

### REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	—
Target Price (US)	No chg.	\$1.30
Revenue 2019E (M)	\$43.3	\$44.6
Adj. EBITDA 2019E (M)	\$3.2	\$3.6
Adj. EPS 2019 (M)	No chg.	-\$0.02

### MARKET DATA

Date:	Jul 17, 2019
Current Price (US\$):	\$0.35
Target Price (US\$):	\$1.30
52-Week Range:	\$0.23 / \$0.75
Shares O/S (M):	78.4
Mkt Cap (\$M):	\$27.6
EV (\$M):	\$32.0
Avg. Weekly Vol. (M):	0.61

Website: [www.newgiocogroup.com](http://www.newgiocogroup.com)

### FINANCIALS

	2018	2019E
Revenue (\$M)	\$34.6	\$43.3
EBITDA (\$M)	\$1.0	\$3.2
EPS (S)	\$0.04	-\$0.02
Cash (\$M)	\$6.3	
Current Assets (\$M)	\$7.6	
Net Cash (\$M)	\$6.4	
Total Assets (\$M)	\$22.6	
Debt (\$M)	\$0.9	
Total Liabilities (\$M)	\$12.7	
Fiscal Year End:	31-Dec	

Source: Company Reports, S&P Capital IQ, Yahoo!Finance, eResearch Corp.

Chris Thompson, CFA, MBA, P.Eng.  
Director of Equity Research

## Newgioco Group, Inc. (OTCQB: NWGI)

### Riding the Italian Growth, Re-Focused on U.S. Sports Betting

#### COMPANY DESCRIPTION:

**Newgioco Group, Inc. (“Newgioco” or the “Company”)** is a vertically integrated organization engaged in the leisure gaming (gambling) industry, primarily in Italy but currently expanding worldwide. Newgioco generates revenues from providing retail land-based and web-based gambling products and services in regulated countries and offers solutions for both the Business-to-Business (B2B) and Business-to-Consumers (B2C) markets. Newgioco’s forecasted double-digit growth over the next year, in the Italian retail gaming market, could be accelerated with tactical acquisitions. Over the next several years, Newgioco is poised to capture some of the recently deregulated, multibillion-dollar, U.S. sports betting market through the Company’s proprietary betting platform (ELYS™).

#### RECENT EVENTS & UPCOMING CATALYSTS:

- **Newgioco announced that it grew its distribution network in Italy to 2,010 Web-shop locations, an increase in Q2/2019 of 509 new locations.** In addition to the 501 new web-shop locations added in Q1/2019, year-to-date, Newgioco has added 1,010 total locations in Italy, doubling its existing base of 1,000 locations that was reported on December 31, 2018. Currently the Italian operations comprise almost all of Newgioco’s revenue, so location growth is a key performance indicator as it drives Handle (or Turnover) growth and positively correlates to Revenue growth.
- **Newgioco announced that it launched the second-generation of its flagship mobile web platform for international deployment.** Newgioco’s latest mobile platform builds upon their existing, modular ELYS™ sports betting engine and the Company believes that ELYS™ competes well against some of their largest competitors, which is important for a successful execution of their U.S. sports betting strategy.
- **Recent Board changes refocuses Newgioco on U.S. expansion.** New CFO hired and 3 new Independent Directors replace directors who resigned in June. Company now expected to refocus on capitalizing on the U.S. Sports Betting market and up-listing the Company to the senior NASDAQ exchange to attract long-term institutional investment.

#### FINANCIAL ANALYSIS & VALUATION:

- **We have reduced our 2019 Y/Y revenue growth estimate to 25% from 29% with EBITDA margins at 7% from our previous estimate of 8%.** Due to the recent CFO & Board of Directors distraction to Management and operations, we have reduced our revenue estimate in 2019 to \$43.3M, slightly down from our previous estimate of \$44.6M.
- **Undervalued in the market – trading at a discount to peers.** Based on our analysis, Newgioco trades at EV/Revenue of 0.7x for 2019 and 0.6x for 2020. This is well below the peer group range of 1.1x-3.1x for 2019 and 1.1x-2.8x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA, yields a value of \$2.11, well above the current price of \$0.35.
- **We are adding a “Buy” Rating and maintaining a One-year Target Price of \$1.30.**

## CORPORATE UPDATES

### Newgioco Increases Betting Web-shops in Italy to 2,010

On July 11, 2019, Newgioco announced that it grew its distribution network in Italy to 2,010 Web-shop locations, an increase in Q2/2019 of 509 new locations. In addition to the 501 new web-shop locations added in Q1/2019, year-to-date, Newgioco has added 1,010 total locations in Italy, doubling its existing base of 1,000 locations that was reported on December 31, 2018. With this increase, Newgioco now services:

- Online: approximately 86,000 web users
- Land-based operations:
  - 2,010 Web-shops (web cafés);
  - 159 Agency locations (larger gambling establishments); and
  - 7 Corners (betting terminals in non-gambling establishments).

The Company attributes the strong organic growth in the Italian market to the stability and popularity of the ELYS™ sports betting platform. ELYS™ is a proprietary Betting Platform Software offered through Newgioco's Odissea subsidiary. ELYS™ generates Software-as-a-Service (SaaS) revenue from the provision of its Betting Platform Software to third-party operators, such as web-shops (web cafés) and Agency locations.

Currently the Italian operations comprise almost all of Newgioco's revenue, so location growth is a key performance indicator as it drives Handle (or Turnover) growth and positively correlates to Revenue growth. Handle refers to the value of bets placed, and Gross Gaming Revenue (GGR) = Handle (or Turnover) minus Winnings Paid. The Company continues to forecast reaching over \$500 million of betting Handle in 2019, a 25-30% Handle growth in the retail footprint in Italy based on: (i) betting locations stabilizing following the conversion to the Newgioco Betting Platform Software (ELYS™) and (ii) European soccer betting resuming when the new soccer season starts in August.

Newgioco believes their success and market experience in Italy should serve as a vital proof point to help positively position the Company in competitive tenders in a number of U.S. states that are expanding regulated sports betting. The U.S. Supreme Court's repeal of the Professional and Amateur Sports Protection Act (PASPA) in 2018 provides a significant new market opportunity for Newgioco's sports betting platform. The U.S. expansion is a key driver for accelerated revenue growth in the Company. Newgioco is targeting revenue from non-Italian sources to be 40% of total revenue by 2020 from sales of the ELYS™ betting platform into the U.S. market and revenue from the recent Virtual Generation acquisition.

Figure 1: Web-cafe for Sports Betting in Italy



Source: Company Presentation

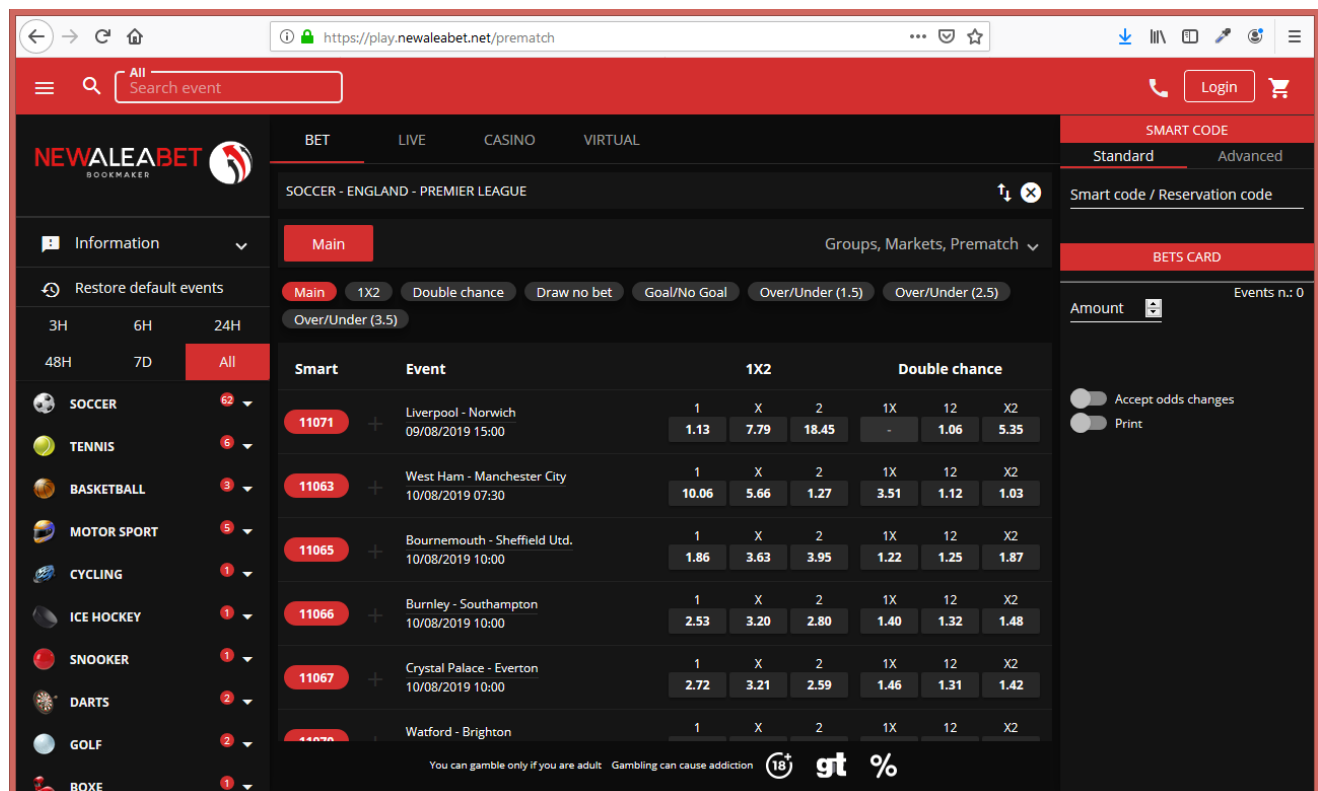
## Second-generation Mobile Web Sports Betting Platform Launched by Newgioco for International Deployment

On June 26, 2019, Newgioco announced that it launched the second-generation of its flagship mobile web platform for international deployment. Newgioco’s latest mobile platform builds upon its existing, modular ELYS™ sports betting engine and the Company believes that ELYS™ competes well against some of their largest competitors, which is important for a successful execution of their U.S. sports betting strategy. Newgioco’s updated platform focused on speed of navigation, turn-around time to find the user’s favorite event, and the ability for users to quickly get to the desired bet ticket with just a few clicks.

The platform offers both online (web) and land-based betting offerings tailored to specific regional/country gaming regulations. The platform’s plug-and-play features include the ability to quickly create new layouts (white label) for a variety of enterprise brands or chain store locations, loyalty rewards for restaurants and cruise lines, and push marketing for customer acquisition and retention.

Based on demographics, mobile is a key distribution channel for the Company’s continued growth in Italy and international expansion plans. Launched in November 2017, Newgioco’s existing mobile app combines sports-betting with online casino, poker, bingo and interactive games. In 2018, mobile revenue represented approximately 34% of gross gaming revenue and we model that it will reach almost 45% of gross gaming revenue in 2019. With the Company’s push into the U.S., Newgioco expects to release a demo app customized for the U.S. soon through one of its partnerships in Montana.

Figure 2: Newgioco’s New Mobile Platform for International Regulated Markets



Source: <https://play.newaleabet.net>

## Recent Board Changes Refocuses Newgioco on U.S. Expansion

In a letter to shareholders on June 5, 2019, Chief Executive Officer (CEO) Michele Ciavarella addressed the recent reorganization of the Company as a disagreement over corporate direction regarding the plans for U.S expansion. Events prior to the letter included the termination of Elizabeth MacLean as the Company's Chief Financial Officer (CFO) and the resignation of the Independent Members of the Board of Directors – Harold Wolkin, Chairman of the Board, Russel McMeekin and Willam Rutsey. Michele Ciavarella wrote that the next stage for the business included capitalizing on the U.S. Sports Betting market and up-listing the Company to the senior NASDAQ exchange to attract long-term institutional investment. To achieve these goals, the Company sought out a new CFO and non-executive board members who have significant U.S. exchange listing experience and reporting knowledge.

On July 3, 2019, Newgioco announced the engagement of Mark Korb to the position of Chief Financial Officer (CFO). Mr. Korb holds a Chartered Accountant certification from South Africa and has over 28 years of experience in business planning for high-growth companies. He has served with various private and publicly listed companies, in many leadership capacities, including group CFO. Mr. Korb has extensive experience in GAAP, IFRS and SEC Reporting, as well as IPO's, High-Yield and Eurobond High Yield markets.

Mr. Korb's knowledge of the financing and compliance requirements of public companies will be beneficial as Newgioco has submitted an application to the NASDAQ exchange to take the necessary steps to up-list the Company to the senior NASDAQ exchange. Of importance to Newgioco, with its international operations and plans for inorganic growth, he also has experience with cross-border and foreign currency risk management, turnarounds, and Mergers & Acquisitions (M&A). In addition, as Newgioco expands their geographic presence into new markets such as South Africa, South America and the U.S., Mr. Korb's international business expertise and existing relationships should benefit Newgioco.

In June 2019, Newgioco issued 2 news releases about adding 3 new Independent Directors to its Board of Directors, Clive Kabatznik, Paul Sallwasser and Steven A. Shallcross:

- **Mr. Kabatznik** has over 37 years of global business experience and was a founding member of 40K LLC, a Co-founder of Fluid Spirits Holdings, and currently serves as the Chairman of Datos Health, a Director of Harbor Inland Rum Company, and a Director of Icagen, Inc. Mr. Kabatznik's extensive U.S. capital markets experience and while Chief Executive Officer of Silverstar Holdings, he cumulatively raised \$250 million in equity and convertible debt to finance acquisitions and expansion, including a Nasdaq Initial Public Offering.
- **Paul Sallwasser** is a certified public accountant and spent 39 years as a partner with Ernst & Young (E&Y). During his career with E&Y, Mr. Sallwasser was responsible for the firm's audit quality review program as well as representing the firm during the inspections by the Public Company Accounting Oversight Board (PCAOB). He currently serves as the CEO of the Florida Community Health Network and as a director of Youngevity International, Inc. (NASDAQ: YGYI).
- **Steven Shallcross** is a certified public accountant with 25 years of comprehensive international, financial, M&A and operational experience. He currently serves as CEO, CFO, and Director of Synthetic Biologics, Inc. (NYSE American: SYN). Mr. Shallcross' experiences includes facilitating two initial public offerings with NYSE and NASDAQ listed companies.

As the 3 new members to the Board of Directors of Newgioco all have experience with accounting, M&A and regulatory matters, we expect the Company to announce a hiring of other person(s) with experience with U.S. gaming legislation and the U.S. gaming industry. In addition, the Board Members with extensive M&A experience are well suited to execute on some tactical acquisitions in the fragmented Italian gambling market.

## FINANCIAL ANALYSIS & VALUATION UPDATE

- **We have reduced our revenue growth estimate to 25% from 29% revenue growth year-over-year in 2019 with EBITDA margins at 7% from our previous estimate of 8% but still up from 3% in 2018.** The Company continues to forecast revenue growth of 25-35% with EBITDA margins of 10-15% in 2019. EBITDA margins should improve as the Company delivers on the higher margin SaaS offering and can recognize that revenue in late Q4/2019 or early Q1/2020.
- **The growing Italian gaming/gambling market and strategic acquisitions allowed Newgioco to register strong growth in its businesses for the past four years.** The Company expects to reach \$500 million of betting turnover (Handle) in 2019. However, due to the recent Board of Directors distraction to Management and Operations, we have reduced our revenue estimate in 2019 to \$43.3 million, slightly down from our previous estimate of \$44.6 million, at the lower end of the Company's guidance of revenue growth in the 25-35% range. We have also adjusted quarterly revenues to reflect a more linear growth pattern for the balance of the year.
- **Valuation:** Our DCF model with a 10% WACC and a six-year terminal multiple of 9.0x EBITDA, yields a 1-year target share value of \$2.11. Using a revenue multiple of 2.0x and a mid-year 2020 Revenue of \$49.3 million, the 1-year target share price is \$1.26. Using an EBITDA multiple of 9.0x EBITDA, and a mid-year 2020 EBITDA of \$5.1 million, the 1-year target share price is \$0.58. **The equally-weighted 1-year price target for Newgioco is \$1.30 and represents a 38% discount to the 1-year DCF net asset value of \$2.11.**

Table 1: Target Price (1-year) Calculation for Newgioco:

			Target (1-year)
Method 1:	WACC	Terminal Multiple (Year 6)	
	10%	9.0x EBITDA	\$2.11
Method 2:	Revenue Multiple	Mid-Year 2020 Revenue (Est.)	
	2.0x	\$49.3 million	\$1.26
Method 3:	EBITDA Multiple	Mid-Year 2020 EBITDA (Est.)	
	9.0x	\$5.1 million	\$0.58
<b>Equal-Weighted Target Price (1-year):</b>			<b>\$1.30</b>

- **Undervalued in the market – trading at a discount to peers.** Based on our analysis, Newgioco trades at EV/Revenue of 1.0x for 2019 and 0.8x for 2020. This is well below the peer group range of 1.7x-3.5x for 2019 and 1.1x-3.1x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA yields a value of \$2.11, well above the current price of \$0.37.
- **We expect the Company to issue Q2/2019 financial statements in early August.**
- **We are adding a “Buy” Rating and maintaining a One-year Target Price of \$1.30.**

Figure 3: Revenue and EBITDA Margins



Source: Company Reports and eResearch Corp.

Figure 4: DCF Analysis

Newgioco Group Inc.								
DCF Analysis (US\$)	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue (\$M)	34.6	43.3	55.3	65.8	78.3	94.3	113.6	137.0
Revenue Growth	51.2%	25.1%	27.7%	19.0%	19.1%	20.4%	20.5%	20.5%
EBITDA (\$M)	1.0	3.2	6.9	9.6	13.3	18.3	24.8	31.9
EBITDA Growth	-70.5%	226.4%	118.5%	38.0%	38.6%	37.7%	35.7%	28.6%
EBITDA Margin	2.8%	7.3%	12.6%	14.6%	17.0%	19.4%	21.8%	23.3%
Depreciation and Amort. (\$M)	0.5	0.7	0.3	0.3	0.2	0.2	0.2	0.2
EBIT (\$M)	0.4	2.5	6.6	9.3	13.0	18.1	24.6	31.7
NOPAT (\$M)	1.0	-2.9	4.7	6.6	9.3	12.9	17.6	22.6
Plus Amortization (\$M)	0.5	0.7	0.3	0.3	0.2	0.2	0.2	0.2
Less Capital Expenditures (\$M)	(4.5)	(0.1)	(0.1)	(0.0)	(0.8)	(0.0)	(0.0)	(0.0)
Capital Intensity	12.9%	0.3%	0.1%	0.0%	1.0%	0.0%	0.0%	0.0%
Net Working Capital Changes (\$)	2.5	-1.0	2.9	1.1	1.2	1.5	1.7	2.2
EPS (Continuing)	0.04	-0.02	0.04	0.06	0.09	0.13	0.19	0.24
<b>Unlevered Free Cash Flow (\$M)</b>	<b>-0.4</b>	<b>-3.3</b>	<b>7.9</b>	<b>8.0</b>	<b>10.0</b>	<b>14.6</b>	<b>19.5</b>	<b>25.1</b>
PV of Unlevered FCFs (\$)	-0.4	-3.2	6.8	6.3	7.2	9.6	11.6	13.5

**Valuation Assumptions:**

Discount Rate	10%
Terminal Multiple	9.0x

**Valuation Analysis:**

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	51.9	55.0	48.2
Terminal Value (\$M)	287.4	287.4	287.4
PV of Terminal Value (\$M)	155.2	170.7	187.9
Net (debt) cash position	6.2	0.4	4.4
Total Value (\$M)	213.3	226.1	240.5
<b>DCF Value/Share</b>	<b>1.99</b>	<b>2.11</b>	<b>2.24</b>
FD Shares O/S (M)	107	107	107

Source: Company Reports and eResearch Corp.

## INVESTMENT THESIS

**Newgioco is a well-established, licensed, retail gambling operator of land-based and web-based gambling services in Italy, and is set for continued growth.** The Company expects to reach over \$500 million of betting turnover (Handle) in 2019 and has maintained strong momentum, with year-over-year revenue growth forecasted in the 25-35% range and EBITDA margins in the 10-15% range. We expect EBITDA margins to improve as Newgioco delivers on the Company's higher margin SaaS offering and can recognize revenue from those solutions towards the end of 2019 or early 2020. Over the short term, continued double-digit Revenue growth is expected to come from three areas: (1) Newly regulated markets, (2) Digital expansion, and (3) Development of the Sports Betting platform market.

Organic Double-Digit Revenue and EBITDA Growth in Italy.

Trading at a Discount to Peers.

**Newgioco is undervalued in the market – trading at a discount to peers.** Based on our modeling, Newgioco trades at EV/Revenue of 1.0x for 2019 and 0.8x for 2020. This is well below the peer group range of 1.6x-3.3x for 2019 and 1.7x-2.9x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA yields a value of \$2.07 and our blended Target Price of \$1.30 are both well above the current price of \$0.46.

**The fragmented Italian market is ripe for consolidation and acquisitions could fuel additional revenue growth.** Newgioco is ranked the 25<sup>th</sup> largest online gaming company in Italy with only 0.35% of the market – lots of room for growth. With a growing cash balance from a positive cash flow position and the fragmented Italian market, Newgioco may blend organic growth with some tactical acquisitions.

Fragmented Italian Market, Ripe for Consolidation

U.S. Tribal Casino Market Rivals U.S. Commercial Casino Market

**The first tribal casino operator deal signed to deploy Newgioco's ELYS™ sports betting platform illustrates Newgioco's vast opportunity in the U.S. sports betting market.** The U.S. Supreme Court's repeal of PASPA in May 2018 provides a significant new market opportunity for Newgioco's sports betting platform. Revenue recognition of these opportunities will only crystallize once the individual States pass the necessary legislation to allow legalized sports betting to be implemented.

**Recent acquisition of Virtual Generation opens the door for global expansion.** Currently operating in 12 countries, the footprint allows for cross-selling the Sports Betting platform (ELYS™) and other online games.

Recent Acquisition Opens the Door in 12 Countries.

Technical and Risk Expertise in Regulated Markets

**The Company believes its competitive advantages emanate from their market-leading gaming software and technological competence in the gaming and betting technology industry.** Over the past decade, in the broader gambling industry, there has been a shift by governments from the unregulated or illegal-betting environments to a regulated gambling ecosystem that oversee both land-based and internet-based activities. Newgioco was a pioneer in the regulated market and has a wealth of customer experiential data that allows the Company to modify its technology to meet the needs of the customers.

**In its core market (Italy), Newgioco currently services approximately 86,000 client accounts and, based on projections from organic growth and acquisitions, estimates that its user base could increase by 8% per year to over 100,000 client accounts by 2020.** Newgioco also expects to see growth from increasing use of mobile devices as more customers switch to smartphones and tablets for gambling.

**Newgioco has submitted an application to the NASDAQ exchange to take the necessary steps to up-list their company to the senior NASDAQ exchange.**

NASDAQ Listing in Progress

Blockchain Ready

**Newgioco continues to innovate and the Company's betting platform is Blockchain ready when the right opportunity is arises.**

## APPENDIX A: NEWGIOCO'S FINANCIAL STATEMENTS

Figure 5: NWGI Income Statement

Newgioco Group Inc. Income Statement (FYE Dec, US\$)	2017	2018	Q119	Q219E	Q319E	Q419E	2019E	2020E	2021E
<b>Revenue</b>									
<b>Total Revenue</b>	22,865,146	34,575,097	9,266,294	10,080,600	11,304,600	12,615,200	43,266,694	55,250,734	65,765,381
<b>Expenses</b>									
Sales and Marketing	14,672,099	24,142,110	7,407,706	6,653,196	7,461,036	6,938,360	28,460,298	35,912,977	41,991,196
General and Administrative	5,597,881	10,005,713	3,173,467	2,772,165	3,617,472	2,775,344	12,338,448	12,707,669	14,468,384
<b>Total Operating Expenses</b>	20,269,980	34,147,823	10,581,173	9,425,361	11,078,508	9,713,704	40,798,746	48,620,646	56,459,579
<b>Operating Income</b>	2,595,166	427,274	(1,314,879)	655,239	226,092	2,901,496	2,467,948	6,630,088	9,305,801
<b>Total Other Income</b>	(256,356)	(2,370,881)	(1,528,790)	(573,257)	(517,746)	(467,641)	(3,087,435)	(1,460,177)	(973,126)
<b>EBT</b>	2,338,810	(1,943,607)	(2,843,669)	81,982	(291,654)	2,433,855	(619,487)	5,169,911	8,332,675
<b>Income Taxes</b>	(972,924)	(1,102,701)	(261,547)	(32,793)	116,662	(973,542)	(1,151,220)	(2,067,964)	(3,333,070)
<b>Net Income (Loss)</b>	<b>1,365,886</b>	<b>(3,046,308)</b>	<b>(3,105,216)</b>	<b>49,189</b>	<b>(174,993)</b>	<b>1,460,313</b>	<b>(1,770,707)</b>	<b>3,101,947</b>	<b>4,999,605</b>
<b>EPS</b>									
Basic EPS	0.02	0.04	(0.04)	0.00	(0.00)	0.02	(0.02)	0.04	0.06
Diluted EPS	0.02	0.04	(0.04)	0.00	(0.00)	0.02	(0.02)	0.04	0.06
<b>EBITDA</b>	3,296,761	973,926	(1,156,779)	879,002	417,137	3,039,368	3,178,728	6,945,314	9,584,183
<b>Shares Outstanding</b>									
Shares Outstanding, Basic	74,032,631	75,887,946	76,394,867	78,363,165	78,363,165	78,363,165	78,363,165	78,363,165	78,363,165
Shares Outstanding, Diluted	75,344,948	75,887,946	76,394,867	78,363,165	78,363,165	78,363,165	78,363,165	78,363,165	78,363,165

Source: Company Reports and eResearch Corp.



Figure 6: NWGI Balance Sheet

Newgioco Group Inc.									
Balance Sheet (As at Dec 31, US\$)									
	2017	2018	Q119	Q219E	Q319E	Q419E	2019E	2020E	2021E
<b>Current Assets</b>									
Cash	6,469,858	6,289,903	5,179,403	3,535,003	3,895,984	4,027,300	4,027,300	8,967,242	14,470,700
Trade & Other Receivables	1,280,320	1,081,048	1,291,557	1,324,761	1,485,615	1,657,850	1,657,850	2,327,581	2,770,725
Prepaid Expenses & Other Assets	100,235	180,412	276,267	335,790	392,180	342,835	342,835	544,996	632,115
<b>Total Current Assets</b>	<b>7,850,413</b>	<b>7,551,363</b>	<b>6,747,227</b>	<b>5,195,553</b>	<b>5,773,779</b>	<b>6,027,985</b>	<b>6,027,985</b>	<b>11,839,818</b>	<b>17,873,540</b>
<b>Non-Current Assets</b>									
Property and Equipment	280,111	354,799	383,528	240,416	136,149	72,129	72,129	60,837	16,029
Intangible Assets	3,245,748	12,583,457	16,468,511	16,410,871	16,353,433	16,296,196	16,296,196	16,069,244	15,845,453
Goodwill	260,318	262,552	267,146	267,146	267,146	267,146	267,146	267,146	267,146
Restricted Cash	587,905	1,560,539	1,549,431	1,549,431	1,549,431	1,549,431	1,549,431	1,549,431	1,549,431
<b>Total Assets</b>	<b>12,224,496</b>	<b>22,587,710</b>	<b>25,665,843</b>	<b>23,913,417</b>	<b>24,329,938</b>	<b>24,462,886</b>	<b>24,462,886</b>	<b>30,036,476</b>	<b>35,801,600</b>
<b>Current Liabilities</b>									
Trade & Other Payables	4,436,787	6,709,461	7,531,588	6,234,616	7,281,628	6,365,426	6,365,426	10,118,954	11,736,502
Operating Line	298,268	1,188,998	825,000	759,000	698,280	642,418	642,418	460,223	329,701
Short-Term Debt	2,114,743	39,237	4,196,230	3,776,607	3,398,946	3,059,052	3,059,052	2,007,044	1,316,821
Convertible Debt	365,160	3,942,523	4,473,994	4,473,994	4,473,994	4,473,994	4,473,994	4,473,994	4,473,994
<b>Total Current Liabilities</b>	<b>7,214,958</b>	<b>11,880,219</b>	<b>17,026,812</b>	<b>15,244,217</b>	<b>15,852,848</b>	<b>14,540,889</b>	<b>14,540,889</b>	<b>17,060,216</b>	<b>17,857,019</b>
<b>Non-Current Liabilities</b>									
Term Loan	362,808	225,131	190,197	171,177	154,060	138,654	138,654	90,971	59,686
Provision/Loan Payable/Benefits Payable	532,680	608,728	619,991	619,991	619,991	619,991	619,991	619,991	619,991
<b>Total Liabilities</b>	<b>8,110,446</b>	<b>12,714,078</b>	<b>17,837,000</b>	<b>16,035,385</b>	<b>16,626,898</b>	<b>15,299,534</b>	<b>15,299,534</b>	<b>17,771,177</b>	<b>18,536,696</b>
<b>Shareholders Equity</b>									
Share Capital	7,415	7,555	7,837	7,837	7,837	7,837	7,837	7,837	7,837
Contributed Surplus	14,254,582	23,956,309	25,072,634	25,072,634	25,072,634	25,072,634	25,072,634	25,072,634	25,072,634
Retained Earnings	(9,897,620)	(13,008,894)	(16,114,110)	(16,064,921)	(16,239,913)	(14,779,601)	(14,779,601)	(11,677,654)	(6,678,049)
<b>Total Shareholders Equity</b>	<b>4,114,050</b>	<b>9,873,632</b>	<b>7,828,843</b>	<b>7,878,032</b>	<b>7,703,040</b>	<b>9,163,352</b>	<b>9,163,352</b>	<b>12,265,299</b>	<b>17,264,904</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>12,224,496</b>	<b>22,587,710</b>	<b>25,665,843</b>	<b>23,913,417</b>	<b>24,329,938</b>	<b>24,462,886</b>	<b>24,462,886</b>	<b>30,036,476</b>	<b>35,801,600</b>

Source: Company Reports and eResearch Corp.

Figure 7: NWGI Cash Flow Statement

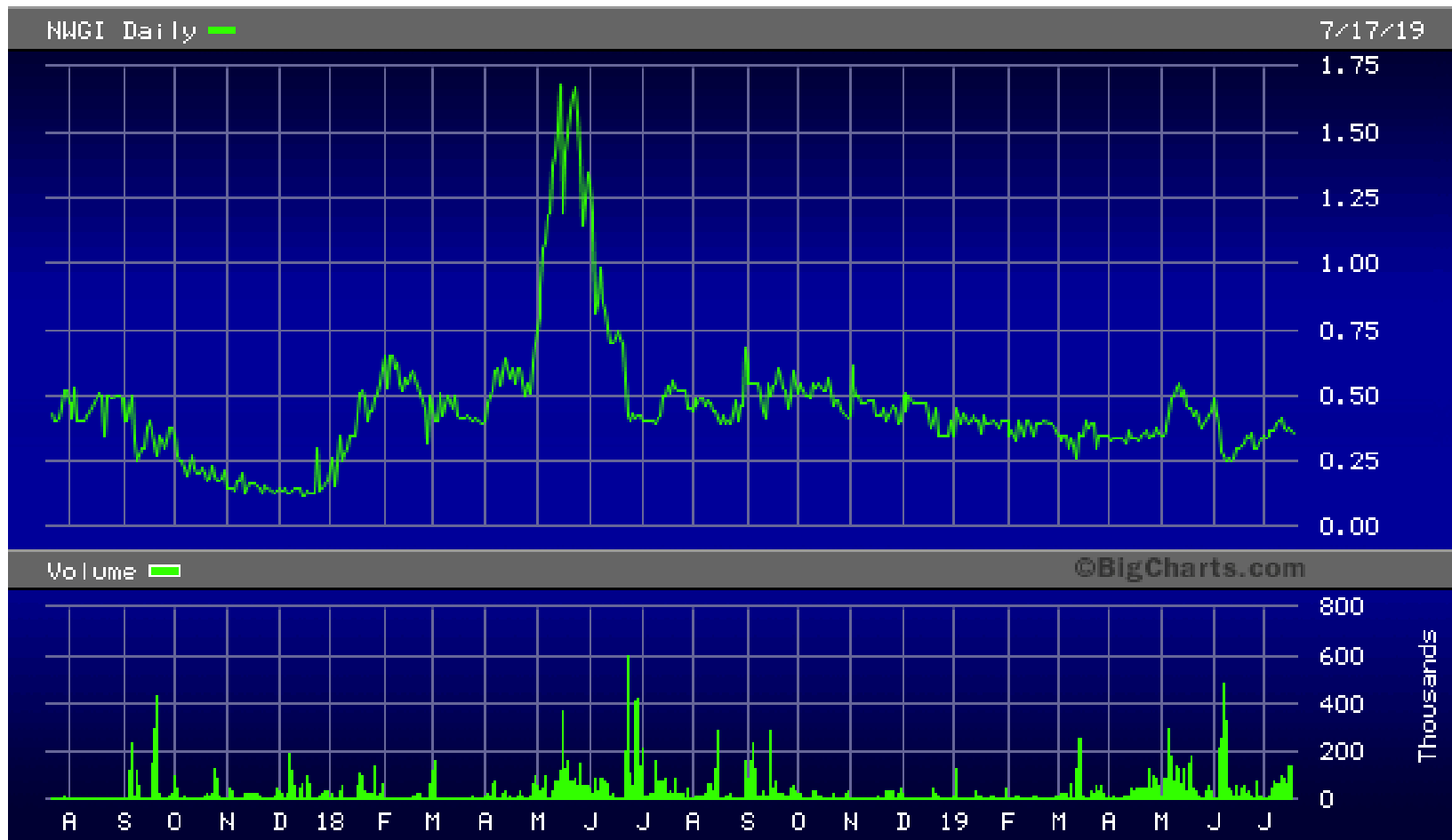
Newgioco Group Inc.									
Cash Flow Statement (FYE Dec, US\$)	2017	2018	Q119	Q219E	Q319E	Q419E	2019E	2020E	2021E
<b>Cash Provided By Operating Activities</b>									
Net Income (Loss)	1,365,886	(3,046,308)	(3,105,216)	49,189	(174,993)	1,460,313	(1,770,707)	3,101,947	4,999,605
Amortization of Intangibles	601,266	58,188	-	57,640	57,438	57,237	172,315	226,952	223,791
Depreciation of Property & Equipment	100,329	488,464	158,100	166,124	133,607	80,635	538,465	88,274	54,591
Impairment	-	(518,354)	-	-	-	-	-	-	-
<b>Changes in Non-Cash Working Capital</b>									
Trade & Other Receivables	1,152,785	242,832	(205,281)	(33,204)	(160,854)	(172,235)	(571,574)	(669,731)	(443,144)
Prepaid Expenses & Other Assets	-	(138,366)	(58,555)	(59,523)	(56,391)	49,346	(125,123)	(202,161)	(87,119)
Trade & Other Payables	-	2,414,096	820,873	(1,296,972)	1,047,012	(916,201)	(345,289)	3,753,528	1,617,548
<b>Total Cash Provided By Operating Activities</b>	<b>3,358,674</b>	<b>1,774,952</b>	<b>(812,851)</b>	<b>(1,116,746)</b>	<b>845,819</b>	<b>559,094</b>	<b>(524,684)</b>	<b>6,298,809</b>	<b>6,365,271</b>
<b>Investing Activities</b>									
Purchase of Property & Equipment	(180,722)	(4,455,099)	(46,804)	(23,012)	(29,339)	(16,615)	(115,770)	(76,983)	(9,783)
Redemption of Short-Term Investments & Restricted Cash	(45,142)	(972,634)	1	-	-	-	1	-	-
<b>Total Cash From Investing Activities</b>	<b>-225,864</b>	<b>(5,427,733)</b>	<b>(459)</b>	<b>(23,012)</b>	<b>(29,339)</b>	<b>(16,615)</b>	<b>(69,425)</b>	<b>(76,983)</b>	<b>(9,783)</b>
<b>Financing Activities</b>									
Proceeds from Loan	591,202	6,883,906	(29,134)	-	-	-	(29,134)	-	-
Operating Line (Repayment)	165,925	14,454	75,000	(66,000)	(60,720)	(55,862)	(107,582)	(182,194)	(130,523)
Repayment of Loan	(186,502)	(137,965)	-	(438,643)	(394,778)	(355,301)	(1,188,722)	(1,099,691)	(721,507)
Issue of Equity	-	(2,261,307)	196,783	-	-	-	196,783	-	-
<b>Total Cash From Financing Activities</b>	<b>570,625</b>	<b>4,499,088</b>	<b>(178,420)</b>	<b>(504,643)</b>	<b>(455,498)</b>	<b>(411,163)</b>	<b>(1,549,724)</b>	<b>(1,281,885)</b>	<b>(852,030)</b>
<b>Net Increase in Cash</b>	<b>4,239,436</b>	<b>(179,955)</b>	<b>(1,110,500)</b>	<b>(1,644,400)</b>	<b>360,982</b>	<b>131,316</b>	<b>(2,262,603)</b>	<b>4,939,942</b>	<b>5,503,458</b>
<b>Beginning Cash</b>	<b>2,230,422</b>	<b>6,469,858</b>	<b>6,289,903</b>	<b>5,179,403</b>	<b>3,535,003</b>	<b>3,895,984</b>	<b>6,289,903</b>	<b>4,027,300</b>	<b>8,967,242</b>
<b>Ending Cash</b>	<b>6,469,858</b>	<b>6,289,903</b>	<b>5,179,403</b>	<b>3,535,003</b>	<b>3,895,984</b>	<b>4,027,300</b>	<b>4,027,300</b>	<b>8,967,242</b>	<b>14,470,700</b>

Source: Company Reports and eResearch Corp.

**APPENDIX B: NEWGIOCO 2-YEAR STOCK CHART**

The following is a 24-month stock chart. Average daily volume is approximately 150,000 shares.

Figure 8: Newgioco 2-Year Stock Chart



Source: BigCharts.com

## APPENDIX C: GAMING/GAMBLING COMPARABLES

Figure 9: Gaming/Gambling Comparables

Name	Jul 17 Close	Mkt Cap (M)	Cash (M)	Debt (M)	EV (M)				EBITDA (M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
<b>Large-Cap</b>																	
Activision Blizzard, Inc.	\$46.68	\$35,757	\$4,835	\$2,955	\$33,877	\$7,500	\$6,367	\$7,073	\$2,507	\$2,248	\$2,693	4.5x	5.3x	4.8x	13.5x	15.1x	12.6x
Aristocrat Leisure Limited	\$20.90	\$13,344	\$360	\$2,070	\$15,053	\$2,488	\$3,069	\$3,313	\$801	\$1,072	\$1,157	6.0x	4.9x	4.5x	18.8x	14.0x	13.0x
Tabcorp Holdings Limited	\$3.23	\$6,507	\$290	\$2,672	\$8,889	\$3,700	\$2,928	\$3,859	\$538	\$740	\$802	2.4x	3.0x	2.3x	16.5x	12.0x	11.1x
Flutter Entertainment PLC	\$86.23	\$6,733	\$158	\$361	\$7,208	\$2,388	\$2,675	\$2,969	\$575	\$475	\$546	3.0x	2.7x	2.4x	12.5x	15.2x	13.2x
The Stars Group Inc.	\$16.60	\$4,775	\$600	\$5,401	\$9,580	\$2,029	\$2,646	\$2,869	\$528	\$949	\$1,053	4.7x	3.6x	3.3x	18.1x	10.1x	9.1x
GVC Holdings PLC	\$7.49	\$4,358	\$532	\$2,778	\$6,653	\$3,648	\$4,370	\$4,513	\$400	\$804	\$934	1.8x	1.5x	1.5x	16.7x	8.3x	7.1x
Evolution Gaming Group AB (publ)	\$20.70	\$3,723	\$116	\$24	\$3,631	\$281	\$387	\$457	\$111	\$176	\$210	12.9x	9.4x	7.9x	32.6x	20.6x	17.3x
Boyd Gaming Corporation	\$26.45	\$2,935	\$248	\$4,869	\$7,556	\$2,493	\$3,329	\$3,382	\$586	\$807	\$839	3.0x	2.3x	2.2x	12.9x	9.4x	9.0x
International Game Technology PLC	\$13.64	\$2,788	\$290	\$8,436	\$11,749	\$4,830	\$4,764	\$4,855	\$1,418	\$1,711	\$1,751	2.4x	2.5x	2.4x	8.3x	6.9x	6.7x
Universal Entertainment Corporation	\$31.59	\$2,474	\$315	\$728	\$2,888	\$863	\$1,364	\$1,707	-\$45	\$328	\$455	3.3x	2.1x	1.7x		8.8x	6.3x
IG Group Holdings plc	\$7.51	\$2,757	\$502	\$127	\$2,381	\$724	\$609	\$649	\$332	\$258	\$275	3.3x	3.9x	3.7x	7.2x	9.2x	8.7x
Great Canadian Gaming Corporation	\$34.82	\$2,052	\$227	\$1,155	\$3,077	\$895	\$1,049	\$1,150	\$338	\$421	\$395	3.4x	2.9x	2.7x	9.1x	7.3x	7.8x
Scientific Games Corporation	\$19.27	\$1,791	\$1,213	\$10,113	\$10,691	\$3,363	\$3,479	\$3,628	\$1,048	\$1,374	\$1,438	3.2x	3.1x	2.9x	10.2x	7.8x	7.4x
Kindred Group plc	\$8.88	\$2,013	\$147	\$284	\$2,150	\$1,157	\$1,204	\$1,343	\$261	\$207	\$258	1.9x	1.8x	1.6x	8.2x	10.4x	8.3x
William Hill plc	\$2.02	\$1,763	\$648	\$913	\$2,028	\$2,057	\$2,054	\$2,140	\$320	\$302	\$329	1.0x	1.0x	0.9x	6.3x	6.7x	6.2x
Playtech plc	\$5.59	\$1,718	\$712	\$929	\$1,944	\$1,420	\$1,778	\$1,839	\$303	\$444	\$475	1.4x	1.1x	1.1x	6.4x	4.4x	4.1x
Betsson AB	\$6.06	\$838	\$66	\$128	\$900	\$579	\$579	\$624	\$135	\$145	\$154	1.6x	1.6x	1.4x	6.6x	6.2x	5.8x
												<b>3.5x</b>	<b>3.1x</b>	<b>2.8x</b>	<b>11.4x</b>	<b>9.5x</b>	<b>9.0x</b>
												<b>3.0x</b>	<b>2.7x</b>	<b>2.4x</b>	<b>11.4x</b>	<b>9.2x</b>	<b>9.1x</b>
<b>Mid-Cap</b>																	
The Rank Group Plc	\$1.95	\$763	\$87	\$77	\$754	\$859	\$905	\$935	\$126	\$148	\$153	0.9x	0.8x	0.8x	6.0x	5.1x	4.9x
PlayAGS, Inc.	\$20.84	\$738	\$14	\$539	\$1,263	\$285	\$333	\$366	\$116	\$161	\$179	4.4x	3.8x	3.5x	10.9x	7.8x	7.0x
NetEnt AB (publ)	\$2.94	\$707	\$21	\$26	\$712	\$190	\$185	\$198	\$72	\$92	\$100	3.7x	3.8x	3.6x	9.9x	7.7x	7.1x
Everi Holdings Inc.	\$11.96	\$851	\$148	\$1,180	\$1,882	\$470	\$510	\$552	\$222	\$254	\$276	4.0x	3.7x	3.4x	8.5x	7.4x	6.8x
888 Holdings plc	\$2.05	\$754	\$133	\$0	\$621	\$541	\$561	\$595	\$97	\$85	\$94	1.1x	1.1x	1.0x	6.4x	7.3x	6.6x
JPJ Group plc	\$8.49	\$632	\$138	\$483	\$976	\$407	\$422	\$700	\$137	\$127	\$218	2.4x	2.3x	1.4x	7.1x	7.7x	4.5x
Kambi Group plc	\$14.40	\$436	\$46	\$18	\$408	\$87	\$105	\$128	\$17	\$32	\$45	4.7x	3.9x	3.2x	23.6x	12.8x	9.1x
LeoVegas AB (publ)	\$4.00	\$406	\$55	\$122	\$480	\$375	\$412	\$481	\$44	\$51	\$71	1.3x	1.2x	1.0x	11.0x	9.4x	6.8x
Gamnet Group	\$9.44	\$278	\$88	\$581	\$778	\$725	\$827	\$886	\$100	\$171	\$193	1.1x	0.9x	0.9x	7.8x	4.5x	4.0x
Ainsworth Game Technology Limited	\$0.52	\$174	\$36	\$45	\$183	\$186	\$168	\$175	\$37	\$45	\$35	1.0x	1.1x	1.0x	5.0x	4.1x	5.3x
Inspired	\$8.53	\$189	\$20	\$132	\$302	\$141	\$127	\$140	\$27	\$45	\$51	2.1x	2.4x	2.2x	11.0x	6.6x	6.0x
Stride Gaming Plc	\$1.84	\$139	\$27	\$4	\$117	\$106	\$0	\$0	\$0	\$0	\$0	1.1x					
												<b>2.3x</b>	<b>2.3x</b>	<b>2.0x</b>	<b>8.4x</b>	<b>7.3x</b>	<b>6.2x</b>
												<b>1.7x</b>	<b>2.3x</b>	<b>1.4x</b>	<b>8.5x</b>	<b>7.4x</b>	<b>6.6x</b>
<b>Newgioco Group, Inc.</b>	<b>\$0.35</b>	<b>\$27</b>	<b>\$5</b>	<b>\$10</b>	<b>\$32</b>	<b>\$35</b>	<b>\$43</b>	<b>\$55</b>	<b>\$1</b>	<b>\$3</b>	<b>\$7</b>	<b>0.9x</b>	<b>0.7x</b>	<b>0.6x</b>	<b>35.0x</b>	<b>10.1x</b>	<b>4.6x</b>
<b>Small-Cap</b>																	
Sportech PLC	\$0.41	\$77	\$23	\$0	\$54	\$81	\$81	\$85	\$4	\$10	\$12	0.7x	0.7x	0.6x	14.4x	5.2x	4.7x
Galaxy Gaming, Inc.	\$1.64	\$28	\$7	\$10	\$32	\$19	\$0	\$0	\$6	\$0	\$0	1.7x			5.5x		
GAN plc	\$0.86	\$73	\$7	\$1	\$67	\$13	\$0	\$0	-\$8	\$0	\$0	5.0x					
Seven Aces Limited	\$0.64	\$45	\$2	\$71	\$121	\$72	\$77	\$82	\$26	\$29	\$32	1.7x	1.6x	1.5x	4.6x	4.2x	3.8x
Bragg Gaming Group	\$0.30	\$23	\$2.0	\$1.8	\$23.0	\$8.6	\$0.0	\$0.0	-\$6.8	\$0.0	\$0.0	2.7x					
Jackpot Digital Inc.	\$0.06	\$3.9	\$0.0	\$6.4	\$9.4	\$1.5	\$0.0	\$0.0	-\$2.1	\$0.0	\$0.0	6.1x					
Global Daily Fantasy Sports Inc.	\$0.09	\$6.5	\$0.0	\$0.0	\$6.5	\$0.1	\$0.0	\$0.0	-\$3.2	\$0.0	\$0.0	82.7x					
Contagious Gaming Inc.	\$0.03	\$0.8	\$0.2	\$0.5	\$1.0	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	2.8x					
<b>Mean (excluding NWGI; multiple &lt;20X)</b>												<b>2.9x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>8.2x</b>	<b>4.7x</b>	<b>4.2x</b>
<b>Median (excluding NWGI)</b>												<b>2.7x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>5.5x</b>	<b>4.7x</b>	<b>4.2x</b>

Source: S&amp;P Capital IQ and eResearch Corp.

## ERESEARCH DISCLOSURE

### eRESEARCH CORPORATION

**eResearch** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: [www.eresearch.com](http://www.eresearch.com)

**NOTE:** eResearch company reports are available FREE on our website: [www.eresearch.com](http://www.eresearch.com)

**eResearch Intellectual Property:** No representations, express or implied, are made by eResearch as to the accuracy, completeness or correctness of the comments made in this Company Perspective. This report is not an offer to sell or a solicitation to buy any security of the Company. Neither eResearch nor any person employed by eResearch accepts any liability whatsoever for any direct or indirect loss resulting from any use of its report or the information it contains. This report may not be reproduced, distributed, or published without the express permission of eResearch.

### ANALYST ACCREDITATION

**eResearch Analyst on this Report:** Chris Thompson CFA, MBA, P.Eng.

**Analyst Affirmation:** I, Chris Thompson, hereby state that, at the time of issuance of this research report, I do not own shares of Newgioco Group, Inc.

### eRESEARCH DISCLOSURE STATEMENT

eResearch is engaged solely in the provision of equity research to the investment community. eResearch provides published research and analysis to its Subscribers on its website ([www.eresearch.com](http://www.eresearch.com)), and to the general investing public through its extensive electronic distribution network and through newswire agencies. With regards to distribution of its research material, eResearch makes all reasonable efforts to provide its publications, via e-mail, simultaneously to all of its Subscribers.

eResearch does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.

eResearch accepts fees from the companies it researches (the "Covered Companies"), and from financial institutions or other third parties. The purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little or no research coverage.

A third party paid eResearch a fee to have it conduct research and publish reports on the Company.

To ensure complete independence and editorial control over its research, eResearch follows certain business practices and compliance procedures. For instance, fees from Covered Companies are due and payable prior to the commencement of research. Management of the Covered Companies are sent copies, in draft form without a Recommendation or a Target Price, of the Initiating Report and the Update Report prior to publication to ensure our facts are correct, that we have not misrepresented anything, and have not included any non-public, confidential information. At no time is management entitled to comment on issues of judgment, including Analyst opinions, viewpoints, or recommendations. All research reports must be approved, prior to publication, by eResearch's Director of Research, who is a Chartered Financial Analyst (CFA).

All Analysts are required to sign a contract with eResearch prior to engagement, and agree to adhere at all times to the CFA Institute Code of Ethics and Standards of Professional Conduct. eResearch Analysts are compensated on a per-report, per-company basis and not on the basis of his/her recommendations. Analysts are not allowed to accept any fees or other consideration from the companies they cover for eResearch. Analysts are allowed to trade in the shares, warrants, convertible securities or options of companies they cover for eResearch only under strict, specified conditions, which are no less onerous than the guidelines postulated by IROC. Similarly, eResearch, its officers and directors, are allowed to trade in shares, warrants, convertible securities or options of any of the Covered Companies under identical restrictions.