

REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	Buy
Target Price (US)	\$9.50	\$10.00
Revenue 2019E (M)	\$36.5	\$38.7
Adj. EBITDA 2019E (M)	\$3.1	\$2.5
Adj. EPS 2019 (M)	-\$0.06	-\$0.06

MARKET DATA

Date:	Feb 14, 2020
Current Price (US\$):	\$4.00
Target Price (US\$):	\$9.50
52-Week Range:	\$1.84 / \$4.59
Shares O/S (M):	10.8
FD Shares O/S (M):	14.9
Mkt Cap (\$M);	\$43.1
EV (\$M):	\$47.2
Avg. Weekly Vol. (M):	0.02

Website: www.newgiocogroup.com

FINANCIALS

	2018A	2019E
Revenue (\$M)	\$34.6	\$36.5
EBITDA (\$M)	\$1.0	\$3.1
EPS (S)	\$0.04	-\$0.06
Cash (\$M)	\$6.3	\$4.7
Current Assets (\$M)	\$7.6	\$6.2
Net Cash (\$M)	\$6.4	\$2.9
Total Assets (\$M)	\$22.6	\$24.5
Debt (\$M)	\$0.9	\$3.0
Total Liabilities (\$M)	\$12.7	\$16.6
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

All figures in USD unless otherwise stated.

Newgioco Group, Inc. (OTCQB: NWGI)

NWGI Signs Two U.S. Sports Betting Clients and Uplists to the NASDAQ

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 (ELYS™).

RECENT EVENTS & UPCOMING CATALYSTS:

- **Newgioco signs two deals for its sports betting platform (ELYS™) in the U.S.** Newgioco announced agreements with Handle 19 and Grand Central in Washington, D.C., to provide Newgioco’s ELYS™ online and land-based sports betting platform. These deals represent Newgioco’s continued growth in the U.S. regulated sports betting market.
- **Newgioco partners with Northern Winz casino to launch second Tribal Sports betting product.** The customization for the Tribal Sports betting market shows the flexibility of Newgioco’s ELYS™ betting platform in a market similar in size to the U.S. Commercial Casino market.
- **Newgioco’s Virtual Generation (VG) expands Latin America operations.** Newgioco has Partnered with HBG group for distribution of the VG virtual games in Central America. This new business relationship will leverage HBG’s network in Colombia and across South America to grow VG’s existing retail distribution and customer base across the region.
- **Recent NASDAQ listing should improve visibility and liquidity.** A reverse stock split was completed (8-for-1) in advance of the planned NASDAQ listing to allow Newgioco to meet the NASDAQ Capital Market’s listing requirements.
- **Recent merger pegs Newgioco value over \$300 million.** DraftKings and SBTech deal values SBTech, a direct competitor of Newgioco, at approximately \$655.9 million or 8.5x revenue. **An 8.5x revenue multiple on Newgioco’s 2019E revenue of \$36.5 million would value Newgioco at approximately \$310 million.** Currently, Newgioco’s Enterprise Value is only \$47 million.

FINANCIAL ANALYSIS & VALUATION:

- **Newgioco released its Q3/2019 financial results with gambling turnover up 32% Y/Y, however revenue declined 13.6% Y/Y due to higher payout ratios.** Q3/2019 revenue of \$6.8M was lower than our estimate of \$8.8M and EBITDA of \$0.6M was higher than our estimate of \$0.1M, due to a sharp decrease in Sales & Marketing costs.
- **Based on our analysis, Newgioco trades at EV/Revenue of 1.3x for 2019 and 0.9x for 2020.** This is well below the peer group range of 2.1x-2.4x for 2019 and 2.0x-2.1x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA yields a value of \$17.07, well above the current price of \$3.87.
- **We are maintaining a “Buy” Rating, but reducing our One-year Target Price to \$9.50 from \$10.00.**

RECENT CORPORATE UPDATES SUPPORT INVESTMENT THESIS

Newgioco Signs Two Deals for Sports Betting Platform (ELYS™) in the U.S.

- **Newgioco Signs Multi-year Sports Betting Agreement in District of Columbia**

On October 8, 2019, Newgioco announced a multi-year agreement with Handle 19, Inc. to provide Newgioco's ELYS™ online and land-based sports betting platform in Washington, D.C.

- **Newgioco Signs Popular Sports Bar Operator in District of Columbia**

On October 22, 2019, Newgioco announced that Grand Central, LLC has selected Newgioco's ELYS™ platform for its sportsbook at its popular Grand Central sports bar and Capo deli in Washington, D.C. Grand Central is Newgioco's second client to select the ELYS™ betting platform in the regulated D.C. sports betting market.

Expansion of Existing Relationships with U.S. Tribal Casinos – U.S. Tribal Casino Market is Similar in Size to the U.S. Commercial Casino Market

- **Newgioco Partners with Northern Winz Casino to Launch Second Tribal Sports Betting Product**

On December 23, 2019, Newgioco announced the successful launch of real-money betting on traditional Indian Stick Game with Northern Winz Casino in Montana. Adding the traditional Indian Stick Game illustrates Newgioco's U.S. expansion of real-money Class 1 tribal sports betting and builds on the Indian Horse Relay betting product unveiled by Newgioco in October 2019.

The customization for the Tribal Sports betting market shows the flexibility of Newgioco's ELYS™ betting platform. Newgioco's ELYS™ betting platform executed bets, managed risk, calculated payouts, and provided full live support for cage staff for the Northern Winz's Christmas Hand Games Tournament held in December 2019.

ELYS™ provides full service, turn-key sports betting solutions for both tribal and non-tribal clients. The Company expects to further the development of betting products and offerings into tribal and non-tribal casinos in the U.S. to continue throughout 2020.

Virtual Generation Acquisition – Gateway for International Expansion and Cross-selling the Sports Betting Platform (ELYS™)

- **Newgioco's Virtual Generation Expands Latin America Operations**

On December 11, 2019, Newgioco announced that, through its wholly owned subsidiary Virtual Generation Limited ("VG"), it entered into an agreement with the HBG group for distribution of the VG virtual games in Central America. Newgioco's VG division produces a regionally focused virtual betting platform, for betting on virtual and pre-recorded sporting events and currently operates in 12 countries. The new business relationship will leverage HBG's network in Colombia and across South America to grow VG's existing retail distribution and customer base across the region.

Recent NASDAQ Listing Should Improve Visibility and Liquidity

- **Newgioco Announces Reverse Stock Split**

On November 25, 2019, Newgioco announced that the Board of Directors approved a reverse stock split of the Company's common stock, at the ratio of one share of common stock for every eight shares of common stock, with an effective date of December 12, 2019. The reverse stock split was completed in advance of the planned NASDAQ listing to allow Newgioco to meet the NASDAQ Capital Market's listing requirements.

- **Newgioco Announces Listing of Shares on the NASDAQ Stock Exchange**

On December 26, 2019, Newgioco announced that its common stock will begin trading on the NASDAQ Capital Market effective with the opening of trading on December 27, 2019. The Company's ticker symbol will remain "NWGI". The Company believes that listing on the NASDAQ should increase its shareholder base by attracting new investors, improve its visibility in the U.S. marketplace, and increase the liquidity of its stock.

QUARTERLY FINANCIAL UPDATE

Newgioco Releases Q3/2019 Financial Results

On November 29, 2019, Newgioco released its Q3/2019 financial results with gambling turnover up 32% Y/Y, however revenue declined 13.6% Y/Y due to higher payout ratios.

Q3/2019 OVERALL RESULTS

Newgioco reported Q3/2019 revenue of \$6.8 million, lower than eResearch's estimate of \$8.8 million, Adjusted EBITDA of \$0.6 million, higher than eResearch's estimate of \$0.1 million, and EPS of -\$0.01, in-line with eResearch's estimate (see *Figure 1: Q3/2019 Actuals versus Estimates*). Newgioco's revenue was lower than our expectations, reporting a decline of 13.6% Y/Y in revenue versus a 3.2% Y/Y increase in Q2/2019. Newgioco's revenue was negatively impacted by a decrease in Web-based betting Turnover (down 11% Y/Y) and a high payout ratio (99%) that was not offset by the higher Land-based betting Turnover, up 94% Y/Y. Due to cost cutting in the quarter, Newgioco reported better-than-expected EBITDA, with Sales & Marketing Expenses almost \$3 million lower than our estimate.

Figure 1: Q3/2019 Actuals versus Estimates

Model Data	Q318A	Q418A	2018A	Q119A	Q219A	Q319A	Q319E	Change	Q419E	2019E
Revenue (\$M)	\$7.8	\$9.3	\$34.6	\$9.3	\$9.1	\$6.8	\$8.8	-23%	\$11.4	\$36.5
Adj. EBITDA (\$M)	(\$0.1)	(\$0.6)	\$1.0	(\$1.2)	\$1.8	\$0.6	\$0.1	+\$0.51	\$1.9	\$3.1
EPS (Basic)	\$0.06	(\$0.02)	\$0.04	(\$0.04)	(\$0.02)	(\$0.01)	(\$0.01)	-	\$0.00	(\$0.06)
CFPS	(\$0.00)	\$0.01	\$0.02	(\$0.01)	(\$0.00)	\$0.00	(\$0.03)	+\$0.03	\$0.00	(\$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 Q3/2019, revenue from Italian operations comprised the majority of the total revenue.

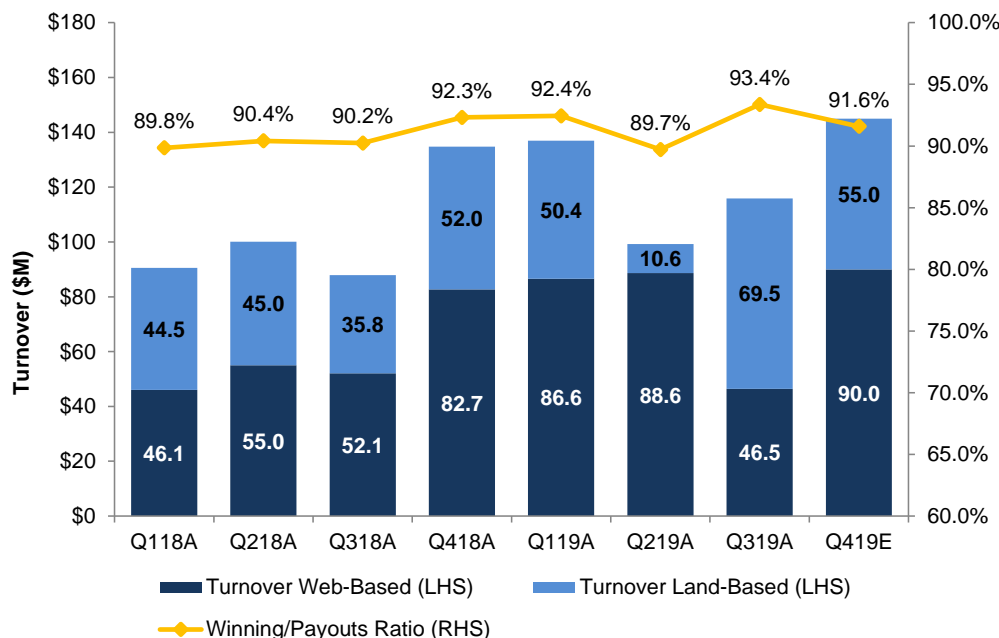
Figure 2: Turnover and Total Revenue

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Turnover				
Turnover web-based	\$ 46,455,077	\$ 52,062,617	\$ 221,678,726	\$ 153,154,375
Turnover land-based	69,454,078	35,807,178	130,471,298	125,314,730
Total Turnover	115,909,155	87,869,795	352,150,024	278,469,105
Winnings/Payouts				
Winnings web-based	46,114,283	47,299,439	210,234,778	144,605,117
Winnings land-based	62,107,751	31,993,069	113,663,329	106,504,717
Total Winnings/payouts	108,222,034	79,292,508	323,898,107	251,109,834
Gross Gaming Revenues				
	7,687,121	8,577,287	28,251,917	27,359,271
Less: ADM Gaming Taxes	1,097,725	803,407	3,464,464	2,369,256
Net Gaming Revenues	6,589,396	7,773,880	24,787,453	24,990,015
Add: Commission Revenues	75,199	5,964	137,631	123,117
Add: Service Revenues	91,150	43,442	202,410	126,680
Total Revenues	\$ 6,755,845	\$ 7,823,286	\$ 25,127,494	\$ 25,239,812

Source: Company Q3/2019 Financial Statement

TOTAL TURNOVER INCREASED 32% Y/Y AND LAND-BASED TURNOVER RECOVERED FROM PREVIOUS QUARTER DROP

Total Turnover in Q3/2019 increased 32% Y/Y to \$115.9 million from \$88.9 million, and also increased 17% from Q2/2019 (see Figure 3: Web-based and Land-based Turnover and Winnings/Payout Ratio). In Q3/2019, Web-based Turnover was \$46.4 million, a decrease of 11% Y/Y and decreased 47.6% Q/Q. The Y/Y Web-based Turnover decrease was attributed to the Web-based betting that took place in 2018 during the World Cup and the payout ratio was also lower due to the higher ratio of sports betting to online gambling. Land-based Turnover dramatically increased Y/Y to \$69.5 million in Q3/2019 from \$35.8 million in Q3/2018 and \$10.6 million from the previous quarter. The increase in Land-based Turnover was attributed to Newgioco focusing its efforts on aggressively growing its land-based business.

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 up 32% Y/Y, Gross Gaming Revenues (GGR) was down 10.4% to \$7.7 million from \$8.6 million, as a combination of a lower Web-based Turnover and a higher Web-based Payout ratio (99.3%) in Q3/2019 versus 90.9% in Q3/2018 contributed to a lower GGR (see Figure 4: GGR, Taxes, and Revenue). The Italian gaming/gambling regulator's (ADM) effective gaming tax rate increased Y/Y to 14.3% from 9.4%, resulting in an increase in taxes to \$1.1 million from \$0.8 million. Higher Commission and Service Revenue from the higher Turnover and number of better shops could not offset the Net Gaming Revenue decrease Y/Y and Q/Q.

Figure 4: GGR, Taxes, and Revenue

	Q3/2018A	Q4/2018A	2018A	Q1/2019A	Q2/2019A	Q3/2019A
Gross Gaming Revenue	8,577,287	10,355,393	37,714,654	10,356,226	10,208,570	7,687,121
ADM Taxes	803,407	1,047,894	3,417,150	1,193,746	1,172,993	1,097,725
Effective Tax Rate	9.4%	10.1%	9.1%	11.5%	11.5%	14.3%
Net Gaming Revenue	7,773,880	9,307,499	34,297,504	9,162,480	9,035,577	6,589,396
Commission Revenue	5,964	12,840	135,957	29,073	33,360	75,199
Service Revenue	43,442	14,956	141,636	74,741	36,416	91,250
Revenue	7,823,286	9,335,295	34,575,097	9,266,294	9,105,353	6,755,845

Source: Company Reports; eResearch Corp.

FINANCIAL ANALYSIS & VALUATION UPDATE

In Newgioco's January 2020 corporate presentation, the Company provided 2019 guidance for Turnover (Handle) from Italian operations of at least \$500 million, with revenue growth between 25-35% and EBITDA Margins in the 10-15% range.

Currently we are modelling Turnover of \$497 million (Turnover growth at 20%), but revenue growth of only 6% and EBITDA Margin of only 9%. We maintained our revenue estimate in Q4/2019 based on improving land-based Turnover in the quarter and expect the trend to continue as more betting shops come online. We expect EBITDA Margins to be negatively affected in Q4/2019 as marketing expenses return to a more normal level as well as the additional cost of being listed on the NASDAQ exchange.

Valuation: Our DCF model with a 10% WACC and a six-year terminal multiple of 9.0x EBITDA yields a one-year target share value of \$17.07. Using a revenue multiple of 2.0x and a Q1/2021 12-month Revenue target of \$57.5 million, the one-year target share price is \$7.30. Using an EBITDA multiple of 9.0x EBITDA, and a Q1/2021 12-month EBITDA target of \$8.5 million, the one-year target share price is \$4.74.

Figure 5: Target Price (One Year) Calculation for Newgioco

			Target
Method 1: DCF	WACC 10.0%	Terminal Multiple (Year 6) 9.0x EBITDA	\$17.07
Method 2: Revenue Multiple	2.0x	Q1/2021 Revenue (Est.) \$57.5	\$7.30
Method 3: EBITDA Multiple	9.0x	Q1/2021 EBITDA (Est.) \$8.5	\$4.74
Average (Equal Weighted)			\$9.70
1-Year Target Price			\$9.50

Source: eResearch Corp.

- After the share consolidation of 8-to-1, our equally-weighted one-year price target for Newgioco is \$9.50.
- **Undervalued in the market – trading at a discount to peers.** Based on our analysis, Newgioco trades at EV/Revenue of 1.3x for 2019 and 0.9x for 2020. This is well below the peer group range of 2.1x-2.4x for 2019 and 2.0x-2.1x for 2020. Our DCF model with a 10% WACC and a six-year terminal multiple of 9x EBITDA yields a value of \$17.07, well above the current price of \$3.87.
- We are maintaining a “Buy” Rating, but reducing our One-year Target Price to \$9.50 from \$10.00.

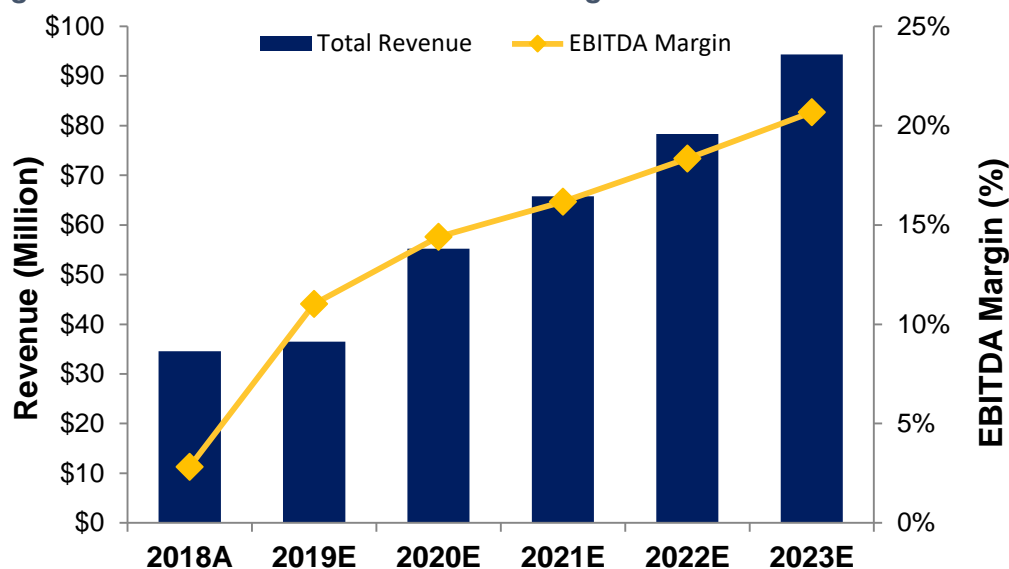
RECENT MERGER PEGS NEWGIOCO VALUE OVER \$300 MILLION

In December 2019, DraftKings, a fantasy sports and mobile sports betting platform, announced plans to list on the public market through a reverse merger with a publicly traded shell company. Diamond Eagle Acquisition Corp., a publicly listed special purpose acquisition vehicle with over \$400 million in cash, agreed to combine with DraftKings and SBTech, valuing the combined DraftKings and SBTech at \$2.7 billion. SBTech is a direct competitor with Newgioco.

In the financial filings, SBTech's reported yearly revenue was \$76.8 million, with a gross profit of \$36.5 million and earnings of \$7.3 million. As part of the deal, SBTech would receive 180 million Euros in cash and 410 million Euros in shares, valuing SBTech at approximately \$655.9 million or 8.5x revenue. **An 8.5x revenue multiple on Newgioco's 2019E revenue of \$36.5 million would value the Company at approximately \$310 million. Currently, Newgioco's Enterprise Value is only \$47 million.**

In addition, there may also be an opportunity for Newgioco's ELYS™ platform to replace SBTech in some of SBTech's 50 partners who compete with DraftKings if SBTech's partners believe there is a conflict.

Figure 6: Annual Revenue and EBITDA Margins



Source: Company Reports; eResearch Corp

Figure 7: DCF Analysis

Newgioco Group Inc.								
DCF Analysis (US\$)	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue (\$M)	34.6	36.5	55.3	65.8	78.3	94.3	113.6	137.0
Revenue Growth	51.2%	5.6%	51.3%	19.0%	19.1%	20.4%	20.5%	20.5%
EBITDA (\$M)	1.0	4.0	8.0	10.6	14.4	19.5	26.2	33.5
EBITDA Growth	-70.5%	313.2%	97.8%	33.6%	35.0%	35.8%	34.4%	27.9%
EBITDA Margin	2.8%	11.0%	14.4%	16.2%	18.3%	20.7%	23.1%	24.5%
Depreciation and Amort. (\$M)	0.5	3.7	0.8	0.7	0.5	0.5	0.5	0.5
EBIT (\$M)	0.4	0.3	7.2	10.0	13.8	19.0	25.7	33.1
NOPAT (\$M)	1.0	0.1	4.7	6.6	9.3	12.9	17.6	22.6
Plus Amortization (\$M)	0.5	3.7	0.8	0.7	0.5	0.5	0.5	0.5
Less Capital Expenditures (\$M)	(4.5)	(0.2)	(0.2)	(0.0)	(0.8)	(0.0)	(0.0)	(0.0)
Capital Intensity	12.9%	0.4%	0.4%	0.0%	1.0%	0.0%	0.0%	0.0%
Net Working Capital Changes (\$)	2.5	0.3	2.7	1.1	1.3	1.6	1.8	2.3
EPS (Continuing)	0.04	-0.06	0.02	0.04	0.07	0.11	0.15	0.20
Unlevered Free Cash Flow (\$M)	-0.4	4.0	8.0	8.4	10.4	15.0	19.9	25.5
PV of Unlevered FCFs (\$)	-0.4	4.1	7.3	7.0	7.9	10.3	12.5	14.5

Valuation Assumptions:

Discount Rate	10%
Terminal Multiple	9.0x

Valuation Analysis:

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	59.6	57.5	54.7
Terminal Value (\$M)	301.8	301.8	301.8
PV of Terminal Value (\$M)	172.3	189.5	208.5
Net (debt) cash position	3.6	7.7	14.0
Total Value (\$M)	235.5	254.7	277.2
DCF Value/Share	15.78	17.07	18.57
FD Shares O/S (M)	14.9	14.9	14.9

Source: Company Reports; eResearch Corp.

APPENDIX A: NEWGIOCO'S FINANCIAL STATEMENTS

Figure 8: NWGI Income Statement

Newgioco Group Inc. Income Statement (FYE Dec, US\$)	2017	2018A	Q119A	Q219A	Q319A	Q419E	2019E	2020E	2021E	2022E
Revenue										
Total Revenue	22,865,146	34,575,097	9,266,295	9,105,353	6,755,845	11,397,000	36,524,493	55,250,734	65,765,381	78,335,125
Expenses										
Sales and Marketing	14,672,099	24,142,110	7,407,706	7,038,797	3,156,446	7,408,050	25,010,999	35,912,977	41,991,196	49,625,302
General and Administrative	5,597,881	10,005,713	3,173,467	2,487,299	3,259,195	2,507,340	11,427,301	12,707,669	14,468,384	15,667,025
Total Operating Expenses	20,269,980	34,147,823	10,581,173	9,526,096	6,415,641	9,915,390	36,438,300	48,620,646	56,459,579	65,292,327
Operating Income	2,595,166	427,274	(1,314,878)	(420,743)	340,204	1,481,610	86,193	6,630,088	9,305,801	13,042,798
Total Other Income	(256,356)	(2,370,881)	(1,528,790)	(1,045,084)	(652,922)	(928,802)	(4,155,598)	(3,406,771)	(3,066,344)	(2,822,020)
EBT	2,338,810	(1,943,607)	(2,843,668)	(1,465,827)	(312,718)	552,808	(4,069,405)	3,223,317	6,239,457	10,220,778
Income Taxes	(972,924)	(1,102,701)	(261,547)	(232,417)	(283,905)	(221,123)	(998,992)	(1,289,327)	(2,495,783)	(4,088,311)
Net Income (Loss)	1,365,886	(3,046,308)	(3,105,216)	(1,698,244)	(596,623)	331,685	(5,068,397)	1,933,990	3,743,674	6,132,467
EPS										
Basic EPS	0.02	0.04	(0.04)	(0.02)	(0.01)	0.00	(0.06)	0.02	0.05	0.07
Diluted EPS	0.02	0.04	(0.04)	(0.02)	(0.01)	0.00	(0.06)	0.02	0.04	0.07
Adj. EBITDA	3,296,761	973,926	(1,156,778)	1,808,569	623,183	1,870,743	3,145,717	7,960,755	10,639,418	14,366,779
Shares Outstanding										
Shares Outstanding, Basic	74,032,631	75,887,946	76,394,867	79,348,133	81,935,964	81,935,964	81,935,964	81,935,964	81,935,964	81,935,964
Shares Outstanding, Diluted	75,344,948	75,887,946	76,394,867	109,722,409	81,935,964	85,808,440	81,935,964	85,808,440	85,808,440	85,808,440

Source: Company Reports; eResearch Corp.

Figure 9: NWGI Balance Sheet

Newgioco Group Inc.										
Balance Sheet (As at Dec 31, US\$)	2017	2018A	Q119A	Q219A	Q319A	Q419E	2019E	2020E	2021E	2022E
Current Assets										
Cash	6,469,858	6,289,903	5,179,403	5,228,797	4,910,994	4,708,066	4,708,066	9,327,451	14,720,650	22,123,608
Trade & Other Receivables	1,280,320	1,081,048	1,291,557	771,265	1,551,638	1,290,998	1,290,998	2,006,267	2,388,237	2,844,581
Prepaid Expenses & Other Assets	100,235	180,412	276,267	285,455	380,817	246,196	246,196	381,078	441,076	509,214
Total Current Assets	7,850,413	7,551,363	6,747,227	6,285,517	6,843,449	6,245,260	6,245,260	11,714,796	17,549,963	25,477,403
Non-Current Assets										
Property and Equipment	280,111	354,799	383,528	347,824	324,227	219,292	219,292	200,783	52,906	12,273
Intangible Assets	3,245,748	12,583,457	16,468,511	16,353,775	16,132,375	16,001,703	16,001,703	15,489,513	14,993,717	15,251,691
Goodwill	260,318	262,552	267,146	267,076	266,920	266,920	266,920	266,920	266,920	266,920
Restricted Cash	587,905	1,560,539	1,549,431	1,439,782	1,404,978	1,404,978	1,404,978	1,404,978	1,404,978	1,404,978
Total Assets	12,224,496	22,587,710	25,665,843	24,943,974	25,357,856	24,524,059	24,524,059	29,462,897	34,654,391	42,799,172
Current Liabilities										
Trade & Other Payables	4,436,787	6,709,461	7,531,588	7,242,920	7,312,301	6,475,499	6,475,499	10,023,174	11,601,244	13,393,433
Operating Line	298,268	1,188,998	825,000	1,000,000	1,000,000	820,000	820,000	587,442	420,839	301,486
Short-Term Debt	2,114,743	39,237	4,196,230	2,949,678	2,501,821	2,322,811	2,322,811	1,705,457	1,233,753	882,864
Convertible Debt	365,160	3,942,523	4,473,994	6,083,982	6,376,410	6,376,410	6,376,410	6,376,410	6,376,410	6,376,410
Total Current Liabilities	7,214,958	11,880,219	17,026,812	17,276,580	17,190,532	15,994,719	15,994,719	18,692,482	19,632,246	20,954,194
Non-Current Liabilities										
Bank Loan Payable	362,808	225,131	190,197	161,504	124,670	102,229	102,229	46,220	20,897	9,448
Notes Payable + Other L-T Liabilities	532,680	608,728	619,991	1,024,477	611,980	550,782	550,782	361,368	237,094	155,557
Total Liabilities	8,110,446	12,714,078	17,837,000	18,462,561	17,927,182	16,647,731	16,647,731	19,100,071	19,890,237	21,119,199
Shareholders Equity										
Share Capital	7,415	7,555	7,837	7,935	8,412	8,412	8,412	8,412	8,412	8,412
Contributed Surplus	14,254,582	23,956,309	25,072,634	25,455,983	27,213,399	27,327,369	27,327,369	27,879,876	28,537,530	29,320,881
Retained Earnings	(9,897,620)	(13,008,894)	(16,114,110)	(17,812,354)	(18,408,977)	(18,077,292)	(18,077,292)	(16,143,302)	(12,399,627)	(6,267,160)
Total Shareholders Equity	4,114,050	9,873,632	7,828,843	6,481,413	7,430,674	7,876,329	7,876,329	10,362,827	14,764,155	21,679,973
Total Liabilities & Shareholders Equity	12,224,496	22,587,710	25,665,843	24,943,974	25,357,856	24,524,059	24,524,059	29,462,897	34,654,391	42,799,172

Source: Company Reports; eResearch Corp.

Figure 10: NWGI Cash Flow Statement

Newgioco Group Inc.										
Cash Flow Statement (FYE Dec, US\$)	2017	2018A	Q119A	Q219A	Q319A	Q419E	2019E	2020E	2021E	2022E
Cash Provided By Operating Activities										
Net Income (Loss)	1,365,886	(3,046,308)	(3,105,216)	(1,698,244)	(596,623)	331,685	(5,068,397)	1,933,990	3,743,674	6,132,467
Amortization of Intangibles	601,266	58,188	-	2,096,080	878,359	130,672	3,105,111	512,190	495,795	492,027
Depreciation of Property & Equipment	100,329	488,464	158,100	133,232	194,019	144,491	629,842	265,970	180,167	48,603
Impairment	-	(518,354)	-	-	-	-	-	-	-	-
Changes in Non-Cash Working Capital										
Trade & Other Receivables	1,152,785	242,832	(205,281)	505,488	(837,755)	260,640	(276,908)	(715,269)	(381,970)	(456,344)
Prepaid Expenses & Other Assets	-	(138,366)	(58,555)	50,823	(175,058)	134,621	(48,169)	(134,881)	(59,998)	(68,138)
Trade & Other Payables	-	2,414,096	820,873	(200,338)	889,099	(836,802)	672,832	3,547,675	1,578,070	1,792,189
Total Cash Provided By Operating Activities	3,358,674	1,774,952	(812,851)	(46,730)	59,164	279,277	(521,139)	5,962,181	6,213,393	8,724,155
Investing Activities										
Purchase of Property & Equipment	(180,722)	(4,455,099)	(46,804)	(12,449)	(55,568)	(39,556)	(154,377)	(247,461)	(32,290)	(7,969)
Redemption of Short-Term Investments & Restricted Cash	(45,142)	(972,634)	1	100,139	33,057	-	133,197	-	-	-
Total Cash From Investing Activities	-225,864	(5,427,733)	(459)	88,014	(22,744)	(39,556)	25,255	(247,461)	(32,290)	(757,969)
Financing Activities										
Proceeds from Loan	591,202	6,883,906	-	-	2,252	-	2,252	-	-	-
Operating Line (Repayment)	165,925	14,454	75,000	175,000	-	(180,000)	70,000	(232,558)	(166,603)	(119,353)
Repayment of Loan	(186,502)	(137,965)	(29,134)	(29,873)	(29,560)	(262,649)	(351,216)	(862,777)	(621,301)	(443,874)
Issue of Equity	-	(2,261,307)	196,783	(196,783)	-	-	-	-	-	-
Total Cash From Financing Activities	570,625	4,499,088	(178,420)	(181,240)	(89,873)	(442,649)	(892,182)	(1,095,335)	(787,904)	(563,227)
Net Increase in Cash	4,239,436	(179,955)	(1,110,500)	49,393	(317,802)	(202,928)	(1,581,836)	4,619,385	5,393,199	7,402,958
Beginning Cash	2,230,422	6,469,858	6,289,903	5,179,403	5,228,796	4,910,994	6,289,903	4,708,066	9,327,451	14,720,650
Ending Cash	6,469,858	6,289,903	5,179,403	5,228,796	4,910,994	4,708,066	4,708,066	9,327,451	14,720,650	22,123,608

Source: Company Reports; eResearch Corp.

APPENDIX B: NEWGIOCO 2-YEAR STOCK CHART

The following is a 24-month stock chart.

Figure 11: Newgioco 2-Year Stock Chart



Source: BigCharts.com

APPENDIX C: GAMING/GAMBLING COMPARABLES

Figure 12: Gaming/Gambling Comparables

Name	Feb 13 Close	Mkt Cap (M)	Cash (M)	Debt (M)	EV (M)	2018A			2019E			2020E			EBITDA (M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E			
Large-Cap																							
Activision Blizzard	\$62.59	\$48,085	\$5,794	\$2,950	\$45,241	\$7,500	\$6,363	\$6,774	\$2,507	\$2,212	\$2,548	6.0x	7.1x	6.7x	18.0x	20.5x	17.8x						
Aristocrat Leisure	\$25.21	\$16,095	\$387	\$1,913	\$17,615	\$2,363	\$2,959	\$3,246	\$770	\$1,030	\$1,127	7.5x	6.0x	5.4x	22.9x	17.1x	15.6x						
Tabcorp Holdings	\$3.12	\$6,312	\$320	\$2,582	\$8,574	\$3,553	\$3,479	\$3,759	\$517	\$724	\$708	2.4x	2.5x	2.3x	16.6x	11.8x	12.1x						
Flutter Entertainment	\$112.21	\$8,780	\$132	\$768	\$9,716	\$2,388	\$2,816	\$3,002	\$575	\$529	\$549	4.1x	3.5x	3.2x	16.9x	18.3x	17.7x						
The Stars Group	\$23.68	\$6,834	\$406	\$5,142	\$11,572	\$2,029	\$2,517	\$2,741	\$528	\$913	\$981	5.7x	4.6x	4.2x	21.9x	12.7x	11.8x						
GVC Holdings	\$11.31	\$6,592	\$521	\$3,372	\$9,489	\$3,832	\$4,721	\$4,825	\$420	\$965	\$1,090	2.5x	2.0x	2.0x	22.6x	9.8x	8.7x						
Evolution Gaming	\$40.17	\$7,296	\$205	\$24	\$7,115	\$281	\$405	\$531	\$111	\$200	\$273	25.3x	17.6x	13.4x	63.8x	35.5x	26.1x						
Boyd Gaming	\$33.44	\$3,717	\$236	\$4,717	\$8,199	\$2,493	\$3,321	\$3,370	\$586	\$797	\$823	3.3x	2.5x	2.4x	14.0x	10.3x	10.0x						
International Game	\$14.43	\$2,950	\$542	\$8,459	\$11,681	\$4,830	\$4,770	\$4,823	\$1,418	\$1,688	\$1,715	2.4x	2.4x	2.4x	8.2x	6.9x	6.8x						
Universal Entertainment	\$28.39	\$2,219	\$284	\$754	\$2,689	\$849	\$1,162	\$1,549	-\$45	\$178	\$389	3.2x	2.3x	1.7x	15.1x	6.9x							
IG Group Holdings	\$8.78	\$3,228	\$538	\$187	\$2,876	\$724	\$630	\$671	\$332	\$263	\$269	4.0x	4.6x	4.3x	8.7x	10.9x	10.7x						
Great Canadian Gaming	\$34.03	\$1,885	\$234	\$1,224	\$2,999	\$895	\$1,034	\$1,083	\$338	\$410	\$407	3.4x	2.9x	2.8x	8.9x	7.3x	7.4x						
Scientific Games	\$29.21	\$2,724	\$363	\$8,905	\$11,364	\$3,363	\$3,432	\$3,547	\$1,048	\$1,363	\$1,413	3.4x	3.3x	3.2x	10.8x	8.3x	8.0x						
Kindred Group	\$5.64	\$1,281	\$183	\$294	\$1,392	\$1,157	\$1,207	\$1,317	\$261	\$169	\$216	1.2x	1.2x	1.1x	5.3x	8.2x	6.5x						
William Hill	\$2.36	\$2,065	\$546	\$1,346	\$2,880	\$2,057	\$2,159	\$2,055	\$320	\$354	\$362	1.4x	1.3x	1.4x	9.0x	8.1x	8.0x						
Playtech	\$4.44	\$1,340	\$994	\$1,447	\$1,798	\$1,420	\$1,685	\$1,647	\$303	\$427	\$417	1.3x	1.1x	1.1x	5.9x	4.2x	4.3x						
Betsson	\$5.05	\$699	\$66	\$111	\$743	\$560	\$536	\$559	\$0	\$129	\$132	1.3x	1.4x	1.3x	5.8x	5.6x							
Mean (excluding NWGI; multiple <20X)															3.3x	3.9x	3.5x	11.1x	10.3x	9.9x			
Median (excluding NWGI)															3.3x	2.5x	2.4x	14.0x	10.3x	10.7x			
Mid-Cap																							
The Rank Group Plc	\$4.23	\$1,653	\$152	\$542	\$2,043	\$902	\$951	\$1,035	\$130	\$177	\$210	2.3x	2.1x	2.0x	15.7x	11.6x	9.7x						
PlayAGS, Inc.	\$9.38	\$332	\$19	\$539	\$853	\$285	\$305	\$325	\$116	\$145	\$155	3.0x	2.8x	2.6x	7.3x	5.9x	5.5x						
NetEnt AB (publ)	\$3.00	\$717	\$27	\$265	\$954	\$184	\$187	\$225	\$70	\$92	\$119	5.2x	5.1x	4.2x	13.7x	10.4x	8.1x						
Everi Holdings Inc.	\$13.32	\$1,125	\$284	\$1,155	\$1,996	\$470	\$520	\$564	\$222	\$254	\$278	4.3x	3.8x	3.5x	9.0x	7.9x	7.2x						
888 Holdings plc	\$1.76	\$648	\$111	\$59	\$596	\$541	\$558	\$593	\$97	\$88	\$90	1.1x	1.1x	1.0x	6.1x	6.8x	6.6x						
Gamesys Group Plc	\$10.46	\$1,136	\$120	\$690	\$1,706	\$407	\$724	\$760	\$137	\$205	\$230	4.2x	2.4x	2.2x	12.4x	8.3x	7.4x						
Kambi Group plc	\$14.67	\$448	\$50	\$17	\$414	\$87	\$103	\$122	\$17	\$32	\$43	4.7x	4.0x	3.4x	23.9x	13.1x	9.6x						
LeoVegas AB (publ)	\$3.55	\$361	\$45	\$96	\$418	\$375	\$398	\$417	\$44	\$50	\$59	1.1x	1.0x	1.0x	9.6x	8.4x	7.1x						
Gamenet Group	\$14.11	\$414	\$99	\$557	\$877	\$701	\$793	\$822	\$96	\$176	\$192	1.3x	1.1x	1.1x	9.1x	5.0x	4.6x						
Ainsworth Game	\$0.44	\$150	\$42	\$37	\$145	\$179	\$161	\$156	\$35	\$28	\$28	0.8x	0.9x	0.9x	4.1x	5.3x	5.1x						
Inspired Entertainment	\$5.85	\$130	\$16	\$143	\$257	\$141	\$139	\$247	\$27	\$44	\$73	1.8x	1.8x	1.0x	9.4x	5.8x	3.5x						
The Rank Group Plc	\$4.23	\$1,653	\$152	\$542	\$2,043	\$902	\$951	\$1,035	\$155	\$177	\$200	2.3x	2.1x	2.0x	13.2x	11.6x	10.2x						
Mean (excluding NWGI; multiple <20X)															2.7x	2.4x	2.1x	10.0x	8.3x	7.0x			
Median (excluding NWGI)															2.3x	2.1x	2.0x	9.5x	8.1x	7.1x			
Newgioco Group, Inc.	\$3.87	\$42	\$5	\$10	\$47	\$35	\$37	\$55	\$1	\$3	\$8	1.4x	1.3x	0.9x	51.5x	15.0x	5.9x						
Small-Cap																							
Sportech PLC	\$0.40	\$76	\$19	\$11	\$69	\$81	\$85	\$90	\$4	\$13	\$13	0.8x	0.8x	0.8x	18.2x	5.5x	5.3x						
Galaxy Gaming, Inc.	\$1.94	\$35	\$9	\$48	\$75	\$19	\$0	\$0	-\$6	\$0	\$0	4.0x			12.8x								
GAN plc	\$2.23	\$191	\$12	\$1	\$180	\$13	\$31	\$39	-\$8	\$8	\$13	13.4x	5.9x	4.6x		23.1x	14.2x						
Seven Aces Limited	\$1.06	\$76	\$2	\$84	\$161	\$72	\$79	\$98	\$26	\$28	\$36	2.2x	2.0x	1.6x	6.2x	5.8x	4.4x						
Bragg Gaming Group Inc.	\$0.14	\$11	\$1.0	\$1.2	\$11.0	\$8.6	\$30.4	\$36.6	-\$6.8	\$1.2	\$2.6	1.3x	0.4x	0.3x	9.4x	4.2x							
Jackpot Digital Inc.	\$0.02	\$2.4	\$1.1	\$5.5	\$5.3	\$1.5	\$0.0	\$0.0	-\$2.1	\$0.0	\$0.0	3.4x											
Global Daily Fantasy Sports Inc.	\$0.11	\$8.1	\$0.0	\$0.0	\$8.1	\$0.1	\$0.0	\$0.0	-\$3.2	\$0.0	\$0.0	103.4x											
Contagious Gaming	\$0.02	\$0.6	\$0.2	\$0.6	\$1.0	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	2.8x											
Mean (excluding NWGI; multiple <20X)															4.0x	2.3x	1.8x	12.4x	6.9x	7.0x			
Median (excluding NWGI)															3.1x	1.4x	1.2x	12.8x	7.6x	4.8x			

Source: S&P Capital IQ and eResearch Corp.

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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.

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