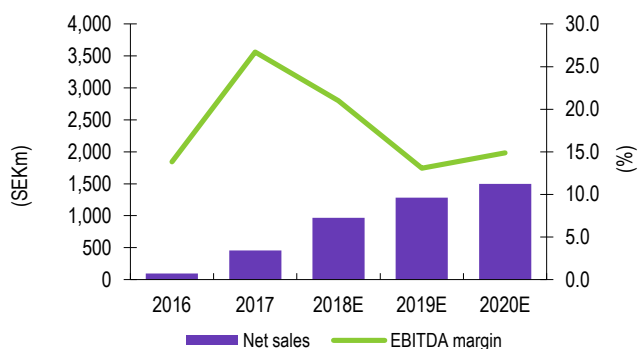
Source: SEB

**EV/Sales - 12 month forward**

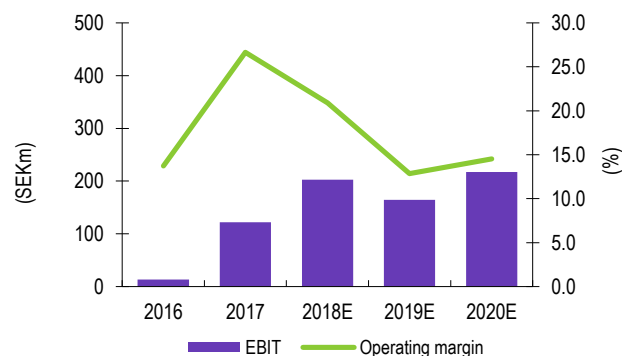
Source: SEB

**EV/EBITA - 12 month forward**

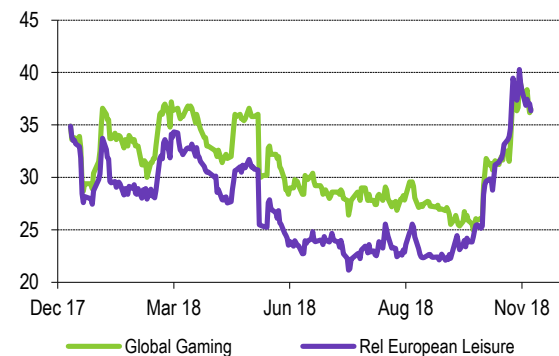
Source: SEB

**Net sales & EBITDA margin**

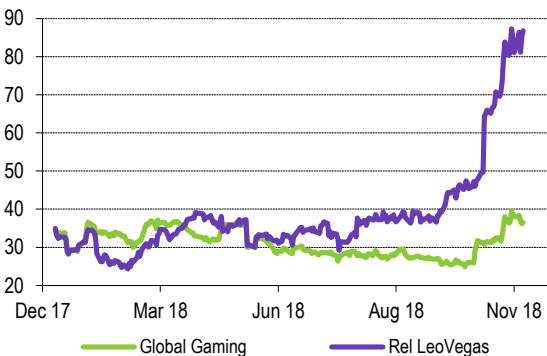
Source: SEB

**EBIT & Operating margin**

Source: SEB

**Comparison with sector index - 1 year**

Source: SIX

**Comparison with LeoVegas - 1 year**

Source: SIX

<b>Profit &amp; loss statement - Global Gaming</b>					
(SEKm)	2016	2017	2018E	2019E	2020E
Net Sales	97	458	969	1,282	1,498
Other revenues	0	0	0	0	0
<b>Total revenues</b>	<b>97</b>	<b>458</b>	<b>969</b>	<b>1,282</b>	<b>1,498</b>
Total expenses	(84)	(336)	(766)	(1,114)	(1,275)
<b>Profit before depreciation</b>	<b>13</b>	<b>122</b>	<b>203</b>	<b>168</b>	<b>223</b>
Depreciation - Fixed assets	(0)	(0)	0	0	0
Depreciation - Other assets	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0
Amortisation - Other intangibles	0	0	(1)	(3)	(5)
<b>Operating profit</b>	<b>13</b>	<b>122</b>	<b>202</b>	<b>165</b>	<b>218</b>
Net interest expenses	0	0	0	0	0
Foreign exchange items	0	0	0	0	0
Other financial items	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>13</b>	<b>122</b>	<b>202</b>	<b>165</b>	<b>218</b>
Minority interests	0	0	0	0	0
Total taxes	(1)	(14)	(29)	(16)	(20)
<b>Reported profit after tax</b>	<b>12</b>	<b>108</b>	<b>174</b>	<b>148</b>	<b>198</b>
Discontinued operations	0	0	0	0	0
Extraordinary items	0	0	0	0	0
<b>Net Profit</b>	<b>12</b>	<b>108</b>	<b>174</b>	<b>148</b>	<b>198</b>
<u>Adjustments:</u>					
Discontinued operations	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0
Value changes	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	1	3	5
Restructuring charges	0	0	0	0	0
Other adjustments	0	0	(1)	(3)	(5)
Tax effect of adjustments	0	0	0	0	0
<b>Adjusted profit after tax</b>	<b>12</b>	<b>108</b>	<b>174</b>	<b>148</b>	<b>198</b>
<b>Margins, tax &amp; returns</b>					
Operating margin	13.7	26.6	20.9	12.9	14.5
Pre-tax margin	13.7	26.6	20.9	12.9	14.5
Tax rate	10.5	11.2	14.2	10.0	9.0
ROE	23.6	65.5	60.3	38.1	39.9
ROCE	26.3	73.8	70.3	42.3	43.8
<b>Growth rates y-o-y (%)</b>					
Total revenues	n.a.	372.2	111.6	32.2	16.9
Operating profit	n.m.	817.3	65.9	(18.6)	32.1
Pre-tax profit	n.m.	817.3	65.9	(18.6)	32.1
EPS (adjusted)	0.0	810.1	50.6	(14.6)	33.5

<b>Cash flow</b>					
(SEKm)	2016	2017	2018E	2019E	2020E
Net profit	12	108	174	148	198
Non-cash adjustments	0	0	1	3	5
<b>Cash flow before work cap</b>	<b>12</b>	<b>109</b>	<b>175</b>	<b>151</b>	<b>203</b>
Ch. in working capital / Other	1	11	33	20	14
<b>Operating cash flow</b>	<b>13</b>	<b>120</b>	<b>207</b>	<b>171</b>	<b>217</b>
Capital expenditures	0	0	(3)	(5)	(7)
Asset disposals	0	0	0	0	0
L/T financial investments	0	0	0	0	0
Acquisitions / adjustments	0	0	0	0	0
<b>Free cash flow</b>	<b>13</b>	<b>120</b>	<b>204</b>	<b>166</b>	<b>210</b>
Net loan proceeds	0	0	0	0	0
Dividend paid	0	(6)	(57)	(61)	(72)
Share issue	0	0	0	0	0
Other	0	(0)	0	0	0
<b>Net change in cash</b>	<b>13</b>	<b>114</b>	<b>147</b>	<b>105</b>	<b>139</b>
<b>Adjustments</b>					
C/flow bef chng in work cap	12	109	175	151	203
Adjustments	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0
Cash earnings	12	109	175	151	203
<b>Per share information</b>					
Cash earnings	0.31	2.78	4.21	3.64	4.89
Operating cash flow	0.34	3.07	4.99	4.12	5.22
Free cash flow	0.34	3.07	4.92	4.01	5.06
<b>Investment cover</b>					
Capex/sales (%)	0.0	0.0	0.0	0.0	0.0
Capex/depreciation (%)	0	0	0	0	0

Source for all data on this page: SEB

**Balance sheet - Global Gaming**

(SEKm)	2016	2017	2018E	2019E	2020E
Cash and liquid assets	14	154	301	406	545
Debtors	6	8	19	25	29
Inventories	0	0	0	0	0
Other	6	24	24	24	24
<b>Current assets</b>	<b>26</b>	<b>186</b>	<b>344</b>	<b>455</b>	<b>597</b>
Interest bearing fixed assets	0	0	0	0	0
Other financial assets	10	6	6	6	6
Capitalized development cost	0	0	3	8	14
Goodwill	0	0	0	0	0
Other intangibles	79	81	80	77	71
Fixed tangible assets	0	2	2	2	2
Other fixed assets	0	0	0	0	0
<b>Fixed assets</b>	<b>89</b>	<b>89</b>	<b>91</b>	<b>92</b>	<b>94</b>
<b>Total assets</b>	<b>115</b>	<b>275</b>	<b>434</b>	<b>547</b>	<b>691</b>
Creditors	5	22	48	63	74
Other trade financing	4	15	32	42	49
S/T interest bearing debt	0	0	0	0	0
Other	4	8	8	8	8
<b>Current liabilities</b>	<b>13</b>	<b>44</b>	<b>87</b>	<b>113</b>	<b>131</b>
L/T interest bearing debt	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0
Convertible debt	0	0	0	0	0
Pension provisions	0	0	0	0	0
Other provisions	0	0	0	0	0
Deferred tax	1	1	1	1	1
<b>Long term liabilities</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Minority interests	0	0	0	0	0
<b>Shareholders' equity</b>	<b>101</b>	<b>230</b>	<b>346</b>	<b>433</b>	<b>559</b>
<b>Total liabilities and equity</b>	<b>115</b>	<b>275</b>	<b>434</b>	<b>547</b>	<b>691</b>
Net debt (m)	(14)	(154)	(301)	(406)	(545)
Working capital (m)	(1)	(12)	(45)	(65)	(78)
Capital employed (m)	101	230	346	433	559
Net debt/equity (%)	(14)	(67)	(87)	(94)	(97)
Net debt/EBITDA (x)	(1.1)	(1.3)	(1.5)	(2.4)	(2.4)
Equity/total assets (%)	88	84	80	79	81
Interest cover	0.0	#####	0.0	0.0	0.0

**Valuation**

(SEK)	2016	2017	2018E	2019E	2020E
No of shares, fully dil. (y/e)	39.0	40.9	41.5	41.5	41.5
No of shares, fully dil. avg.	39.0	39.0	41.5	41.5	41.5
Share price, y/e		30.4	36.5	36.5	36.5
Share price, high		38.7	39.4		
Share price, low		27.0	25.0		
Share price, avg		33.3	31.1		
EPS (reported)	0.31	2.78	4.18	3.57	4.77
EPS (adjusted)	0.31	2.78	4.18	3.57	4.77
Cash earnings/share	0.31	2.78	4.21	3.64	4.89
Dividend/share	0.15	1.40	1.50	1.75	2.00
Enterprise value/share		27	29	27	23
Book value/share	2.6	5.6	8.5	10.6	13.7
Adjusted equity/share	2.6	5.6	8.5	10.6	13.7
PER (adjusted)		10.9	8.7	10.2	7.7
CEM		10.9	8.7	10.0	7.5
Dividend yield		4.6	4.1	4.8	5.5
EV/EBITDA		8.9	6.0	6.6	4.4
EV/EBITA		8.9	6.0	6.6	4.4
EV/EBIT		8.9	6.0	6.7	4.5
EV/Sales (x)		2.38	1.25	0.87	0.65
Price/Book value		5.41	4.31	3.45	2.67
Price/adjusted equity		5.41	4.31	3.45	2.67
Free cash flow/Market cap (%)		10.1	13.5	11.0	13.9
Operating cash flow/EV (%)		11.0	17.1	15.4	22.3
EV/Capital employed (x)		4.7	3.5	2.6	1.7

Main shareholders			Management		Company information	
Name	(%)	Votes	Capital	Title	Name	Contact
				COB		Internet
				CEO		Phone number
				CFO		
				IR		

Source for all data on this page: SEB



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