

REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	—
Target Price (US)	\$1.25	\$1.30
Revenue 2019E (M)	\$38.7	\$43.3
Adj. EBITDA 2019E (M)	\$2.5	\$3.2
Adj. EPS 2019 (M)	-\$0.06	-\$0.02

MARKET DATA

Date:	Sep 2, 2019
Current Price (US\$):	\$0.31
Target Price (US\$):	\$1.25
52-Week Range:	\$0.23 / \$0.61
Shares O/S (M):	81.4
Mkt Cap (\$M):	\$25.2
EV (\$M):	\$31.1
Avg. Weekly Vol. (M):	0.00

Website: www.newgiocogroup.com

FINANCIALS

	2018	2019E
Revenue (\$M)	\$34.6	\$38.7
EBITDA (\$M)	\$1.0	\$2.5
EPS (S)	\$0.04	-\$0.06
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)

Strong Betting Growth Y/Y But Turnover Drops Q/Q; Waiting on U.S. Sports Betting Revenue and NASDAQ Listing

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-Consumer (B2C) markets. Newgioco’s forecasted double-digit growth over the next year, in the Italian retail gaming market, could be accelerated with tactical acquisitions. Newgioco is poised to capture some of the recently deregulated, multibillion-dollar, U.S. sports betting market through the Company’s proprietary betting platform (ELYST™).

RECENT EVENTS & UPCOMING CATALYSTS:

- **Newgioco released its Q2/2019 Financial results with Gambling Turnover up 24% Y/Y, resulting in Revenue increasing 3.2%.** Newgioco reported Q2/2019 revenue of \$9.1M, lower than our estimate of \$10.1M, EBITDA of \$1.8M, higher than our estimate of \$0.9M, and EPS of -\$0.02, lower than our estimate of \$0.00/share. (See *Figure 1: 2018 and H1/2019 Actuals versus Q2/2019 Estimates* on Page 2.)
- **Newgioco reported a 3.2% Y/Y increase in Q2/2019 revenue versus a 7.8% Y/Y increase in Q1/2019.** Newgioco’s revenue growth continued to be driven by an increase in Web-based betting Turnover but was negatively impacted in this quarter by lower Land-based betting Turnover. Due to cost-cutting in the quarter, Newgioco reported better-than-expected EBITDA. Continued Operating Losses does not give NWGI the flexibility to utilize Cash Flow from Operations to pay down its debt with Convertible Debt and Acquisition Loans due over next year.
- **Waiting on U.S. expansion revenue and NASDAQ listing.** Large opportunity still exists within the U.S. sports betting market, but NWGI has not made any announcements beyond Montana. Up-listing Newgioco to the NASDAQ exchange, to attract long-term institutional investment, is still expected by the end of 2019.
- **Board of Directors appointment of gaming industry veteran should help with the global expansion strategy.** Richard Copper served previously as a Director at Sportech (LSE:SPO), a leader in pari-mutuel pools betting, and he was also the Group Finance Director at sports betting and gaming company GVC Holdings (LSE:GVC).

FINANCIAL ANALYSIS & VALUATION:

- **Due to lower Q2/2019 revenues than we modelled and additional seasonality adjustments, we have reduced our revenue growth estimate for 2019 to 12% from 25% with EBITDA margins remaining at 7%.** We have reduced our revenue estimate in 2019 to \$38.7M, down from our previous estimate of \$43.3M.
- **Based on our analysis, Newgioco trades at EV/Revenue of 0.8x for 2019 and 0.6x for 2020.** This is well below the peer group range of 2.2x-2.3x for 2019 and 1.4x-1.9x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA, yields a value of \$2.12, well above the current price of \$0.31
- **We are maintaining a “Buy” Rating, but reducing our One-year Target Price to \$1.25 from \$1.30.**

QUARTERLY FINANCIAL UPDATE

Newgioco Releases Q2/2019 Financial Results

On August 19, 2019, Newgioco released its Q2/2019 Financial results with Gambling Turnover up 24% year-over-year, resulting in Revenue increasing 3.2% year-over-year.

Q2/2019 OVERALL RESULTS

Newgioco reported Q2/2019 revenue of \$9.1 million, lower than eResearch's estimate of \$10.1 million, EBITDA of \$1.8 million, higher than eResearch's estimate of \$0.9 million, and EPS of -\$0.02, versus eResearch's estimate of \$0.00/share. (See *Figure 1: 2018 and H1/2019 Actuals versus Q2/2019 Estimates*) Newgioco's revenue was lower than our expectations, reporting only a 3.2% year-over-year (Y/Y) increase in revenue versus a 7.8% Y/Y increase in Q1/2019. Newgioco's revenue growth continued to be driven by an increase in Web-based betting Turnover (up 73% Y/Y in H1/19) but negatively impacted by lower Land-based betting Turnover (down 32% Y/Y in H1/19). Due to cost-cutting in the quarter, Newgioco reported better-than-expected EBITDA, with Operating Expenses almost \$1 million lower than our estimate. However, EPS was lower than our estimate as interest expense was higher than we modelled.

Figure 1: 2018 and H1/2019 Actuals versus Q2/2019 Estimates

Model Data	Q118	Q218A	Q318A	Q418A	2018A	Q119A	Q219A	Q219E	Change
Revenue (\$M)	\$8.6	\$8.8	\$7.8	\$9.3	\$34.6	\$9.3	\$9.1	\$10.1	-10%
EBITDA (\$M)	\$0.6	\$1.1	(\$0.1)	(\$0.6)	\$1.0	(\$1.2)	\$1.8	\$0.9	+106%
EPS (Basic)	\$0.01	(\$0.09)	\$0.06	(\$0.02)	\$0.04	(\$0.04)	(\$0.02)	\$0.00	-\$0.02
CFPS	\$0.02	(\$0.00)	(\$0.00)	\$0.01	\$0.02	(\$0.01)	(\$0.00)	(\$0.01)	+\$0.01

Source: Company Financials; eResearch Corp.

REVENUE RECOGNITION RECAP

Newgioco generates revenues from providing retail Land-based and Web-based gambling products and services, including Web-based and App-based gambling solutions, in regulated countries, and offers solutions for both Business-to-Business (B2B) and Business-to-Consumer (B2C). Revenues from sports-betting, casino, cash and skill games, slots, bingo and horse race wagers are calculated from Turnover (gross pay-ins) from customers minus Winnings/Payouts and Gaming Taxes. (See *Figure 2: Turnover and Total Revenue*.) In H1/2019, revenue from Italian operations comprised the majority of the total revenue.

Figure 2: Turnover and Total Revenue

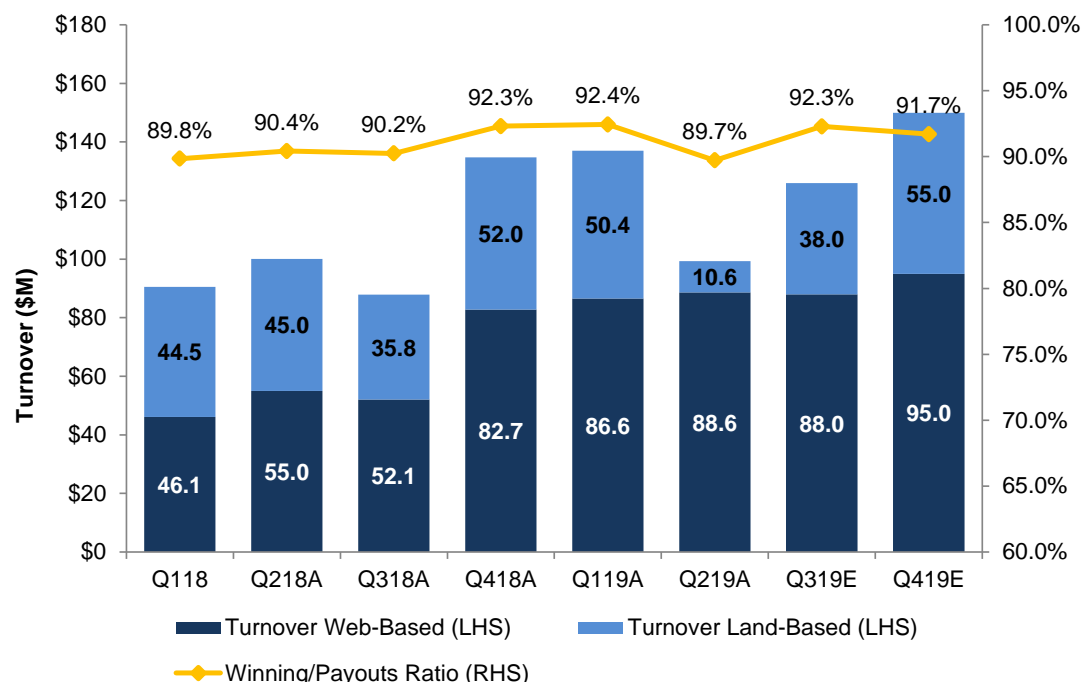
	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Turnover				
Turnover web-based	\$ 88,647,748	\$ 55,025,859	\$ 175,223,649	\$ 101,091,758
Turnover land-based	10,617,656	45,013,592	61,017,220	89,507,552
Total Turnover	99,265,404	100,039,451	236,240,869	190,599,310
Winnings/Payouts				
Winnings web-based	81,857,558	54,687,682	164,120,495	97,305,678
Winnings land-based	7,199,276	35,765,405	51,555,578	74,511,647
Total Winnings/payouts	89,056,834	90,453,087	215,676,073	171,817,325
Gross Gaming Revenues	10,208,570	9,586,364	20,564,796	18,781,985
Less: ADM Gaming Taxes	1,172,993	799,016	2,366,739	1,565,849
Net Gaming Revenues	9,035,577	8,787,348	18,198,057	17,216,136
Add: Commission Revenues	33,360	18,152	62,433	117,152
Add: Service Revenues	36,416	17,159	111,158	83,238
Total Revenues	\$ 9,105,353	\$ 8,822,659	\$ 18,371,648	\$ 17,416,526

Source: Company Q2/2019 Financial Statement

WEB-BASED TURNOVER INCREASED 61% Y/Y BUT TOTAL TURNOVER DECLINED SLIGHTLY

Total Turnover in Q2/2019 decreased slightly year-over-year (Y/Y) to \$99.3 million from \$100.0 million, and also declined 28% from Q1/2019. (See Figure 3: Web-based and Land-based Turnover and Winnings/Payout Ratio) In Q2/2019, Web-based Turnover was \$88.6 million, an increase of 61% Y/Y and also increased 2.4% quarter-over-quarter (Q/Q). The Web-based Turnover increase was attributed to NWGI's pursuit of web-based gambling through its various channels and recent announcement about the increase in Web-shop locations. (See *Newgioco Increased Betting Web-shops in Italy to 2,010*) Land-based Turnover decreased dramatically Q/Q to \$10.6 million in Q2/2019 from \$45.0 million in Q2/2018 and \$50.4 million from the previous quarter. The Q/Q drop in Land-based Turnover was attributed to the end of the Italian Soccer season, which occurred in May, and the Y/Y decline was attributed to the World Cup soccer event that took place in the previous year (June 14 to July 15, 2018) that increased Turnover in Q2/2018 and Q3/2018.

Figure 3: Web-based and Land-based Turnover and Winnings/Payout Ratio



Source: Company Reports; eResearch Corp.

GROSS GAMING REVENUE INCREASED Y/Y DESPITE TOTAL TURNOVER DECREASING Y/Y

Even though Total Turnover was down Y/Y, Gross Gaming Revenues (GGR) was up 6.5% to \$10.2 million from \$9.6 million, as a combination of a higher percentage of Web-based Turnover and lower Payout ratio (89.7% in Q2/2019 vs. 90.4% in Q2/2018) helped to increase the GGR. (See Figure 4: GGR, Taxes and Revenue.) The Italian gaming/gambling regulator (ADM) gaming tax rate increased Y/Y from 8.3% to 11.5%, resulting in an increase in taxes to \$1.2 million from \$799,016, but the higher GGR and increased Commission and Services revenue helped to increase Total Revenues Y/Y to \$9.1 million from \$8.8 million.

Figure 4: GGR, Taxes and Revenue

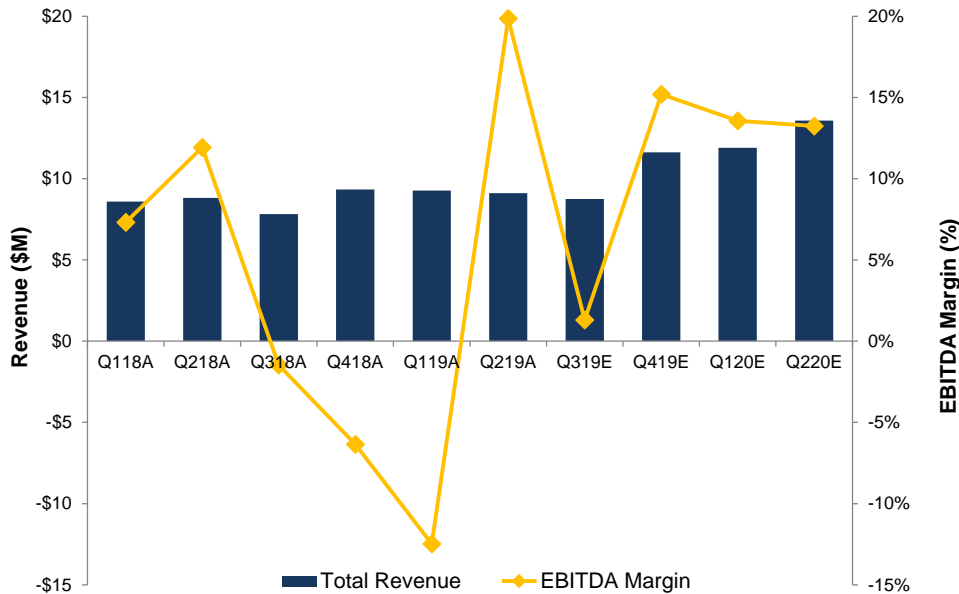
	Q1/2018A	Q2/2018A	Q3/2018A	Q4/2018A	2018A	Q1/2019A	Q2/2019A
Gross Gaming Revenue	9,195,610	9,586,364	8,577,287	10,355,393	37,714,654	10,356,226	10,208,570
ADM Taxes	766,833	799,016	803,407	1,047,894	3,417,150	1,193,746	1,172,993
Effective Tax Rate	8.3%	8.3%	9.4%	10.1%	9.1%	11.5%	11.5%
Net Gaming Revenue	8,428,777	8,787,348	7,773,880	9,307,499	34,297,504	9,162,480	9,035,577
Commission Revenue	99,001	18,152	5,964	12,840	135,957	29,073	33,360
Service Revenue	66,079	17,159	43,442	14,956	141,636	74,741	36,416
Revenue	8,593,857	8,822,659	7,823,286	9,335,295	34,575,097	9,266,294	9,105,353

Source: Company Reports; eResearch Corp.

Q2/2019 REVENUE UP YEAR-OVER-YEAR BUT DOWN QUARTER-OVER-QUARTER

As previously noted, Newgioco reported Q2/2019 revenues of \$9.1 million compared to revenues of \$8.8 million in Q2/2018, up 3.2%. Revenue for the half year (H1/2019) was up 5.5% to \$18.4 million compared to revenue of \$17.4 million in H1/2018. (See Figure 2: Turnover and Total Revenue) The revenue increase year-over-year was attributed to the increase in Web-based Turnover, as the NWGI continues to pursue the global trend of web-based gaming. For the balance of 2019, we expect the Web-based Turnover to remain strong in Q3/2019 and increase in Q4/2019, and for the Land-based Turnover to return to Q1/2019 levels, now that the Italian soccer season has resumed (in late August).

Figure 5: Revenue and EBITDA Margins

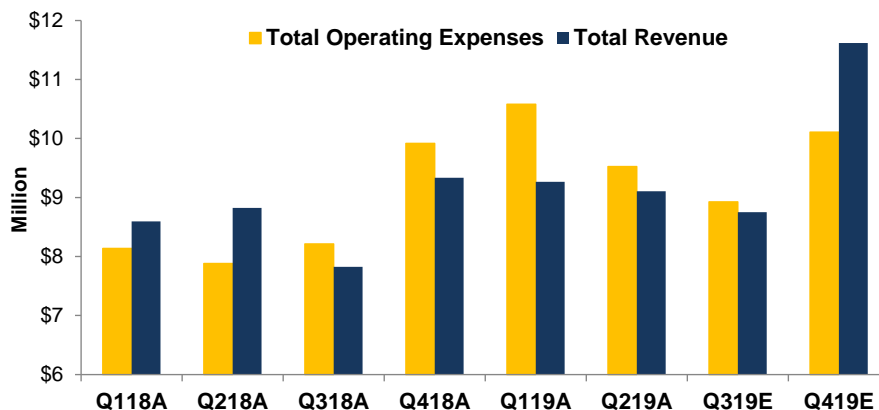


Source: Company Reports; eResearch Corp.

OPERATING EXPENSES CONTINUE TO OUTSTRIP REVENUE

In Q2/2019, Operating Expenses were \$9.5 million compared with \$9.1 million of revenue for a Loss from Operations of \$0.4 million. (See Figure 6: Operating Expense vs. Total Revenue.) Selling Expenses reflect payments to regulators, network service providers, and commissions for field agents and promoters, which can be considered a marketing cost. As some of these expenses are variable costs, with some expenses based on a percentage of Turnover, Selling Expenses should increase as Turnover increases. However, Operating Losses have been a trend for the past 4 quarters and we estimate an Operating Loss in Q3/2019 before we expect the Company to report an Operating Gain in Q4/2019. Selling Expenses could also be impacted from additional sales expenses and marketing initiatives as Newgioco focuses on sales and marketing efforts in the U.S.

Figure 6: Operating Expense vs. Total Revenue



Source: Company Reports; eResearch Corp.

CONCERNS OVER CASH AND DEBT POSITIONS

As at June 30, 2019, Newgioco had \$5.2 million of Cash with current debts including a \$1 million line-of-credit, Convertible Debentures of \$3.0 million and C\$6.2 million, and Notes Payable relating to the acquisition of Virtual Generation (VG) in Q1/2019 of €3.8 million. (See

Figure 7: NWGI Q2/2019 Current Assets and Current Liabilities.) Utilizing the Quick Ratio (Current Assets / Current Liability) as an indicator of the Company's ability to use its cash and near-cash assets to pay down its current liabilities, Newgioco's Current Assets (\$6.3 million) / Current Liabilities (\$17.3 million), would result in a ratio of 0.36x. Often a company that has a Quick Ratio of less than 1 may not be able to fully pay off its Current Liabilities in the short term. However, Newgioco may have flexibility with the Convertible Debentures and Notes Payable relating to the acquisition of VG, but the Operating Losses over the past year do not give the Company the flexibility to utilize Cash Flow from Operations to pay down the debt. By Q4/2019, we estimate that Newgioco can generate positive Cash Flow from Operations allowing it to pay down debt, continue investing in its gambling technology and capitalize on its strategic plan for expansion into the U.S. sports betting market.

Figure 7: NWGI Q2/2019 Current Assets and Current Liabilities

	June 30, 2019
	(unaudited)
Current Assets	
Cash and cash equivalents	\$ 5,228,797
Accounts receivable	116,398
Gaming accounts receivable	654,016
Prepaid expenses	140,107
Related party receivable	851
Other current assets	145,348
Total Current Assets	6,285,517
Current Liabilities	
Line of credit - bank	\$ 1,000,000
Accounts payable and accrued liabilities	3,982,319
Gaming accounts payable	2,217,089
Taxes payable	995,004
Advances from stockholders	48,508
Convertible Debenture, net of discount of \$2,578,995 and \$4,587,228, respectively	6,083,982
Notes payable, net of discount of \$132,970	1,421,045
Notes payable – related party	1,405,804
Bank loan payable – current portion	122,829
Total Current Liabilities	17,276,580

Source: NWGI Q2/2019 Financials; eResearch Corp

NEWGIOCO'S GUIDANCE FOR 2019 AND eRESEARCH'S OUTLOOK

In June 2019, Newgioco provided guidance for 2019 for Turnover from Italian operations of at least \$500 million, with revenue growth between 25-35% and EBITDA Margin's in the 10-15% range. Currently we are modeling Turnover of \$512 million (Turnover growth at 24%), but revenue growth of only 12% and EBITDA Margin of only 5%. We reduced revenue in Q3/2019 and Q4/2019 due to the decline in Land-based Turnover in Q2/2019 and the impact of seasonality in the Italian betting market, especially in the summer months before the Italian soccer season starts again. We expect EBITDA margins to be negatively affected in Q3/2019 by increased marketing expenses as well as the additional cost for getting listed on the NASDAQ exchange. In Q4/2019 and into 2020, we expect EBITDA margins to trend towards 15% as the platform benefits from economies of scale from additional users through both organic growth and potential M&A activity to enable inorganic growth.

Q2/2019 CORPORATE UPDATES

Newgioco Increased 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.

Currently the Italian operations comprise almost all of Newgioco's revenue, so location growth is a key performance indicator as it drives Turnover growth and positively correlates to Revenue growth. Newgioco continues to forecast reaching over \$500 million of betting Turnover in 2019, a 25-30% Turnover growth.

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 focuses 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. 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.

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.

In June 2019, Newgioco issued 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 and U.S. capital markets experience, and currently serves as the Chairman of Datos Health; Mr. Sallwasser is a certified public accountant and spent 39 years as a partner with Ernst & Young; and, Mr. Shallcross is a certified public accountant with 25 years of comprehensive international, financial, M&A and operational experience. As the new members to the Board of Directors all have experience with Mergers & Acquisitions, accounting and regulatory matters, we expect the Company to announce additional board appointees with U.S. gaming industry experience.

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. 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.

On September 3, Newgioco announced the appointment of Richard Cooper to its Board of Directors. Richard Copper is a gaming industry veteran, serving previously as a Director at Sportech (LSE:SPO), a leader in pari-mutuel pools betting, and he was also the Group Finance Director at sports betting and gaming company GVC Holdings (LSE:GVC). Mr. Copper's appointment should help with Newgioco's global expansion strategy.

FINANCIAL ANALYSIS & VALUATION UPDATE

- Due to lower Q2/2019 revenue than we modelled and additional seasonality adjustments, we have reduced our revenue growth estimate for 2019 to 12% from 25% with EBITDA margins remaining at 7%.** In June, Newgioco forecasted revenue growth of 25-35% with EBITDA margins of 10-15% in 2019. However, we reduced our revenue estimates in Q3/2019 and Q4/2019 due to the decline in Land-based Turnover in Q2/2019 and the impact of seasonality in the Italian betting market. We expect EBITDA margins to improve as the Company delivers on the higher margin SaaS offering and can recognize that revenue in late Q4/2019 or early Q1/2020, but are cautious as EBITDA could be negatively impacted by additional Selling Expenses related to marketing initiatives to expand sales into the U.S. market as well as the additional cost for getting listed on the NASDAQ exchange. We also reduced EPS to -\$0.06 from -\$0.02 due to a revision in our estimate of interest expense from the recent acquisition. By Q4/2019, we estimate that Newgioco can generate positive Cash Flow from Operations allowing it to pay down debt, continue investing in its gambling technology and capitalize on its strategic plan for expansion into the U.S. sports betting market. By 2020, we expect EBITDA margins to trend towards the 15-20% range as the platform benefits from economies of scale with additional users through both organic growth and potential M&A activity to enable inorganic growth.
- Newgioco is on pace to meet Turnover target of \$500 million.** In June 2019, Newgioco provided guidance for 2019 for Turnover from Italian operations of at least \$500 million. In H1/2019, Newgioco has recorded Turnover of \$236.2 million so is on pace to meet that target. Currently we are modeling Turnover of \$512 million, a Turnover Y/Y growth of 24%. For the balance of 2019, we expect the Web-based Turnover to remain strong in Q3/2019 and increase in Q4/2019, and for the Land-based Turnover to return to Q1/2019 levels, once the Italian soccer season resumes in August.
- 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 \$2.12. Using a revenue multiple of 2.0x and a Q3/2020 12-month Revenue target of \$49.2 million, the 1-year target share price is \$1.01. Using an EBITDA multiple of 9.0x EBITDA, and a Q3/2020 12-month EBITDA target of \$6.8 million, the 1-year target share price is \$0.60.
- The equally-weighted 1-year price target for Newgioco is \$1.12 and represents a 41% discount to the 1-year DCF net asset value of \$2.12.**

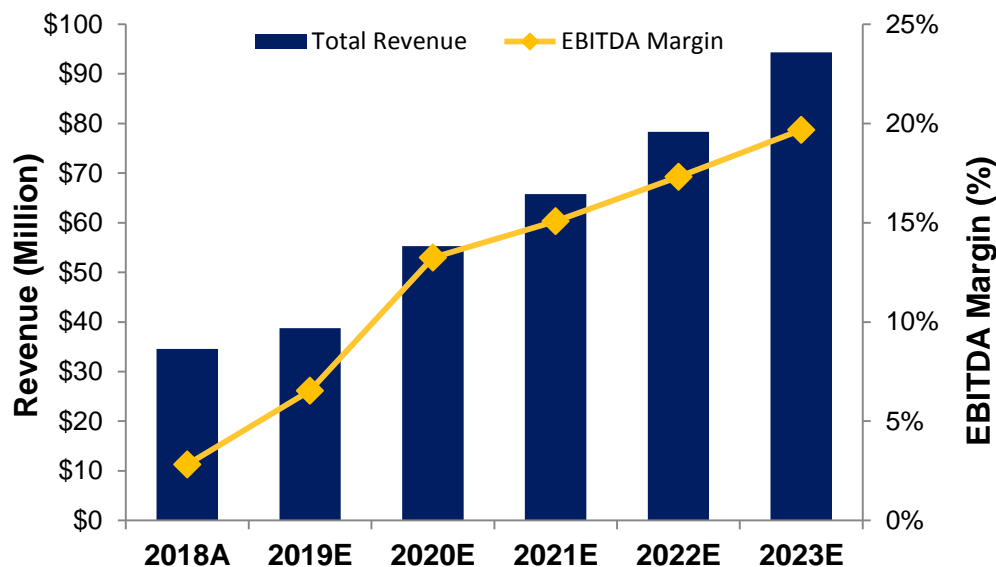
Figure 8: Target Price (1-year) Calculation for Newgioco

			Target
Method 1: DCF	WACC 10.0%	Terminal Multiple (Year 6) 9.0x EBITDA	\$2.12
Method 2: Revenue Multiple	2.0x	Q3/2020 Revenue (Est.) \$49.2	\$1.01
Method 3: EBITDA Multiple	9.0x	Q3/2020 EBITDA (Est.) \$6.8	\$0.60
Equal-Weighted Target Price (1-year)			\$1.25

Source: eResearch Corp.

- Undervalued in the market – trading at a discount to peers.** Based on our analysis, Newgioco trades at EV/Revenue of 0.8x for 2019 and 0.6x for 2020. This is well below the peer group range of 2.2x-2.3x for 2019 and 1.4x-1.9x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA yields a value of \$2.12, well above the current price of \$0.31.
- We are maintaining a “Buy” Rating, but reducing our One-year Target Price to \$1.25 from \$1.30.**

Figure 9: Annual Revenue and EBITDA Margins



Source: Company Reports; eResearch Corp

Figure 10: DCF Analysis

Newgioco Group Inc.								
DCF Analysis (US\$)	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue (\$M)	34.6	38.7	55.3	65.8	78.3	94.3	113.6	137.0
Revenue Growth	51.2%	12.1%	42.6%	19.0%	19.1%	20.4%	20.5%	20.5%
EBITDA (\$M)	1.0	2.5	7.3	9.9	13.6	18.6	25.1	32.2
EBITDA Growth	-70.5%	160.0%	188.8%	35.6%	36.9%	36.8%	35.2%	28.3%
EBITDA Margin	2.8%	6.5%	13.2%	15.1%	17.3%	19.7%	22.1%	23.5%
Depreciation and Amort. (\$M)	0.5	2.9	0.7	0.6	0.5	0.5	0.5	0.5
EBIT (\$M)	0.4	-0.4	6.6	9.3	13.0	18.1	24.6	31.7
NOPAT (\$M)	1.0	-0.4	4.7	6.6	9.3	12.9	17.6	22.6
Plus Amortization (\$M)	0.5	2.9	0.7	0.6	0.5	0.5	0.5	0.5
Less Capital Expenditures (\$M)	(4.5)	(0.1)	(0.2)	(0.0)	(0.8)	(0.0)	(0.0)	(0.0)
Capital Intensity	12.9%	0.3%	0.3%	0.0%	1.0%	0.0%	0.0%	0.0%
Net Working Capital Changes (\$)	2.5	-0.3	2.6	1.1	1.2	1.5	1.8	2.3
EPS (Continuing)	0.04	-0.06	0.02	0.03	0.06	0.08	0.12	0.16
Unlevered Free Cash Flow (\$M)	-0.4	2.1	7.8	8.4	10.3	14.9	19.8	25.4
PV of Unlevered FCFs (\$)	-0.4	2.0	6.9	6.7	7.5	9.9	11.9	13.9

Valuation Assumptions:

Discount Rate	10%
Terminal Multiple	9.0x

Valuation Analysis:

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	58.8	62.5	60.4
Terminal Value (\$M)	289.5	289.5	289.5
PV of Terminal Value (\$M)	158.3	174.1	191.5
Net (debt) cash position	0.4	2.8	7.1
Total Value (\$M)	217.5	239.4	259.0
DCF Value/Share	1.93	2.12	2.29
FD Shares O/S (M)	113	113	113

Source: Company Reports; 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 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 0.8x for 2019 and 0.6x for 2020. This is well below the peer group range of 2.2x-2.3x for 2019 and 1.4x-1.9x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA yields a value of \$2.12 and our blended Target Price of \$1.25 are both well above the current price of \$0.31.

The fragmented Italian market is ripe for consolidation and acquisitions could fuel additional revenue growth. Newgioco is ranked the 25th 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 11: NWGI Income Statement

Newgioco Group Inc. Income Statement (FYE Dec, US\$)	2017	2018A	Q119A	Q219A	Q319E	Q419E	2019E	2020E	2021E
Revenue									
Total Revenue	22,865,146	34,575,097	9,266,295	9,105,353	8,752,200	11,618,250	38,742,098	55,250,734	65,765,381
Expenses									
Sales and Marketing	14,672,099	24,142,110	7,407,706	7,038,797	6,126,540	7,551,863	28,124,906	35,912,977	41,991,196
General and Administrative	5,597,881	10,005,713	3,173,467	2,487,299	2,800,704	2,556,015	11,017,485	12,707,669	14,468,384
Total Operating Expenses	20,269,980	34,147,823	10,581,173	9,526,096	8,927,244	10,107,878	39,142,391	48,620,646	56,459,579
Operating Income	2,595,166	427,274	(1,314,878)	(420,743)	(175,044)	1,510,373	(400,293)	6,630,088	9,305,801
Total Other Income	(256,356)	(2,370,881)	(1,528,790)	(1,045,084)	(981,719)	(939,183)	(4,494,776)	(3,442,007)	(3,076,143)
EBT	2,338,810	(1,943,607)	(2,843,668)	(1,465,827)	(1,156,763)	571,189	(4,895,068)	3,188,081	6,229,659
Income Taxes	(972,924)	(1,102,701)	(261,547)	(232,417)	462,705	(228,476)	(259,735)	(1,275,232)	(2,491,863)
Net Income (Loss)	1,365,886	(3,046,308)	(3,105,215)	(1,698,244)	(694,058)	342,714	(5,154,803)	1,912,849	3,737,795
EPS									
Basic EPS	0.02	0.04	(0.04)	(0.02)	(0.01)	0.00	(0.06)	0.02	0.05
Diluted EPS	0.02	0.04	(0.04)	(0.02)	(0.01)	0.00	(0.06)	0.02	0.03
EBITDA	3,296,761	973,926	(1,156,778)	1,808,569	114,028	1,766,281	2,532,100	7,312,878	9,912,666
Shares Outstanding									
Shares Outstanding, Basic	74,032,631	75,887,946	76,394,867	79,348,133	79,348,133	79,348,133	79,348,133	79,348,133	79,348,133
Shares Outstanding, Diluted	75,344,948	75,887,946	76,394,867	109,722,409	79,348,133	109,722,409	79,348,133	109,722,409	109,722,409

Source: Company Reports; eResearch Corp.

Figure 12: NWGI Balance Sheet

Newgioco Group Inc.									
Balance Sheet (As at Dec 31, US\$)									
	2017	2018A	Q119A	Q219A	Q319E	Q419E	2019E	2020E	2021E
Current Assets									
Cash	6,469,858	6,289,903	5,179,404	5,228,797	2,689,097	3,193,595	3,193,595	7,037,486	11,626,082
Trade & Other Receivables	1,280,320	1,081,048	1,291,557	771,265	991,408	1,316,060	1,316,060	2,006,267	2,388,237
Prepaid Expenses & Other Assets	100,235	180,412	276,267	285,455	220,197	247,612	247,612	376,289	435,790
Total Current Assets	7,850,413	7,551,363	6,747,228	6,285,517	3,900,701	4,757,267	4,757,267	9,420,042	14,450,109
Non-Current Assets									
Property and Equipment	280,111	354,799	383,528	347,824	233,664	137,664	137,664	120,731	31,812
Intangible Assets	3,245,748	12,583,457	16,468,511	16,353,775	16,221,309	16,089,917	16,089,917	15,574,903	15,076,375
Goodwill	260,318	262,552	267,146	267,076	267,076	267,076	267,076	267,076	267,076
Restricted Cash	587,905	1,560,539	1,549,431	1,439,782	1,439,782	1,439,782	1,439,782	1,439,782	1,439,782
Total Assets	12,224,496	22,587,710	25,665,844	24,943,974	22,312,533	22,941,706	22,941,706	27,072,535	31,515,154
Current Liabilities									
Trade & Other Payables	4,436,787	6,709,461	7,531,588	7,242,920	5,791,655	6,512,740	6,512,740	9,897,215	11,462,231
Operating Line	298,268	1,188,998	825,000	1,000,000	825,000	680,625	680,625	487,595	349,310
Short-Term Debt	2,114,743	39,237	4,196,230	2,949,678	2,769,701	2,595,248	2,595,248	1,966,431	1,458,866
Convertible Debt	365,160	3,942,523	4,473,994	6,083,982	6,083,982	6,083,982	6,083,982	6,083,982	6,083,982
Total Current Liabilities	7,214,958	11,880,219	17,026,812	17,276,580	15,470,337	15,872,595	15,872,595	18,435,224	19,354,388
Non-Current Liabilities									
Bank Loan Payable	362,808	225,131	190,197	161,504	132,811	109,216	109,216	49,945	22,840
Notes Payable + Other L-T Liabilities	532,680	608,728	619,991	1,024,477	922,029	829,826	829,826	544,449	357,213
Total Liabilities	8,110,446	12,714,078	17,837,000	18,462,561	16,525,178	16,811,637	16,811,637	19,029,617	19,734,441
Shareholders Equity									
Share Capital	7,415	7,555	7,837	7,935	7,935	7,935	7,935	7,935	7,935
Contributed Surplus	14,254,582	23,956,309	25,072,634	25,455,983	25,455,983	25,455,983	25,455,983	25,455,983	25,455,983
Retained Earnings	(9,897,620)	(13,008,894)	(16,114,110)	(17,812,354)	(18,506,412)	(18,163,698)	(18,163,698)	(16,250,849)	(12,513,054)
Total Shareholders Equity	4,114,050	9,873,632	7,828,843	6,481,413	5,787,355	6,130,069	6,130,069	8,042,918	11,780,713
Total Liabilities & Shareholders Equity	12,224,496	22,587,710	25,665,843	24,943,974	22,312,533	22,941,706	22,941,706	27,072,535	31,515,154

Source: Company Reports; eResearch Corp.

Figure 13: NWGI Cash Flow Statement

Newgioco Group Inc.									
Cash Flow Statement (FYE Dec, US\$)	2017	2018A	Q119A	Q219A	Q319E	Q419E	2019E	2020E	2021E
Cash Provided By Operating Activities									
Net Income (Loss)	1,365,886	(3,046,308)	(3,105,215)	(1,698,244)	(694,058)	342,714	(5,154,803)	1,912,849	3,737,795
Amortization of Intangibles	601,266	58,188	-	2,096,080	132,466	131,393	2,359,938	515,013	498,529
Depreciation of Property & Equipment	100,329	488,464	158,100	133,232	156,606	124,516	572,454	167,776	108,336
Impairment	-	(518,354)	-	-	-	-	-	-	-
Changes in Non-Cash Working Capital									
Trade & Other Receivables	1,152,785	242,832	(205,281)	505,488	(220,143)	(324,652)	(244,588)	(690,207)	(381,970)
Prepaid Expenses & Other Assets	-	(138,366)	(58,555)	50,823	65,258	(27,415)	30,111	(128,677)	(59,501)
Trade & Other Payables	-	2,414,096	820,873	(200,338)	(1,451,265)	721,085	(109,645)	3,384,475	1,565,015
Total Cash Provided By Operating Activities	3,358,674	1,774,952	(812,850)	(46,730)	(2,011,135)	967,639	(1,903,076)	5,161,230	5,468,204
Investing Activities									
Purchase of Property & Equipment	(180,722)	(4,455,099)	(46,804)	(12,449)	(42,447)	(28,515)	(130,215)	(150,844)	(19,416)
Redemption of Short-Term Investments & Restricted Cash	(45,142)	(972,634)	1	100,139	-	-	100,140	-	-
Total Cash From Investing Activities	-225,864	(5,427,733)	(459)	88,014	(42,447)	(28,515)	16,593	(150,844)	(19,416)
Financing Activities									
Proceeds from Loan	591,202	6,883,906	-	-	-	-	-	-	-
Operating Line (Repayment)	165,925	14,454	75,000	175,000	(175,000)	(144,375)	(69,375)	(193,030)	(138,285)
Repayment of Loan	(186,502)	(137,965)	(29,134)	(29,873)	(311,118)	(290,251)	(660,376)	(973,465)	(721,906)
Issue of Equity	-	(2,261,307)	196,783	-	-	-	196,783	-	-
Total Cash From Financing Activities	570,625	4,499,088	(178,420)	15,543	(486,118)	(434,626)	(1,083,621)	(1,166,495)	(860,192)
Net Increase in Cash	4,239,436	(179,955)	(1,110,499)	246,176	(2,539,700)	504,498	(2,899,525)	3,843,891	4,588,596
Beginning Cash	2,230,422	6,469,858	6,289,903	4,982,621	5,228,797	2,689,097	6,289,903	3,193,595	7,037,486
Ending Cash	6,469,858	6,289,903	5,179,404	5,228,797	2,689,097	3,193,595	3,193,595	7,037,486	11,626,082

Source: Company Reports; eResearch Corp.

APPENDIX B: NEWGIOCO 2-YEAR STOCK CHART

The following is a 24-month stock chart. Average daily volume is approximately 70,000 shares.

Figure 14: Newgioco 2-Year Stock Chart



Source: BigCharts.com

APPENDIX C: GAMING/GAMBLING COMPARABLES

Figure 15: Gaming/Gambling Comparables

Name	Sep 02 Close	Mkt Cap (M)	Cash (M)	Debt (M)	EV (M)	2018A			EBITDA (M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Large-Cap																	
Activision Blizzard	\$50.60	\$38,812	\$4,670	\$2,962	\$37,104	\$7,500	\$6,333	\$6,988	\$2,507	\$2,234	\$2,662	4.9x	5.9x	5.3x	14.8x	16.6x	13.9x
Aristocrat Leisure	\$19.64	\$12,542	\$345	\$1,985	\$14,181	\$2,387	\$2,946	\$3,184	\$769	\$1,029	\$1,110	5.9x	4.8x	4.5x	18.4x	13.8x	12.8x
Tabcorp Holdings	\$3.15	\$6,339	\$320	\$2,579	\$8,599	\$3,549	\$2,872	\$3,716	\$516	\$710	\$706	2.4x	3.0x	2.3x	16.7x	12.1x	12.2x
Flutter Entertainment	\$83.23	\$6,501	\$132	\$768	\$7,436	\$2,388	\$2,535	\$2,811	\$575	\$463	\$515	3.1x	2.9x	2.6x	12.9x	16.1x	14.4x
The Stars Group	\$15.19	\$4,370	\$339	\$5,192	\$9,227	\$2,029	\$2,547	\$2,774	\$528	\$912	\$994	4.5x	3.6x	3.3x	17.5x	10.1x	9.3x
GVC Holdings	\$7.81	\$4,544	\$482	\$3,115	\$7,224	\$3,541	\$4,292	\$4,402	\$388	\$806	\$924	2.0x	1.7x	1.6x	18.6x	9.0x	7.8x
Evolution Gaming	\$19.10	\$3,470	\$101	\$26	\$3,395	\$281	\$385	\$465	\$111	\$186	\$224	12.1x	8.8x	7.3x	30.4x	18.3x	15.2x
Boyd Gaming	\$24.04	\$2,672	\$240	\$4,826	\$7,258	\$2,493	\$3,332	\$3,381	\$586	\$807	\$840	2.9x	2.2x	2.1x	12.4x	9.0x	8.6x
International Game	\$11.98	\$2,449	\$401	\$8,436	\$11,299	\$4,830	\$4,788	\$4,857	\$1,418	\$1,705	\$1,739	2.3x	2.4x	2.3x	8.0x	6.6x	6.5x
Universal Entertainment	\$29.08	\$2,273	\$341	\$781	\$2,712	\$878	\$1,347	\$1,657	-\$46	\$278	\$432	3.1x	2.0x	1.6x		9.8x	6.3x
IG Group Holdings	\$6.60	\$2,427	\$471	\$126	\$2,082	\$724	\$586	\$615	\$332	\$245	\$251	2.9x	3.6x	3.4x	6.3x	8.5x	8.3x
Great Canadian Gaming	\$29.90	\$1,759	\$312	\$1,255	\$2,817	\$895	\$1,010	\$1,109	\$338	\$347	\$368	3.1x	2.8x	2.5x	8.3x	8.1x	7.7x
Scientific Games	\$18.48	\$1,721	\$369	\$8,985	\$10,431	\$3,363	\$3,446	\$3,587	\$1,048	\$1,358	\$1,417	3.1x	3.0x	2.9x	10.0x	7.7x	7.4x
Kindred Group	\$5.58	\$1,265	\$139	\$335	\$1,462	\$1,157	\$1,127	\$1,258	\$261	\$170	\$225	1.3x	1.3x	1.2x	5.6x	8.6x	6.5x
William Hill	\$2.17	\$1,898	\$546	\$1,346	\$2,713	\$2,057	\$1,917	\$2,014	\$320	\$306	\$344	1.3x	1.4x	1.3x	8.5x	8.9x	7.9x
Playtech	\$4.45	\$1,366	\$994	\$1,447	\$1,824	\$1,420	\$1,704	\$1,758	\$303	\$429	\$455	1.3x	1.1x	1.0x	6.0x	4.3x	4.0x
Betsson	\$4.89	\$677	\$50	\$131	\$757	\$552	\$536	\$578	\$129	\$131	\$143	1.4x	1.4x	1.3x	5.9x	5.8x	5.3x
Mean (excluding NWGI; multiple <20X)												3.4x	3.0x	2.8x	11.3x	10.2x	9.1x
Median (excluding NWGI)												2.9x	2.8x	2.3x	11.2x	9.0x	9.3x
Mid-Cap																	
The Rank Group Plc	\$1.98	\$774	\$75	\$75	\$774	\$834	\$878	\$904	\$122	\$148	\$158	0.9x	0.9x	0.9x	6.3x	5.2x	4.9x
PlayAGS, Inc.	\$9.74	\$345	\$23	\$540	\$863	\$285	\$308	\$333	\$116	\$146	\$160	3.0x	2.8x	2.6x	7.4x	5.9x	5.4x
NetEnt AB (publ)	\$2.55	\$611	\$20	\$25	\$616	\$181	\$176	\$187	\$69	\$88	\$95	3.4x	3.5x	3.3x	9.0x	7.0x	6.5x
Everi Holdings Inc.	\$8.94	\$646	\$132	\$1,164	\$1,678	\$470	\$513	\$554	\$222	\$254	\$276	3.6x	3.3x	3.0x	7.6x	6.6x	6.1x
888 Holdings plc	\$1.89	\$688	\$133	\$0	\$555	\$541	\$561	\$595	\$97	\$85	\$94	1.0x	1.0x	0.9x	5.7x	6.6x	5.9x
JPJ Group plc	\$8.19	\$610	\$145	\$481	\$946	\$407	\$416	\$688	\$137	\$125	\$213	2.3x	2.3x	1.4x	6.9x	7.6x	4.4x
Kambi Group plc	\$16.95	\$514	\$46	\$18	\$486	\$87	\$101	\$125	\$17	\$31	\$44	5.6x	4.8x	3.9x	28.0x	15.8x	10.9x
LeoVegas AB (publ)	\$3.51	\$357	\$44	\$112	\$431	\$375	\$405	\$467	\$44	\$50	\$66	1.1x	1.1x	0.9x	9.9x	8.6x	6.6x
Gamenet Group	\$11.21	\$327	\$116	\$563	\$780	\$709	\$805	\$878	\$97	\$175	\$197	1.1x	1.0x	0.9x	8.0x	4.5x	4.0x
Ainsworth Game	\$0.49	\$164	\$41	\$37	\$160	\$179	\$161	\$166	\$35	\$32	\$31	0.9x	1.0x	1.0x	4.6x	4.9x	5.2x
Inspired Entertainment	\$6.99	\$155	\$16	\$142	\$281	\$141	\$120	\$139	\$27	\$43	\$53	2.0x	2.3x	2.0x	10.3x	6.6x	5.3x
Stride Gaming Plc	\$1.80	\$136	\$26	\$4	\$115	\$103	\$0	\$0	\$0	\$0	\$0	1.1x					
Mean (excluding NWGI; multiple <20X)												2.2x	2.2x	1.9x	7.6x	7.2x	5.9x
Median (excluding NWGI)												1.6x	2.3x	1.4x	7.6x	6.6x	5.4x
Newgioco Group, Inc.	\$0.31	\$25	\$5	\$11	\$31	\$35	\$39	\$55	\$1	\$3	\$7	0.9x	0.8x	0.6x	33.9x	12.3x	4.3x
Small-Cap																	
Sportech PLC	\$0.39	\$73	\$19	\$11	\$65	\$81	\$79	\$83	\$4	\$11	\$11	0.8x	0.8x	0.8x	17.3x	5.8x	5.8x
Galaxy Gaming, Inc.	\$1.83	\$32	\$8	\$49	\$73	\$19	\$0	\$0	\$6	\$0	\$0	3.9x			12.6x		
GAN plc	\$0.86	\$73	\$7	\$1	\$67	\$13	\$0	\$0	-\$8	\$0	\$0	5.0x					
Seven Aces Limited	\$0.75	\$52	\$2	\$71	\$125	\$72	\$78	\$83	\$26	\$29	\$33	1.7x	1.6x	1.5x	4.8x	4.4x	3.8x
Bragg Gaming Group Inc.	\$0.25	\$20	\$1.5	\$0.9	\$19.0	\$8.6	\$33.8	\$0.0	-\$6.8	\$0.0	\$0.0	2.2x	0.6x				
Jackpot Digital Inc.	\$0.03	\$1.7	\$0.0	\$6.5	\$6.7	\$1.5	\$0.0	\$0.0	-\$2.1	\$0.0	\$0.0	4.3x					
Global Daily Fantasy Sports Inc.	\$0.07	\$5.3	\$0.1	\$0.0	\$5.2	\$0.1	\$0.0	\$0.0	-\$3.2	\$0.0	\$0.0	65.8x					
Contagious Gaming	\$0.03	\$0.9	\$0.1	\$0.5	\$1.3	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	3.7x					
Mean (excluding NWGI; multiple <20X)												3.1x	1.0x	1.1x	11.6x	5.1x	4.8x
Median (excluding NWGI)												3.8x	0.8x	1.1x	12.6x	5.1x	4.8x

Source: S&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

NOTE: eResearch company reports are available FREE on our website: 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), 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 IIROC. 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.