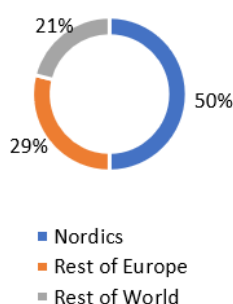
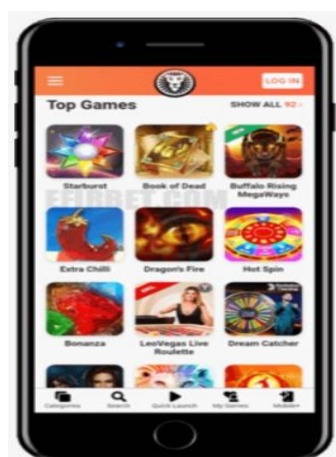


RECOMMENDATION	BUY
Date	08.04.2022
Current price	EUR 3.82
Target Price	EUR 5.07
Target Price (Local currency)	SEK 52.68
Upside	32%
Industry	Entertainment
Sector	Casino/Sports bet
Ticker	LEO-SE
Stock Exchange	OMX Nordic Stockholm
FD Shares Out. (000)	98,717
Market Cap. (000)	377,099
EPS (2021)	EUR 0.11
Float (000)	77,972

Figure 1: NGR per Region



Source: Company Data



LeoVegas, founded in May 2011 by Gustav Hagman and Robin Ramm-Ericson, is a global online gaming operator listed on Nasdaq Stockholm. The company has nine gaming licenses - eight in Europe and one in Canada - and has approximately 830 employees. LeoVegas' primary product is online gaming on mobile devices, with a focus and aim to obtain a market leading position within the Nordic and European mobile casino market. To further develop LeoVegas' mobile gaming portfolio, sports betting was launched in 2016.

## INVESTMENT SUMMARY

We have issued a buy recommendation for LeoVegas with a target price of € 5.07, which presents an upside potential of 32%, on the closing price of € 3.82 on April 8<sup>th</sup>, 2021. The target price is based on a DCF valuation method, supported by a scenario analysis and sensitivity analysis. The relative valuation furthermore shows that the Nordic peers all trade significantly lower than their European peers. The key factors that were considered, was the potential revenue growth in the online gambling market and the product portfolio that LeoVegas has to offer.

## BUSINESS SEGMENTS AND GEOGRAPHIC REACH

The global gaming industry is divided into four main business segments: poker, sports betting, classic casino and live casino. LeoVegas' focus is within casino where 74% of the gross gaming revenue derives from classic casino and 14% from live casino. The remaining 12% is derived from sport betting.

Geographically, LeoVegas divides the markets into three segments: Nordic countries, rest of Europe and rest of world. The Nordic countries contributes to 50% of the group's net gaming revenue while the rest of Europe accounts for 29% and the rest of the world 21%.

## PRODUCT HIGHLIGHTS

LeoVegas has a strong focus on providing the most user-friendly mobile gaming experience along with the market's broadest selection of mobile games.

LeoVegas has a mobile-first approach and covers more than 2,500 games whereof most are various types of slots from the casino category. In addition to the classic casino, the company offers live casino, to the more entertainment and engagement-seeking player through native speaking dealers which allows communication between the player and the dealer.

## COMPANY STRATEGY

LeoVegas' strategy is to create the ultimate mobile gaming experience through innovative products, technology, and marketing. The vision is to become the preferred global casino company, by strengthening their competitive position through acquisitions, achieving organic growth in current markets, and penetrating future regulated markets.

## Gustaf Hagman, Group CEO



## GROUP MANAGEMENT & BOARD OF DIRECTORS

Currently, the management of LeoVegas Group consist of six members and will be reduced to five when the interim COO will become permanent COO soon (Appendix D). There are many different educations, competencies, and work experiences represented within the board. The chairman of the board is former CEO of competitor Mr. Green while another board member is former CFO of Betsson AB. The group management and board of directors (BOD) furthermore holds ~13% of the total shares outstanding of which ~95% are held by two individuals, the CEO, and a board member (Appendix C&D). Furthermore, all members of both management and BOD are Swedish residents. Generally, we have a positive view on the broad range of competencies represented in the BOD and management. We would prefer a more diversified representation of nationalities within the BOD to have more knowledge on local markets and thereby strengthen the position to penetrate new markets. Furthermore, we would prefer the inside ownership stake to be more evenly distributed among the BOD, to increase the overall incentive across the board and management.

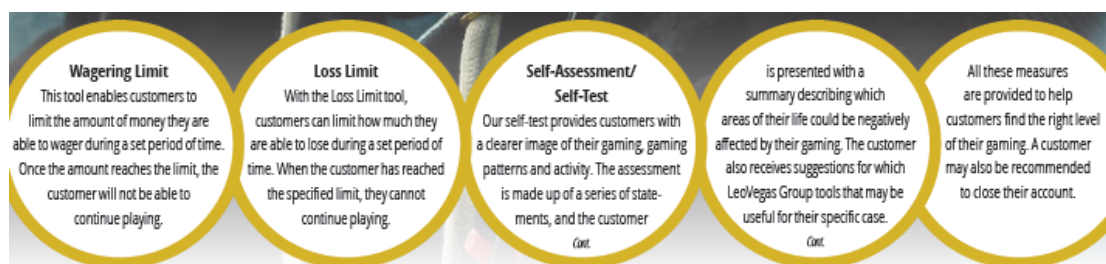
## SHAREHOLDERS

LeoVegas has a diversified base of shareholders including both institutional and private investors. LeoVegas' 20 largest shareholders consist of seven private investors holding 19.76% with the largest shareholder Gustaf Hagman, the group CEO, holding 7.92% of the total shares. The institutional investors consist of 13 investors holding 25.66% of the total shares with the 8.87% being held by pension funds and 16.79% by private equity funds. Furthermore, LeoVegas initiated share repurchases of 3.93% of the shares, leaving private investors with 46.70% of the total shares.

We consider it to be positive that LeoVegas has a diversified shareholder portfolio, but also that Gustaf Hagman and pension funds holds a relatively large number of shares with respect to a possible sell-off by investors. Furthermore, LeoVegas has proposed an increase in the dividends by 5% for the upcoming annual general meeting on May 19, 2022, which is viewed positively.

## CORPORATE GOVERNANCE

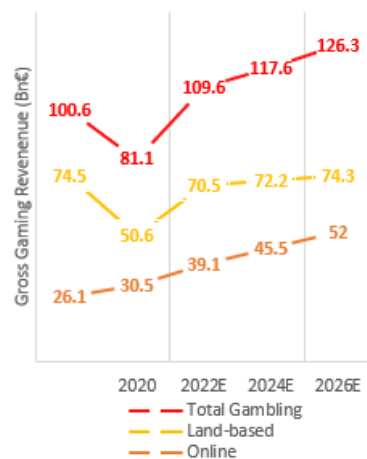
LeoVegas operates within the gambling industry which by some investors is viewed as unethical. Various studies have shown that: sin-stocks deliver better returns than stocks in general. Negative screening or avoiding sin-stocks, tends to decrease the investment universe for investors, as well as a negative risk-adjusted return performance. This screening leads to higher opportunity costs for investors. Furthermore, studies have shown a positive relationship between firm value and CSR engagement, for firms operating within controversial industries. We therefore advise investors to consider looking into the controversial industries, hereunder the CSR policy of the companies within this industry. The benefits hereof are to expand the investment universe and to reduce opportunity costs associated with negative screening, which potentially could



lead to a better performance. LeoVegas as a company is investing into their CSR policy on various areas. One of the crucial areas is defined as responsible gambling regarding healthy playing. LeoVegas has a separate website called LeoSafePlay providing additional information to players regarding responsible gambling. For LeoVegas' business model it is of importance to enhance responsible gambling due to both legal requirements from authorities, but also to prevent losing costumers due to unhealthy gambling behavior. LeoVegas has developed machine learning to identify "at risk individuals" and follow regulations regarding informing individuals on playing statistics. This is viewed positively in terms of LeoVegas obtaining sustainable growth, but also in the perspective of investors, whom might have an ethical opinion on the gambling industry.

## INDUSTRY OVERVIEW & COMPETITIVE POSITION

Figure 3: European Gambling Market Revenue



Source: European Gambling and Betting Association

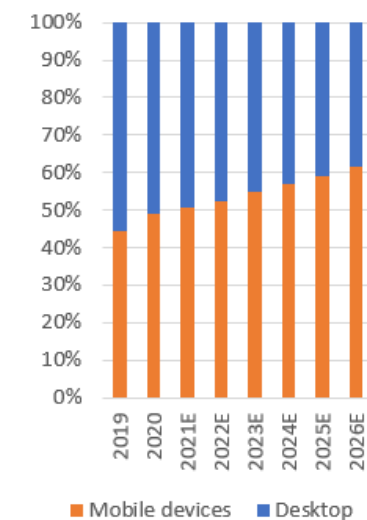
In 2021, the total addressable market for online gambling was valued at EUR 52.95 billion with a forecasted compound annual growth rate of 11.7% from 2022-2030. This growth is driven by several trends, like high internet penetration, increasing usage of mobile phones, legalization, cultural approval, and aggressive marketing strategies. The shift from retail to online gambling is further substantiated by e.g., the COVID-19 outbreak, eSports betting, social betting virtual/augmented reality and smartwatches, which attracts the new generation of online gamblers. This new generation of online gamblers will be adjusted to the virtual world, which will help amplify the business model of LeoVegas.

## DEMAND OUTLOOK

### EUROPE

Europe, with a market size of EUR 26.1 billion, is the biggest market for online gambling whereof 79.5% is generated in regulated markets. The online gambling market is forecasted to grow at a CAGR of 14.18% from 2019 to 2026, which will lead to online gambling gaining a higher proportion of the total gambling market (Figure 3). Within the European online gambling market there is a trend towards a higher share of the GGR coming from mobile devices versus desktops.

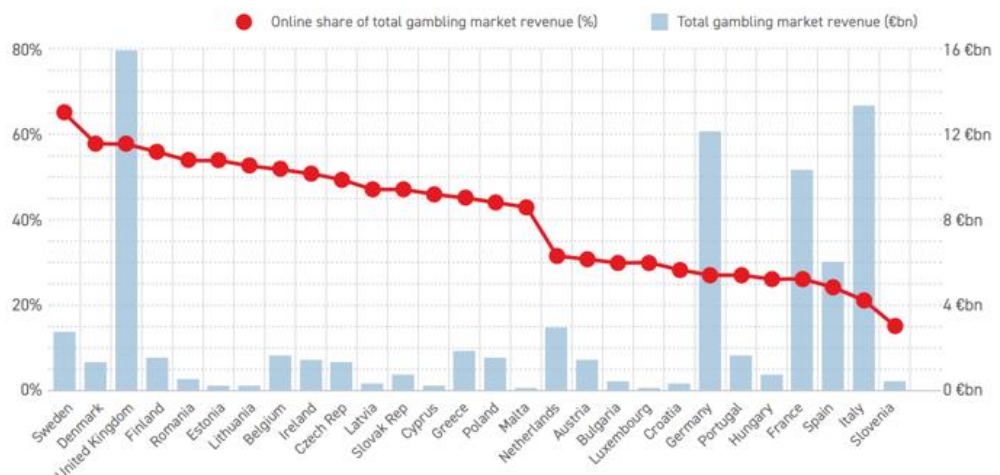
Figure 4: Betting Devices Shares



Source: European Gambling and Betting Association

There are significant differences between the European countries in terms of both the size of local markets and the online share hereof. The UK, with a massive total gambling market and a high online share, is by far the biggest market for online gambling. Other countries with high adoption of online gambling are the Scandinavian countries, which are relatively small markets. It is expected that a large amount of the growth, in the European online gambling market, will originate from an increasing proportion of online gambling, especially in large local markets, with a low online magnitude, like Germany, France, Spain, and Italy.

Figure 5: Online Gambling Shares of National Markets 2020



\* EU-27 and UK online gambling markets only.  
Source: H2 Gambling Capital, November 2021, www.h2gc.com.



Figure 6: Legal Sports Betting in the U.S.



Source: American Gaming & Network Association

NORTH AMERICA

In the U.S., online gambling was legalized by the Supreme Court on May 14<sup>th</sup>, 2018, which allows states to unban and regulate sports betting and online gambling. This event formed the foundation for a growing U.S. online gambling market, as the number of states endorsing gambling increases, together with an increasing adoption within each state. Currently, online/mobile sports betting is legal in +20 states and online casino is legal in just a few states (Appendix N). Each state has legalized different parts of the online gambling market. The US gambling market was valued at \$22.6b in 2021 and forecasted to grow at a CAGR of 10.45% until 2026.

In the Canadian market, laws regarding online gambling are enforced by individual provinces. The largest province Ontario has recently allowed private companies to operate in this market. Until April 4<sup>th</sup>, 2022, there has only been one locally authorized online gambling site, managed by Ontario Lottery & Gaming Corporation (OLG).

Even though the Canadian market historically has been characterized by monopoly, the revenues of \$1.2 billion was generated from online gambling in 2021 and the proportion of revenue coming from online vs land-based gambling is expected to increase significantly, when private actors join the market.

SOUTH AMERICA

The South American market is relatively underdeveloped. Despite the fact, that the region includes several great sport nations, both sports betting and gambling is illegal in large parts of the continent. Additionally, the area is characterized by having lower mobile penetration and lower GDP than Western countries, which currently limits the online gambling market, but as these macro factors change, the South American market is expected to have substantial mid- to long-term revenue potential.

In 2021, the South American region generated a GGR of \$0.48 billion, which is expected to grow to \$4.18 billion in 2026. This implies a 5-year CAGR of 54.5%.

APAC

The past century, the Asia Pacific region has experienced high growth within e.g., GDP, technological development, and liberalization of sectors. This has set the foundation for the fast-growing online gambling market, which is forecasted to accelerate from 2021-2026 at a CAGR of 18%. With a market size of \$19.84 billion in 2021, this suggests market revenue of \$47.78 billion in 2026.

The Asia Pacific market is expected to be difficult for foreign companies like LeoVegas to penetrate, because of large cultural differences and limited focus as other Western countries have relatively high growth outlook as well, which assumably reduces the strategic priority of the APAC region.

Figure 7: Regional Growth Outlook

(€ Billions)	2021-2026E
<b>Europe</b>	
Market size 2021	36.40
Market size 2026E	52.00
CAGR	7.39%
<b>North America*</b>	
Market size 2021	23.62
Market size 2026E	38.19
CAGR	10.09%
<b>South America</b>	
Market size	0.48
Market size 2026E	4.18
CAGR	54.49%
<b>APAC</b>	
Market size 2021	19.84
Market size 2026E	47.78
CAGR	18.00%
<b>*Includes US and Canada</b>	

Source: Company Data



## SUPPLY DRIVERS

### ENTERTAINING USER EXPERIENCE

The industry is traditionally known for physical casino games and sports betting. Digital versions of these traditional offerings are still the backbone of the online gambling industry. In the recent years, new and more entertaining variants of these products has been launched providing the opportunity for companies to differentiate from each other.

### REGULATION

Currently, there is a global trend for governments to legalize online sports betting and online gambling. We have witnessed, that when governments allow online sports betting and online gambling, the growth rate is relatively long-term. Europe is a great example where online gambling has been legal for many years, and the market is still growing at decent rates. This is e.g., because the population are changing their habits and are openminded to this 'new' way of entertainment.

### COVID-19 IMPACT

The popularity of online gambling has accelerated since the COVID-19 outbreak. Both the number of gamblers and suppliers has increased substantially. Overall, online gambling is taking a larger share of the total gambling market, because lockdowns have prohibited people to physical gambling locations combined with aggressive marketing campaigns, which has driven consumers in to the innovative and entertaining universe of online gambling.

### MACRO FACTORS

There are several macro factors influencing the demand outlook of the global online gambling market. First, internet access is necessary, but factors like increasing technological development and mobile penetration is key, when analyzing the regional growth prospects. Another factor is related to changing consumer behavior. It is expected that consumers, to a greater extend, will experience online gambling as entertainment opposed to unethical gambling addictions.

## THE COMPETITIVE POSITION OF LEOVEGAS

LeoVegas is present in several European countries, Canada and other countries including Chile, Peru, Brazil, India, Japan, New Zealand etc. LeoVegas' global existence increases the number of competitors both globally and locally. By constraining the list of competitors to companies with similar global presence and who are listed on the same stock exchange, peers are identified to be Betsson and Kindred.

LeoVegas has the biggest proportion of its net gaming revenue (NGR) in the Nordics with 43% compared to Betsson's and Kindred's 32% and 23% respectively. Even though LeoVegas has the biggest fraction it is still the smaller player in terms of total revenue (figure 8).

For the rest of Europe, the actual revenue between the three companies is more widespread, with Kindred being significantly larger than both LeoVegas and Betsson. For the rest of the world, LeoVegas has a relatively higher fraction of the total revenue compared to Betsson, and especially Kindred, who are more concentrated around the European market. This is viewed positively because it indicates that LeoVegas is doing well in terms of penetrating different markets, especially with the ongoing strategy of penetrating the US and Canadian markets (Figure 9).

Figure 8: Geographical Revenue Split 2021

(000'€)	LeoVegas	Betsson*	Kindred
Nordics	164,098	205,414	343,869
Rest of Europe	136,278	337,957	1,096,348
Rest of World	78,697	103,851	66,021
Total	379,074	647,222	1,506,240

\*Rest of Europe Betsson includes Central Asia

Source: Company Data

Figure 9: Geographical Revenue Split 2021

(%)	LeoVegas	Betsson	Kindred
Nordics	43%	32%	23%
Rest of Europe	36%	52%	73%
Rest of World	21%	16%	4%

Source: Company Data

Figure 10: Geographical Revenue Growth

(%)	LeoVegas	Betsson	Kindred
Nordics	19%	0%	7%
Rest of Europe	-25%	-5%	13%
Rest of World	32%	69%	-3%

Source: Company Data

With regional growth rates in mind, LeoVegas is taking incremental market shares in the growing Nordic market. On the other hand, LeoVegas is losing shares in the rest of Europe where revenue is down -25% Y/Y, which is mainly due to LeoVegas losing its operating license in the Netherlands. In the rest of the world, LeoVegas is growing quite significantly by 32% Y/Y, far above Kindred's -3%, and yet substantially below Betsson's 69%.

Bottom line is that LeoVegas is the smaller Nordic-listed online gambling company with a relatively equal revenue split between the Nordics, rest of Europe, and Rest of the World. LeoVegas is losing market shares in rest of Europe but gaining traction in the two other areas.

## FINANCIAL ANALYSIS

### DCF VALUATION

Our Discounted Cash Flow model uses the Free Cash Flow to Firm (FCFF) methodology to determine the intrinsic value of LeoVegas. We analyze the company based on its internal capabilities together with the existing market outlook. The market outlook is divided into two periods. The short-term 2022-2026 and the long-term terminal growth beyond 2026. Our DCF model reveals an intrinsic value of EUR 5.07 per share which implies a 32% upside to the current price.

### WACC

We have calculated WACC through several steps and assumptions. To determine the cost of equity we used CAPM. We have derived the risk-free rate from 10-year government bonds with weights of respectively 80% for Europe and 20% for USA. This is due to an assumption that USA is going to have a larger proportion of LeoVegas revenue, and therefore the market is expected to be of more importance for the company leading to a risk-free-rate of 1.10%. we have calculated beta using monthly data for a period of 72 months using OMX-Stockholm Small Cap as the market, resulting in a beta of 0.61. Afterwards we calculate another beta by using monthly data for a period of 72 months using OMX-Stockholm as the market, resulting in a beta of 0.82. We derive the final beta of 0.71, by calculating the average of these two betas. We have used the market risk premium from Pablo Fernandez' survey from 2021 stating a MRP of 7.5% in Sweden. Furthermore, we added a premium by multiplying 7.5% with 1.60, corresponding to an increase of 60%, due to LeoVegas being listed on OMX-Stockholm small cap. To determine this premium, we calculated the difference in the average monthly return of OMX-Stockholm 30 and OMX-Stockholm small cap, resulting in OMX-Stockholm small cap having an average monthly return 60% higher than OMX-Stockholm.

The larger part of LeoVegas' debt is a bond loan with a 3-month STIBOR with an interest rate of 0.063% + 5.5% premium equal to 5.563%. It is decided to add a premium of 1% to the cost because of the current market conditions regarding rising interest rates and due to the LeoVegas current D/E-ratio. We consider this premium to support the possibility of a more accurate estimate of the cost of debt of 6.56%.

LeoVegas capital structure consists of 35% equity and 65% debt. Furthermore, the tax rate is 20.6% resulting in a WACC of 6.75%.

Figure 11: WACC Inputs

Input	Rate	Source
Risk-free rate	1.10%	80% (Europe) + 20% (USA)
Beta	0.71	Average of 72-month beta for OMX-Stockholm 30 and OMX Small cap
Equity Risk Premium	12.0%	Pablo F. survey + analyzed premium (Sweden)
Cost of Equity	9.62%	CAPM
Cost of Debt	6.56%	Bond issue + STIBOR 3M + 1% premium
Tax rate	20.6%	Statutory tax rate, Sweden
D/E ratio	1.84	Average of the last five years of D/E ratio
WACC	6.75%	

Source: Team Analysis

Figure 12: Short-term Growth Rate

(€ Billions)	2021	2026E
<b>Europe</b>		
Market size	36.40	52.00
LeoVegas' m/s	0.85%	0.85%
LeoVegas' rev.	0.31	0.44
<b>North America</b>		
- Canada	1.02	1.03
- US	22.60	37.16
Market size	23.62	38.19
LeoVegas m/s	0.00%	0.30%
LeoVegas' rev.	0.00	0.11
<b>South America</b>		
Market size	0.48	4.18
LeoVegas' m/s	4.53%	2.13%
LeoVegas' rev.	0.02	0.09
<b>APAC</b>		
Market size	19.84	45.39
LeoVegas' m/s	0.31%	0.31%
LeoVegas' rev.	0.06	0.14
5-year CAGR	14.99%	

Source: Team Analysis & Public Industry Data

Figure 13: GDP Growth Rates

Input	GDP Growth Rate, average (2016-2020)
Spain	-0.09%
Ireland	5.73%
GB	-0.74%
Malta	3.19%
Italy	-0.94%
Germany	0.35%
Denmark	1.67%
Sweden	1.03%
USA	1.14%
Average GDP Growth Rate	1.26%
Terminal Growth Rate	2.50%

Source: Public Country Data, Team Analysis

## SHORT-TERM GROWTH RATE

The estimation of the short-term growth rate from 2021-2026 is based on the growth outlook of LeoVegas' current markets and expected new markets within this five-year time frame. As mentioned earlier, the European market for online gambling is forecasted to grow at a CAGR of 7.39% and generate a total of €52 billion in revenue in 2026. We are assuming that LeoVegas is able to keep their current market share, and thereby generate €0.44 billion by 2026 in this region.

The North American market is growing at a 10.28% CAGR from 2021-2026 and is expected to generate €38.19 billion by 2026. LeoVegas has recently launched in Canada and has published plans for entering the U.S. Because of the high level of competition, we expect LeoVegas to have a slow, but increasing, initial market penetration phase.

Reports indicate that the South American market is growing at a 5-year CAGR of 54.5% in the period 2022-2026. Since high growth attracts more competition, we expect LeoVegas to have a declining market share in this region.

The APAC markets are growing at a 18% CAGR and forecasted to reach €45.39 billion by 2026. We expect some cultural difficulties for LeoVegas in order to increase their market share in this region, so we assume their market share to be constant.

Based on the above, we project LeoVegas' revenue will grow from €0.39 billion in 2021 to €0.79 billion in 2026 which corresponds to a 5-year CAGR of 14.99%.

## TERMINAL GROWTH RATE

For the computation of the terminal growth, we analyzed the countries LeoVegas has a license in and the countries LeoVegas aims to penetrate. The average terminal growth rate of these nine countries, resulted in an average GDP growth rate of 1.26%. The average GDP growth rate of the countries was used as the fundament when computing the terminal growth rate of 2.5%. The 2.5% consists of 1.26% from the computation of the average GDP growth rate with an added premium of roughly 1%. This premium is justified, by considering the U.S. potential, the general outlook of the sector and the fact that 2020 affected the long-term growth rate negatively. This furthermore supports our belief, that a 2.5% long-term growth rate for LeoVegas is appropriate.

## SENSITIVITY ANALYSIS

We have taken several steps to analyze the robustness of our calculated intrinsic value through our DCF model. The first step is to test the robustness of the WACC, this is done through an increase or decrease of 0.5% for the after-tax cost of debt and a 0.5% increase or decrease for the cost of equity, while keeping the D/E weight the same as for year 2021, this results in a WACC spread 5.88% to 7.61%. We use this WACC spread in a combination with an increase or decrease in the terminal growth rate of 0.50% to test the robustness of our valuation. This provides a spread from worst case scenario, with both higher WACC and lower long term growth rate resulting in 3.59 euro per share to a best-case scenario with both lower WACC and a higher long-term growth rate resulting in an 8.86 euro per share. This sensitivity analysis for the determination of value per share show that if our estimates are wrong on the downside, it will imply a downside of the current share price of -6.0%. Furthermore, if our



estimates are wrong to the upside the value per share could potentially have an upside of 132%. We consider this sensitivity analysis of the WACC and long-term growth rate to be of importance since approximately 80% of the total value in the DCF model derives from the calculation of the terminal value. However, we have furthermore decided to provide a sensitivity analysis based on WACC and the short-term growth

rate with a fixed long term-growth rate of 2.5%. This is to test the robustness of our estimates of the short-term free cash flow to firm from 2022 to 2026. This analysis resulted in a worst-case scenario to best case scenario spread of €4.15-6.45 euro per share. Based on the sensitivity analysis we conclude that if our estimates are not completely accurate, there will be an upside potential for the stock price of at least 68.9%.

Figure 14: Scenario Analysis

Stock price	Frequency
Above target price	513
Under target price	487
Total sum	1000
1%	3.96 EUR
5%	4.22 EUR
25th percentile	4.65 EUR
Mean	5.15 EUR
Median	5.08 EUR
75th percentile	5.54 EUR
Minimum	3.69 EUR
Maximum	7.99 EUR
Skewness	0.71919
Kurtosis	0.80776

Source: Team Analysis

## SCENARIO ANALYSIS

To analyze the uncertainty with regards to the stock price of LeoVegas, there has been made usage of the stochastic model, Monte Carlo Simulation, with 1.000 iterations and using the variables WACC and Long-term growth rate.

By stressing these variables, the model will compute a comprehensive view of the stock price of LeoVegas, even in uncertain times.

The result of the Monte Carlo model amplifies our assumption, that the stock price of LeoVegas is undervalued and that there is a probability of 51.3% of the 1.000 iterations, that the stock price will be above our target price. Where the simulation with the highest number of simulations totals with 3.60% of the 1.000 iterations that, the price will be EUR 5.51 which implies an upside of 44% to the current price (Appendix P).

## RELATIVE VALUATION

Following our belief LeoVegas should trade at multiples close to its peers, Kindred and Betsson. The companies are very similar regarding markets, geographical revenue split, and product offerings and they are listed on the same stock exchange. The key difference is their size, where LeoVegas is the smaller one. Even though LeoVegas is being less profitable, the company is increasing its top line faster than its peers (Appendix M).

The sector generally trades at lower multiples on Nasdaq Stockholm compared to the European peers. The table shows that other European peers trades at ~80% higher multiple (Appendix M). We believe that there is a potential for the Swedish peers to trade at higher multiples, based on its European peers, by up to 50% higher.

Most of the American peers are unprofitable, has much bigger market caps, and trades at very high multiples (Appendix M). It suggests a tough cash-burning competition in order to gain market shares. We don't think the American peers has found a sustainable valuation multiple yet, and therefore it doesn't make sense to compare their multiples with LeoVegas.

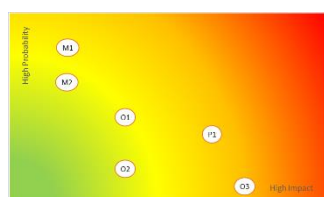


Figure 15: Summary of Key Risks and Mitigations

Risk	Mitigation
Business and Operational Risks	
O1. Execution Risk	Keep high m/s in the Nordics
	Strengthen position in rest of Europe
	Strengthen position in North America
O2. Technology Risk	Strategic R&D investments Strong IT and Analytics
O3. Risk of natural disasters and pandemics	Diversify physical locations
Political Risk	
P1. Regulatory risk	Cooperating with local authorities Retain strong industry reputation
Market Risks	
M1. Threat of new entrants	Loyal customer base Keep innovating Investing in R&D
M2. Innovation Risk	Buy new products from suppliers

Source: Team Analysis & Company Data

Figure 16: Risk Heat Map



Source: Team Analysis and Company Data

## INVESTMENT RISK

### OPERATIONAL RISKS

Probability: Moderate - Impact: High

#### O1. Execution risk:

Execution risk for LeoVegas is deemed high, since LeoVegas has several plans in motion, that needs to keep balanced. The first impactful risk would be LeoVegas' penetration into the American market, where they have opened an office in New Jersey. As mentioned in "relative valuation", LeoVegas will be competing with firms that have larger market caps, which means that the entry barrier, for the American market, will be high. This means that LeoVegas must invest resources into the American market, to penetrate the barrier, that has been set by the high level of competition. Whilst LeoVegas is executing their penetration in New Jersey, they will have to maintain their position in the Nordic countries. With the execution plans of penetrating the American market and enforcing their position in the Nordic countries, LeoVegas must furthermore focus on the European markets, specifically the lost market in the Netherlands, since this market was a big revenue stream for LeoVegas. This furthermore requires resources, since LeoVegas must observe the political changes and reapply for a gambling license, for the country.

Overall, the three execution risks, have a high impact on the day-day operations of LeoVegas, and we have deemed the probability of the three execution plans to fail or clash, as moderate, since all three plans rely on the management of LeoVegas.

LeoVegas has great ambitions, which implies revenue growth in several regions of the world. There is a risk that the management does not possess the required competences to successfully fulfill these ambitions. We believe if LeoVegas can maintain their market share in the Nordics and strengthen their presence in rest of Europe and North America, this will be sign of great management execution.

**O2. Technology risk:** The nature of the online gambling industry, is competitive and enforces a need for technological development. This means that the product portfolio of LeoVegas must stay up to date, therefore LeoVegas must focus on their maintenance of their own product portfolio, but also ensure that their cooperation with product suppliers (Evolution AB etc.) is optimal, since the product suppliers innovate their own products, and offer the products to the online gambling industry.

#### O3. Risk of natural disasters and pandemics:

The risk of natural disasters and pandemics will have a low probability and a high impact of affecting the business model of LeoVegas, since the risk itself is systematic and LeoVegas can't forecast the risk of these events. The impact of such events could potentially be high either positively or negatively, and the recent pandemic, Covid-19, proved to have a positive impact on their revenue, since their consumer base expanded, due to consumers seeking new opportunities to satisfy their needs. The measures LeoVegas can use to mitigate this is to be consistent with guidelines, ensure LeoVegas' communication tools both internal and external governance and ensure an implementation of control systems, to control the outcome and risk of such events.

## POLITICAL RISKS

**Probability:** Moderate - **Impact:** High

**P1. Regulatory risk:** The dynamic environment of the online gambling industry leads to a change of regulation, whereby the requirements from the governments currently are becoming more restrictive. LeoVegas must have a holistic understanding and effective communication with the authorities of the countries, that are changing the regulatory environment for online gambling, since the political changes impacts whether LeoVegas will have a gambling license for a market or not and the tax levels etc.

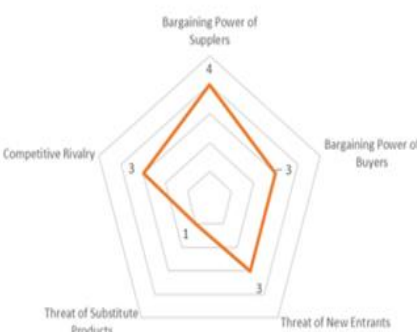
## MARKET RISKS

**Probability:** Moderate - **Impact:** High

**M1. Threat of new entrants:** When operating in a fast-growing sector, the potential for the entrants of competitors increases. The first entry barrier for competitors will be capital since branding and marketing for the online gambling industry demand financial resources. To ensure that if competitors enter the markets of which LeoVegas operates, the mitigation is to ensure their consumer base, by knowing your customers through aggressive marketing and provide a large and innovative product portfolio offering consumers a great experience. We believe that LeoVegas will be able to maintain their consumer base, in both the European and Nordic market, based on both two criteria mentioned above.

**M2. Innovation risk:** The sector is focusing on building more entertaining offerings to increase engagement and differentiate from competitors. Hence, there is a risk of getting disrupted by other more innovative companies. This underlines the importance of continuously invest in R&D and new innovative products from suppliers. This furthermore supplements how the journey of the customer at LeoVegas is essential, and the innovation risk, will be handled by the AI-run recommendation engine. The AI-run recommendation engine helps alleviate the innovation risk, by rotating the game portfolio of the customers, so that the customers try different games, to find the most suitable game (Appendix Q).

Figure 17: Porter's Five Forces



Source: Team Analysis

# LIST OF APPENDICES

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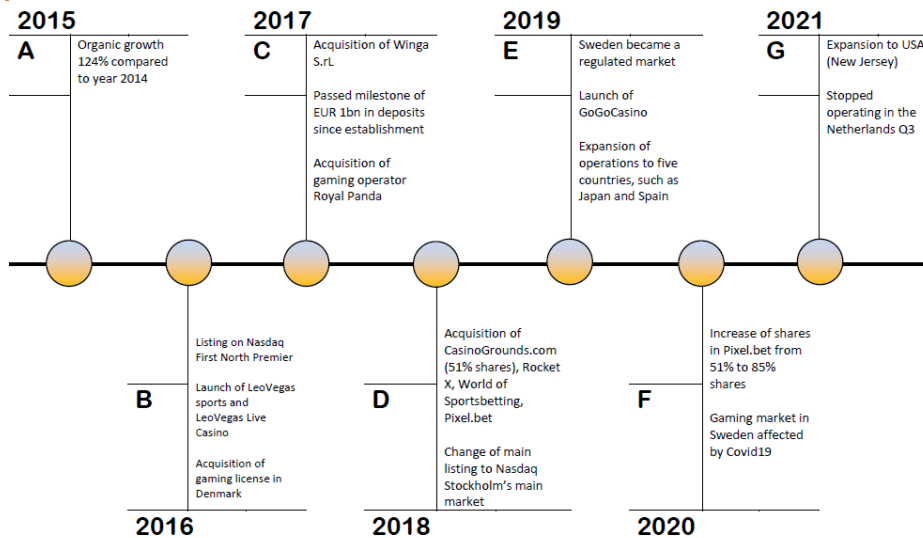
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## APPENDIX A - GLOSSARY

BoD	Board of Directors
CAC	Customer Acquisition Costs
GGR	Gross Gaming Revenue - Total gaming handle minus total paybacks
M/s	Market Share
NGR	Net Gaming Revenue
Regulated Markets	Markets regulated with e.g., additional gaming taxes

## APPENDIX B - TIMELINE





## APPENDIX C - BOARD OF DIRECTORS

Name	Position	Member since	Number of shares	Independent	Resident	Education	Professional competencies	Work Experience
Per Norman	Chairman	2020	70,600	Yes	Sweden	M.Sc., Royal Institute of Technology (KTH)	- Gaming Industry. - E-commerce B2C. - Organisation.	- CEO of MrGreen & Co AB. - CEO of Boxer TV Acces AB - Deputy CEO of MTG AB
Hélène Westholm	Member	2020	2,500	Yes	Sweden	MBA	- Investor relations. - Communication. - Gaming industry.	- Investment Director in Swedish Government Offices. - Director of Svenska Spel, Bilprovningen, and Svensk Exportkredit. - Partner and part-owner of Korp Kommunikation.
Fredrik Rüden	Member	2019	20,000	Yes	Sweden	M.Sc. Business Administration, Bachelor of Laws	- Economics. - Gaming industry. - Management. - Equity market.	- CFO, Betsson AB - CFO, Teligent AB - CFO Hallvard Leröy AS - Investment AB Kinnevik
Torsten Söderberg	Member	2020	4,533,861	Yes	Sweden	M. Sc. Econ., DIHR	- Professional board member. - Gaming industry.	- Board Directorships - Self-employed business owner. - Chairman of Cherryföretagen and Stingbet, among others.
Anna Frick	Member	2015	3,700	Yes	Sweden	M.Sc. Finance and Marketing	- Communication. - Digital transformation. - Organisation.	- Board Directorships. - VP of Garbergs Reklambyrå AB. - CEO of Oakwood Creative AB.
Carl Larsson	Member	2020	10,000	Yes	Sweden	B.A. Computer and System Science	- Technology	- Co-founder of DigitalRoute
Mathias Hallberg	Member	2020	0	Yes	Sweden	M.S. Biology and Chemistr	- Proffesor of Molecular Dependency Research	- Director of Studies at Uppsala University

## APPENDIX D - MANAGEMENT

Gustaf Hagman, Group CEO



Stefan Nelson, CFO



Mattias Wedar, CPTO



Niklas Lindahl, CMO



Mårten Forste, COO



Hanna Lerenius, interim COO



Name	Position	Appointed	Number of shares	Resident	Education	Work Experience
Gustaf Hagman	CEO & Co-founder of LeoVegas	2011	8,050,000 shares 220,000 options	Sweden	Economics studies at Stockholm University and Södertörn University.	- More than 20 years of experience in entrepreneurship and in the online gaming industry. - CEO and director of Net Gaming Europe AB.
Stefan Nelson	CFO	2018	45,000 320,000 options	Sweden	Bachelor of Science in Business Administration and Economics	- Equity analyst at SEB Enskilda, Standard & Poor's and Redeye. - Director for SEB Corporate Finance with sector responsibility for gaming, media and retail.
Mattias Wedar	CPTO	2019	21,200 300,000 options	Sweden	Bachelor of Social Science in Informatics	- More than 15 years of experience in digital product and technology development. - CEO of MrGreen Technology in MRG Group.
Niklas Lindahl	CMO	2018	23,000 24,000 options	Sweden	Bachelor, Marketing and Economics	- More than 14 years of experience within digital marketing. - LeoVegas career started Country Manager Italy, then Head of MGA and now CMO.
Mårten Forste	COO	2020	265,000 185,000 options	Sweden	Master of Laws	- Country Manager Sweden for gaming company Expect. - COO of Meetic/March.com Europe.
Hanna Lerenius	Interim COO	2017	8,791 55,000 options	Sweden	Civil engineer, Industrial Economics	- Different roles within LeoVegas. - Management consultant at Triathlon Group

## APPENDIX E - SHAREHOLDER & INSIDER TRANSACTIONS

The executive management's shareholdings as of 08th of April 2022 ('000, SEK)

Name	Position	1 Jan 2021	Purchase (number)	Vesting (number)	Sale (number)	08 Apr 2022	Net Change	Share Price	Value of Position	Pct. of Base Salary	Shareholding Obligation
		Holdings (number)				Holdings (number)					
Gustaf Hagman	CEO	8,495,000	-	125,000	350,000	8,270,000	225,000	38.12	315,252	7287%	Met
Stefan Nelson	CFO	295,000	5,000	65,000	-	365,000	70,000	38.12	13,914	380%	Met
Mattias Wedar	CPTO	196,200		125,000		321,200	125,000	38.12	12,244	334%	Met
Mårten Forste	COO	360,000		90,000		450,000	90,000	38.12	17,154	468%	Met
Niklas Lindahl	CMO	***	-	-	-	47,000	-	38.12	1,792	49%	Met
Hanna Lerenius	Interim COO	***	-	-	-	63,791	-	38.12	2,432	66%	Met

\* Holdings is defined as shares + options.

\*\* Niklas and Hanna was hired to their positions during the past year, so there is no data on their holdings 1st of Jan 2021.

\*\*\* Directors' (other than the CEO) base salary are estimated based on their combined salary pool.

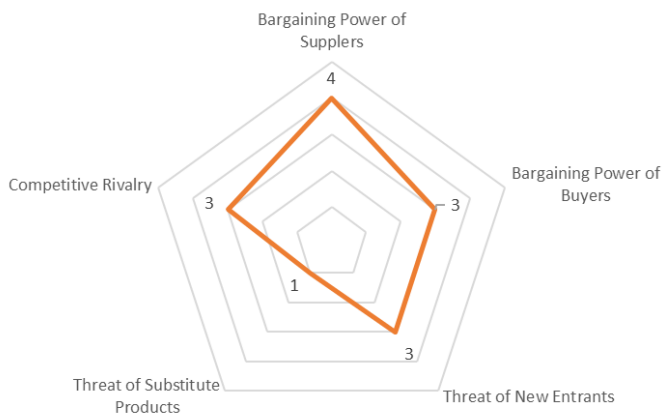
LeoVegas is listed on Nasdaq Stockholm and has had an increase in the number of shareholders, by approx. 1,400 more than last year, to 17.500 shareholders, whereof about 50% is Swedish. Shareholders hold 96.07% of share capital (Annual report). Insiders holds 18.74% of shares outstanding while top 15 institutions hold 34.92% of shares outstanding (FactSet). Top 10 shareholders hold 37.2% of the company and the three largest shareholders are CEO Gustaf Hagman 7.9%, Avanza Pension 5.0%, and LOYS AG 4.5%.

In the period 1<sup>st</sup> of Jan 2021 to 8<sup>th</sup> of April 2022, no board members sold shares.

Board member shareholdings as of 8th of April 2022

Name	Member since	Holdings 1st of January 2021	Change	Holdings 8th of April 2022	Shareholding Obligation
Per Norman	2020	60,600	10,000	70,600	Met
Hélène Westholm	2020	0	2500	2,500	Met
Fredrik Rūden	2019	20,000	0	20,000	Met
Torsten Söderberg	2020	4,507,253	26,608	4,533,861	Met
Anna Frick	2015	3,700	0	3,700	Met
Carl Larsson	2020	6,800	3,200	10,000	Met
Mathias Hallberg	2020	0	0	0	In progress
<b>Total</b>		<b>4,598,353</b>	<b>42,308</b>	<b>4,640,661</b>	

## APPENDIX F - PORTER'S FIVE FORCES ANALYSIS (1-5)



Score from 1-5, with 5 representing the biggest threat, and 1 being the lowest threat (still a threat though)

### Bargaining Power of Suppliers - 3

- Concentrated suppliers:
  - There are just a few suppliers of online sports books and entertaining gaming offerings
- High switching costs:
  - By bringing the tech stack in house there is risk of 'getting behind'. Some suppliers are very well-known and highly respected for the quality and popularity of their products
- Differentiated Products:
  - Suppliers' offerings can be branded as the buyers'
  - Suppliers offer exclusive products

### Bargaining Power of Buyers - 3

- Low switching costs:
  - Other suppliers also offer deposit-bonuses etc.

### Threat of New Entrants - 3

- Regulation:
  - Need to fulfill regulatory demands to be allowed a license
  - Requires a trusted reputation
  - High tax levels
  - Certain countries/states require the companies to have local offices or studios

### Threat of Substitute Products - 1

- The likelihood of substituting products is very unlikely. Particularly, when the industry has these many tailwinds, like increased legalization, technological development, m/s from land-based to online offerings etc.

### Competitive Rivalry - 4

- Relatively similar product offerings force competitors to invest heavily in customer acquisition:
  - Aggressive marketing campaigns
  - High R&D spend to develop company exclusive products
  - Expensive products from suppliers
    - Typically, a revenue-sharing model



## APPENDIX G - PEER COMPARISON

	2017	2018	2019	2020	2021	5Y Avg
<b>NI Margin %</b>						
LeoVegas	9.0%	14.5%	3.4%	5.6%	3.4%	7.2%
Kindred Group	15.6%	14.5%	6.2%	14.6%	23.4%	14.9%
Betsson	16.7%	19.9%	15.2%	15.8%	16.2%	16.7%
<b>Sector average</b>	<b>13.8%</b>	<b>16.3%</b>	<b>8.3%</b>	<b>12.0%</b>	<b>14.3%</b>	<b>12.9%</b>
<b>Operating Margin %</b>						
LeoVegas	9.6%	5.8%	2.1%	8.2%	5.4%	6.2%
Kindred Group	21.0%	18.0%	8.0%	20.8%	22.8%	18.1%
Betsson	18.9%	3.8%	16.9%	18.1%	18.0%	15.1%
<b>Sector average</b>	<b>16.5%</b>	<b>9.2%</b>	<b>9.0%</b>	<b>15.7%</b>	<b>15.4%</b>	<b>13.1%</b>
<b>ROE %</b>						
LeoVegas	32.8%	57.7%	114.0%	20.3%	12.9%	29.6%
Kindred Group	42.8%	46.3%	22.0%	51.8%	60.7%	44.7%
Betsson	21.9%	26.1%	16.6%	20.3%	19.9%	21.0%
<b>Sector average</b>	<b>32.5%</b>	<b>43.4%</b>	<b>50.9%</b>	<b>30.8%</b>	<b>31.2%</b>	<b>31.8%</b>
<b>ROIC %</b>						
LeoVegas	27.7%	36.4%	7.1%	13.3%	7.4%	22.4%
Kindred Group	34.4%	31.3%	12.0%	30.3%	45.6%	30.7%
Betsson	16.6%	23.1%	14.9%	16.7%	17.8%	17.8%
<b>Sector average</b>	<b>26.2%</b>	<b>30.3%</b>	<b>11.3%</b>	<b>20.1%</b>	<b>23.6%</b>	<b>23.6%</b>
<b>Book D/E %</b>						
LeoVegas	-55.6%	45.5%	28.7%	-6.6%	-1.8%	2.1%
Kindred Group	65.6%	66.5%	124.1%	43.8%	29.9%	66.0%
Betsson	45.2%	23.8%	21.9%	24.8%	20.6%	27.3%
<b>Sector average</b>	<b>18.4%</b>	<b>45.3%</b>	<b>58.2%</b>	<b>20.7%</b>	<b>16.2%</b>	<b>31.8%</b>

Kindred Group Plc is the major Swedish online gaming company. In terms of revenue, Kindred is ~5x bigger than LeoVegas. Kindred runs 9 different brands. The company is present on similar continents and has a comparable revenue distribution from each region as both LeoVegas and Betsson.



Betsson ab is the second largest Swedish online gaming company. Revenue-wise it is a little more than 2x bigger than LeoVegas. It has more than 20 local brands operates within the regulated market. More than 70% of its revenue comes from online casino and the geographical revenue distribution is similar to LeoVegas'.

## APPENDIX H - SWOT ANALYSIS

<p><b>S</b></p> <p>Strengths</p>	<p><b>W</b></p> <p>Weaknesses</p>	<p><b>O</b></p> <p>Opportunities</p>	<p><b>T</b></p> <p>Threats</p>
<ul style="list-style-type: none"> <li>• 8 Gaming licenses</li> <li>• 9 offices across Europe and 1 in the US</li> <li>• Profitable - proven business model</li> </ul>	<ul style="list-style-type: none"> <li>• Low m/s outside Europe</li> <li>• Limited diversity in management and BoD</li> </ul>	<ul style="list-style-type: none"> <li>• M&amp;A</li> <li>• Strengthen European position</li> <li>• Establish a North American presence</li> <li>• Regulation - might reduce competition in some markets and unify market conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Regulation - might result in losing licenses or increased taxes</li> <li>• Cyber attacks</li> </ul>

## APPENDIX I - REVENUE PROJECTION

(€ Billions)	2021	2022E	2023E	2024E	2025E	2026E
<b>Europe</b>						
Market size (revenue)*	36.40	39.10	42.20	45.50	48.50	52.00
LeoVegas' market share	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
LeoVegas' revenue	0.31	0.33	0.36	0.39	0.41	0.44
<b>North America</b>						
- Canada**	1.02	0.80	0.91	0.94	0.98	1.03
- US**	22.60	19.53	24.52	27.71	32.08	37.16
Market size (revenue)	23.62	20.33	25.44	28.65	33.06	38.19
LeoVegas market share	0.00%	0.01%	0.05%	0.10%	0.20%	0.30%
LeoVegas' revenue	0.00	0.00	0.01	0.03	0.07	0.11
<b>South America</b>						
Market size (revenue)*	0.48	0.81	1.33	1.90	2.47	4.18
LeoVegas' market share	4.53%	3.73%	3.33%	2.93%	2.53%	2.13%
LeoVegas' revenue	0.02	0.03	0.04	0.06	0.06	0.09
<b>APAC</b>						
Market size (revenue)*	19.84	23.41	27.63	32.60	38.47	45.39
LeoVegas' market share	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%
LeoVegas' revenue	0.06	0.07	0.09	0.10	0.12	0.14
<b>Middle East &amp; Africa</b>						
Market size (revenue)*	0.29	0.31	0.34	0.37	0.40	0.44
LeoVegas' market share	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
LeoVegas' revenue	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Revenue</b>	0.39	0.44	0.50	0.57	0.66	0.79
<i>Revenue growth YoY</i>	0.96%	11.74%	14.70%	14.12%	15.38%	19.12%
<i>5-year CAGR</i>	14.986%					

\* is only online gambling revenue

\*\* estimate based on total gambling revenue(both physical and online) assuming similar online market share as in Europe.

We project LeoVegas revenues regionally based on current market sizes and growth estimates hold up against our expectations to LeoVegas' potential market share. To forecast the market growth, we have relied on several reports and our estimate of LeoVegas' future market share is based on the company strategy and ongoing company initiatives.

## APPENDIX J - INCOME STATEMENT

(000'EUR)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Sales	217014	327817	356039	387464	391171	449791	517196	594702	683823	786300
COGS	39195	62588	69225	67871	65719	81784	94041	108133	124338	142971
<i>As % of revenue</i>	18.06%	19.09%	19.44%	17.52%	16.80%	18.18%	18.18%	18.18%	18.18%	18.18%
Gaming taxes	15144	29686	49700	57282	64001	73586	84613	97293	111873	128639
<i>As % of revenue</i>	6.98%	9.06%	13.96%	14.78%	16.36%	16.36%	16.36%	16.36%	16.36%	16.36%
Gross Profit	162675	235543	237114	262311	261451	294421	338542	389276	447612	514690
<i>Gross Margin</i>	74.96%	71.85%	66.60%	67.70%	66.84%	65.46%	65.46%	65.46%	65.46%	65.46%
SG&A	26402	40980	49359	50548	53184	58608	67391	77490	89102	102455
<i>As % of revenue</i>	12.17%	12.50%	13.86%	13.05%	13.60%	13.03%	13.03%	13.03%	13.03%	13.03%
Other operating costs	22878	41204	34496	35441	36739	41831	47582	54118	61544	69981
<i>As % of revenue</i>	10.54%	12.57%	9.69%	9.15%	9.39%	9.30%	9.20%	9.10%	9.00%	8.90%
Marketing Expenses	91727	120752	118517	132552	143763	152929	175847	202199	232500	267342
<i>As % of revenue</i>	42.27%	36.84%	33.29%	34.21%	36.75%	34.00%	34.00%	34.00%	34.00%	34.00%
Other income and expenses	566	1806	6135	-2409	318	1794	2063	2372	2728	3136
<i>As % of revenue</i>	0.26%	0.55%	1.72%	-0.62%	0.08%	0.40%	0.40%	0.40%	0.40%	0.40%
EBITDA	25947	41605	49531	51865	43351	42848	49786	57841	67193	78049
<i>As % of revenue</i>	11.96%	12.69%	13.91%	13.39%	11.08%	9.53%	9.63%	9.73%	9.83%	9.93%
Depreciation and amortisation	6033	4925	10152	10789	11746	13494	15516	17841	20515	23589
<i>As % of revenue</i>	2.78%	1.50%	2.85%	2.78%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Amortisation and impairment from acquisitions	0	17505	26707	18300	13562	13494	15516	17841	17096	19657
<i>As % of revenue</i>	0.00%	5.34%	7.50%	4.72%	3.47%	3.00%	3.00%	3.00%	2.50%	2.50%
D&A	6033	22430	36859	29089	25308	26987	31032	35682	37610	43246
EBIT	19914	19175	12672	22776	18043	15860	18754	22159	29583	34803
<i>As % of revenue</i>	9.18%	5.85%	3.56%	5.88%	4.61%	3.53%	3.63%	3.73%	4.33%	4.43%
Interest expense	1110	25286	2399	1228	3921	4498	5172	5947	6838	7863
<i>As % of revenue</i>	0.51%	7.71%	0.67%	0.32%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Pretax income	18804	44461	10273	21548	14123	11362	13582	16212	22745	26940
<i>As % of revenue</i>	8.66%	13.56%	2.89%	5.56%	3.61%	2.53%	2.63%	2.73%	3.33%	3.43%
Income tax	676	1221	730	2215	2310	1845	2122	2440	2805	3226
<i>As % of revenue</i>	0.31%	0.37%	0.21%	0.57%	0.59%	0.41%	0.41%	0.41%	0.41%	0.41%
Net income	18128	43240	9543	19333	11813	9517	11460	13773	19939	23714
<i>As % of revenue</i>	8.35%	13.19%	2.68%	4.99%	3.02%	2.12%	2.22%	2.32%	2.92%	3.02%



## APPENDIX K - BALANCE SHEET

(000'EUR)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
<b>ASSETS</b>										
<b>Non-current assets</b>										
Property, plant & equipment	2,870	4,141	3,347	2,393	2,157	2,480	2,852	3,279	3,771	4,336
Lease assets (rights-of-use-assets)	-	-	8,222	8,878	5,836	6,711	7,716	8,873	10,202	11,731
Intangible assets	105,570	14,032	16,943	19,494	28,449	32,712	37,615	43,251	49,733	57,186
Intangible assets related to surplus values from acquisitions	-	61,467	45,018	28,694	19,493	22,414	25,773	29,635	34,077	39,183
Goodwill	-	102,958	94,657	94,657	95,734	110,081	126,577	145,546	167,357	192,437
Financial assets	-	-	-	314	-	-	-	-	-	-
Deferred tax assets	1,541	2,975	2,682	2,876	2,162	2,486	2,859	3,287	3,779	4,346
Holdings in associated companies reported using the equity method	-	-	-	-	1,168	1,343	1,544	1,776	2,042	2,348
<b>Total non-current assets</b>	<b>109,981</b>	<b>185,573</b>	<b>170,869</b>	<b>157,306</b>	<b>154,999</b>	<b>178,227</b>	<b>204,936</b>	<b>235,647</b>	<b>270,961</b>	<b>311,566</b>
<b>Current assets</b>										
Trade and other receivables	15,178	29,268	35,307	23,160	21,824	25,095	28,855	33,179	38,151	43,869
Prepaid expenses and accrued income	7,074	7,768	5,329	5,480	5,311	6,107	7,022	8,074	9,284	10,676
Cash and cash equivalents	52,758	56,738	50,738	63,340	75,161	86,424	99,376	114,268	131,392	151,082
<i>of which, restricted cash(player funds)</i>	7,097	11,922	13,352	15,801	19,945	22,934	26,371	30,323	34,867	40,092
<b>Total current assets</b>	<b>75,010</b>	<b>93,774</b>	<b>91,374</b>	<b>91,981</b>	<b>102,296</b>	<b>117,626</b>	<b>135,253</b>	<b>155,522</b>	<b>178,828</b>	<b>205,627</b>
<b>TOTAL ASSETS</b>	<b>184,991</b>	<b>279,347</b>	<b>262,243</b>	<b>249,287</b>	<b>257,295</b>	<b>295,853</b>	<b>340,189</b>	<b>391,169</b>	<b>449,789</b>	<b>517,193</b>
<b>EQUITY AND LIABILITIES</b>										
Share capital	1,196	1,220	1,220	1,220	1,220	1,220	<b>1,220</b>	1,220	<b>1,220</b>	1,220
Additional paid-in capital	-	40,409	40,615	36,115	26,776	30,789	35,403	40,708	46,808	53,823
Other capital contributions	36,588	-	-	-	-	-	-	-	-	-
Translation reserve	-	485	830	421	623	716	824	947	1,089	1,252
Retained earnings including profit for the year	21,122	52,116	50,683	55,075	49,368	56,766	65,273	75,055	86,302	99,236
<b>Equity attributable to owners of the Parent Company</b>	<b>58,906</b>	<b>94,230</b>	<b>93,348</b>	<b>92,831</b>	<b>77,987</b>	<b>89,491</b>	<b>102,719</b>	<b>117,930</b>	<b>135,420</b>	<b>155,531</b>
Non-controlling interests	-	5,700	4,804	5,350	6,164	7,088	8,150	9,371	10,776	12,390
<b>Total equity</b>	<b>58,906</b>	<b>99,930</b>	<b>98,152</b>	<b>98,181</b>	<b>84,151</b>	<b>96,579</b>	<b>110,869</b>	<b>127,301</b>	<b>146,195</b>	<b>167,921</b>
<b>LIABILITIES</b>										
<b>Non-current liabilities</b>										
Bank loan	-	69,642	39,924	-	-	-	-	-	-	-
Non-current liabilities to credit institutions	20,015	-	-	48,860	67,815	78,161	90,056	103,735	119,463	137,548
Other non-current liabilities	942	961	-	-	-	-	-	-	-	-
Bond issue	-	-	-	5,300	3,029	3,483	4,005	4,605	5,295	6,089
Lease liabilities	-	-	4,169	-	848	975	1,121	1,289	1,482	1,705
Deferred tax liability	-	2,765	2,088	1,435	1,091	1,254	1,442	1,659	1,907	2,193
<b>Total non-current liabilities</b>	<b>20,957</b>	<b>73,368</b>	<b>46,181</b>	<b>55,595</b>	<b>72,783</b>	<b>83,873</b>	<b>96,625</b>	<b>111,288</b>	<b>128,148</b>	<b>147,534</b>
<b>Current liabilities</b>										
Trade and other payables	14,818	18,022	21,344	20,287	23,437	26,949	30,988	35,632	40,971	47,111
Player liabilities	7,097	11,922	13,352	15,801	19,945	22,934	26,371	30,323	34,867	40,092
Tax liability	5,886	5,111	4,997	5,948	4,334	4,983	5,730	6,589	7,576	8,712
Accrued expenses and deferred income	27,302	31,994	35,811	45,082	49,696	57,143	65,707	75,553	86,876	99,895
Current liabilities to credit institutions	-	-	-	-	-	-	-	-	-	-
Current lease liabilities	-	30,000	30,000	3,093	2,949	3,391	3,899	4,483	5,155	5,928
Current liabilities pertaining to acquisitions	13,644	-	3,406	-	-	-	-	-	-	-
Liability for earn-out payment for acquisition	36,381	9,000	9,000	5,300	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>105,128</b>	<b>106,049</b>	<b>117,918</b>	<b>95,511</b>	<b>100,361</b>	<b>115,401</b>	<b>132,695</b>	<b>152,580</b>	<b>175,445</b>	<b>201,737</b>
<b>Total liabilities</b>	<b>126,085</b>	<b>179,049</b>	<b>164,091</b>	<b>151,106</b>	<b>173,144</b>	<b>199,274</b>	<b>229,319</b>	<b>263,868</b>	<b>303,594</b>	<b>349,272</b>
D/E	2.14	1.79	1.67	1.54	2.06	2.06	2.07	2.07	2.08	2.08
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>184,991</b>	<b>279,347</b>	<b>262,243</b>	<b>249,287</b>	<b>257,295</b>	<b>295,853</b>	<b>340,189</b>	<b>391,169</b>	<b>449,789</b>	<b>517,193</b>

## APPENDIX L - CASH FLOW STATEMENT

(000'EUR)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
<b>Cash flow from operating activities</b>										
Operating profit	19,914	19,175	12,672	22,776	18,043	15,860	18,754	22,159	29,583	34,803
Adjustments for non-cash items:										
- Depreciation	6,033	22,430	25,562	29,089	24,689	26,987	31,032	35,682	37,610	43,246
- Other non-cash items	219	577	5,199	963	2,492	1,890	1,890	1,890	1,890	1,890
Net income taxes paid	-37	-1,078	-4,538	-1,695	-4,916	-1,845	-2,122	-2,440	-2,805	-3,226
Interest recieved	13	10	0	0	1	0	0	0	0	0
Interest paid	-130	-1,746	-1,860	-1,206	-3,399	-4,498	-5,172	-5,947	-6,838	-7,863
<b>Cash flow from operating activities before changes in working capital</b>	<b>26,012</b>	<b>39,368</b>	<b>37,035</b>	<b>49,927</b>	<b>36,910</b>	<b>38,395</b>	<b>44,382</b>	<b>51,345</b>	<b>59,440</b>	<b>68,850</b>
<i>Cash flow from changes in working capital</i>	<i>8,063</i>	<i>-2,874</i>	<i>-11</i>	<i>19,313</i>	<i>8,946</i>	<i>6,687</i>	<i>7,690</i>	<i>8,842</i>	<i>10,167</i>	<i>11,691</i>
Decrease in operating recievables	-9,095	-15,712	-2,644	8,720	4,188	-2,876	-3,307	-3,802	-4,372	-5,027
Increase in operating payables	17,158	12,838	2,633	10,593	4,758	3,812	4,383	5,040	5,795	6,664
<b>Cash flow from operating activities</b>	<b>34,075</b>	<b>36,494</b>	<b>37,024</b>	<b>69,240</b>	<b>45,856</b>	<b>39,331</b>	<b>45,459</b>	<b>52,583</b>	<b>60,863</b>	<b>70,487</b>
<b>Cash flow from investing activities</b>										
Acquisitions of property, plant and equipment	-1,855	-2,475	-1,117	-399	-901	-1,000	-1,000	-1,000	-1,000	-1,000
Acquisitions of intangible assets	-4,312	-8,633	-8,080	-10,492	-15,831	-18,422	-21,438	-24,947	-29,031	-33,782
Acquisitions of subsidiaries	-43,935	-20,213	0	-3,579	-10,391	-10,000	-10,000	-10,000	-10,000	-10,000
Transfer of assets on acquisition	0	-73,472	0	0	-1,121	0	0	0	0	0
Proceeds from sales of subsidiaries and intangible assets	0	1,500	11,150	2,861	0	1,500	1,500	1,500	1,500	1,500
<b>Cash flow from investing activities</b>	<b>-50,102</b>	<b>-103,293</b>	<b>1,953</b>	<b>-11,609</b>	<b>-28,244</b>	<b>-27,922</b>	<b>-30,938</b>	<b>-34,447</b>	<b>-38,531</b>	<b>-43,282</b>
<b>Cash flow from financing activities</b>										
Loan financing	20,000	79,475	-30,000	-70,343	0	0	0	0	0	0
Raised bond loans		0	0	19,897	48,298	0	0	0	0	0
Acquisition of own stock		0	0	-4,891	-9,538	-7,200	-7,200	-7,200	-7,200	-7,200
Lease liabilities		0	-3,175	-3,244	-3,037	-3,200	-3,200	-3,200	-3,200	-3,200
Proceeds from share issue/other equity securities	170	3,832	186	416	200	500	500	500	500	500
Cash dividends paid out to shareholders	-10,233	-11,669	-11,534	-14,213	-12,695	-4,759	-5,730	-6,886	-9,970	-11,857
<b>Cash flow from financing activities</b>	<b>9,937</b>	<b>71,638</b>	<b>-44,523</b>	<b>-43,977</b>	<b>-5,173</b>	<b>-14,659</b>	<b>-15,630</b>	<b>-16,786</b>	<b>-19,870</b>	<b>-21,757</b>
<b>Cash flow for the period</b>	<b>-6,090</b>	<b>4,839</b>	<b>-5,546</b>	<b>13,654</b>	<b>12,439</b>	<b>-3,250</b>	<b>-1,109</b>	<b>1,349</b>	<b>2,463</b>	<b>5,448</b>
Cash and cash equivalents at start of the year	60,218	52,758	56,738	50,738	63,340	60,000	60,000	60,000	60,000	60,000
Currency effects on cash and cash equivalents	-1,370	-859	-454	-1,052	-618	-800	-800	-800	-800	-800
<b>Cash and cash equivalents at end of year</b>	<b>52,758</b>	<b>56,738</b>	<b>50,738</b>	<b>63,340</b>	<b>75,161</b>	<b>55,950</b>	<b>58,091</b>	<b>60,549</b>	<b>61,663</b>	<b>64,648</b>
<i>of which, restricted cash (player funds)</i>	<i>7,097</i>	<i>11,992</i>	<i>13,352</i>	<i>15,801</i>	<i>19,945</i>	<i>24,000</i>	<i>28,000</i>	<i>32,000</i>	<i>36,000</i>	<i>40,000</i>

## APPENDIX M - RELATIVE VALUATION

**Swedish peers:** Within the Swedish peer group LeoVegas is the smaller company with lowest market value. The company has the highest valuation regarding several profitability metrics. This elevated profitability multiples are to a greater extend justified by the higher implied growth rates in EV/Sales - LTM vs EV/Sales - LTM.

**Other European peers:** Although LeoVegas is relatively expensive profitability wise relative to Swedish peers, it appears cheaper in comparison with other European peers. The market value of the other European

peers is significantly bigger, and they are trading at more than 50% higher multiples. In addition, the European peers have enterprise values larger than their market values which assess their higher leverage or debt.

**American peers:** The American peers differ considerably from Swedish and to some degree from European peers. First of all, their market values are relatively high. Some companies are heavily leveraged, and most are not profitable on any of the profitability metrics from below. Additionally, the implied growth rate in the EV/Sales metrics is exceptionally high. This suggests the American market is characterized by e.g., high growth, strong competition, and a high cash-burn.

Swedish peers	Mkt cap (000'SEK)	EV (000'SEK)	EV/EBITDA - NTM	EV/EBIT - NTM	P/E - NTM	EV/Sales - NTM	EV/Sales - LTM
Kindred Group plc	20,280,440	19,083,130	6.70	8.90	11.30	1.20	1.30
Betsson AB	7,764,830	7,984,730	5.80	8.20	9.20	1.10	1.20
LeoVegas AB	3,722,530	3,771,910	6.70	9.50	10.60	0.80	1.10
Average	10,589,267	10,279,923	6.40	8.87	10.37	1.03	1.20
Median	7,764,830	7,984,730	6.70	8.90	10.60	1.10	1.20

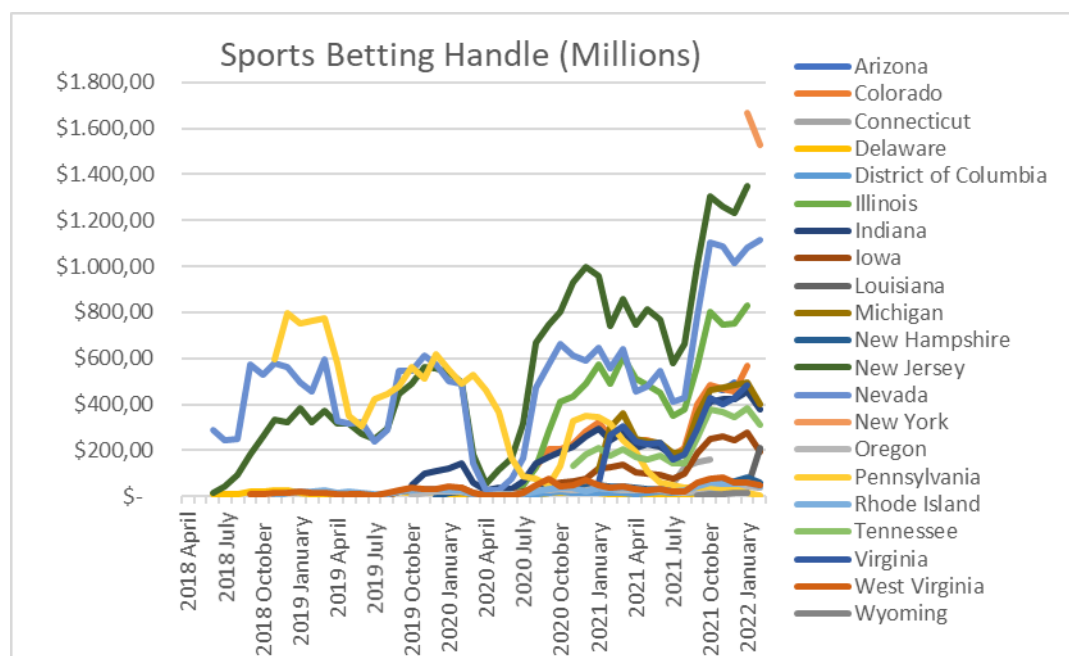
  

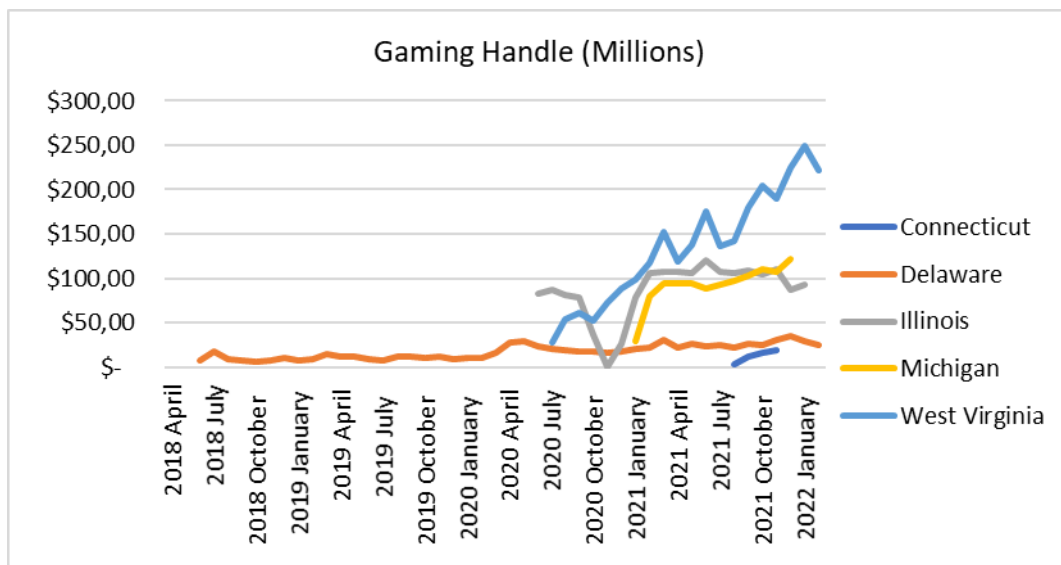
Other European peers	Mkt cap (000'€)	EV (000'€)	EV/EBITDA - NTM	EV/EBIT - NTM	P/E - NTM	EV/Sales - NTM	EV/Sales - LTM
Entain PLC	9,076,860	11,167,270	10.70	15.10	18.10	2.50	2.90
Flutter Entertainment PLC	19,078,060	22,005,030	13.50	17.90	22.80	2.40	2.60
888 Holdings PLC	781,360	608,520	5.20	6.70	10.10	0.80	0.80
Average	9,645,427	11,260,273	9.80	13.23	17.00	1.90	2.10
Median	9,076,860	11,167,270	10.70	15.10	18.10	2.40	2.60

American peers	Mkt cap (000'\$)	EV(000'\$)	EV/EBITDA - NTM	EV/EBIT - NTM	P/E - NTM	EV/Sales - NTM	EV/Sales - LTM
Draftkings	7,150,610	6,179,550	-	-	-	2.70	4.50
Penn National Gaming	6,267,010	16,018,310	11.20	15.60	17.60	2.50	2.70
Rush Street Interactive	432,720	356,310	-	-	-	0.50	0.70
Golden Nugget Online Gaming	280,830	562,070	-	-	-	6.40	4.40
Average	3,532,793	5,779,060	N/A	N/A	N/A	3.03	3.08
Median	3,349,865	3,370,810	-	-	-	2.60	3.55

## APPENDIX N - SPORTS BETTING HANDLE AND ONLINE CASINO HANDLE PER STATE IN THE U.S.





## APPENDIX O - SENSITIVITY ANALYSIS

		Cost of debt					
Cost of equity	6.75%	5.56%	6.06%	6.56%	7.06%	7.56%	
	8.60%	5.88%	6.14%	6.40%	6.65%	6.91%	
	9.10%	6.05%	6.31%	6.57%	6.83%	7.09%	
	9.60%	6.23%	6.49%	6.75%	7.00%	7.26%	
	10.10%	6.40%	6.66%	6.92%	7.18%	7.44%	
	10.60%	6.58%	6.84%	7.10%	7.35%	7.61%	

The first sensitivity analysis test how the WACC estimate vary when key inputs are changed.

		Estimated revenue CAGR					
WACC	€ 5.07	10.99%	12.99%	14.99%	16.99%	18.99%	
	5.88%	€ 6.39	€ 6.40	€ 6.42	€ 6.43	€ 6.45	
	6.31%	€ 5.64	€ 5.66	€ 5.67	€ 5.69	€ 5.70	
	6.75%	€ 5.04	€ 5.05	€ 5.07	€ 5.08	€ 5.09	
	7.18%	€ 4.56	€ 4.57	€ 4.58	€ 4.60	€ 4.61	
	7.61%	€ 4.15	€ 4.17	€ 4.18	€ 4.19	€ 4.21	

This sensitivity analysis test how the estimated stock price varies with changing short term growth rate (CAGR)

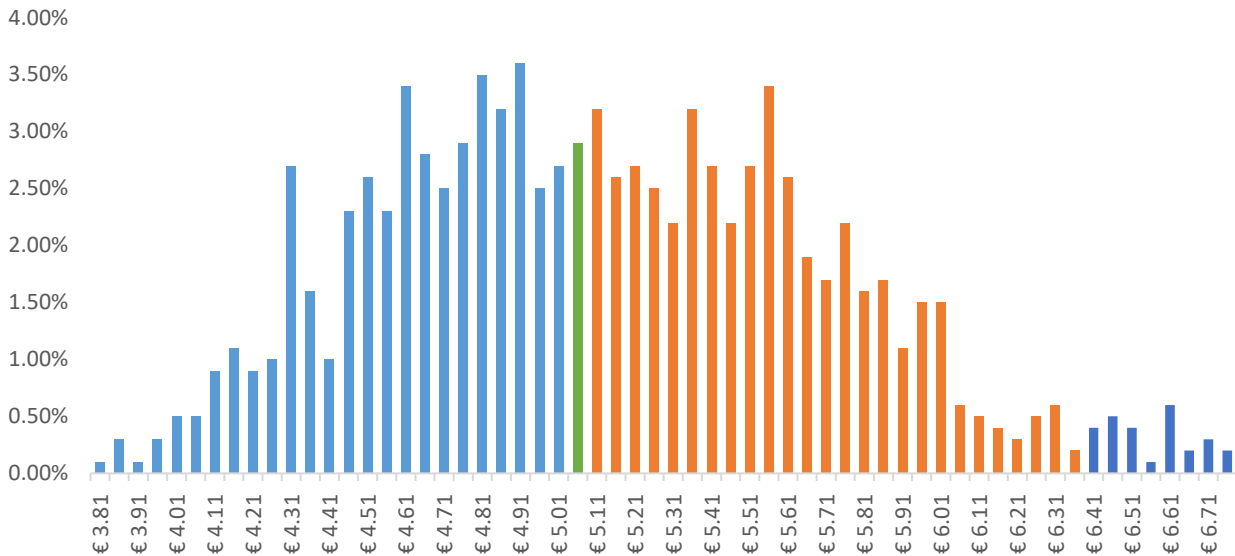
		Terminal growth rate					
WACC	€ 5.05	1.50%	2.00%	2.50%	3.00%	3.50%	
	5.88%	€ 5.09	€ 5.67	€ 6.42	€ 7.43	€ 8.86	
	6.31%	€ 4.62	€ 5.08	€ 5.67	€ 6.44	€ 7.48	
	6.75%	€ 4.21	€ 4.59	€ 5.07	€ 5.66	€ 6.44	
	7.18%	€ 3.88	€ 4.20	€ 4.58	€ 5.06	€ 5.67	
	7.61%	€ 3.59	€ 3.86	€ 4.18	€ 4.57	€ 5.06	

The last sensitivity analysis tests the effect of the long term growth rate on the estimated stock price.

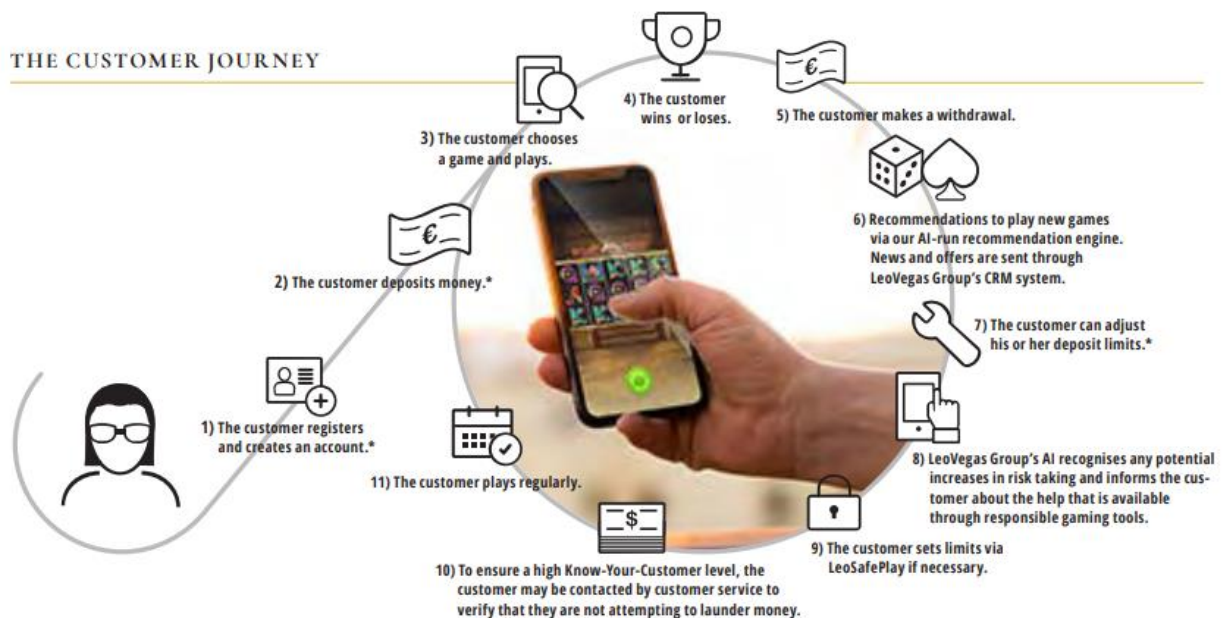


## APPENDIX P- MONTE CARLO SIMULATION

For the graph of the monte carlo simulation, the blue estimates are below target price, while the green estimate is our target price, the orange estimates are above our target price, while the dark blue estimates are outliers, which are unlikely to happen.



## APPENDIX Q- INNOVATION RISK



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