

Bragg Gaming (TSXV:BRAG, OTC:BRGGF | \$0.40)

Equity Research: Technology - Gaming

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BRAGG GAMING GROUP INC.		TSXV:BRAG			
<i>(Currency is \$CAD, unless noted otherwise)</i>					
Last Price		\$0.40			
52 Week Low / High		\$0.31 / \$1.39			
Average Daily Trading Volume (30 Day)		67.0K			
Company Headquarters	Toronto, ON, Canada				
Company Website	https://www.bragg.games/				
CAPITALIZATION		Basic	Diluted		
Shares Outstanding (M)		77.9	118.2		
Market Capitalization (\$M)		\$31.2			
Enterprise Value (\$M)		\$30.8			
Last Reported Cash Balance (\$M)		\$2.7			
Last Reported Total Debt (\$M)		\$2.4			
OPERATIONS		2018A*	2019E	2020E	
Revenue (\$M)		\$8.8	\$45.0	n/a	
Gross Margin %		48%	50%	n/a	
EBITDA (\$M)		-\$3.1	n/a	n/a	
Cash at Year End (\$M)		\$8.5	n/a	n/a	
Debt At Year End (\$M)		\$0.4	n/a	n/a	
<i>*9-Months due to Fiscal Year-end change</i>					
MANAGEMENT TEAM					
Dominic Mansour	CEO, Director				
Akshay Kumar	CFO, Director				
Matevz Mazij	MD of ORYX				
Rick Waterlow	MD of GIVEMESPORT				
RELATIVE VALUATION		EV/EBITDA		EV/SALES	
		2019E	2020E	2019E	2020E
Bragg Gaming Group Inc.		n/a	n/a	0.7x	n/a
Kambi Group plc		12.4x	8.8x	3.8x	3.1x
Evolution Gaming		23.5x	19.8x	10.7x	9.1x
GAN plc		n/a	n/a	n/a	n/a
Scientific Games Corporation		7.7x	7.4x	3.1x	2.9x
theScore, Inc.		n/a	nm	4.0x	3.1x
Average		14.6x	12.0x	5.4x	4.5x
MAJOR SHAREHOLDERS					
Management & Insiders (1.2%), Legacy (11.9%), Spartan					
Disclosure: None (See back page for further details)					

Source: Ubika, Capital IQ

Bragg Gaming 1-Year Share Price Performance



Source: www.stockcharts.com

B2B GAMBLING EXPOSURE TRADING AT A DISCOUNT

COMPANY DESCRIPTION

Bragg Gaming Group is a gaming company with advanced technology focused on the B2B gambling sector. Bragg's portfolio includes ORYX Gaming (acquired in December 2018), an innovative B2B gaming technology platform & casino content aggregator, and GiveMeSport, a sports media outlet with over 26M fans on Facebook, making it Facebook's top sports publisher. The Company also recently launched GiveMeBet, a growing UK-based betting site that looks to attract the following of GiveMeSport to this sports betting platform. As of Q1/19, the Company reported revenue of \$10.4M, of which \$9.2M was ORYX, and \$1.2M was from GiveMeSport.

INVESTMENT THESIS

Sports gambling in the U.S. is emerging as an attractive market opportunity. In May 2018, the Supreme Court of the United States issued a ruling that struck down the Professional and Amateur Sports Protection Act (PASPA), a 1992 federal law that had prevented states from regulating sports betting. As a result, there is no longer a federal law in the U.S. that prohibits gambling. Individual states are left to their own to implement and enforce the law. Currently, there are eight states with full scale legalized sports betting, with another seven states that have recently passed sports betting bills.

Oryx's recurring revenue is generated primarily from a revenue share from the operator. Additionally, Oryx charges clients occasional integration fees, set-up fees, and custom development fees. We note that gambling and gaming institutions rarely develop their own gaming platforms and generally outsource gaming technology. Geographically, as of Q3/19, Oryx revenue breakdown by area was 36% Malta, 24% Germany, 25% Curacao, and 15% the rest of the world.

VALUATION

Undervalued, misunderstood, and oversold - cash-flow positive and ready to expand. Based on our preliminary analysis, we estimate Bragg will generate \$45M in revenue this year, which implies a significantly discounted 2019E EV/sales multiple of 0.7x. We note that Bragg has limited public competitors, although the stock does trade at a discount to peers, which trade at 5.4x 2019E EV/sales. We note that our estimate only considers minor growth in revenue (based on the Q1/19 run rate), and does not include any successful sales milestones, such as signing any substantial U.S. gambling contracts.

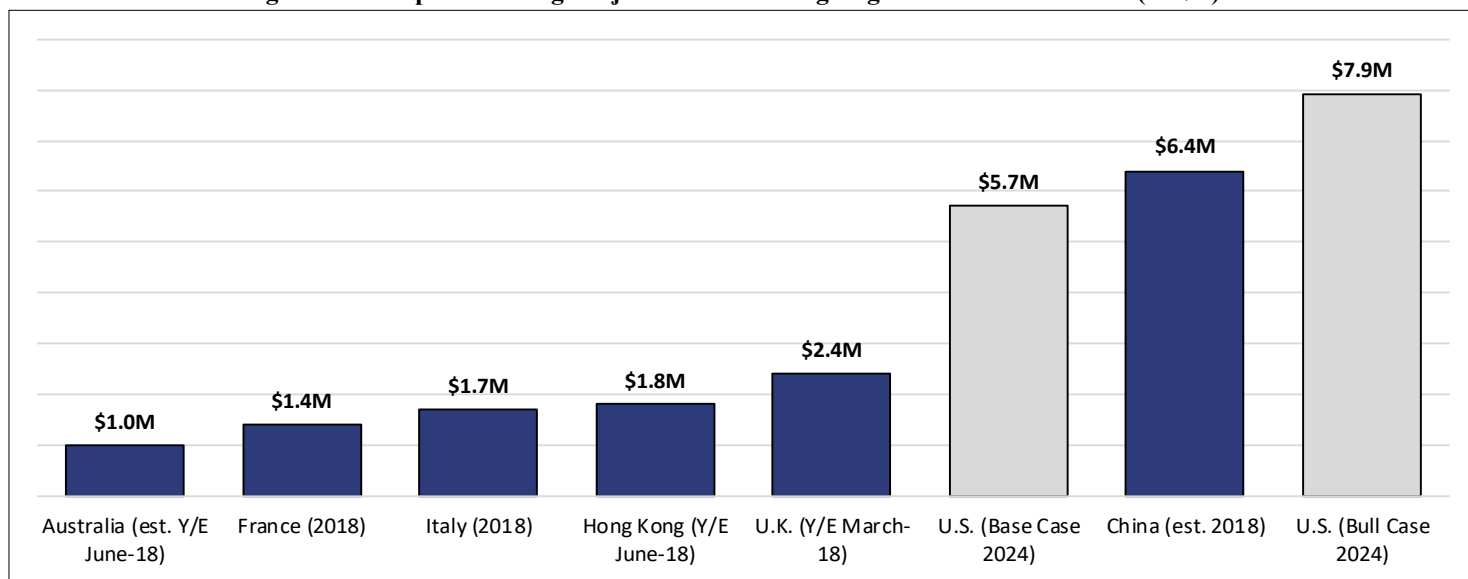
Precedent transactions show significant value. In May 2016, NYX acquired UK-based sportsbook software supplier OpenBet, a direct competitor of Oryx, for \$505M at ~9x EBITDA. On January 5, 2018, Scientific Games acquired all of the outstanding ordinary shares of NYX for C\$2.40 per share, equivalent to an enterprise value of approximately C\$775M, a ~112% premium to the last closing price. Since the EV of Bragg is ~\$30.8M, we believe there could be significant upside to the current stock price.

INVESTMENT THESIS CONTINUED

Gambling Compliance Outlook projects the U.S. sports betting market to be worth \$5.7B in annual revenue by 2024. As a result, due to Bragg’s niche core competencies in B2B sporting betting & gaming (convenience and ease of use), we strongly believe the Company could grab significant market share in the sector. The advantage of focusing on the B2B market relative to the B2C market is that the barriers to entry are much lower. The saturation and competitive nature of the B2C industry results in a higher cost of entry than the B2B industry, which makes it easier for Bragg to enter the U.S. gambling market by avoiding the B2C space.

The acquisition of Oryx pivoted Bragg into a strong industry player. Acquired in December 2018 for \$11.3M, Oryx is a B2B gaming technology company that provides turnkey, end-to-end solutions directed towards gaming operators. The Company’s main products and services include Third-Party Content and Content Aggregation, iGaming Platform, and Turnkey Solutions. Oryx provides Turnkey Solutions to clients as a one-stop shop, which includes a large span back office functions, including customer relationship management, marketing, hosting, security, payment solutions, risk management, and data analytics. For example, a U.S. casino would engage Oryx to provide an online gaming solution, whereby Oryx would integrate its gambling games (variations of slot, casino content, and exclusive games) and propriety Player Account Management system with the casino. Then, a customer could use the service anywhere within the range of the casino depending on the regulation of that particular state. Oryx has been a success to-date. In terms of revenue, Oryx generated \$9.2M or 89% of total revenue in Q1/19.

Figure 1: U.S Sports Betting Projections vs Existing Regulated Markets: GGR (US\$B)



Source: Bragg Gaming Investor Presentation, June 2019

Figure 2: GIVEMESPORTS - The Largest Sports Publisher on Facebook



Source: Bragg Gaming Investor Presentation, June 2019

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Ratings

Buy: Recommendation: stock is expected to appreciate from its current price beyond 20% in the next 12 months.

Neutral: Recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

Sell: Recommendation: stock is expected to decline from its current price level below 20% in the next 12 months.

U/R: Under Review.

N/R: Not Rated.

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|---|-------|
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