

Aspire Global

Sector: Betting/Entertainment

Boosted Start of 2020

Redeye raises Aspire Global's base case due to the strong start of 2020. The company turned to sequential growth in the first quarter despite seasonality effects, much due to a strong development in the UK. The second quarter also started well with a rapid increase in April, which we believe is mainly driven by the Corona Crisis. We continue to see a substantial upside in the share.

Strong start of 2020

2020 has started well for Aspire Global. The B2B segment reported strong growth, much driven by impressive player KPIs and Pariplay. The positive development in the UK was extra encouraging, showing that the company's compliance efforts are paying off. For the B2C segment, revenues were in line with expectations despite lower marketing expenses, which was a result of more effective marketing investments. Furthermore, the company stated that the trading volumes increased by 20% in April, much likely boosted by the Corona Crisis, we believe, but also the addition of new partners.

Additional acquisitions

Despite the strong start of 2020, we believe that it will be difficult for Aspire Global to reach its 2021 financial targets without additional acquisitions or at least one migration of a large brand from an external platform. Fortunately, the company has a robust financial position and is primarily looking to acquire a sportsbook solution. In the existing market condition, we believe several sports betting related companies are struggling with inferior liquidity, which should open for value-adding M&A deals with attractive multiples.

Shallow expectations

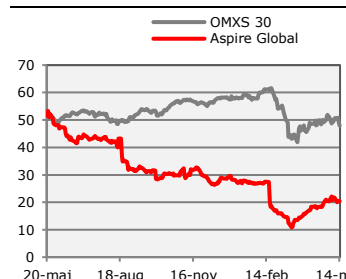
Based on our 2021 estimates, Aspire Global is valued around an EV/EBITDA of **4x**, compared to the median for its peers of 6x. Accordingly, we expect any sign of maintained profit growth momentum or additional acquisitions to lift the share. The company's financial position is also strong, with EUR 28m in cash, which makes it ready to take on value-adding M&A opportunities. We see a potential upside of about 80% to our base case valuation of **SEK 39** (37) per share.

KEY FINANCIALS (EURm)	2018	2019	2020E	2021E	2022E	2023E
Net sales	105	131	144	162	186	208
EBITDA	21	22	21	23	25	27
EBIT	19	18	16	17	19	21
EPS (adj.)	0.4	0.0	0.2	0.3	0.4	0.4
EV/Sales	1.7	1.0	0.6	0.4	0.3	0.2
EV/EBITDA	8.1	6.2	3.7	2.7	2.0	1.6
EV/EBIT	8.9	7.6	5.0	3.6	2.7	2.1
P/E	12.4	336.0	8.7	6.7	5.4	5.3

FAIR VALUE RANGE

BEAR	BASE	BULL
14.0	39.0	60.0

ASPIRE.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	ASPIRE.ST
Market	First North
Share Price (SEK)	21.80
Market Cap (MSEK)	1 010
Net Cash 20E (MSEK)	120
Free Float	40 %
Avg. daily volume ('000)	135

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Q1: Boosted start of 2020 – B2B leading the way

Aspire Global: Expected vs. Actual

(EURm)	Q1'19	Q1'20	Q1'20E	Diff
Revenues	33.2	33.7	31.8	6%
EBITDA	6.1	5.2	4.4	18%
EBIT	5.2	3.9	3.2	24%
EPS (EUR)	0.09	0.05	0.04	14%
<i>Sales growth Y/Y</i>	81%	1%	-4%	
<i>Sales growth Q/Q</i>	1%	5%	-1%	
<i>EBITDA margin</i>	18%	15%	14%	
<i>EBIT margin</i>	16%	12%	10%	

Source: Aspire Global, Redeye Research

The first quarter came in well above our expectations on all levels - strong development for the B2B operations with revenues well above our estimates as well as strong margins for the B2C segment. The UK market impressed with a sequential growth of 34%, driven by improved compliance focus, according to the company. The growth was also strong for the smaller "Rest of World" segment, which is evidence of the group's efforts on emerging markets.

On the cost side, gaming duties and distribution expenses came in above our expectations, mainly due to higher revenues. The marketing spends for the B2C segment, on the other hand, came in well below our estimates, as well did the Admin expenses. As a result, the EBIT margin came in at 12% (Estimated 10%).

Aspire Global: Expected vs. Actual - B2B & B2C

(EURm)	Q1'19	Q1'20	Q1'20E	Diff
B2B revenues (incl. Inter-seg. revenues)	21.5	24.4	22.6	8%
<i>B2B inter-segment revenues</i>	2.1	1.7	1.6	
B2B EBITDA	4.2	3.8	3.5	8%
B2B EBITDA margin	19%	16%	16%	
B2C revenues	13.8	11.0	10.8	1%
B2C EBITDA	1.9	1.4	0.9	55%
B2C EBITDA margin	14%	13%	9%	

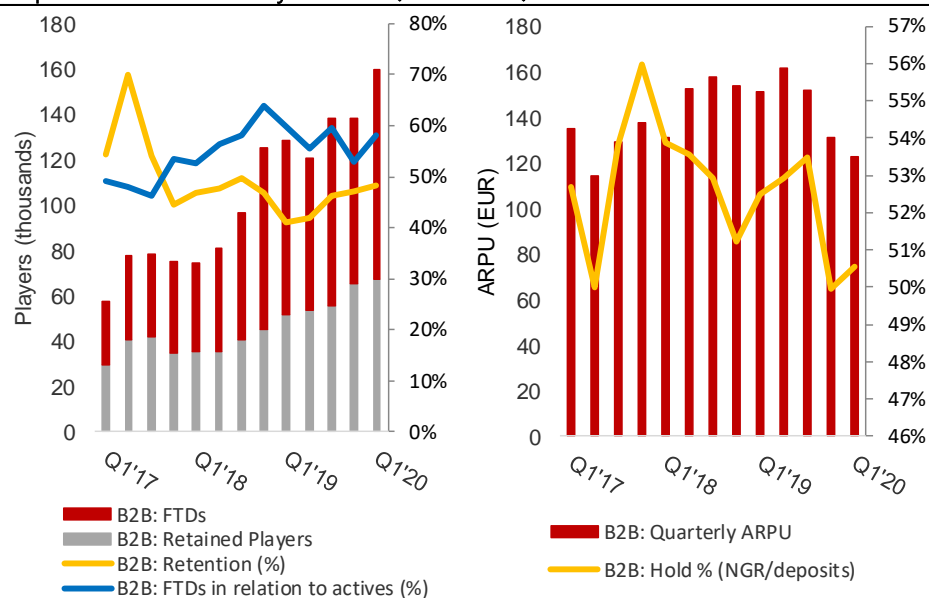
Source: Aspire Global, Redeye Research

The B2B segment continues to grow the number of B2B-brands to 78 and 46 partners. Year-on-year, the revenues are up thanks to the Pariplay acquisition that has impressed so far. The increased regulations have hampered the core B2B operations. However, the company's increased focus on compliance has started to pay off.

The B2C segment reports strong profit margins due to lower marketing. The revenues have, however, been maintained at a high level due to more efficient marketing actions.

Operational KPIs

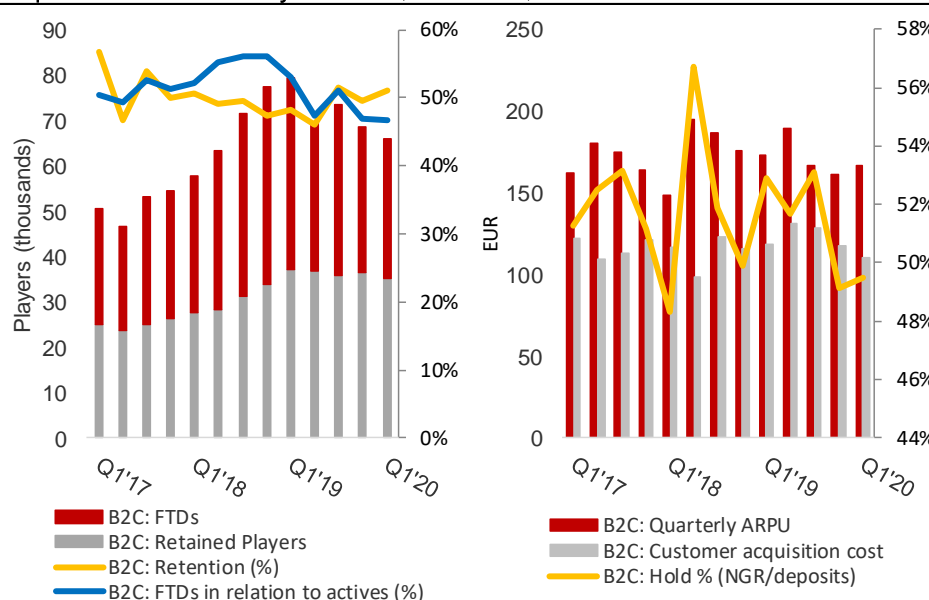
Aspire Global: B2B Player Data Q1 2017 - Q1 2020



Source: Aspire Global, Redeye Research

The number of active players for the B2B segment reached a new ATH thanks to improved retention and a healthy customer intake. The number of active players has grown a staggering 115% over the last two years, which is proof of the demand for Aspire Global’s product, both from B2B customers as well as end-users.

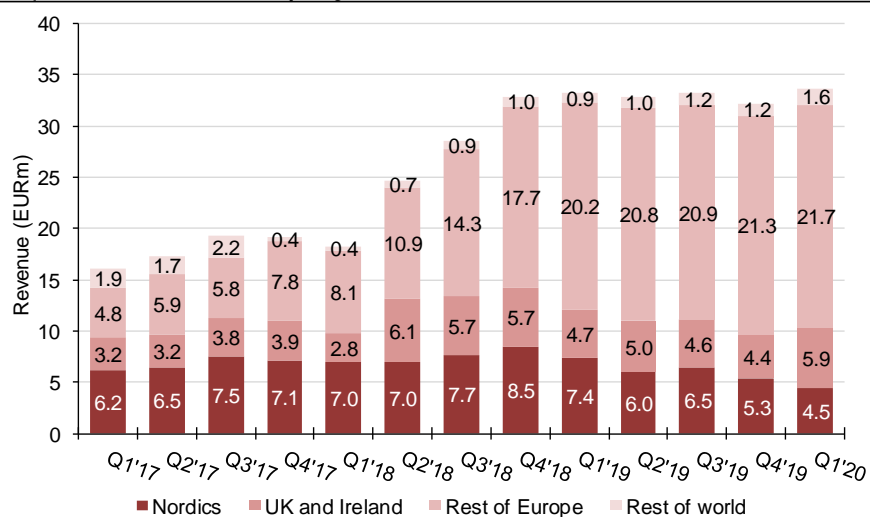
Aspire Global: B2C Player Data Q1 2017 - Q1 2020



Source: Aspire Global, Redeye Research

For the B2C segment, there is a slight downward trend in both active players. However, this is expected as the company has decreased marketing expenses, and the focus is on the B2B segment.

Aspire Global: Revenue by region



Source: Aspire Global, Redeye Research

The regions "Rest of Europe" and "Rest of World" continues to show healthy growth. The UK market performed very well due to improved compliance focus as already mentioned. Meanwhile, the company continues to battle regulatory challenges in the Nordics.

Q1 in conclusion

The first quarter came in better than expected, and we find the development in UK extra encouraging. Underlying the important KPI "number of active players" continues to reach new ATHs for the B2B segment. Meanwhile, the Pariplay acquisition develops well and will continue to offer synergies during 2020. The company is also guiding for a strong start in Q2, which we believe is much due to a positive Corona effect. However, the momentum in Q1 implies that there is an underlying demand for Aspire Global's products driving growth.

Forecast

Aspire Global's future growth depends much on the underlying growth of the online gambling segment in Europe, as well as the company's ability to sign new agreements. However, Aspire Global has also shown that its business can develop and grow much faster than the general market. How much faster the business can grow, organically, then the underlying market depends much on how Aspire Global can improve its platform and enter new markets. New markets and platform improvements will also attract new B2B partners.

During 2019, regulatory challenges have pressured Aspire Global in several markets. Increased regulations and investments in compliance will continue to pressure the company's profit margin in the years to come, we believe. However, we expect the company to mitigate the negative earnings effect by entering new markets and utilizing the scalability of the B2B segment. Moreover, we believe that there are further synergy possibilities, on both top-line and the bottom-line, for the group in conjunction with PariPlay. The group will also start to sell the platform solution to large operators, which can become an important growth driver with high profitability.

For 2020, we expect to see a boost in Q2 due to a large number of people isolated in their homes on all Aspire Global's markets due to the Corona Crisis. However, as countries go back to a more normal state, we expect that the demand Aspire Global's products will go back to more normal levels. Furthermore, we expect that the subsequent recession will have a slight negative impact as well.

Aspire Global: Financial forecasts summary									
(EURm)	2018	2019	Q1'20	Q2'20E	Q3'20E	Q4'20E	2020E	2021E	2022E
Revenues	104.6	131.4	33.7	37.1	35.6	37.4	143.7	161.7	185.9
Net Revenues (after EU VAT)	102.5	127.5	32.6	35.8	34.3	36.0	138.6	155.5	178.5
Distribution expenses	-64.1	-87.1	-22.6	-24.7	-24.0	-25.4	-96.7	-108.0	-123.5
Gaming duties	-4.4	-4.2	-0.9	-1.0	-1.1	-1.2	-4.2	-5.9	-8.5
Admin expenses	-12.8	-14.6	-3.9	-4.1	-4.2	-4.3	-16.5	-18.6	-21.0
EBITDA	21.2	21.7	5.2	5.9	5.0	5.1	21.3	23.0	25.5
D&A	-1.9	-4.0	-1.3	-1.3	-1.3	-1.4	-5.3	-5.7	-6.1
EBIT	19.3	17.7	3.9	4.6	3.7	3.7	16.0	17.2	19.4
Net earnings*	16.2	0.4	2.4	3.3	2.5	2.5	10.7	14.0	17.6
EPS, EUR	0.36	0.01	0.05	0.07	0.05	0.05	0.23	0.30	0.37
Growth Y/Y (%)	45%	26%	1%	13%	7%	16%	9%	12%	15%
Growth Q/Q (%)			-74%	10%	-4%	5%			
EBITDA (%)	20%	17%	15%	16%	14%	14%	15%	14%	14%
EBIT (%)	18%	13%	12%	12%	10%	10%	11%	11%	10%

Source: Aspire Global, Redeye Research, *from continuing operations

Growth drivers

- **Underlying market:** The European market is Aspire Global's main market and is expected to grow around 5% annually during the period 2019-23.
- **New partnerships:** Aspire Global continues to sign interesting B2B partnerships and launch new B2B brands.
- **New in-house games:** New games is, besides new aggregator customers, an important growth driver for Pariplay.
- **Larger operators:** Currently, Aspire Global is offering mainly white label solutions to smaller operators. However, the group will also start to offer its platform solution to larger operators. Capitalizing on the scalability of the group's robust platform.
- **New regulated markets:** Aspire Global's strategy is to gain and maintain strong positions in regulated markets. We, therefore, expect Aspire Global to continue to enter regulated markets if the conditions are the right. The company has also communicated that it launched several brands in markets within and outside of Europe.
- **Products improvements:** Continuing improving its platform with new features and game verticals will be important to increase the player value and customer intake.
- **Acquisitions:** We believe that the Pariplay acquisition will be followed by additional acquisitions. This is supported by Aspire Global strong financial position.

On the segment level, we expect, as already concluded, that the B2B segment will be the main driver as Aspire Global will continue to focus on B2B expansion. In 2022, we estimate that the B2B segment, excluding acquisitions, will generate about 70% of the revenues.

Aspire Global: Financial forecasts - B2B vs. B2C									
(EURm)	2018	2019	Q1'20	Q2'20E	Q3'20E	Q4'20E	2020E	2021E	2022E
B2B revenues (incl. inter-seg. rev.)	63.8	88.7	24.4	26.8	25.9	27.4	104.5	120.4	138.5
B2B inter-segment revenues	7.2	7.6	1.7	1.8	1.7	1.8	7.0	7.3	8.4
B2B EBITDA	12.4	15.9	3.8	4.3	3.8	4.1	16.0	18.0	20.2
B2B EBITDA margin	19%	18%	16%	16%	15%	15%	15%	15%	15%
B2C revenues	48.0	50.3	11.0	12.1	11.4	11.7	46.1	48.6	55.8
B2C EBITDA	8.8	5.8	1.4	1.6	1.2	1.1	5.3	5.0	5.3
B2C EBITDA margin	18%	11%	13%	14%	11%	9%	11%	10%	9%

Source: Aspire Global, Redeye Research

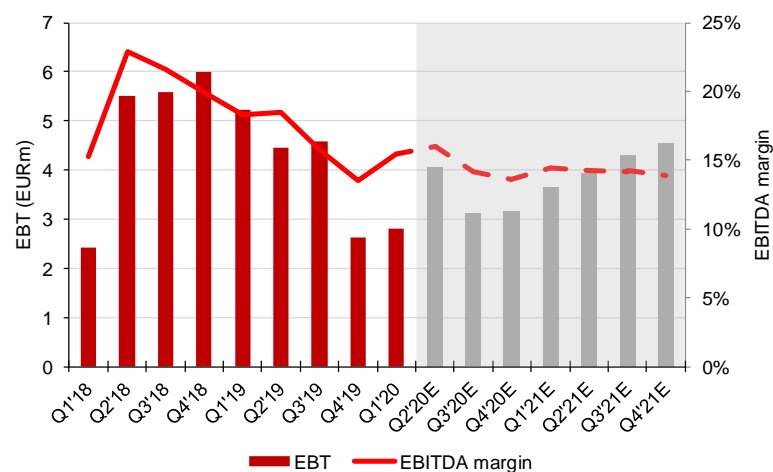
Cost allocation

- **Distribution expenses:** We expect that it will increase as the business grows, but it will decrease in relation to the revenue. The distribution expenses include expenses such as game providers fees, payment providers fees, affiliate commissions, marketing expenses, etc. However, when the B2B partners increase in size, they generally get a high royalty rate, counteracting some of the positive scalability effects. Moreover, the acquired Pariplay has a large portion of distribution expenses within its aggregator operations.
- **Gaming duties:** We expect that it will increase in relation to the revenue as more markets are re-regulated. The Gaming duties and VAT relation to revenue were 6% in Q1. We expect that these will increase to 10% within three years.
- **Administrative expenses:** This item includes expenses for Staff, Rent, Legal, Accounting, Professional Services, and Other. We expect that these expenses will increase over time as the business grows. However, we expect that these expenses will decrease in relation to Aspire Global's revenue, in the long run, due to the scalability of the company's business.
- **Amortization and depreciation:** We expect that this expense item will increase slightly compared to the revenue in the short-term. This because the capitalization of tangibles and intangibles have increased faster during the last year than the revenue. The acquisitions like Pariplay will also increase the intangible assets. Nevertheless, we expect that the scalability of the platform, together with increased revenues, will lower the A&D expenses in relation to the revenue in the long run.

Profit margins

We believe that Aspire Global's underlying business is highly scalable. However, increased regulations with regulatory requirements, gaming duties, and further need for compliance investments will mitigate any positive scalability effects. As a result, we expect that the earnings will be primarily driven by top-line growth.

Aspire Global: EBT and EBITDA margin



Source: Aspire Global, Redeye Research

Forecast changes

The new forecast includes several changes in the numbers and the assumptions compared to the last estimate. Based on the development during the first quarter, we expect that regulations will have a larger impact on both revenues and earnings the previously expected, mainly in the short-term. The long-term growth estimates and profit margins, beyond 2022, are maintained.

Aspire Global									
Estimate revisions (EURm)	2020E			2021E			2022E		
	New	Old	% chg	New	Old	% chg	New	Old	% chg
Revenue	144	136	6%	162	157	3%	186	181	3%
EBITDA	21.3	18.6	14%	23.0	21.2	8%	25.5	23.8	7%
EBITDA margin	15%	14%		14%	13%		14%	13%	
EPS (EUR)	0.23	0.20	17%	0.30	0.27	10%	0.37	0.35	7%

Source: Redeye Research

Investment Thesis

- Strong lock-ins
- Broad growth potential
- Own platform and strong financial position
- Synergies

Strong lock-ins

Aspire Global has demonstrated, over the years, both significant B2B customer loyalty and the ability to attract brands from external platforms. This indicates that it offers an attractive platform that adds value to its customers and creates significant exit barriers through lock-ins. Key elements of this are its wide range of licenses, strong product, exclusive games, and beneficial and transparent business model with a revenue share business model. In our view, existing customers would struggle to find superior alternatives that match these criteria.

Broad growth potential

Aspire Global's model gives it a broad range of options for growth. These include improving the product, adding new gaming verticals, adding new partnership brands, migrating brands from external platforms, marketing campaigns on the B2C brands, adding on new national gambling licenses, expansion in the US, acquisitions, and new in-house games.

Own platform and strong financial position

Aspire Global's proprietary platform, and strong financial position is the perfect combination for future growth. The scalable platform gives it a very strong incentive to grow, and its strong financial position gives it the means of doing so. The platform allows growth to be realized both organically and through acquisitions. Without it, acquisitions would not be a valid option. Owning the platform also gives Aspire Global the freedom to enter any potential market offering the right conditions. Furthermore, Aspire Global's platform is also ready to attract larger operators without their own platform.

Synergies

We believe the Pariplay acquisition will lead to strong synergies. The synergies include monetizing Aspire Global's existing game portfolio of 200 games, lower cost of existing game aggregators, and sharing admin expenses. The Pariplay acquisition also increases the synergy possibilities in future acquisitions, especially as Pariplay has a strong distribution channel.

Counter-Thesis – Bear Points

Regulatory uncertainty

Aspire Global focuses on regulated markets as these offer better scope for attractive B2B partners and are less risky. Even so, regulated markets are not risk-free, as the UK's increased gaming tax illustrates. Moreover, we also expect that the gaming tax expenses will pressure profit margins in the next coming years.

Low player retention

Aspire Global player data raises some questions. While customer intake (FTDs) and Hold (Revenue/Deposit) are clearly impressive, retention levels are lower than competitors'. This could become a significant competitive disadvantage in the long run. Currently, Aspire Global is able to compensate for this with substantial FTDs at a low cost per acquisition (CPA).

New markets/M&A risk

We expect Aspire Global to continue entering new markets and making use of its strong financial position over the next few years. However, both entering new markets and making acquisitions carry significant risks and require careful selection.

In new markets, in-depth knowledge of customer behavior will lack, as well as insight into the most effective marketing channels and partners. Moreover, what works in one market may not work in another due to cultural or/and regulatory differences. Market entries could also require significantly more resources than initially estimated.

Achieving full synergies requires an acquired online gambling brand to be migrated to the existing platform. But migrations are very risky as they quite often lead to loss of customers for the migrated brand. It should, though, be taking into account that Aspire Global has done several successful migrations already.

Valuation

Redeye wants to understand and value the companies we cover better than anyone else. So we're refining our unique approach to assessing investment cases. Our new rating model evaluates companies across as many as 100 criteria. It is ultimately designed to generate more appropriate estimations of WACC than traditional financial theory. In Redeye's view, a realistic hands-on approach that combines fundamentals with common sense is called for in analysing small growth stocks. These lack the market visibility and trading liquidity of large-cap names.

We derive our fair value from a fundamental DCF framework with three scenarios - Base case (most likely), Bear case (pessimistic) and Bull case (optimistic). A central part of the valuation is the weighted average cost of capital (WACC). Based on Redeye Rating, we estimate a WACC of 11.6%, which is used in all three scenarios.

DCF-valuation – Base Case

Summary:

- Sales CAGR of about 9% between 2019-2028
- An average EBIT margin of approximately 11% during the same period
- Terminal growth of 2% and terminal EBIT margin of 10%
- Our base case assumes that Aspire Global will continue to enter regulated markets and enter new B2B partnerships in these markets. In the long-run Aspire Global will be able to grow somewhat faster than the online gambling market due to the B2B solution and new regulated markets.

2020 has started well for Aspire Global. The B2B segment reported strong growth, much driven by impressive player KPIs and Pariplay. The positive development in the UK was extra encouraging, showing that the company's compliance efforts are paying off. We expect that the B2B segment will continue to be Aspire Global's focus in the coming years, which will generate substantial growth. Nonetheless, in the first quarter, the B2C segment showed that it could deliver improved profit margins. However, we expect that more extensive regulations will pressure the margins in the future.

Aspire Global has a strong financial position, which will enable additional acquisitions to strengthen the B2B segment further. We have, however, not added any acquisitions to our estimates as we don't know the conditions of the acquisitions.

Our Base case yields a fair value of **SEK 39** (37) per share.

Aspire Global				
Assumptions:	2019-28	2019-22	2022-28	DCF-value
CAGR Sales	8.8%	12.2%	7.1%	WACC 11.6%
EBIT-margin (avg.)	10.5%	10.7%	10.4%	PV of FCF 122
ROE (avg.)	24%	30%	22%	PV of Terminal Value 50
Terminal				EV 172
Growth of FCF	2%			Net cash 0
EBIT margin	10.0%			Dividend correction 0
EV/S Exit multiple	0.5x			Associated companies 2
EV/EBIT Exit multi	5x			Minorities 0
				DCF-value (EUR) 174
				Fair value per share (SEK) 39
				Today's price 22
				Potential/Risk 80%

Source: Redeye Research

Relative Valuation

Looking at 2020 and 2021, we argue Aspire Global is valued at a considerable discount compared to its peers. We believe that the market is still somewhat unsure about Aspire Global's long-term growth of the earnings per share. Moreover, we recognize that there most likely will be a margin pressure due to more regulated and taxed markets in the coming years. However, we expect Aspire Global to continue growing faster than peers and maintain a double-digit EBIT margin.

Peer valuation												
Company	EV (MSEK)	EV/Sales			EV/EBITDA			SALES CAGR	EBIT CAGR	EBIT margin		
		2019	2020E	2021E	2019	2020E	2021E	19-21E	19-21E	2019	2020E	2021E
Operators												
Flutter Entertainment	182 682	7.1x	5.9x	4.6x	51.4x	30.3x	19.7x	23%	106%	7%	15%	19%
GVC	78 653	1.8x	2.2x	1.7x	15.2x	11.3x	7.8x	2%	n.m.	-5%	11%	16%
William Hill	18 745	1.0x	1.3x	1.0x	9.9x	11.7x	5.8x	-1%	209%	1%	2%	9%
Kindred	12 190	1.1x	1.0x	0.9x	8.1x	7.1x	6.0x	11%	23%	8%	8%	9%
Rank	9 513	1.2x	1.1x	1.1x	9.5x	5.1x	5.3x	2%	38%	6%	11%	10%
Betsson	8 562	1.7x	1.4x	1.3x	6.9x	6.5x	6.1x	15%	5%	17%	16%	14%
888	5 547	1.0x	1.0x	0.9x	6.9x	6.7x	6.1x	8%	15%	9%	10%	11%
Leovegas	4 028	1.2x	1.0x	0.9x	16.7x	6.9x	6.0x	20%	83%	4%	9%	10%
Enlabs	767	1.8x	2.0x	1.4x	6.3x	9.9x	4.5x	16%	17%	24%	14%	24%
Global Gaming	127	0.3x	0.5x	0.4x	-1.1x	21.1x	11.5x	-17%	-94%	-29%	-4%	0%
Median	9 037	1.2x	1.2x	1.1x	8.8x	8.5x	6.1x	10%	23%	6%	10%	10%
B2B												
Scientific Games	94 921	3.0x	3.8x	3.0x	51.4x	30.3x	19.7x	-1%	6%	16%	7%	18%
IGT	93 395	2.1x	2.9x	2.3x	15.2x	11.3x	7.8x	-6%	-5%	13%	9%	14%
PlayTech	11 321	0.7x	0.9x	0.8x	9.9x	11.7x	5.8x	-3%	151%	2%	10%	12%
NetEnt	10 756	6.1x	5.0x	4.6x	8.1x	7.1x	6.0x	15%	34%	30%	35%	40%
Gaming Innovation	644	0.5x	0.9x	1.0x	9.5x	5.1x	5.3x	-31%	n.m.	-45%	-8%	10%
Median	11 321	2.1x	2.9x	2.3x	9.9x	11.3x	6.0x	-3%	20%	13%	9%	14%
Aspire Global	1 012	0.7x	0.7x	0.6x	4.4x	4.5x	4.2x	11%	-1%	13%	11%	11%
At Base case	1 810	1.3x	1.2x	1.1x	7.9x	8.0x	7.4x					

Source: Bloomberg & Redeye Research

SOTP valuation

To add additional support to our DCF valuation, we have done a sum-of-the-parts valuation. It will also help bring clarity on how to value Aspire Global's different business areas.

SOTP valuation						
Segment	(EURm)	Sales 2021	EBITDA 2021	Sales Multiple	EBITDA Multiple	Value
B2B: Platform, gaming development			18.0		7.5x	135
B2C: Online gambling		48.6		0.7x		34
Sum (EURm)						169
EV	169					
Net cash	0					
Value minorities	0					
Value assoc. comp.	2					
SOTP value	170					
Per share (SEK)	39					

Source: Redeye Research

For the more significant B2B segment, we believe that an EBITDA multiple of 7.5x is fair. It is slightly above peers for 2021E, but we believe that Aspire Global has built up a reliable B2B product in the last few years. The value for the B2B segment in our SOTP valuation is estimated to around EUR 135m, which is far above the existing EV for the whole group.

For the smaller B2C segment, we use a Sales multiple as the profit margin for the segments seem to be quite volatile. We believe a sales multiple of 0.7x is fair for a segment that is clearly not the group's focus. This is also more or less in line with the multiple that Betsson paid for GiG's B2C operations.

All in all, the SOTP valuation supports our DCF valuation, and it becomes apparent how undervalued Aspire Global currently is. We also believe that the online gambling market is undervalued, in general, based on the industry's strong cash flows and substantial growth prospects.

Potential M&A target

As already mentioned, we view Aspire Global as attractively valued. We believe that any large gambling company that is seeking both B2C and B2B opportunities in several European markets, would look at Aspire Global. However, as Aspire Global makes more acquisitions, and the complexity of the group increases, we believe a large merger becomes less likely. Nevertheless, a potential divestment of the B2C segment would not be completely unlikely.

Catalysts

We see several potential catalysts in the near future, i.e. within 12 months, that may close the valuation gap between the existing valuation and the base case.

- Successful acquisition of a content supplier that could improve the group's B2B offering further. We expect that Aspire Global can make several additional acquisitions with its strong financial position.
- A turnaround of the negative revenue and margin momentum.
- Entering into a partnership with a major media house in any of the larger markets.
- Aspire Global could be an interesting acquisition target for companies that like to acquire a strong B2B product on the European market.

Scenarios analysis

Bull case

Summary:

- Sales CAGR of about 12% between 2019-2028
- An average EBIT margin of approximately 14% during the same period.
- Terminal growth of 2% and terminal EBIT margin of 12%.
- Our Bull case assumes improved retention rates, successful geographical expansions, launching the proprietary games on external platforms, and value-creating acquisitions.

Our Bull case yields a fair value of SEK 60 (60) per share.

Bear case

Summary:

- Sales CAGR of about 6% between 2019-2028
- An average EBIT margin of approximately 6% during the same period.
- Terminal growth of 2% and terminal EBIT margin of 5%.
- Our Bear case assumes few new markets and few new B2B partnerships in existing markets. The B2C operation will not grow faster than the market at the same time as increased gaming tax will lower the margins further.

Our Bear case yields a fair value of SEK 14 (14) per share.

Valuation summary

Aspire Global is currently valued at a considerable discount compared to peers, which we find unjustified. Given the company's strong position within the B2B segment and long-term growth potential, we would expect the company to be valued above peers. Moreover, the company still has a strong financial position that will enable further value-adding acquisitions.

All in all, we have raised our fair value for Aspire Global, mainly because of the strong start in 2020. We still see a substantial upside at the current valuation, and we still have a positive view of Aspire Global's long-term potential. DCF valuation indicates a value range of SEK 14-60 with a Base case of **SEK 39** per share.

Bear Case SEK 14.0

Sales CAGR of about 6% between 2019-28.

An average EBIT margin of approximately 6% during the same period.

Terminal growth of 2% and terminal EBIT margin of 5%.

Our Bear case assumes few new markets and few new B2B partnerships in existing markets. The B2C operation will not grow faster than the market at the same time as increased gaming tax will lower the margins.

Base Case SEK 39.0

Sales CAGR of about 9% between 2019-28.

An average EBIT margin of approximately 11% during the same period.

Terminal growth of 2% and terminal EBIT margin of 10%.

Our base case assumes that Aspire Global will continue to enter regulated markets and enter new B2B partnerships in these markets. It the long-run Aspire Global will be able to grow faster than the online gambling market due to the B2B solution and new regulated markets.

Bull Case SEK 60.0

Sales CAGR of about 12% between 2019-28.

An average EBIT margin of approximately 14% during the same period.

Terminal growth of 2% and terminal EBIT margin of 12%.

Our Bull case assumes improved retention rates, successful geographical expansions, and value-creating acquisitions.

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report

People: 4

We have confidence in the management team and CEO Tsachi Maimon, who has been CEO of the company since 2013. We claim that his extensive experience and his long history in the company contribute to stability. Also, Tsachi has a good understanding of the market and has the ability to find and evaluate new business opportunities. Aspire Global benefits from a stable ownership structure where the founder and member of the board, Barak Matalon, is the largest shareholder. Also, there is institutional ownership among the biggest shareholders, which we see as a strength. A majority of the management team owns stock options and stocks.

Business: 3

Aspire Global has a historically proven business model and is operating in an industry that is expected to show healthy growth and profitability in the coming years. Further, we see growth opportunities with the prevailing regulation trend and the online gambling industry is rather recession-resilient. On the negative side, there are general and political risks associated with the industry itself. Forward-looking, we expect revenues from regulated markets to increase which will affect margins negatively.

Financials: 3

Aspire Global has a strong cash position with EUR 28m in cash at the end of Q1 20. In 2018, the company issued an EUR 27.5m secured bond under an EUR 80m framework to be prepared for M&A opportunities. We expect that the company will continue to have strong margins and cash flows as well as maintain a high return on invested capital.

INCOME STATEMENT	2018	2019	2020E	2021E	2022E
Net sales	105	131	144	162	186
Total operating costs	-83	-110	-122	-139	-160
EBITDA	21	22	21	23	25
Depreciation	-2	-4	-5	0	0
Amortization	0	0	0	-5	-6
Impairment charges	0	0	0	0	0
EBIT	19	18	16	17	19
Share in profits	0	0	0	0	0
Net financial items	-2	-3	-5	-2	-1
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	17	14	11	15	19
Tax	-1	-15	-1	-1	-2
Net earnings	16	0	11	14	18

BALANCE SHEET	2018	2019	2020E	2021E	2022E
Assets					
<i>Current assets</i>					
Cash in banks	54	29	32	37	49
Receivables	22	25	27	32	37
Inventories	0	0	0	0	0
Other current assets	1	0	0	0	0
Current assets	76	54	59	69	87
<i>Fixed assets</i>					
Tangible assets	1	2	2	2	2
Associated comp.	2	4	4	5	5
Investments	0	0	0	0	0
Goodwill	0	7	7	7	7
Cap. exp. for dev.	0	0	0	0	0
Intangible rights	7	19	26	24	26
Non-current assets	11	13	13	13	13
Total fixed assets	21	47	55	55	58
Deferred tax assets	0	0	0	0	0
Total (assets)	97	101	115	124	145
Liabilities					
<i>Current liabilities</i>					
Short-term debt	0	0	0	0	0
Accounts payable	31	22	39	43	48
Current liabilities	0	15	16	19	21
Current liabilities	31	38	55	61	70
Long-term debt	27	27	16	5	5
Long-term liabilities	1	1	1	1	1
Convertibles	0	0	0	0	0
Total Liabilities	59	65	72	67	75
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	39	34	40	54	66
Minority interest (BS)	0	0	0	0	0
Minority & equity	38	34	39	53	65
Total liab & SE	97	101	115	124	145

FREE CASH FLOW	2018	2019	2020E	2021E	2022E
Net sales	105	131	144	162	186
Total operating costs	-83	-110	-122	-139	-160
Depreciations total	-2	-4	-5	-6	-6
EBIT	19	18	16	17	19
Taxes on EBIT	-1	-1	-1	-1	-1
NOPLAT	18	17	15	16	18
Depreciation	2	4	5	6	6
Gross cash flow	20	21	20	22	24
Change in WC	4	3	15	2	3
Gross CAPEX	-6	-25	-12	-4	-8
Free cash flow	18	-1	23	20	19

CAPITAL STRUCTURE	2018	2019	2020E	2021E	2022E
Equity ratio	39%	34%	34%	43%	45%
Debt/equity ratio	69%	85%	49%	17%	14%
Net debt	-27	0	-12	-29	-40
Capital employed	10	29	20	16	16
Capital turnover rate	1.1	1.3	1.3	1.3	1.3

GROWTH	2018	2019	2020E	2021E	2022E
Sales growth	45%	26%	9%	12%	15%
EPS growth (adj)	58%	-98%	2,503%	29%	25%

DCF VALUATION	
WACC (%)	11.6 %

PROFITABILITY	2018	2019	2020E	2021E	2022E
ROE	50%	1%	29%	30%	30%
ROCE	39%	25%	25%	27%	28%
ROIC	198%	167%	51%	82%	112%
EBITDA margin	20%	17%	15%	14%	14%
EBIT margin	18%	14%	11%	11%	10%
Net margin	15%	0%	7%	9%	9%

DATA PER SHARE	2018	2019	2020E	2021E	2022E
EPS	0.36	0.01	0.23	0.30	0.37
EPS adj	0.36	0.01	0.23	0.30	0.37
Dividend	0.10	0.12	0.00	0.12	0.15
Net debt	-0.60	0.01	-0.26	-0.60	-0.83
Total shares	44.48	46.00	46.80	47.30	47.66

VALUATION	2018	2019	2020E	2021E	2022E
EV	172.8	134.6	79.3	62.8	51.7
P/E	12.4	336.0	8.7	6.7	5.4
P/E diluted	12.4	336.0	8.7	6.7	5.4
P/Sales	1.9	1.0	0.6	0.6	0.5
EV/Sales	1.7	1.0	0.6	0.4	0.3
EV/EBITDA	8.1	6.2	3.7	2.7	2.0
EV/EBIT	8.9	7.6	5.0	3.6	2.7
P/BV	5.2	4.0	2.3	1.7	1.4

SHARE PERFORMANCE	GROWTH/YEAR	18/20E
1 month	15.2 %	Net sales
3 month	5.5 %	Operating profit adj
12 month	-57.5 %	EPS, just
Since start of the year	-28.7 %	Equity

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Barak Matalon	26.0 %	26.0 %
Pini Zahavi	16.5 %	16.5 %
Eli Azur	16.2 %	16.2 %
Aharon Aran	6.5 %	6.5 %
BNY MELLON NA	3.2 %	3.2 %
Avanza Pension	2.6 %	3.2 %
Pakarinen, Janne Heikki Petteri	2.5 %	2.5 %
Fondita Nordic small CAP	1.8 %	1.8 %
Maimon Isaac	1.7 %	1.7 %
Swedbank Robur Ny Teknik BTI	1.7 %	1.7 %

SHARE INFORMATION	
Reuters code	ASPIRE.ST
List	First North Premier
Share price	21.80
Total shares, million	46.4
Market Cap, MSEK	1 010

MANAGEMENT & BOARD	
CEO	Tsachi (Isaac) Maimon
CFO	Motti Gil
IR	
Chairman	Carl Klingberg

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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

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Redeye Rating (2020-05-18)

Rating	People	Business	Financials
5p	13	11	4
3p - 4p	106	80	30
0p - 2p	7	35	92
Company N	126	126	126

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Jonas Amnesten owns shares in the company : No

Kristoffer Lindström owns shares in the company : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.