

Bragg Gaming Group

Q319 results

Double-digit growth continues

Driven by 54.6% growth from non-German customers, Bragg's Q319 revenues grew by 29.5% to C\$10.0m. The core Oryx business is cash generative, leading to positive group EBITDA and a strong international pipeline bodes well for continued double-digit revenue growth. In particular, Oryx has recently signed two significant partnership deals in the US with Kambi and Seneca, which provides considerable credibility. We are leaving our forecasts broadly unchanged, with any US upside not currently in our figures (given its early stage). The sale of GiveMeSport (possibly by Q120) is an important milestone: apart from boosting Bragg's cash balance, every C\$1m of the potential sale proceeds equates to an additional C\$0.013/share.

Year end	Revenue (C\$m)	EBITDA (C\$m)	EPS* (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/18**	12.2	(3.3)	(0.05)	0.0	N/A	N/A
12/19e	39.4	1.5	0.01	0.0	18.5	N/A
12/20e	48.6	3.5	0.02	0.0	9.8	N/A
12/21e	55.6	5.3	0.02	0.0	9.7	N/A

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

A growing international pipeline

Bragg's Q319 revenues (all from Oryx) grew by 29.5% to C\$10.0m (13.4% q-o-q) and Oryx is successfully expanding internationally: revenues from Germany-facing customers increased by 8.7% in Q319 vs the prior year, while revenue from all remaining operators grew by 54.6%. EBITDA for the core Oryx asset was C\$1.2m and, including HQ costs, total EBITDA was C\$0.2m. During Q319, Oryx launched 10 new operators and has signed agreements with notable industry players such as Kambi Group, Seneca Gaming Corporation, Betclac and LeoVegas. Please see our [November update](#) for details on the US opportunity.

GiveMeSport (GMS): Possible sale by Q120

As previously announced, Bragg has instigated a strategic review of its online media division (GMS), which the board expects to be complete in Q120. GMS is approaching break-even but, in our view, the sale of this asset would be a significant catalyst for the stock as it should allow Bragg to fully concentrate on the B2B casino opportunity, as well as provide a boost to its cash position. At Q319, Bragg had available cash of C\$1.3m and net debt of C\$32.6m, which includes two large earn-out payments for Oryx (C\$15.3m in 2020 and C\$17.0m in 2021).

Valuation: 9.8x FY20e P/E

Bragg Gaming has a limited reporting history and has yet to generate net profit or positive net cash. However, the core Oryx business is growing very strongly and there should be upside to our figures from the US opportunity. On our current forecasts, Bragg trades at 14.5x EV/EBITDA and 9.8x P/E for FY20e. We note that the potential sale of GMS could provide significant upside to our DCF valuation of C\$0.36: every C\$1m of sale proceeds equates to C\$0.013/share upside.

Technology

12 November 2019

Price **C\$0.23**
Market cap **C\$18m**

€0.685/C\$

Adjusted net debt (C\$m) at 30 September 2019 32.6

Shares in issue 77.9m

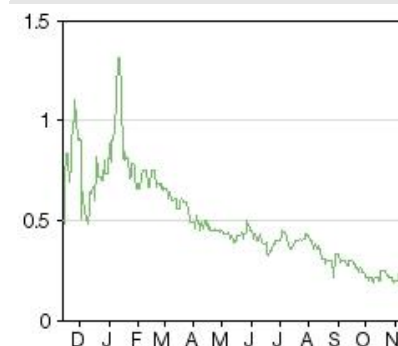
Free float 60%

Code BRAG

Primary exchange TSX.V

Secondary exchange OTC.QX

Share price performance



% 1m 3m 12m

Abs 7.1 (37.5) (56.7)

Rel (local) 4.2 (39.5) (60.9)

52-week high/low C\$1.31 C\$0.19

Business description

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

Next events

FY19 results N/A

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Exhibit 1: Financial summary

	C\$000s	2018	2019e	2020e	2021e	2022e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		12,226.1	39,422.1	48,585.6	55,575.1	60,975.9
Cost of Sales		(6,123.2)	(21,704.7)	(26,755.1)	(30,566.3)	(33,536.8)
Gross Profit		6,102.9	17,717.4	21,830.5	25,008.8	27,439.2
EBITDA		(3,333.1)	1,529.7	3,471.7	5,292.0	6,765.9
Normalised operating profit		(3,385.6)	1,110.4	3,045.7	4,859.0	6,325.9
Amortisation of acquired intangibles		(22,944.9)	(2,722.7)	(2,722.7)	(2,722.7)	(2,722.7)
One-off items inc changes in fair value of contingent/ deferred consideration		(3,882.0)	(4,250.4)	0.0	0.0	0.0
Share-based payments		(5,128.3)	(1,900.0)	(1,400.0)	(1,400.0)	(1,400.0)
Reported operating profit		(35,340.9)	(7,762.8)	(1,077.1)	736.3	2,203.1
Net Interest		(249.4)	(47.2)	(587.6)	(1,469.3)	(1,909.3)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(3,635.0)	1,063.2	2,458.0	3,389.8	4,416.5
Profit Before Tax (reported)		(35,590.3)	(7,810.0)	(1,664.7)	(733.0)	293.8
Reported tax		(3.1)	(234.3)	(196.6)	(271.2)	(353.3)
Profit After Tax (norm)		(3,635.4)	978.1	2,261.4	3,118.6	4,063.2
Profit After Tax (reported)		(35,593.4)	(8,044.3)	(1,861.4)	(1,004.2)	(59.5)
Discontinued operations		0.0	(2,380.0)	938.2	0.0	0.0
Net income (normalised)		(3,635.4)	978.1	2,261.4	3,118.6	4,064.2
Net income (reported)		(35,593.4)	(10,424.3)	(923.2)	(1,004.2)	(59.5)
Basic average number of shares outstanding (m)		78	79	98	135	155
EPS - basic normalised (C\$)		(0.05)	0.01	0.02	0.02	0.03
EPS - diluted normalised (C\$)		(0.05)	0.01	0.02	0.02	0.03
EPS - basic reported (C\$)		(0.46)	(0.13)	(0.01)	(0.01)	(0.00)
Revenue growth (%)		14.2	222.4	23.2	14.4	9.7
Gross Margin (%)		49.9	44.9	44.9	45.0	45.0
EBITDA Margin (%)		-27.3	3.9	7.1	9.5	11.1
Normalised Operating Margin		-27.7	2.8	6.3	8.7	10.4
BALANCE SHEET						
Fixed Assets		55,367.7	56,308.7	54,159.9	52,004.2	49,841.4
Intangible Assets		55,075.2	54,317.5	52,214.7	50,112.0	48,009.2
Tangible Assets		292.5	1,991.2	1,945.2	1,892.2	1,832.2
Investments & other		0.0	0.0	0.0	0.0	0.0
Current Assets		15,445.1	8,682.4	9,929.4	12,278.4	15,301.4
Stocks		0.0	0.0	0.0	0.0	0.0
Debtors		6,414.8	7,914.8	8,414.8	8,914.8	9,414.8
Cash & cash equivalents		8,571.7	309.0	1,076.0	2,945.0	5,488.0
Other		458.6	458.6	438.6	418.6	398.6
Assets classified as held for sale		0.0	1,362.8	0.0	0.0	0.0
Current Liabilities		(15,832.2)	(25,566.2)	(26,707.3)	(9,234.5)	(8,734.5)
Creditors		(12,453.1)	(9,500.0)	(9,000.0)	(8,500.0)	(8,000.0)
Deferred and contingent consideration		(3,038.0)	(15,331.7)	(16,972.8)	0.0	0.0
Short term borrowings		(151.0)	(584.5)	(584.5)	(584.5)	(584.5)
Other		(190.1)	(150.0)	(150.0)	(150.0)	(150.0)
Long Term Liabilities		(30,113.1)	(20,577.5)	(11,329.9)	(20,113.5)	(20,133.5)
Long term borrowings		(434.2)	(1,021.0)	(8,746.2)	(17,529.8)	(17,549.8)
Contingent Consideration		(27,095.2)	(16,972.8)	0.0	0.0	0.0
Other long term liabilities		(29,678.9)	(19,556.5)	(2,583.7)	(2,583.7)	(2,583.7)
Liabilities classified as held for sale		0.0	(2,301.0)	0.0	0.0	0.0
Net Assets		24,867.5	17,909.3	26,052.1	34,934.6	36,274.8
Shareholders' equity		24,867.5	17,909.3	26,052.1	34,934.6	36,274.8
CASH FLOW						
Op Cash Flow before WC and tax		(2,969.4)	1,529.7	3,471.7	5,292.0	6,765.9
Working capital		5,457.0	(4,453.1)	(1,000.0)	(1,000.0)	(1,000.0)
Exceptional & other		(3,208.2)	(50.0)	0.0	0.0	0.0
Tax		(3.1)	(234.3)	(196.6)	(271.2)	(353.3)
Net operating cash flow		(723.6)	(3,207.7)	2,275.1	4,020.8	5,412.6
Capex		(223.7)	(2,500.0)	(1,000.0)	(1,000.0)	(1,000.0)
Acquisitions/disposals		(5,772.2)	(1,755.0)	(15,331.7)	(16,972.8)	0.0
Net interest		(248.6)	(27.2)	(567.6)	(1,449.3)	(1,889.3)
Equity financing		12,839.0	800.0	7,665.8	8,486.4	0.0
Dividends		0.0	0.0	0.0	0.0	0.0
Other		0.0	(1,635.4)	0.0	0.0	0.0
Net Cash Flow		5,870.8	(8,325.4)	(6,958.4)	(6,914.8)	2,523.2
Opening net debt/(cash)		(2,368.5)	(7,986.4)	1,296.4	8,254.8	15,169.6
FX		(252.9)	(241.0)	0.0	0.0	0.0
Other non-cash movements		0.0	(716.5)	0.0	0.0	0.0
Closing net debt/(cash)		(7,986.4)	1,296.4	8,254.8	15,169.6	12,646.4
Adjusted net debt/(cash)		22,146.7	33,600.8	25,227.6	15,169.6	12,646.4

Source: Bragg Gaming, Edison Investment Research

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