

# Newgioco Group Inc.

## Starting GLI-33 Certification Process; The Passport to the US Sports Betting Market

NWGI-OTC: \$0.55  
Speculative Buy  
\$1.80 Target

**Event:** NWGI announced it has started coding to obtain GLI-33 certification. All figures are in USD unless otherwise noted.

Projected Return: 227%

**Investment Thesis:** NWGI announced that the Company has started coding to obtain the latest standard of GLI (Gaming Laboratories International, LLC) certification of its ELYS betting platform in preparation to launch its US sports betting business. GLI has been testing gaming devices since 1989, and over the years, has developed numerous technical standards utilized by jurisdictions all over the world. GLI-33 sets forth the Technical Standards for Event Wagering Systems. On September 3, 2018, NWGI switched-on new code developed over the past year by the Odissea technology team, which was successfully certified on a first test run by the Italian regulator Agenzia delle Dogane e dei Monopoli (ADM) and SOGEL and represents a critical connection that efficiently allows ELYS to communicate directly with government regulators. As a result, NWGI breaks free from the reliance on a key third-party provider and can now communicate completely independently with any gaming regulator's control software. **We maintain our Speculative Buy rating and DCF-based target of \$1.80.**

### Focus Points:

**Italy is Highly Fragmented.** The Italian gaming market (land-based and online) is the largest in the EU and highly fragmented. NWGI currently has the 20th largest share of the Italian online market – a tremendous opportunity exists in rolling up smaller operators beneath it while staying under the radar of the larger players.

**Technology.** The NWGI platform is among the most advanced in the sports betting world. It guarantees efficiency, flexibility and innovative solutions to all operators who use its services. With over 150,000 events per season and more than 90,000 events in Live mode, the NWGI platform has been stress tested to handle 200,000 bets/minute.

**Experienced Team.** NWGI's management team has a combined 100+ years' experience in gaming and technology development. An extensive network in the Italian marketplace among operators and government should be beneficial as NWGI expands in the region and seeks opportunities abroad. **We believe the new board additions have the experience and networks to drive international expansion – including the US sports betting market.**

**B2B Opportunities on the Horizon.** The Italian regulator requires a minimum 50 retail licenses before being able to white-label betting platforms to other operators in the region. Newgioco currently holds nine retail licenses/rights. With the recently completed financing, we expect Newgioco to meet the 50-license threshold and start showing B2B revenue for the many Italian operators that are looking to leave Snaitech (recently acquired by Playtech (PTEC-LON, NR), Microgame, Exalogic, and others for various reasons. **Controlling its own platform, and moving away from Snaitech, Exalogic and Microgame over time, has made Newgioco less dependent on third-party providers - and more attractive to partners in the Italian market.**

**Valuation:** NWGI is currently trading, on our estimates, at a 2019E EV/Sales and EV/EBITDA of 0.9x/6.6x versus its Global Gaming comparables at 2.4x/8.3x, respectively.

Market Data (US\$)	
Market Capitalization	42
Net Debt	(5.6)
Enterprise Value	36
Basic Shares O/S	75.54
Avg. Daily Volume (M)	0.058
52 Week Range	\$1.78 / \$0.09
Dividend Yield	0.0%

Management	
CEO	Michele Ciavarella
COO	Alessandro Marcelli
CFO	Jay Caldwell
CTO	Luca Pasquini

Top Institutional Ownership	% Held
#N/A	#N/A

Total Insider Ownership	76.0%
-------------------------	-------

Revisions (US\$)	New	Old
2018 Revenue	35.41	
2018 EBITDA	3.77	
2018 EPS	(0.06)	

Financial Metrics (US\$)			
FYE 31-Dec	2017	2018E	2019E
Total Revenue	22.9	35.4	39.2
EBITDA	3.3	3.8	5.4
EBITDA (%)	14.4%	10.7%	13.7%
Diluted EPS	0.02	(0.06)	0.04

Valuation Data		
DCF - Current/Target		0.55 / 1.80
EV/Rev	1.2	0.8 / 0.7
EV/EBITDA	8.3	7.2 / 5.1
P/E	30.3	(8.9) / 12.8

Quarterly Data (US\$)					
		Q1	Q2	Q3	Q4
Revenue	2018	8.6	8.8	8.9	9.1
	2019	9.3	9.8	9.8	10.2
Adj. EBITDA	2018	0.6	1.1	1.0	1.1
	2019	1.3	1.3	1.3	1.4
EPS	2018	0.01	(0.09)	0.01	0.01
	2019	0.01	0.01	0.01	0.01

**Company Description**  
Newgioco Group, Inc. engages in the operation of licensed gaming. It provides retail web-based and land-based gaming services. It offers online casino, sports betting, virtual sports betting, horse racing, and physical slots. The company was founded on August 26, 1998 and is headquartered in Toronto, Canada.



Source: Consensus Data – FactSet, Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

## Starting GLI-33 Certification Process; The Passport to the US Sports Betting Market

NWGI announced that the Company has started coding to obtain the latest standard of GLI certification of its ELYS betting platform in preparation to launch its US sports betting business. GLI has been testing gaming devices since 1989, and over the years, has developed numerous technical standards utilized by jurisdictions all over the world. GLI-33 sets forth the Technical Standards for Event Wagering Systems. On September 3, 2018, NWGI switched-on new code developed over the past year by the Odyssea technology team, which was successfully certified on a first test run by the Italian regulator ADM and SOGEI and represents a critical connection that efficiently allows ELYS to communicate directly with government regulators. As a result, NWGI breaks free from the reliance on a key third-party provider and can now communicate completely independently with any gaming regulator's control software.

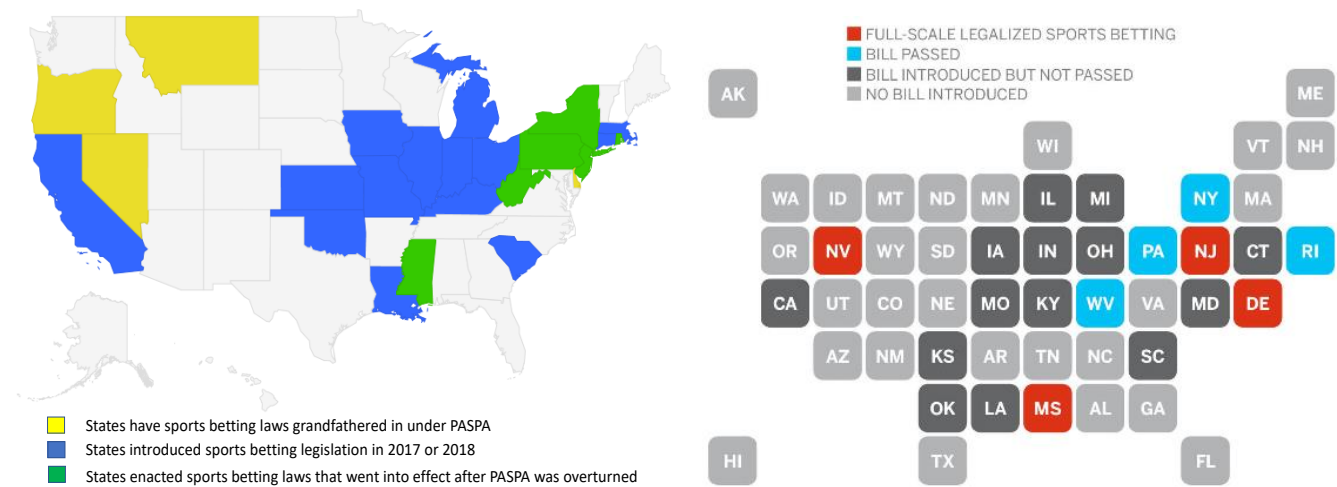
Already certified in Italy, one of the most rigorous regulated gaming jurisdictions in the world, NWGI's innovative ELYS shop-client architecture built on the latest Microsoft .NET platform, is one of the newest and most cost-effective betting software platforms in the industry. Given the fragmented, regional nature of the Italian market, ELYS is perfectly designed to suit the U.S. market by providing a powerful and highly customisable betting solution for independent casino and licensed gaming operators throughout each independent State and their unique gaming laws.

### Online Gambling Status – US

Until recently, the Interstate Wire Act of 1961, combined with the Professional and Amateur Sport Protection Act (PASPA) of 1992, prohibited sports betting in the US in all but four grandfathered states (Montana, Oregon, Nevada, Delaware). Despite its illegal status, sports betting has been a thriving underground business, with the American Gaming Association (AGA) estimating that in 2015, \$149B was wagered illegally on US sports – the 2016 Super Bowl 50 alone attracted \$4.1B in illegal wagers, with only ~\$100M placed legally.

In mid-May 2018, the US Supreme Court overturned PASPA in a decision that found PASPA unconstitutional in a 7-2 decision. **What this means is it will be up to individual states to decide whether to allow its residents to bet on sports.** Many are expected to move quickly to establish sports betting as a means to increase their respective coffers. We have since seen a number of states pass legislation to allow online gambling. We believe the US market will take three to five years to fully develop.

### Exhibit 1 – What’s the Current State of Sports Betting in the US?



Source: [www.playusa.com](http://www.playusa.com); ESPN

## Financial Estimates

NWGI has a December fiscal year-end. Quarterly results have been sequentially improving as the Company's Odissea solution was rolled out to its online sports platform and replaced Microgame in August 2017. Seasonally, Q1 and Q4 are strongest due to the number of sports under way in those periods, with Q2 and Q3 generally quieter as casino and other table games are the focus. NWGI had a strong Q218 which included 15 days of the 2018 World Cup – Q218 revenue was \$8.8M, with adj. EBITDA of \$1.1M (excl. the non-cash derivative liability related to the convertible debenture and share price volatility through Q218). Non-GAAP betting turnover in Q218 was \$100M (+101.6% y/y), and \$190.6M (+86.3% y/y) for H118. **NWGI is on track to exceed its 2018 projected turnover target of ~\$300M.**

NWGI has obtained final SOGEI certification just in time for the start of the 2018/2019 soccer season. Odissea is now independently connected to the regulator and completely free from third party processing.

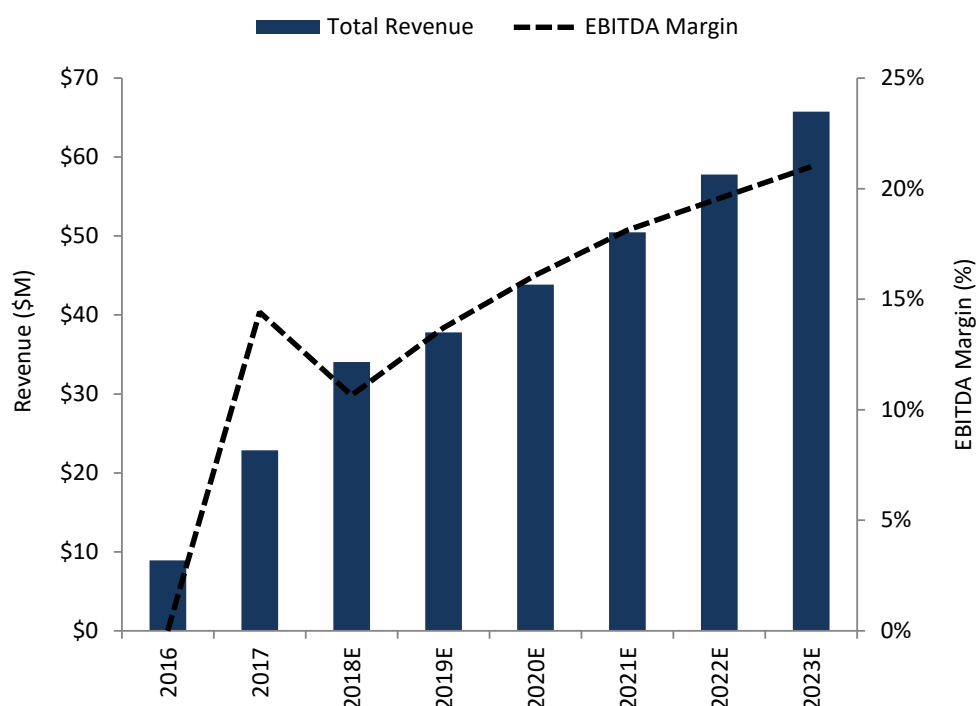
### Exhibit 2 – Quarterly Summary

Forecasts	Q118	Q218	Q318	Q318E	Diff.	Q418E	2018E	Q119E
Revenue (\$M)	\$8.6	\$8.8		\$8.9		\$9.1	\$35.4	\$9.3
EBITDA (\$M)	\$0.6	\$1.1		\$1.0		\$1.1	\$3.8	\$1.3
EPS (FD)	\$0.01	(\$0.09)		\$0.01		\$0.01	(\$0.06)	\$0.01
EPS (Basic)	\$0.01	(\$0.09)		\$0.01		\$0.01	(\$0.06)	\$0.01
CFPS	\$0.02	(\$0.00)		\$0.01		\$0.01	\$0.04	\$0.01

Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

Longer term, we expect EBITDA margins to trend toward 25% as more users scale on the platform through organic and inorganic growth. **We remind investors that the Italian marketplace is highly fragmented and retail operations are a necessity in this marketplace.** We believe the Italian online market is where the UK market was 10 years ago, and the real growth is ahead of us.

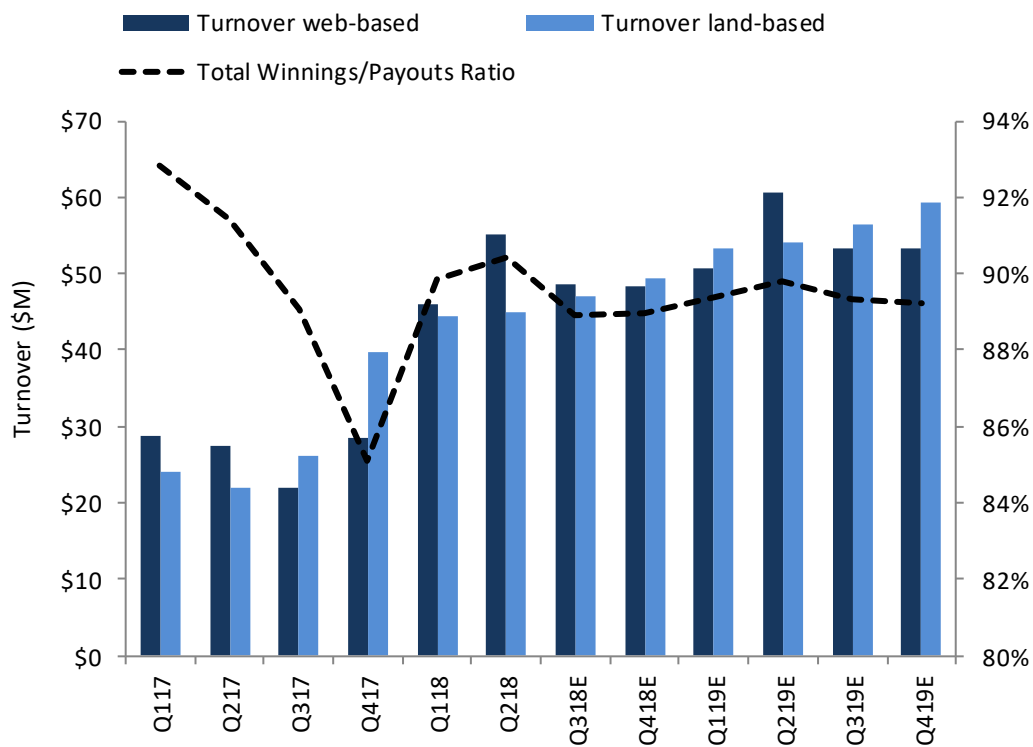
### Exhibit 3 – Revenue and EBITDA Margins



Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

**Turnover is the key metric when analyzing a sportsbook.** Historically, NWGI’s payout ratio has been under 90%, meaning the house’s keep has been averaging north of 10%. In its Q218 filings, web-based turnover grew 100% y/y to \$55.0M, with land-based turnover expanding 104% y/y to \$45.0M. We like the near ~50/50 split between web-based and retail turnover, furthering our belief that retail operations are a key cultural bias in the Italian marketplace.

**Exhibit 4 – Turnover (Online vs. Land-based)**



Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

## Valuation

NWGI is currently trading, on our estimates, at a 2019E EV/Sales and EV/EBITDA of 0.9x/6.6x versus its Global Gaming comparables at 2.4x/8.3x, respectively.

### Exhibit 5 – Global Gaming Comparables

	Ticker	Price (Local)	Rating	Target (Local)	Mkt Cap (US\$M)	LTM Rev (US\$M)	EV/Sales			EV/EBITDA			P/E		
							2017	2018	2019	2017	2018	2019	2017	2018	2019
<b>Stars Group Inc.</b>	TSGI-CA	\$ 31.97	BUY	\$ 57.00	6,589	1,494	4.6	2.8	2.1	10.0	7.5	5.4	10.8	11.2	9.9
<b>JPJ Group Plc</b>	JPJ-GB	£ 8.01	BUY	£ 13.00	770	429	2.9	3.0	2.8	8.1	8.8	8.5	7.3	7.0	6.5
<b>Intertain Group Limited</b>	ITX-CA	\$ 13.16	BUY	\$ 23.00											
<b>Pollard Banknote Limited</b>	PBL-CA	\$ 20.60	BUY	\$ 28.00	400	249	2.1	1.7	1.6	13.4	11.1	9.9	28.4	24.5	18.2
Great Canadian Gaming Corporation	GC-CA	\$ 44.19			2,052	665	5.0	2.6	2.2	13.8	8.0	6.9	31.2	17.5	15.2
Quantum International Income Corp.	QIC-CA	\$ 1.00			53	62	-	-	-	-	-	-	-	-	-
Breaking Data Corp.	BKD-CA	\$ 0.76			8	9	-	-	-	-	-	-	-	-	-
<b>Newjioco Group Inc</b>	<b>NWGI</b>	<b>\$ 0.55</b>	<b>SPEC BUY</b>	<b>\$ 1.80</b>	<b>42</b>	<b>32</b>	<b>-</b>	<b>1.0</b>	<b>0.9</b>	<b>-</b>	<b>9.4</b>	<b>6.6</b>	<b>-</b>	<b>-</b>	<b>13.8</b>
Jackpot Digital Inc	JP-CA	\$ 0.24			9	2	-	-	-	-	-	-	-	-	-
Global Daily Fantasy Sports, Inc.	DFS-CA	\$ 0.13			5	0	-	-	-	-	-	-	-	-	-
Tangelo Games Corp.	GEL-CA	\$ 0.02			3	27	-	-	-	-	-	-	-	-	-
Contagious Gaming Inc.	CNS-CA	\$ 0.07			1.3	0.3	-	-	-	-	-	-	-	-	-
Scientific Games Corporation	SGMS	25.90			2,368	3,248	3.6	3.3	3.2	9.1	8.3	7.9	NM	NM	NM
Everi Holdings, Inc.	EVRI	7.96			554	737	1.7	3.6	NM	7.7	7.1	NM	NM	NM	NM
Inspired Entertainment, Inc.	INSE	6.90			148	148	NM	1.8	1.7	NM	4.9	4.4	NM	NM	NM
Paddy Power Betfair plc	PPB-GB	68.70			7,312	2,398	3.0	3.0	2.7	11.1	11.9	11.8	16.2	17.4	16.9
International Game Technology PLC	IGT	19.02			3,878	4,941	2.3	2.3	2.2	6.7	6.4	6.2	22.1	16.6	10.6
GVC Holdings PLC	GVC-GB	10.92			8,179	1,011	3.8	1.0	0.9	13.7	4.5	4.1	20.5	13.7	12.5
Playtech plc	PTEC-GB	4.87			2,001	982	2.8	1.8	1.4	6.8	7.0	5.6	7.7	8.7	7.6
William Hill PLC	WMH-GB	2.60			2,892	2,253	1.3	1.4	1.4	6.0	7.1	6.8	8.7	11.3	10.7
Kindred Group plc (Unibet)	KIND-SE	104.65			2,646	1,161	2.6	2.4	2.2	10.8	10.7	11.1	14.2	14.6	15.3
bet-at-home.com AG	ACX-DE	59.95			489	157	2.3	2.3	2.3	8.1	8.5	8.7	12.7	13.1	13.4
Evolution Gaming Group AB	EVO-SE	653.50			2,582	76	11.6	9.2	7.4	25.5	20.6	16.6	33.3	27.4	22.5
NetEnt AB Class B	NET.B-SE	33.38			880	203	4.2	4.4	4.1	9.2	9.5	8.8	13.4	13.7	13.0
Rank Group Plc	RNK-GB	1.71			864	910	1.0	1.0	0.9	5.3	5.6	5.3	10.8	11.6	10.7
888 Holdings Plc	888-GB	2.27			1,073	542	1.7	1.6	1.5	10.2	8.5	8.1	15.0	14.3	13.7
Betsson AB Class B	BETS.B-SE	66.83			1,016	599	2.0	2.0	1.8	8.0	7.6	8.1	11.0	9.8	10.8
Stride Gaming PLC	STR-GB	1.00			98	118	0.5	NM	NM	2.4	NM	NM	3.7	NM	NM
LeoVegas AB	LEO-SE	62.70			687	121	2.8	1.8	1.4	NM	NM	8.9	NM	NM	11.1
Cherry AB Class B	CHER.B-SE	53.00			604	80	2.7	2.4	2.1	NM	NM	9.0	NM	NM	11.5
Kambi Group plc Class B	KAMBI-SE	171.80			568	42	7.1	6.5	5.1	27.7	24.1	15.7	76.8	69.6	31.4
Mr Green & Co AB	MRG-SE	40.92			184	170	0.9	0.7	0.6	5.5	4.8	3.8	13.5	14.4	9.5
Spotech PLC	SPO-GB	0.63			153	83	NM	NM	NM	NM	NM	NM	NM	NM	NM
Gamenet Group SpA	GAME-IT	8.77			306	699	0.7	0.7	0.6	4.9	4.8	3.2	18.5	16.8	7.1
Aristocrat Leisure Limited	ALL-AU	30.22			13,910	2,170	8.5	6.0	5.0	21.1	16.3	13.6	33.8	24.8	20.3
Tabcorp Holdings Limited	TAH-AU	4.80			6,965	2,133	4.2	2.6	1.9	18.7	13.5	9.4	20.4	27.3	23.4
Ainsworth Game Technology Limited	AGI-AU	1.10			262	206	1.3	1.5	1.5	4.6	6.0	6.1	6.6	12.0	12.6
<b>AVERAGES:</b>							3.1	2.8	2.4	10.6	9.4	8.3	18.9	18.7	14.2

Source: Consensus Data – FactSet

## Industry Consolidation

We have seen plenty of M&A activity across both the online gambling (Stars Group/SkyBet/CrownBet/WMH Australia, Paddy Power/Betfair, Ladbrokes/Coral, GVC/BWIN) and lottery (IGT (IGT-US, NR)/GTECH, Pollard/Innova) sectors. We expect this activity to continue as companies look to fill platform and geographic gaps in their offerings. Most recently, Ladbrokes agreed to a £4B takeover by GVC (GVC-LON, NR) – which would yield a fast-growing, diversified, international online and retail sports betting led gaming group with over 90% of net revenues generated from locally regulated/taxed markets. Some analysts expect up to £100M in synergy savings post-integration (Source: gbgc).

From a Canadian perspective, the notable consolidation in 2017 was that of NYX Gaming Group by Scientific Games (SGMS-US, NR) for \$500M. In 2016, NYX acquired the leading B2B sportsbook operator in OpenBet in a deal valued at \$383M. The NYX acquisition expands Scientific Games' pedigree with global sportsbook reach and integration with some of the leading global online sportsbooks. **Average takeout multiples in the gaming sector in recent years have ranged around ~3x revenue and ~11x EBITDA.** We believe the global gaming industry is still very much fragmented, and with a challenging regulatory environment, further consolidation is the only logical solution forward.

From an Italian perspective, the two most notable deals are: Playtech acquiring Snaitech for €846M, and Gamenet (GAME-MIL, NR) acquiring GoldBet for €265M:

(1) The Playtech deal was a continuation of its strategy to invest in leading retail brands in fast growing, regulated markets. According to *Gaming Intelligence*, the acquisition valued Snaitech at an implied EV/EBITDA of 6.2x, and is expected to deliver annual cost synergies of €10.0M. Snaitech, which merged with Italian rival Cogetech last year, generated revenue of €889.6M in 2017 with EBITDA of €132.7M.

(2) According to *CalvinAyre.com*, Gamenet's addition of Goldbet's 990 Italian betting shops will create a combined retail footprint of around 1,700 shops, equaling roughly 21% of the country's retail sports betting market. The combined entity would also control 7% of Italy's online betting market and a one-third share of the lucrative virtual betting sector. Goldbet reported annual earnings of €40m and a net profit of €23m in 2017, and its earnings through the 12 months ending June 30, 2018 are believed to have hit €50m. The acquisition valued GoldBet at an implied EV/EBITDA of 6.6x. Since these are all CED locations (with no Rights), Gamenet would need to buy 990 rights at the tender to keep all the locations going.

**Exhibit 6 – Recent M&A Activity in the Online Gambling and Lottery Sectors**

Announced	Closed	Acquirer	Target	Value (US\$M)		
				Transaction	EV/Sales	EV/EBITDA
21 Jun '16	21 Jun '16	Tencent	Supercell	\$8,600.0	4.4	10.6
26 Aug '15	02 Feb '16	Paddy Power	Betfair	\$8,000.0	5.4	23.7
07 Dec '17	21 Mar '18	GVC Holdings	Ladbrokes Coral	\$6,607.0	2.5	17.2
16 Jul '14	07 Apr '15	GTECH	IGT	\$6,465.4	3.0	9.8
19 Oct '16	13 Dec '17	Tabcorp Holdings	Tatts Group Ltd.	\$5,536.0	2.6	14.4
22 Jun '15	01 Nov '16	Ladbrokes Plc	Gala Coral Group Ltd.	\$5,272.0	2.6	12.4
01 Aug '14	21 Nov '14	Scientific Games	Bally Technologies	\$5,027.1	4.1	11.9
12 Jun '14	01 Aug '14	Amaya	Rational/Pokerstars	\$4,900.0	4.4	11.5
21 Apr '18	10 Jul '18	Stars Group	Sky Beting & Gaming	\$4,700.0	5.4	16.6
30 Jul '16	23 Sep '16	Chinese consortium	Playtika/Caesars Ent	\$4,400.0	5.3	13.0
22 Jun '15	01 Nov '16	Ladbrokes Plc	Gala Coral	\$3,601.8	1.9	8.7
26 Aug '15	02 Feb '16	Paddy Power Plc	Betfair Group	\$3,351.0	4.4	17.5
04 Sep '15	01 Feb '16	GVC/Cerberus	bwin.party	\$1,713.0	2.1	15.1
31 Jan '13	18 Oct '13	Scientific Games	WMS Industries	\$1,549.7	2.3	7.5
15 May '15	01 Feb '16	GVC Holdings	bwin.party	\$1,483.0	1.8	13
16 May '12	20 Nov '12	Boyd Gaming	Peninsula Gaming	\$1,444.0	4.1	12.9
16 Jul '13	25 Nov '13	Bally Technologies	SHFL entertainment	\$1,283.5	4.7	15.5
07 Jul '14	21 Oct '14	Aristocrat Leisure	Video Gaming Technologies (VGT)	\$1,283.0	5.4	8.3
29 Jul '10	31 Mar '11	PartyGaming	bwin.party	\$1,055.2	2.6	17.5
29 Nov '17	09 Jan '18	Aristocrat Leisure	Big Fish Games/CHDN	\$990.0	2.2	11.9
08 Sep '14	19 Dec '14	Everi	Multimedia Games	\$983.0	4.5	9.5
12 Apr '18	03 Aug '18	Playtech	SNAI TECH SpA	\$972.9	1.0	6.2
17 Apr '17	01 Jun '17	DoubleUGames Co	Double Down/IGT	\$825.0	3.0	10.5
05 Feb '15	08 Apr '15	Intertain Group	Gamesys (Jackpotjoy)	\$682.5	3.4	6.6
01 Oct '12	19 Mar '13	GVC/William Hill	Sportingbet Plc	\$673.1	2.3	10.2
12 Nov '14	16 Dec '14	Church Downs	Big Fish Games	\$636.0	2.0	8.4
20 Sep '17	05 Jan '18	Scientific Games	NYX Gaming	\$501.0	2.9	11.7
10 Aug '17	19 Oct '17	Aristocrat Leisure	Plarium Global	\$500.0	2.5	11.3
12 Jan '12	20 Jan '12	IGT	DoubleDown	\$500.0	3.9	14.3
04 Apr '16	20 May '16	NYX Gaming	OpenBet	\$383.0	3.7	8.1
30 Mar '15	29 May '15	Apollo Global Management	Amaya's Cadillac Jack	\$382.0	3.1	10.2
24 Jul '18	Pending	Gamenet Group SpA	GoldBet Srl (from Sky Plc)	\$310.2	—	6.6
06 Mar '18	23 Apr '18	Stars Group	William Hill Australia	\$234.0	1.7	39.7
07 Feb '14	04 Mar '14	Betsson	Class One Holding	\$197.2	4.5	6.6
23 Feb '17	06 Jun '17	Kindred Group Plc	32Red Plc	\$196.0	2.3	15.2
03 Aug '16	03 Aug '16	Penn National Gaming	Rocket Games	\$170.0	—	6.3
25 Sep '12	05 Nov '12	Amaya	Cadillac Jack	\$167.0	2.1	8.0
25 Feb '14	15 Mar '14	GSN	Bash Gaming	\$165.0	2.1	6.6
26 May '11	31 Aug '11	Sportingbet Plc	Centrebet International	\$157.1	2.4	10.9
13 Jul '16	13 Jul '16	Playtech	Best Gaming Tech	\$153.0	3.7	11.9
09 Apr '15	31 Jul '15	NYX Gaming	Chartwell/CryptoLogics	\$150.0	4.3	14.3
09 Oct '14	23 Dec '14	Intertain Group	Dumarca/Vera&John	\$118.7	3.2	11.0
18 Apr '12	20 Jun '12	Betsson	Nordic Gaming Group	\$111.7	1.7	—
04 Jun '14	14 Jul '14	Intertain Group	Mandalay Media	\$100.4	3.4	6.9
05 Jun '14	03 Jul '14	Bally Technologies	Dragonplay	\$100.0	5.0	10.0
07 Aug '15	16 Sep '15	Unibet	iGame	\$87.7	2.9	8.4
13 May '11	15 Jun '11	Betsson	Safepay Malta	\$85.2	2.3	—
29 Jun '15	23 Jul '15	Betsson	Europe-Bet.com	\$85.0	1.6	4.1
21 Oct '13	11 Feb '14	Goldstar (Intertain)	Wagerlogic (InterCasino assets)	\$56.8	3.8	11.4
19 Feb '13	19 Feb '13	Betsson	Scandinavian Slots from Cherry AB	\$53.0	1.7	5.4
29 Jul '16	31 Aug '16	Stride Gaming Plc	Tarco Ltd.	\$51.1	—	—
10 May '17	10 May '17	Paddy Power Betfair	Starstreet, Inc.	\$48.0	—	—
29 Jul '16	31 Aug '16	Stride Gaming Plc	8Ball Games Ltd.	\$41.0	—	—
24 Jan '13	01 Mar '13	Ladbrokes Plc	Global Betting Exchange (Betdaq)	\$39.8	3.0	12.1
31 Jul '15	31 Jul '15	Stride Gaming	InfiApps	\$39.2	2.9	11.5
01 Oct '12	01 Nov '12	Amaya	Ongame Network from bwin.party	\$32.2	1.5	-
10 Mar '17	18 Sep '17	Pollard Banknote	Innova Gaming Group	\$28.8	1.3	7.3
12 Jun '13	14 Feb '14	Amaya	Diamond Game Enterprises	\$25.0	1.2	—
31 Aug '16	18 Jan '17	Scientific Games	DEQ Systems	\$19.7	2.7	—
15 Dec '11	01 Aug '12	Amaya	CryptoLogic	\$16.1	0.7	5.0
12 May '11	14 Jul '11	Amaya	Chartwell Technology	\$9.6	1.0	—
02 Jul '15	14 Aug '15	Jackpot Digital	PokerTek, Inc.	\$5.4	7.3	1.3
				<b>Average</b>	<b>3.0</b>	<b>11.3</b>

Source: Echelon Wealth Partners, FactSet

**Newgioco Group – Tear Sheet**

**(NWGI-US, Spec Buy, \$1.80 PT)**



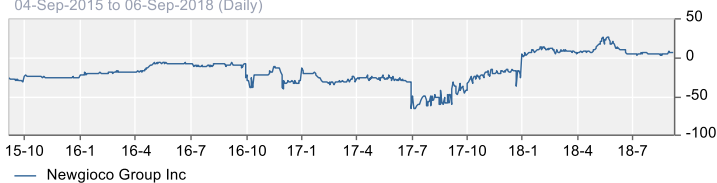
**Company Description**  
Newgioco Group, Inc. engages in the operation of licensed gaming. It provides retail web-based and land-based gaming services. It offers online casino, sports betting, virtual sports betting, horse racing, and physical slots. The company was founded on August 26, 1998 and is headquartered in Toronto, Canada.

Consensus	Current	Return
Rating:	Spec Buy	
Target:	\$ 1.80	227%
Median:	\$ 1.80	227%
High:	\$ 1.80	227%
Low:	\$ 1.80	227%

Consensus	
Buy	1
Hold	0
Sell	0
# of Ratings	1

**Enterprise Value to EBITDA**

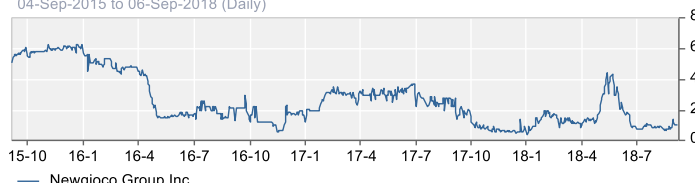
04-Sep-2015 to 06-Sep-2018 (Daily)



Source: FactSet Fundamentals

**Enterprise Value to Sales**

04-Sep-2015 to 06-Sep-2018 (Daily)



Source: FactSet Fundamentals

Financial Summary/Key Metrics	2016	2017	Q118	Q218	Q318E	Q418E	2018E	2019E	2020E	2021E
Gaming Revenue	8.90	22.87	8.59	8.82	8.89	9.10	35.41	39.21	45.51	52.43
<b>Total Revenue</b>	<b>8.90</b>	<b>22.87</b>	<b>8.59</b>	<b>8.82</b>	<b>8.89</b>	<b>9.10</b>	<b>35.41</b>	<b>39.21</b>	<b>45.51</b>	<b>52.43</b>
Growth y/y		157%	122%	115%	74%	-7%	55%	11%	16%	15%
Consensus										
<b>EBITDA</b>	<b>(0.00)</b>	<b>3.30</b>	<b>0.63</b>	<b>1.05</b>	<b>1.03</b>	<b>1.06</b>	<b>3.77</b>	<b>5.36</b>	<b>7.31</b>	<b>9.49</b>
Growth y/y		NM	NM	119%	46%	-60%	14%	42%	36%	30%
<b>Diluted EPS</b>	<b>(0.03)</b>	<b>0.02</b>	<b>0.01</b>	<b>(0.09)</b>	<b>0.01</b>	<b>0.01</b>	<b>(0.06)</b>	<b>0.04</b>	<b>0.07</b>	<b>0.09</b>
Growth y/y		-152%	-189%	-3151%	93%	-67%	-442%	-169%	52%	36%
<b>Cash</b>	<b>2.23</b>	<b>6.47</b>	<b>7.19</b>	<b>6.79</b>	<b>7.58</b>	<b>7.95</b>	<b>7.95</b>	<b>11.38</b>	<b>16.71</b>	<b>23.92</b>
<b>Net Debt</b>	<b>(1.56)</b>	<b>(4.28)</b>	<b>(6.54)</b>	<b>(6.20)</b>	<b>(7.11)</b>	<b>(7.59)</b>	<b>(7.59)</b>	<b>(11.34)</b>	<b>(16.88)</b>	<b>(24.23)</b>
<b>CAPEX</b>	<b>0.15</b>	<b>0.18</b>	<b>0.18</b>	<b>4.26</b>	<b>0.19</b>	<b>0.26</b>	<b>4.89</b>	<b>0.21</b>	<b>0.23</b>	<b>0.25</b>

Top Inst. Ownership	% Held
#N/A	#N/A

Balance Sheet	2016	2017	Q118	Q218	Q318E	Q418E	2018E	2019E	2020E	2021E
<b>Cash</b>	<b>2.23</b>	<b>6.47</b>	<b>7.19</b>	<b>6.79</b>	<b>7.58</b>	<b>7.95</b>	<b>7.95</b>	<b>11.38</b>	<b>16.71</b>	<b>23.92</b>
<b>Trade &amp; Other Receivables</b>	<b>0.24</b>	<b>1.28</b>	<b>0.96</b>	<b>1.36</b>	<b>1.17</b>	<b>1.19</b>	<b>1.19</b>	<b>1.34</b>	<b>1.56</b>	<b>1.80</b>
<b>Total Current Assets</b>	<b>2.79</b>	<b>7.85</b>	<b>8.34</b>	<b>8.51</b>	<b>9.03</b>	<b>9.43</b>	<b>9.43</b>	<b>13.04</b>	<b>18.63</b>	<b>26.12</b>
<b>Intangible Assets</b>	<b>3.69</b>	<b>3.25</b>	<b>3.14</b>	<b>12.75</b>	<b>12.68</b>	<b>12.61</b>	<b>12.61</b>	<b>12.35</b>	<b>12.08</b>	<b>11.83</b>
<b>Total Assets</b>	<b>7.43</b>	<b>12.22</b>	<b>13.12</b>	<b>22.72</b>	<b>23.34</b>	<b>23.92</b>	<b>23.92</b>	<b>27.34</b>	<b>32.76</b>	<b>40.08</b>
<b>Trade &amp; Other Payables</b>	<b>3.13</b>	<b>4.44</b>	<b>5.37</b>	<b>4.98</b>	<b>5.20</b>	<b>5.33</b>	<b>5.33</b>	<b>5.85</b>	<b>6.60</b>	<b>7.41</b>
<b>Short-Term Debt</b>	<b>0.62</b>	<b>2.11</b>	<b>0.92</b>	<b>0.86</b>	<b>0.76</b>	<b>0.67</b>	<b>0.67</b>	<b>0.44</b>	<b>0.29</b>	<b>0.19</b>
<b>Total Current Liabilities</b>	<b>4.20</b>	<b>7.21</b>	<b>7.20</b>	<b>18.34</b>	<b>18.46</b>	<b>18.49</b>	<b>18.49</b>	<b>18.79</b>	<b>19.38</b>	<b>20.09</b>
<b>Total Liabilities</b>	<b>4.94</b>	<b>8.11</b>	<b>8.15</b>	<b>19.24</b>	<b>19.35</b>	<b>19.37</b>	<b>19.37</b>	<b>19.57</b>	<b>20.11</b>	<b>20.78</b>
<b>Total Liabilities &amp; Shareholders E</b>	<b>7.43</b>	<b>12.22</b>	<b>13.12</b>	<b>22.72</b>	<b>23.34</b>	<b>23.92</b>	<b>23.92</b>	<b>27.34</b>	<b>32.76</b>	<b>40.08</b>

Key Statistics	Value
52 Wk High	1.78
52 Wk Low	0.09
YTD Chg.	112%
1 Yr. Chg.	67%
Beta	4.15
Market Cap	41.55
EV	35.48
Shares Outstanding	75.54
LTM Dividend	-
Dividend Yield	0.0%

Valuation	2017	2018E
EV/Rev	1.2	0.8
EV/EBITDA	8.2	7.1
P/E	23.0	6.7

Comparables Multiples Analysis	Price	Target	Div Yield	Return				Rev (US\$M)		EBITDA (US\$M)		EPS (US\$)		
				1 Week	1 Month	3 Month	YTD	1 Year	2017	2018	2017	2018	2017	2018
NWGI	0.55	1.80	0.0%	-8%	13%	-44%	112%	67%	22.9	35.4	3.3	3.8	0.02	0.04
TSGI-CA	31.97		0.0%	-13%	-25%	-33%	9%	59%	1,312	2,101	600	797	2.25	2.16
PPB-GB	68.7		2.9%	-2%	-16%	-22%	-22%	-5%	2,425	2,407	655	611	5.48	5.11
GVC-GB	10.92		2.7%	-2%	-3%	5%	18%	41%	1,104	4,341	308	944	0.69	1.03
WMH-GB	2.595		5.1%	2%	-4%	-19%	-19%	6%	2,391	2,156	522	438	0.39	0.30
888-GB	2.274		5.0%	-3%	-4%	-24%	-19%	-7%	542	570	89	106	0.20	0.21

Comparables Multiples Analysis	EV	FCF Yield		EV/Rev		EV/EBITDA		P/E	
		2017	2018	2017	2018	2017	2018	2017	2018
NWGI	35	NM	NM	1.55	1.00	10.76	9.41	30.3	13.8
TSGI-CA	5,977	5.0%	4.0%	4.55	2.85	9.96	7.50	11.0	11.2
PPB-GB	7,259	6.1%	6.1%	2.99	3.02	11.07	11.89	17.4	17.4
GVC-GB	4,213	1.8%	4.2%	3.82	0.97	13.69	4.46	21.9	13.7
WMH-GB	3,118	NM	NM	1.30	1.45	5.97	7.11	9.4	11.3
888-GB	904	NM	NM	1.67	1.59	10.17	8.50	16.3	14.3

Source: Consensus Data – FactSet, Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners



**Important Information and Legal Disclaimers**

Echelon Wealth Partners Inc. is a member of IIROC and CIPF. The documents on this website have been prepared for the viewer only as an example of strategy consistent with our recommendations; it is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular investing strategy. Any opinions or recommendations expressed herein do not necessarily reflect those of Echelon Wealth Partners Inc. Echelon Wealth Partners Inc. cannot accept any trading instructions via e-mail as the timely receipt of e-mail messages, or their integrity over the Internet, cannot be guaranteed. Dividend yields change as stock prices change, and companies may change or cancel dividend payments in the future. All securities involve varying amounts of risk, and their values will fluctuate, and the fluctuation of foreign currency exchange rates will also impact your investment returns if measured in Canadian Dollars. Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money. Data from various sources were used in the preparation of these documents; the information is believed but in no way warranted to be reliable, accurate and appropriate. Echelon Wealth Partners Inc. employees may buy and sell shares of the companies that are recommended for their own accounts and for the accounts of other clients.

Echelon Wealth Partners compensates its Research Analysts from a variety of sources. The Research Department is a cost centre and is funded by the business activities of Echelon Wealth Partners including, Institutional Equity Sales and Trading, Retail Sales and Corporate and Investment Banking.

**Research Dissemination Policy:** All final research reports are disseminated to existing and potential clients of Echelon Wealth Partners Inc. simultaneously in electronic form. Hard copies will be disseminated to any client that has requested to be on the distribution list of Echelon Wealth Partners Inc. Clients may also receive Echelon Wealth Partners Inc. research via third party vendors. To receive Echelon Wealth Partners Inc. research reports, please contact your Registered Representative. Reproduction of any research report in whole or in part without permission is prohibited.

**Canadian Disclosures:** To make further inquiry related to this report, Canadian residents should contact their Echelon Wealth Partners professional representative. To effect any transaction, Canadian residents should contact their Echelon Wealth Partners Investment advisor.

**U.S. Disclosures:** This research report was prepared by Echelon Wealth Partners Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. Echelon Wealth Partners Inc. is not registered as a broker-dealer in the United States. The firm that prepared this report may not be subject to U.S. rules regarding the preparation of research reports and the independence of research analysts.

**U.K. Disclosures:** This research report was prepared by Echelon Wealth Partners Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. ECHELON WEALTH PARTNERS INC. IS NOT SUBJECT TO U.K. RULES WITH REGARD TO THE PREPARATION OF RESEARCH REPORTS AND THE INDEPENDENCE OF ANALYSTS. The contents hereof are intended solely for the use of, and may only be issued or passed onto persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

**Copyright:** This report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of Echelon Wealth Partners

**ANALYST CERTIFICATION**

**Company:** Newjioco Group Inc. | NWGI:OTC

I, Ralph Garcea, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

**IMPORTANT DISCLOSURES**

Is this an issuer related or industry related publication?	Issuer
Does the Analyst or any member of the Analyst’s household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? No Position; and, 2) What type of security is it? None.	No
Does the Analyst or household member serve as a Director or Officer or Advisory Board Member of the issuer?	No
Does Echelon Wealth Partners Inc. or the Analyst have any actual material conflicts of interest with the issuer?	No
Does Echelon Wealth Partners Inc. and/or one or more entities affiliated with Echelon Wealth Partners Inc. beneficially own common shares (or any other class of common equity securities) of this issuer which constitutes more than 1% of the presently issued and outstanding shares of the issuer?	No
During the last 12 months, has Echelon Wealth Partners Inc. provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of this issuer?	Yes
During the last 12 months, has Echelon Wealth Partners Inc. received compensation for having provided investment banking or related services to this Issuer?	Yes
Has the Analyst had an onsite visit with the Issuer within the last 12 months? Rome, Italy office Mar 2018; Innsbruck, Austria office July 2018.	Yes
Has the Analyst, Partner, Director or Officer been compensated for travel expenses incurred as a result of an onsite visit with the Issuer within the last 12 months?	Yes
Has the Analyst received any compensation from the subject company in the past 12 months?	No
Is Echelon Wealth Partners Inc. a market maker in the issuer’s securities at the date of this report?	No

**RATING DEFINITIONS**

<b>Buy</b>	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
<b>Speculative Buy</b>	The security is considered a BUY but in the analyst's opinion possesses certain operational and/or financial risks that are higher than average.
<b>Hold</b>	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
<b>Sell</b>	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
<b>Under Review</b>	While not a rating, this designates the existing rating and/or forecasts are subject to specific review usually due to a material event or share price move.
<b>Tender</b>	Echelon Wealth Partners recommends that investors tender to an existing public offer for the securities in the absence of a superior competing offer.
<b>Dropped Coverage</b>	Applies to former coverage names where a current analyst has dropped coverage. Echelon Wealth Partners will provide notice to investors whenever coverage of an issuer is dropped.

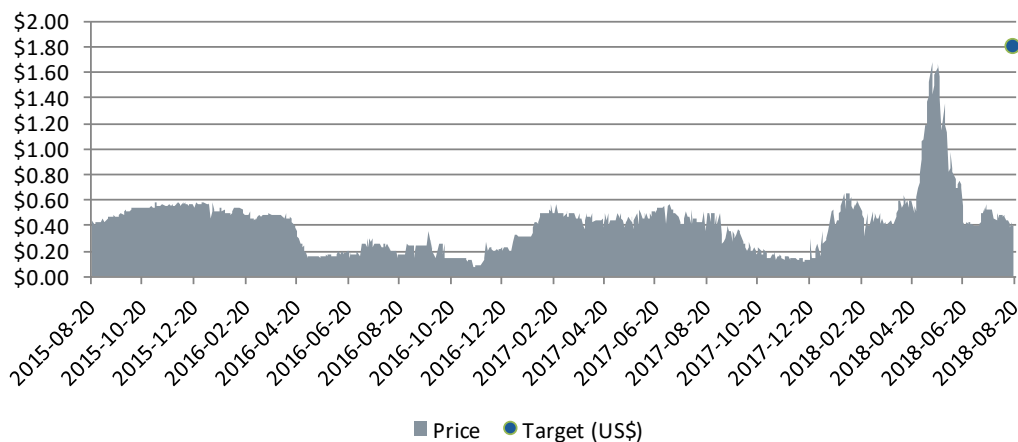
**RATINGS DISTRIBUTION**

Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	59	57	16	1	4	1	1
% of Total (excluding Restricted)	43%	42%	12%	1%	3%		
Number of investment banking relationships	10	31	2	1	0	1	0
% of Total (excluding Restricted)	23%	70%	5%	2%	0%		

**PRICE CHART, RATING & PRICE TARGET HISTORY**

Date Target (US\$) Rating  
21-Aug-18 1.80 Spec Buy

**Newgioco Group Inc. (OTC:NWGI)**



Coverage initiated: 08/21/2018

Data sourced from FactSet

**Toronto Wealth Management**

1 Adelaide Street East, Suite 2000  
Toronto, ON M5C 2V9  
416-572-5523

**Ottawa Wealth Management**

360 Albert Street, Suite 800  
Ottawa, ON K1R 7X7  
1-877-967-5866

**Victoria Wealth Management**

730 View Street, Suite 210  
Victoria, BC V8W 3Y7  
1-877-978-9300

**Saskatoon Wealth Management**

402-261 First Avenue North  
Saskatoon, SK S7K 1X2  
306-667-2282

**Toronto Capital Markets**

1 Adelaide Street East, Suite 2100  
Toronto, Ontario M5C 2V9  
416-649-4273

**Calgary Wealth Management**

400-525 8 Ave SE  
Calgary, AB T2G 1G1  
403-218-3144

**Oakville Wealth Management**

1275 North Service Road, Suite 612  
Oakville, ON L6M 3G4  
289-348-5936

**Tokyo Capital Markets**

Holland Hills Mori Tower; RoP #603  
5-11-1 Toranomom, Minato-Ku,  
Tokyo, 105-0001, Japan  
+81.90.1470.1684

**Montreal Wealth Management and Capital Markets**

1000 De La Gauchetière St. W., Suite 1130  
Montréal, QC H3B 4W5  
514-396-0333

**Vancouver Wealth Management and Capital Markets**

1055 Dunsmuir St. Suite 3424; P.O Box 49207  
Vancouver, BC V7X 1K8  
604-647-2888

**London Wealth Management**

495 Richmond St., Suite 200  
London, ON N6A 5A9  
519-858-2112