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GAMING

FINANCIAL ANALYSIS SUMMARY
Together Gaming Solutions p.l.c.
28 June 2021

Calamatta Cuschieri

YOUR PARTNER IN FINANCIAL SERVICES

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The Directors
Together Gaming Solutions p.l.c.
The Burlington Complex, Level 1,
Dragonara Road, Paceville,
St. Julian's, STJ 3141,
Malta

28 June 2021

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Together Gaming Solutions p.l.c. (C 72231) (the "**Issuer**" or "**Company**"), and the related companies within the "**Group**", whose parent company is Gameday Group p.l.c. (C 77333) as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ending 31 December 2018, 2019 and 2020 has been extracted from the audited financial statements of the Issuer.

(b) The forecast data for the current financial year ending 31 December 2021 has been provided by management.

(c) Our commentary on the Issuer's results and financial position has been based on the explanations provided by management.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Company. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

Nick Calamatta
Director

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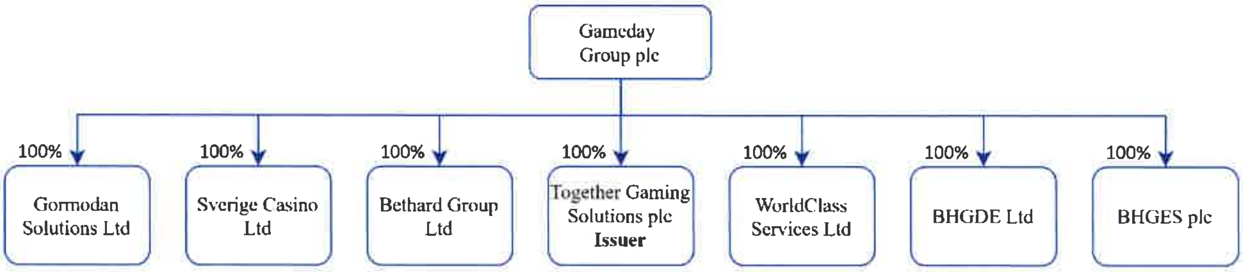
Part 1 – Information about the Group

1.1 Issuer and Group's Subsidiaries Key Activities and Structure

The current Group structure is as follows:



The Group of companies consists of the Issuer, Gameday Group plc acting as the "**Parent**" company of the Issuer and the other fellow subsidiaries of the Group being: Sverige Casino Ltd, Bethard Group Limited, WorldClass Services Ltd, BHGDE Ltd, BHGES plc and Gormodan Solutions Limited. The principal activity of the Group is the provision of iGaming services including the development and establishment of arrangements with White Label Operators ("**WL Operators**").

On 25 May 2021, the Issuer announced that the Group has successfully concluded discussions with Esports Entertainment Group, Inc for the sale of its business-to-customer ("**B2C**") business to Esports Entertainment Group ("**Esports Group**" or "**Acquirer**"). Esports Group is a U.S. based, full stack esports and online gambling company fuelled by the growth of video-gaming and the ascendance of esports with new generations. It currently has a market cap close to a quarter of a billion dollars.

The sale follows a recent strategic decision by the Group to focus on its business-to-business ("**B2B**") operations, with the Issuer at the forefront of this new strategy. In accordance with the agreement entered with Esport Group, the Group transferred all of its B2C assets (mainly the Bethard brand) to a newly incorporated Maltese company ("**NewCo**") wholly owned by the Parent. Following this, the Group will transfer all of its shares in NewCo to Esports Group. The agreement stipulates an initial cash consideration of €16m, coupled with two other variable considerations. The transaction with the Esports Group, including the consideration earned, has been discussed in detail in section 1.4.

The Issuer, Together Gaming Solutions plc, was incorporated on 14 September 2015 as a private limited liability company, registered in terms of the Companies Act with company registration number C 72231, and subsequently changed its status to a public company with effect from 31 January 2019.

The Issuer was originally intended to manage the Group's B2B operations (i.e. the offering of White Label Services to third party White Label Operators for their own branded operations) but was largely dormant prior to 2018, with this business being carried out by Bethard Group Limited.

As at the date of this Analysis the Issuer has an authorised share capital of €30,000,000 divided into 30,000,000 ordinary shares of €1 each. The Issuer is, except for one ordinary share, a wholly owned subsidiary of the Parent, with a total issued share capital amounting to €20,580,000 divided into 20,580,000 ordinary shares of €1 each, all fully paid up.

Gameday Group plc acts as the parent company of the Group. The Parent is a public limited liability company incorporated and registered in Malta on 22 September 2016, with company registration number C 77333. The Parent company is held by several shareholders which, as at the date of this Analysis, totalled to 60.

Bethard Group Limited ("**Bethard**") is an iGaming company incorporated and headquartered in Malta. Up until the aforementioned sale of the Group's B2C business, it operated an online sportsbook and casino website, providing iGaming services under its own brand, the "**Bethard Brand**", to consumers in several jurisdictions including Malta, Spain, Sweden and Ireland through licences it holds in said jurisdictions. The Group intends to retain these B2C licences solely for the purposes of supporting the Issuer's B2B business and white label clients, except for the Spanish licence which will be transferred to the Esports Group. This will enable Bethard to continue providing iGaming services to players on third party branded websites operated by WL Operators.

As part of the agreement with the Esports Group, the Group will be committed to a non-compete clause with the Acquirer for the first 2 years; from 2021 to 2023. However, Bethard will be providing support services to the acquirer to carry on the B2C activities that it previously carried out. After the said 2 years have lapsed, Bethard does not exclude the possibility of launching its B2C gaming business again. During the first 3 to 6 months, Bethard and the Issuer will manage the Esport Group acquisition through a white label agreement and, once new licences are obtained in the name of Esports, a turnkey agreement will be put into force between Esports and the Issuer.

WorldClass Services Ltd is an entity that was incorporated in Gibraltar on 29 November 2018. This entity has taken over all of the marketing and business development operations for the iGaming business that it operates with Bethard. Subsequent to the agreement with Esport Group, WorldClass Services Ltd will still remain the Group's marketing arm and shall retain the development agreement it has in place with the Issuer.

BHGDE Ltd was incorporated on 14 August 2018 for the purpose of applying for a regional gaming licence and eventually providing gaming services in Schleswig-Holstein, Germany. In view of the B2C business sale, the Group might opt to sell this company to any interested parties once it acquires the German iGaming licence.

BHGES plc was incorporated on 6 December 2018 and carries out the Group's gaming operations in Spain. This company will be transferred to the Acquirer given that it owns the Spanish licence of the B2C activity.

Sverige Casino Ltd is a joint venture between the Parent company and third parties. It operates its own branded gaming website, in which the Parent had a 50% holding up until 2020. In 2021, the Group acquired the remaining 50% shareholding from the third parties. This company remains non-trading to date.

The Group also owns Gormodan Solutions Ltd - a dormant company that is currently in the process of liquidation.

Previously, the Group owned Worldclass Entertainment N.V., which was an entity registered in Curacao that has been liquidated in 2020. It used to hold a gaming licence issued to it in the same jurisdiction, which it used to market and offer sportsbook products in several jurisdictions. These sportsbook operations were transferred to Bethard Group Limited on 1 January 2019.

1.2 Directors and Key Employees

Board of Directors - Issuer

As at the date of this Analysis, the following persons constitute the board of directors of the Issuer:

Name	Office Designation
Erik Johan Sebastian Skarp	Non-executive director, chairman
Edward Licari	Non-executive director, company secretary
Benjamin Delsinger	Executive (managing director)
Michael Warrington	Independent, non-executive director
Kari Pisani	Independent, non-executive director
Etienne Borg Cardona	Independent, non-executive director

The business address of all the directors of the Issuer is the registered office of the Issuer.

A board of six directors who are responsible for the overall direction and management of the Issuer currently manage the Issuer. The board currently consists of one executive director, who is entrusted with the Issuer's day-to-day management, and five non-executive directors, three of whom are also independent of the Issuer and the Group. The main functions of the non-executive directors are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive director. The non-executive directors sitting on the Audit Committee also have a crucial role in monitoring the activities and financial performance of the Issuer. This practice is in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies.

The Issuer's average number of employees during FY20 amounted to 5 (FY19: 9). Despite having its own employees, the Issuer also relies on certain resources made available to it by entities within the Group.

1.3 Major Assets owned by the Issuer

The Issuer was originally intended to manage the Group's B2B operations (i.e. the offering of White Label Services to third party White Label Operators for their own branded operations), but was largely dormant prior to 2018, with this business being carried out by Bethard.

In 2018, the Issuer and the Group commenced a restructuring process in order to fulfil the original objective of the Issuer acting as the Group's B2B service provider as well as, to establish the Issuer as the owner and licensor of the Group's key intellectual property assets. The latter mainly being the iGaming platform and the Bethard Brand or, collectively, the "**iGaming assets**".

On 1 January 2018, the Issuer was assigned and assumed all of Bethard's rights and obligations in respect of all of the White Label Agreements that the latter had previously entered into with various White Label Operators. In this regard, the Issuer established itself as the contracting party with, and became responsible for providing White Label Services to, the White Label Operators. The Issuer, in turn, procured the White Label Services from Bethard and Worldclass Entertainment N.V. under their B2C licences in respect of casino and sportsbook services, respectively. The sportsbook operation of Worldclass Entertainment N.V. was later transferred to Bethard on 1 January 2019, thereby consolidating all of the Group's White Label Services under Bethard's B2C Licences.

On 29 April 2019, the Issuer obtained a B2B licence issued by the Malta Gaming Authority, which allows the Issuer to provide critical gaming supply services to iGaming operators, including supply and management of software (and/or the control system itself on which such software resides) such as the iGaming platform. Upon obtaining the B2B licence, the Issuer acquired the iGaming assets from Bethard for a purchase price of €42.3m on 30 April 2019. This purchase price was based on an independent assessment by BDO Mälardalen AB (a firm providing consulting, auditing and business services) of the market value of the iGaming assets as at the date of acquisition. Further details on the acquisition of the iGaming assets by the Issuer are found below.

iGaming assets:

In providing a value for the iGaming assets, BDO Mälardalen AB has made certain analyses of, among other things, projected cash flows and expected future growth for the Group's B2B and B2C operations. The projections and related growth expectations are based on future events, the outcomes of which remain uncertain.

- **iGaming platform**

The 'AleAcc' iGaming platform is a proprietary data driven, full API, multi-currency, multi-skin and multi-wallet software platform intended to serve as the core e-commerce system for any iGaming operators making use of it. The Group has invested heavily in the iGaming platform, which it wholly acquired in early 2018 (51% was acquired in 2015 and the remaining 49% was acquired in 2018). In 2016, following significant investment in the iGaming platform and its development into a high-end gaming platform, the Group began to offer the iGaming platform as a premium platform alternative to third party sportsbook and casino operators.

The iGaming platform is a highly flexible module-based system adapted to cater for the dynamic needs of today's casino and betting market, making it simple to increase functionality as demands change without impacting its capacity or reliability. The iGaming platform is currently provided to a wide range of iGaming operators including casino and sportsbook operators and is generally regarded to be a premium alternative to its competitors.

It generally takes 1 to 2 months for the iGaming platform to be completely installed for an iGaming Operator, with business optimisation at iGaming Operator level typically taking place within a few hours of installation, and is therefore generally considered to offer a more efficient integration process when compared to other platform providers.

- **Bethard Brand**

Prior to 2018, the Bethard Brand's strategy focused primarily on its casino operations and on attracting new depositing customers through affiliate marketing and tactical bonuses. However, in view of the perceived unsustainability of this strategy in the long-term, Bethard refocused its efforts on growing brand awareness instead. Bethard also repositioned its brand as a more fun and engaging sports-oriented image with much broader appeal. Based on extensive market research and consumer insight studies conducted by Bethard, it was concluded that the new Bethard Brand would be built around a sports betting profile, while still offering casino games. To this end, Bethard appointed Zlatan Ibrahimović as the "**Brand Ambassador**".

The Brand Ambassador was appointed in early 2018 for a period of 3 years. This required a substantial investment by Bethard (and the Group) as part of the Group's strategy to reposition the Bethard Brand and expand it towards a larger customer base. The Brand Ambassador is one of the most popular personalities in Sweden with a large global following, and his appointment as brand ambassador was key to strengthen the Bethard Brand's position both in Sweden and globally. This appointment was also intended to mitigate the negative effects of the recently enacted gambling legislation in Sweden (Bethard's largest market to date and one of the largest markets in online gambling globally), which came into effect in 2019. This legislation limits the promotion and marketing of online gambling on traditional media platforms and also prohibits many of the rewards, bonuses and loyalty schemes generally used by operators to attract and retain players. The implementation of this legislation, brand strength was the key differentiating factor between competitors in the Swedish gambling market.

Together with the Group's 'pinnacle' model of providing higher odds on sports events, the Brand Ambassador appears to have helped the Bethard Brand to become one of the principal iGaming brands in the Swedish market that customers appear willing to use. It has also increased the loyalty of recently acquired and existing customers by enticing them to return more frequently to the Brand's products.

In February 2021, the Group managed to extend its agreement with its world-renowned Brand Ambassador for an additional three-year term, until February 2024, at significantly lower fees. More specifically, as from February 2021, the Issuer is incurring a monthly brand ambassador fee of €67k (vs the previously incurred monthly rate of €431k).

The Bethard Brand, all related domains and other assets, and possibly the Brand Ambassador agreement will be transferred to the Acquirer. Under the agreement with the Esports Group, the Issuer will be paid an initial cash consideration of €16m and an additional variable consideration equal to 12% of net gaming revenue ("NGR") that will be generated by the Brand over the next two years. The transaction with the Esports Group, including the consideration earned, is discussed in detail in section 1.4.

- **Acquisition of the iGaming assets by the Issuer**

Upon obtaining the B2B licence, the Issuer acquired the iGaming assets from Bethard for a purchase price of €42.3m on 30 April 2019. The Issuer funded these assets through an amount of €21.8m due to Bethard, out of which €19.5m was settled through the €20m bond issued in 2019 and a net equity injection of €20.5m, which has been novated upwards to the Parent of the Group. Bethard also assigned to the Issuer its rights to the use of the Brand Ambassador's image and related intellectual property rights (in connection with the promotion of the Bethard Brand), which rights were originally acquired by Bethard as part of the Brand Ambassador's appointment in early 2018. The purchase price also catered for the amounts prepaid by Bethard in connection with the Brand Ambassador's appointment, which amounted to €2.3m.

Following the transfer of the iGaming assets to the Issuer, the Issuer began supplying the iGaming platform to White Label Operators directly under its B2B licence, while procuring the iGaming services for the White Label Operators' websites from the Bethard iGaming business. The Issuer also licensed the use of the iGaming platform and the Bethard Brand to the Bethard iGaming business (as essential elements of the iGaming services it provides under the Bethard Brand) pursuant to the terms of an agreement entered between the Issuer and Bethard for the transfer of the iGaming assets. The agreement is further defined below under the heading *IP Licensing Agreement*. The Issuer also intends to license the iGaming platform to third party B2C Operators outside of the Group.

Through the above-described restructuring, the Group created a clear separation between its B2B activities (i.e. the licensing of the iGaming assets and the establishment of white label arrangements), which are now managed exclusively by the Issuer and its B2C activities (i.e. providing iGaming services), which are presently conducted by the Bethard iGaming business.

In June 2019, the Group was granted a B2C licence in Spain through its wholly owned subsidiary, BHGES plc. As noted earlier, this latter company will be transferred to the Acquirer given that it owns the Spanish licence of the B2C activity. In respect to BHGDE Ltd, the Group has filled in the B2C licence application in February 2020. However, the German Authorities subsequently stalled the jurisdiction's licence process. In view of the B2C business sale, the Group might opt to sell this company to any interested parties once the licence is acquired.

- **IP Licensing Agreement**

The Issuer licensed the use of the iGaming assets to WorldClass Services Ltd for the purposes of the Bethard iGaming business, pursuant to the terms of the IP Licensing Agreement. The Bethard iGaming business required the licence for the use of the iGaming assets in order for it to continue providing its iGaming services under the Bethard Brand.

As consideration for the licensing of the iGaming assets, the IP Licensing Agreement provided that WorldClass Services Ltd will pay the Issuer:

I. In respect of Bethard Brand, a monthly base royalty fee of ten percent (10%) of gross gaming revenue ("**GGR**") generated under the Bethard Brand during the relevant monthly calculation period, subject to any increase required to cover any Bethard Brand awareness costs being incurred by the Issuer. This is in addition to ensuring that the Issuer receives a minimum net royalty fee of three and a half percent (3.5%) of GGR generated under the Bethard Brand during the relevant monthly calculation period, provided that the annual royalty fee charged by the Issuer to the Bethard Brand is capped at €14m, irrespective of the GGR generated through the brand; and
II. In respect of the iGaming platform, a monthly platform licence fee of two percent (2%) of the GGR generated by the Bethard iGaming business (and any other iGaming business in which WorldClass Services Ltd may be involved from time to time) under the Bethard Brand during the relevant monthly calculation period.

The IP Licensing Agreement expressly permits WorldClass Services Ltd to sub-licence the iGaming assets to third parties with the prior written consent of the Issuer.

Following the above-mentioned sale of the Group's B2C business, the Issuer amended the IP Licensing Agreement to reflect such change. In practice, the iGaming platform is still owned by the Issuer and it will continue receiving platform fees from B2B turnkey customers.

1.4 Operational Developments

- **Sale of the Group's B2C business**

Transfer of assets

On 25 May 2021, the Issuer announced that the Group has successfully concluded discussions with Esports Entertainment Group, Inc for the sale of its B2C business to Esports Entertainment Group. Esports Group is a U.S. based, full stack esports and online gambling company fuelled by the growth of video-gaming and the ascendance of esports with new generations. It currently has a market cap close to a quarter of a billion dollars.

The sale follows a recent strategic decision by the Group to focus on its B2B business, with the Issuer at the forefront of this new strategy. In accordance with the agreement entered with Esport Group, the Group transferred all of its B2C assets, including the Bethard Brand, the Spanish gaming licence, and all related domains and other assets, to a newly incorporated Maltese company wholly owned by the Parent. Following this, the Group will transfer all of its shares in NewCo to Esports Group.

The Group will also transfer its other B2C brand, Fastbet, to the Esport Group. This brand was launched in 2018 and is based on 'pay n play' technology, which is better suited for the casino vertical. The brand offers a solution for easy and quick play - there is no need for opening an account, all the customer needs to do is to deposit and play. This is done without compromising the product quality. Fastbet has a wide selection of casino and live casino games as well as betting opportunities for sport events all around the world.

The Group still intends to retain its iGaming B2C licences held in Malta, Sweden and Ireland solely for the purposes of supporting the Issuer's B2B business and white label clients. This will enable the Group to continue providing iGaming services to players on third party branded websites operated by White Label Operators.

Consideration

Under the agreement entered with the Acquirer, the Group will earn the following considerations: (i) an initial fixed consideration of €16m, (ii) additional variable consideration equal to 12% of NGRs generated (from the assets being transferred to NewCo) during the 2-year period following the conclusion of the sale, and (iii) deferred conditional consideration of €7.6m to be paid through the issuance of listed common shares in Esports Entertainment Group, subject to the satisfaction of certain conditions as set out in the agreement with the Acquirer. The consideration received by the Group under items (i) and (ii) will be paid to the Issuer as payment for the sale of Bethard Brand.

Other terms and conditions

Further to the agreement with the Esports Group, the Group will be committed to a non-compete clause with the Acquirer for the first 2 years, from 2021 to 2023. The Group will still be providing support services to the Acquirer to carry on the B2C activities that it previously carried out. After the 2 years have lapsed, the Group does not exclude the possibility of re-launching its B2C iGaming business.

During the first months, Bethard and the Issuer will manage the Esport Group acquisition through a white label agreement and, once new licences are obtained in the name of Esports, a turnkey agreement will be put into force between Esports and the Issuer. Over the period of the agreements, the Issuer will be cashing in on 12% of the NGRs generated by Esports under the abovementioned white label and turnkey agreement

Currently, the deal with the Esports Group is expected to close on 1 July 2021, being the first day of Esports Group's 2021-22 fiscal year.

- **Impact of COVID-19 on the Company's business**

The Issuer closely followed the global developments of the COVID-19 pandemic and its potential impact on its business. The Company's revenues are derived exclusively from the online gambling industry, which is affected by general economic and consumer trends outside the Company's control. The occurrence of extraordinary events such as the COVID-19 virus outbreak in early 2020 had an adverse impact on the global economy and, in turn, the Company's business. The outbreak reduced online users' disposable incomes, the number of online users utilising online casino and sports betting websites and the amounts being deposited by online users. This scenario led to a decrease in revenues for the Company's main client when compared to Q4 2019 and January to mid-March 2020. This has negatively impacted the Company's previously projected earnings and financial position.

Consequent to a significant shift from retail land-based gaming to online gaming and also from the fact that the sporting calendar returned to a busier schedule in Q3 2020, an increase in the online gaming activity was experienced. As a result, many gaming operators performed strongly in the last quarter of 2020. The Q2 2020 struggle during the suspension of live sporting events appears to be very much a thing of the past, with a new *modus operandi* having been established to ensure the (generally) uninterrupted organisation and continuation of such events. Sports betting and online gaming operators have similarly refined their operations to adapt to market developments, with further improvements expected during 2021.

Despite the extraordinary economic and other challenges created by the COVID-19 pandemic, the online gaming industry has demonstrated its resilience during this period of uncertainty. The industry also appears to have adapted well to the increase in regulation intended to safeguard player vulnerability, especially during these unprecedented times. The Company is generally looking ahead with confidence to a stronger and more sustainable market in the longer term as a result.

Sports Betting Revenues

The pandemic resulted in several sport events being cancelled or postponed. As a result, iGaming operators faced major short-term losses in betting volumes. The Company's main client revenue exposure to sports betting was of 33% in 2019 and nearly 50% in Q1 2020. Sports revenue decreased significantly after mid-March 2020 due to the cancelation and postponement of sports events across the world. By June 2020, the Company's main client saw a drop of over 75% in the sports betting traffic when compared to the first two months of 2020, pushing down sports revenues by *circa* 55% by the end of Q2 2020. Sports revenues recovered well after July 2020, as sports activity resumed and remained rather stable in H2 2020. Despite the impact of the pandemic, the Company's main client experienced only a slight overall decline in sports betting revenues in 2020 over 2019. Notwithstanding the slightly lower results achieved in 2020 compared to 2019, the Company's main client continues to see sports betting as a core business area and foresees no change to the long-term strategy in response to the COVID-19 outbreak. It believes that the lost sports revenues will recover to levels enjoyed in Q1 2020 once sports events revert to the normal *modus operandi* clients were accustomed to prior to the pandemic, with fans physically returning to sport events.

Casino Revenues

Following the outbreak of COVID-19, the Company's main client did not foresee negative implications on casino revenues, and saw a slight increase in its online casino traffic in March 2020, with stable levels in April 2020. At the time, it was thought that this positive trend in casino traffic development might partly offset the negative development within its sports betting vertical. Whilst the Company's main client experienced stable casino revenues during the first 3 months of the COVID-19 outbreak (April-June 2020), it did, however, experience a significant decline in casino revenues in July 2020, mainly due to the related introduction of temporary responsible gaming regulations within a number of licenced jurisdictions, mainly Spain and Sweden, the latter being the main market in which the Company's main client operates. These temporary gaming regulations were initially effective until the end of the year, keeping casino revenues at depressed levels as at year end. Notwithstanding the pandemic, the Company's main client registered better Casino revenues in 2020 than in 2019, the latter being impacted negatively by the introduction of Swedish gaming legislation. Such casino revenues for 2021 are expected to follow on those of Q4 2020. Furthermore, the Company's main client is closely monitoring regulatory developments that may have any impact on its operations to be a step ahead in aligning to the constant changing regulatory landscape. Regulatory risk remains an area of significant focus in the industry and for the Company. Management and the Board of Directors address regulatory and compliance matters with the help of legal experts.

Performance and Liquidity

Notwithstanding the unfavourable economic conditions and challenges faced by the Group, sound business performance was nevertheless achieved in 2020, generating over €4.5m operational cash at Group level. At the start of the pandemic, the Group took drastic decisions in reducing costs across the board and limiting marketing investments. The Group's response to the pandemic was based on an agile management culture that enabled a seamless shift to remote working conditions with stable productivity, as well as a rapid adaption of its business model to cater to the unforeseen circumstances, primarily by controlling costs and its marketing investments to prioritise cash flows during these uncertain times. The Group can therefore look back at 2020 with satisfaction, both in terms of financial performance (given the circumstances) and its ability to swiftly adapt to changing market conditions. The Group shall remain cautious in terms of costs and investments until this pandemic persists in order to safeguard cash flows.

A baseline scenario of profitability and liquidity projections for the years ending 31 December 2021 to 2022 has been reset, adopting prudent and cautious assumptions that take into account the disruptions being caused by the continuing COVID-19 pandemic and the restrictions and regulations arising therefrom. Assumptions in the normal course of business factor ongoing disruption to operations over the short to medium term, partly offset by the increase in sports activity as from Q2 2021, as well as the mitigating measures taken by the Company. The prudent base case scenario for the Issuer's ongoing business anticipates continuing stable activity as described further above and a consistent cash flow with 2020.

In view of the recently announced sale of the Group's B2C business, the Issuer is expected to crystallise a significant cash flow from the sale of the Bethard Brand to the Esports Group. More specifically, the disposal of this intangible asset is expected to generate an initial cash consideration of €16m, followed by a variable consideration equal to 12% of the NGR that will be generated over the next 2 years. As a result, the Issuer is forecasting a very favourable cash flow during FY21, with an expected increase in cash reserves of €15.4m, translating into a forecasted closing cash balance of €15.8m as at year-end 2021. Therefore, management is confident that sufficient cash will be generated throughout this financial year and that the Issuer should be in a position to meet all of its financial commitments, including the obligations towards bondholders.

Performance expectations 2021

With the world experiencing unprecedented COVID-19 imposed lockdowns, the Company has also witnessed an acceleration in digital growth world-wide. In a sector where the majority of revenues are mainly derived from land-based casinos, these lockdowns have pushed such land-based operators to seek immediate alternatives to their loss in the retail business. Industry-wide discussion and increased mergers and acquisition activity in the sector clearly indicate a move to online services as the primary solution in this regard. This trend could create opportunities for well-placed market participants such as the Group, who believes in continuously taking a pro-active approach to new possibilities. This has clearly been demonstrated by the Group, as it managed to secure a major deal with a large group listed on the US NASDAQ exchange.

Although the Company recognises the prevailing volatile economic environment and the risk of unforeseen events impacting it and the Group going forward, it nevertheless expects to be on course to achieve its B2B business performance expectations for 2021, which are presently expected to be better than its performance for 2020. Q1 2021 has started positively and Company expects this positive performance to persist throughout the year for several reasons, including the following:

1. The unlikelihood that major sports events will experience a total shutdown;
2. COVID-19 related responsible gaming restrictions likely to be lifted during the current year;
3. The current European football championship expected to have a major positive seasonality effect on the Company's revenues; and
4. The Company's flexible and cautious approach towards its marketing investment commitment and growth.

The Company's forecasts for FY21 capture the actual trading results for the 5-month period (1 January to 31 May 2021) and the financial projections for the remaining 7-month period (1 June to 31 December 2021). The projections have been compiled on the basis of the following assumptions:

- During the first 6-months of FY21, the Bethard Brand will be owned by the Issuer on which it will earn a GGR royalty fee of 10% and a 2% platform/turnkey fee (also calculated on the GGR). During H1 2021, Bethard is expected to generate a GGR of €15m.
- During the remaining 6-month period, Bethard will be owned by Esports Group, on which the Issuer will earn a fee equal to 12% of the NGR. During H2 2021, Bethard is expected to generate a GGR of €17m, which translates into an NGR of €15.3m.
- Based on events, seasonality and possible lifting of casino regulatory restrictions in Q4 2021, Bethard is expected to generate a higher revenue during H2 2021 when compared with H1-21.
- In terms of the Issuer's B2B business, management has taken a prudent approach and forecasts are based on a conservative scenario. In FY21, B2B revenues are forecasted at *circa* 40% less than that achieved during FY20. This reduction in revenue also reflects the loss of a number of WL Operators which dropped out due to financial pressures brought by the pandemic.
- As from FY21, the Issuer has signed up new other B2B licence operators, from which it will generate a 15% annual turnkey fee. These operators are expected to generate a GGR of €3.8m during FY21.
- As from February 2021, the Issuer is incurring significantly lower Brand Ambassador fees, with these dropping to a monthly fee of €67k vs the previously incurred monthly rate of €431k. Should the

agreement with the Brand Ambassador also be transferred to the Esports Group, then such fees will only be incurred during H1 2021.

- Projections for FY21 are based on information known up to the date of this Analysis (as explained in detail above) and are dependent on no further material deterioration of the current situation.

- **Impact of increased monitor imposed by the Financial Action Task Force (FATF)**

At FATF plenary held between 21 June and 25 June 2021, it was decided that Malta should be put under increased monitoring. The financial projections in this document do not take into consideration any effect that this might have on operations. It is not immediately clear what effect, if any, this development will have on the operations and prospects of the Company. The Company will monitor and assess developments to be in the best position to take any action necessary to mitigate and counter any negative effects arising as a result of the FATF decision.

Part 2 – Historical Performance and Forecasts

The Issuer's historical financial information for the years ended 31 December 2018 to 31 December 2020, in addition to the financial forecast for the year ending 31 December 2021, are set out below in sections 2.1 to 2.3 of this Analysis. Historical information is based on audited financial statements, while the forecast data for FY21 has been provided by management.

2.1 Issuer's Income Statement

Income Statement for the year ended 31 December	FY18A	FY18 Pro forma	FY19A	FY20A	FY21F
	€000s	€000s	€000s	€000s	€000s
Revenue	3,770	14,246	6,899	9,124	5,811
Cost of sales	(3,551)	(10,365)	(4,835)	(6,686)	(2,605)
Gross profit	**219**	**3,881**	**2,064**	**2,438**	**3,206**
Administrative expenses	(5)	(493)	(669)	(1,146)	(1,575)
Net impairment loss on financial assets	-	-	(507)	(303)	(120)
EBITDA	**214**	**3,388**	**888**	**989**	**1,511**
Depreciation and amortisation	-	(2,143)	(1,481)	(2,309)	(2,331)
EBIT	**214**	**1,245**	**(593)**	**(1,320)**	**(820)**
Finance costs	(2)	(1,202)	(618)	(640)	(900)
Profit / (loss) before tax	**212**	**43**	**(1,211)**	**(1,960)**	**(1,720)**
Tax credit	-	-	424	616	602
(Profit / (loss) after tax	**212**	**43**	**(787)**	**(1,344)**	**(1,118)**

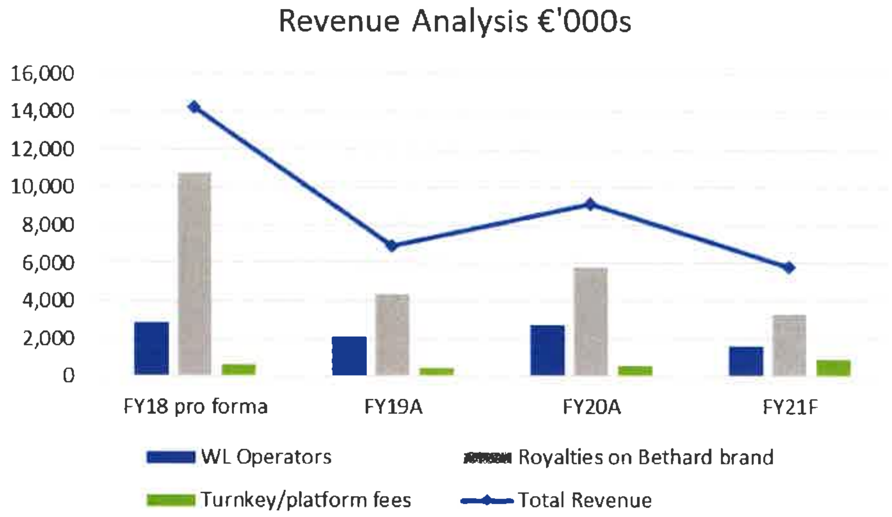
Ratio Analysis – Profitability	FY18A	FY18 Pro forma	FY19A	FY20A	FY21F
Growth in Revenue (YoY Revenue Growth)	N/A	277.9%	N/A	32.3%	-36.3%
Gross Profit Margin (Gross Profit / Revenue)	5.8%	27.2%	29.9%	26.7%	55.2%
EBITDA Margin (EBITDA / Revenue)	5.7%	23.8%	12.9%	10.8%	26.0%
EBIT Margin (EBIT / Revenue)	5.7%	8.7%	-8.6%	-14.5%	-14.1%
Net Margin (Profit for the year / Revenue)	5.6%	0.3%	-11.4%	-14.7%	-19.2%
Return on Common Equity (Net Income / Total Equity)	263.4%	N/A	-3.9%	-7.0%	-6.2%
Return on Assets (Net Income / Total Assets)	9.6%	N/A	-1.4%	-2.6%	-2.4%

In view of the limited trading history of the Issuer, previously management has prepared a pro forma income statement for FY18, simulating the performance of the Issuer should the iGaming assets have been acquired on 1 January 2018 rather than in FY19. The principal hypothetical assumptions underlying this illustrative income statement for FY18 were as follows:

a. The actual income and direct expenses received or incurred by the Group in 2018 in connection with the provision of White Label Services would have been recognised by the Issuer;
b. The Issuer would have received royalty fees and platform fees based on terms of the IP Licensing Agreement and the actual GGR generated by Bethard in 2018;
c. The actual expenses incurred by Bethard in 2018 in connection with the marketing of the Bethard Brand would have been recognised by the Issuer; and
d. The acquisition of the iGaming assets is partly financed through a €20m Bond carrying an assumed annual interest cost of 6% p.a. (for the purposes of the pro forma income statement).

Although the Issuer was originally set-up to manage the Group's B2B operations, it remained dormant until 1 January 2018. Notwithstanding, the Issuer's operations were still limited in FY18 and do not reflect the full performance should the Issuer have owned the iGaming assets. Accordingly, our review predominately focuses on FY18 pro forma figures and the actual results for FY19 and FY20.

The graph below analyses the different revenue components of the Issuer:



- Revenue generated through the White Label Services provided to White Label Operators, which include a mix of set-up fees, operational fees and business development fees.
- Royalty income generated on the licensing of the Bethard Brand (as described in further detail above under section 1.3).
- Turnkey fees generated on the use of the iGaming platform by the Group's B2C brands and WL Operators (as described in further detail above under section 1.3).

The Issuer's revenue predominantly comprises of royalties generated from the Bethard Brand and revenue generated from services provided to the WL Operators. In FY20, total revenue amounted to €9.1m (FY19: €6.9m). It is pertinent to note that the iGaming assets were acquired on 30 April 2019, therefore, FY19 captures 8-month performance, whereas FY20 captures the full 12-month performance. Accordingly, the Company's revenue improved across all revenue streams. More specifically, during FY20, the Issuer generated €2.7m revenue from WL Operators (FY19: €2.1m), €5.8m from royalties earned on the Bethard brand (FY19: €4.3m) and €0.6m from turnkey fees (FY19: €0.5m). Further detailed explanation on the Company's performance is found below and the variance analysis between the actual and projections for FY20 is discussed in detail in section 2.1.1.

A key metric in the gaming industry is the GGR. It reflects the difference between the amount of money players wager, minus the amount that they win. The total GGR from WL Operators stood at €14.6m and €17.7m in FY19 and FY20, respectively. As a result of the ramifications brought about by the COVID-19 pandemic, the disposable income of online users reduced, which in turn, reduced the number of online users utilising online casino and sports betting websites and the amounts being deposited by online users. Additionally, during 2020, the Issuer lost a number of WL Operators which dropped out due to financial pressures brought by the pandemic. This resulted in the GGR generated by WL Operators to be lower than the €18.5m as previously forecasted.

Consequently, the Issuer expects to generate a lower revenue from WL Operators during FY21. The Issuer is forecasting WL Operators revenue to decrease by 41.0% to €1.6m in FY21. Management further explained that it has taken a prudent approach and this forecast is based on a conservative scenario.

This year, the Issuer also managed to sign up other new B2B licence operators. Management is currently forecasting a GGR of €3.8m from these operators, on which the Issuer will generate a 15% annual turnkey fee.

Bethard Brand generated a GGR of €24.4m and €20.9m in FY19 and FY20. Subsequent to the outbreak and its negative repercussions, management took a strategic decision to part ways with the UK and Danish licences during Q2 2020. Additionally, during the latter quarter, Bethard was faced with the cancellation/postponement of several sports events including major sports events and leagues across the globe. Despite this, consequent to a significant shift from retail land-based gaming to online gaming and also from the fact that the sporting calendar returned to a busier schedule in Q3 2020, an increase in the online gaming activity was experienced during the second half of FY20.

As further described in the assumptions used to prepare the FY21 forecasts under section 1.4, during the first 6-months of FY21, the Bethard Brand will be owned by the Issuer on which it will earn a GGR royalty fee of 10% and a 2% platform/turnkey fee, which is also calculated on the GGR. Whereas, during the remaining 6-month period, Bethard will be owned by Esports Group, on which the Issuer will earn a fee equal to 12% of the NGR. The Brand is expected to generate a GGR of €15m in the first half of FY21 and €17m during the second half. Based on this, revenue from Bethard is expected at €3.3m in FY21.

It is essential to highlight that the decrease of €2.5m in the forecasted royalties from the Bethard Brand in FY21 is due to the additional royalty fees which the Issuer earned during FY20 to cover its marketing costs as per the IP Licensing Agreement. However, as from February 2021, the Group managed to extend the agreement with the Brand Ambassador for a 3-year period at significantly lower fees. More specifically, the Issuer is incurring a monthly Brand Ambassador fee of €67k vs the previously incurred monthly rate of €431k. Therefore, the Issuer's gross profit in FY21 is forecasted to exceed that of FY20 since the decrease in cost of sales is expected to exceed the decrease in revenue.

The Issuer's revenue also consists of turnkey fees that comprise of operational charges to the users of the iGaming platform. The fees are calculated at 2% of the GGR generated by the Group's B2C brands and WL Operators operating on the platform. During FY20, the Group's B2C brands generated a GGR of €29.9m while in FY21 these are forecasted to generate a total GGR of €32m. Based on the 2% turnkey fee, the Issuer expects to generate €0.9m from platform fees during FY21 (FY20: €0.6m).

Cost of sales are mainly made up of marketing costs and platform costs (which include ongoing maintenance costs). These exclude actual costs incurred in connection with the further development of the platform as these costs are capitalised. Cost of sales amounted to €4.8m in FY19, while in FY20 these stood at €6.7m, translating into a gross profit of €2.1m and €2.4m respectively.

At the start of the pandemic, the Group and the Company took drastic decisions in reducing costs across the board and limiting marketing investments. In FY21, management shall remain cautious in terms of costs and investments until this pandemic persists in order to continue safeguarding cash flows. Additionally, further to the previously mentioned decrease in the Brand Ambassador fees, cost of sales is forecasted to plunge to €2.6m in FY21, translating into a decrease of 61% over FY20. Based on this, the Issuer expects to generate a gross profit of €3.2m, with the gross profit margin improving from 26.7% in FY20 to 55.2% in FY21.

Administrative expenses reflect the costs incurred in the day-to-day running operations of the Issuer. In FY19, administrative costs amounted to €0.7m, increasing to €1.2m in FY20. More specifically, salaries reduced from €0.5m to €0.3m, but the Issuer incurred €0.2m higher professional fees as a result of an increase in compliance and regulations, including other legal matters. Additionally, the Issuer incurred an adverse exchange loss of €0.2m and another €0.2m increase in other operational costs due to increase in insurance costs and other costs incurred in shifting to a remote business.

In FY21, administrative costs are forecasted at €1.6m, an increase of €0.4m over FY20. This increase in costs mainly reflects the fees that will be incurred by the Issuer in selling the Bethard Brand to the Esports Group.

Depreciation and amortisation are predominantly based on the amortisation of the iGaming platform, which has an estimated useful life of 7 years. The Bethard Brand is not amortised on the basis of it having an indefinite useful life. Given that FY20 captured a full year performance, the depreciation and amortisation charge increased to €2.3m in FY20 from €1.5m in FY19. Depreciation and amortisation charge in FY21 is forecasted to remain at the same level of FY20.

In FY19, the Issuer issued a €20m bond at an annual coupon of 5.9%. As announced by the Issuer, €8.2m of this issue was subscribed by Bethard Group Ltd (which is wholly owned by the Company's parent). Bethard Group Limited agreed with the Issuer to waive the interest cost on the bonds subscribed by itself. As at 31 December 2020, Bethard Group Ltd owned €5.2m of the Issuer's bonds. Accordingly, the Issuer incurred higher finance costs during FY20 when compared with FY19. In FY21, the Issuer is forecasting finance costs to increase to €0.9m, as Bethard Group Ltd is expected to unload further bonds during this year.

In FY20, the Issuer reported a loss before tax of €2.0m (FY19: €1.2m), which resulted in a tax income of €0.6m (FY19: €0.4m). In FY21, the Issuer is forecasting a loss before tax of €1.7m, which is estimated to result in a tax income of €0.6m. Overall, the issuer is projecting a loss after tax of €1.1m for FY21.

2.1.1 Issuer's Variance Analysis

Income Statement for the year ended 31 December	FY20F	FY20A	Variance
	€000s	**€000s**	**€000s**
Revenue	9,467	9,124	(343)
Cost of sales	(6,260)	(6,686)	(426)
Gross profit	**3,207**	**2,438**	**(769)**
Administrative expenses	(838)	(1,146)	(308)
Net impairment loss on financial assets	(120)	(303)	(183)
EBITDA	**2,249**	**989**	**(1,260)**
Amortisation	(2,298)	(2,309)	(11)
EBIT	**(49)**	**(1,320)**	**(1,271)**
Finance costs	(729)	(640)	89
Loss before tax	**(778)**	**(1,960)**	**(1,182)**
Income tax	172	616	444
Loss after tax	**(606)**	**(1,344)**	**(738)**

The Issuer reported a revenue of €9.1m in FY20, which resulted in a negative variance of €0.3m when compared to previous forecasts. More specifically, revenue from WL Operators amounted to €2.7m in FY20 vs €2.9m as previously forecasted, whereas revenue from royalties on Bethard and the turnkey fees were in line with previous forecasts, except for a combined minor negative variance of €0.1m.

Management explained that the variance in revenue from WL Operators was due to the following: (i) lower operating fees charged to WL than expected, (ii) a minor decrease in set up fees of €10k and (iii) the mark-up generated from WL Operators was lower than forecasted due to the lower gaming levels of activity experienced by the respective WL as a result of COVID-19 and the various restrictions imposed during 2020 within regulated markets. More specifically, previously it was projected that WL Operators should have generated a GGR of €18.5m, but they actually generated a GGR of €17.7m.

The minor variance in the revenue generated from royalties on Bethard and the turnkey fees reflects the overall decrease in the GGR generated by the Group's B2C business when compared with previous forecasts. More specifically, the Group's B2C business generated a GGR of €29.9m vs an expected GGR of €32.8m.

Cost of sales incurred during FY20 were €0.4m higher than expected mainly due to improvements to front end development which were not considered in the forecast exercise, increased costs in cloud-based services due to the increased demand driven by COVID-19 and also more maintenance costs than previously forecasted.

Administrative expenses incurred during FY20 amounted to €1.1m vs €0.8m forecasted. Management explained that the Issuer incurred higher professional fees as a result of an increase in compliance and regulations, including other legal matters. Additionally, the Issuer also incurred an adverse exchange loss of €0.2m and another €0.2m increase in other operational costs due to additional insurance costs and other costs incurred in shifting to a remote business. This was partially set off by a reduction in costs following a Group-wide cost containment exercise and a reduction in salaries incurred when compared to forecasts.

During FY20, two main debtors were written off as bad debts as a result of the pandemic. Additionally, the Issuer booked an increase in the loss allowance provision set against trade and other receivables. This resulted in a net impairment loss on financial assets of €0.3m. In terms of amortisation and finance costs, these were in line with expectations.

Based on the considerations discussed above, the Issuer reported a loss before tax of €2.0m, which was partially mitigated by a tax credit of €0.6m. Overall, the Issuer recognised a loss after tax of €1.3m for FY20, which represents a €0.7m negative variance to the previously forecasted loss after tax of €0.6m.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	FY18A	FY19A	FY20A	FY21F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Intangible assets	-	38,961	37,333	10,769
Right-of-use of assets	-	158	-	133
Property, plant and equipment	-	7	11	7
Deferred tax asset	-	424	1,040	1,642
	-	**39,550**	**38,384**	**12,551**
Current assets				
Trade and other receivables	4,222	14,801	7,713	16,238
Cash and cash equivalents	192	781	536	15,844
	4,414	**15,582**	**8,249**	**32,082**
Total assets	**4,414**	**55,132**	**46,633**	**44,633**
Equity and liabilities				
Capital and reserves				
Share capital	2	20,580	20,580	20,580
Reserves	185	(603)	(1,946)	(3,064)
Total equity	**187**	**19,977**	**18,634**	**17,516**
Non-current liabilities				
Borrowings	3,388	19,678	19,764	19,714
Lease liabilities	-	76	-	-
	3,388	**19,754**	**19,764**	**19,714**
Current liabilities				
Trade and other payables	839	15,317	8,235	7,266
Lease liabilities	-	84	-	137
	839	**15,401**	**8,235**	**7,403**
Total liabilities	**4,227**	**35,155**	**27,999**	**27,117**
Total equity and liabilities	**4,414**	**55,132**	**46,633**	**44,633**

Ratio Analysis - Financial Strength	FY18A	FY19A	FY20A	FY21F
Gearing 1 (Net Debt / Net Debt and Total Equity)	94.5%	48.8%	50.8%	18.6%
Gearing 2 (Total Liabilities / Total Assets)	95.8%	63.8%	60.0%	60.8%
Gearing 3 (Net Debt / Total Equity)	1709.1%	95.4%	103.2%	22.9%
Net Debt / EBITDA	14.9x	21.5x	19.4x	2.7x
Current Ratio (Current Assets / Current Liabilities)	5.3x	1.0x	1.0x	4.3x
Interest Coverage 1 (EBITDA / Cash interest paid)	N/A	2.2x	1.4x	1.8x
Interest Coverage 2 (EBITDA / Finance costs)	2.8x	1.4x	1.5x	1.7x

The Issuer's total assets mainly comprise of intangible assets, whereby these represent 80.1% of the total assets in FY20 (FY19: 70.7%). The intangible assets represent the iGaming assets owned by the Issuer. Trade and other receivables amounted to €7.7m (FY19: €14.8m), out of which €6.6m relates to amounts due from related parties, which is unsecured, interest free and repayable on demand.

In FY20, the Issuer's total liabilities stood at €28.0m (FY19: €35.2m), out of which €19.8m represents the outstanding bonds. Trade and other payables amounted to €8.2m (FY19: €15.3m), while total equity decreased to €18.6m in FY20 from €20.0m in FY19, which reflects the loss for the year under review. The increase in the Issuer's share capital in FY19 reflects the novation of an amount of €20.5m into shares owned by the Parent Company. This represented half of the consideration paid by the Issuer for the acquisition of the iGaming assets.

The Issuer's financial position in FY20 was in line with previous forecasts, with the variance in total assets being less than 1%. More specifically, the Issuer's intangible assets were lower than forecasted by €0.5m as a result of higher-than-expected amortisation charge. The Issuer recognised an unexpected deferred tax asset of €1.0m, which mainly arose on the higher-than-expected losses. This in turn, caused trade receivables and cash reserves to be lower by €0.8m. In terms of equity and liabilities, the Issuer reported less than forecasted equity due to the higher losses in FY20, with this resulting in higher than previously anticipated trade payables, as the Issuer postponed the settlement of such payables.

In view of the sale of the Bethard Brand to the Esports Group, the Issuer's intangible assets are forecasted to drop by €26.6m to €10.8m in FY21. Accordingly, cash reserves are expected to surge to €15.8m, with trade and other receivables increasing to €16.2m. The latter reflects the additional variable consideration to be earned by the Issuer for the sale of the Group's B2C assets as further explained in section 1.4.

Forecasted movements in the equity balance for FY21 reflects the expected loss for the year as further explained above. Non-current liabilities are expected to remain constant with FY20, while current liabilities are forecasted to decrease by €0.8m as a result of the anticipated repayment of payables.

2.3 Issuer's Statement of Cash Flows

Cash Flows Statement for the year ended 31 Dec	FY18A	FY19A	FY20A	FY21F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Operating profit before working capital changes	212	887	989	1,955
Working capital movements	(3,375)	476	150	(9,714)
Interest paid	-	(403)	(694)	(950)
Net cash flows generated from/(used in) operating activities	**(3,163)**	**960**	**445**	**(8,709)**
Cash flows from investing activities				
Disposal of intangible asset	-	-	-	25,000
Payments for additions to intangible assets	-	(414)	(616)	(863)
Payments for additions to property, plant and equipment	-	(7)	(7)	-
Net cash flows generated from/(used in) investing activities	**-**	**(421)**	**(623)**	**24,137**
Cash flows from financing activities				
Issue of share capital	-	79	-	-
Borrowings	3,353	-	-	-
Principal elements of lease payments	-	(29)	(67)	-
Net cash flows generated from/(used in) financing activities	**3,353**	**50**	**(67)**	**-**
Movement in cash and cash equivalents	**190**	**589**	**(245)**	**15,428**
Loss allowance on cash and cash equivalents	-	-	-	**(120)**
Cash and cash equivalents at start of year	2	192	781	**536**
Cash and cash equivalents at end of year	**192**	**781**	**536**	**15,844**

Ratio Analysis - Cash Flow	FY18A	FY19A	FY20A	FY21F
Free Cash Flow (CFO prior to the payment of interest - Capex) *	€(3,163)	€942	€516	€(8,622)

* Previously this ratio included interest payments, however this was amended to reflect the CFO excluding interest payments.

In FY20, the Issuer generated €0.4m from operating activities (FY19: €1.0m). Additionally, it utilised €0.6m in capital expenditure (FY19: €0.4m), which mainly relates to further developments performed on the iGaming platform. During FY20, the Issuer used €0.1m in financing activities, which reflects payment on principal lease elements, while in FY19 it generated less than €0.1m from financing activities. It is important to note that the acquisition of the iGaming assets during FY19 was classified as a non-cash transaction, consequently it does not feature in the cash flows statement. Overall, the Issuer utilised €0.2m of its cash reserves during FY20 (FY19: increase in cash reserves of €0.6m), with a cash reserve balance of €0.5m as at year-end (FY19: €0.8m).

When compared with previous forecasts, the Issuer's cash flow was impacted by the higher loss reported in FY20 when compared with budgets. More specifically, the Issuer generated €1.3m less operating profit before working capital changes than forecasted, which was partially netted off by an increase in working capital of €0.2m vs an expected cash outflow of €0.7m. Additionally, the cash interest paid exceeded budgets by €0.2m, as previously the Issuer anticipated higher waiver of interest on the bonds owned by the related party. It also incurred higher platform development costs of €0.1m than previously budgeted. Overall, this led to the Issuer closing FY20 with a cash reserve of €0.5m compared with a budgeted cash reserve of €1.2m.

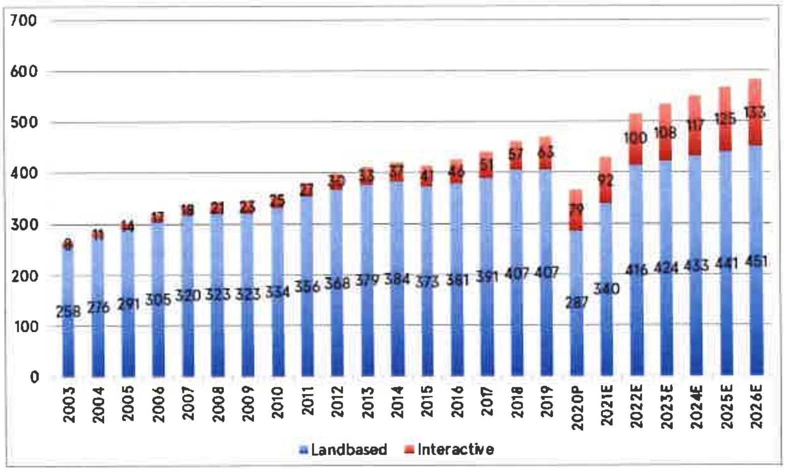
The major item in the FY21 cash flow is expected to be the disposal of the Brand, which is forecasted to generate a cash inflow of €25m, which will be partially set off by an expected €9.7m negative working capital cash flow movement. As a result of this sale, the Issuer is forecasting a strong cash reserve of €15.8m as at 31 December 2021.

Part 3 – Key Market and Competitor Data

3.1 General Market Conditions[1]

The gambling industry is divided into two main segments being the land based gaming and the online gaming (also referred to as the iGaming). The online gambling industry comprises of remote gaming activities by means of the internet. The principal gambling activities include online sports betting, casino games, and online poker. This market is typically valued in terms of Gross Gaming Revenue, which is defined as total wagers or bets, less total winnings (or provision thereof) before the payment of any gaming related taxes.

Global Total Gambling Gross Win by Channel (US$bn)



Source: H2 Gambling Capital June 2021

As can be analysed, land-based gaming represents the majority of the GGR generated by the gaming industry, where in 2019 it represented *circa* 87% of the total GGR. However, as a consequence of COVID-19 and the related confinement measures taken worldwide, H2 Gambling Capital expects a significant drop in the GGR generated by land-based gaming during 2020. More specifically, land-based gaming GGR is expected to fall to $287b in 2020 from $407b in 2019, representing a 29% drop.

Such restrictions on land-based gaming has resulted in a significant shift from retail land-based gaming to online gaming, with an expected growth in the GGR generated by iGaming of 25% from $63b in 2019 to $79b in 2020. Additionally, projections currently indicate that the iGaming industry should keep growing at a relatively fast pace. More specifically, the industry is expected to grow by 16% in 2021, to a GGR of $92b. As from 2022, H2 Gambling Capital expects a single-digit annual growth rate, with the industry estimated to grow at 9% in 2022, decreasing gradually to a 6% growth rate in 2026.

The iGaming industry has expanded mainly as a result of technological innovation, ease of access to the internet and broadband data as well as the widespread use of smartphones and portable devices. All of these factors have contributed significantly to online gambling being more accessible worldwide and thus attracting an increased number of players. Additionally, the roll-out of 5G technology in various major economies is expected to enhance network coverage and faster streaming, allowing the demand for cloud gaming to grow at a rapid speed. On the other hand, demand from emerging economies for such cloud gaming could be to a lesser extent as these do not have access to the necessary internet speed, or if available, at a higher cost than developed economies. The adoption of gaming platforms such as e-sports is also driving the market forward.

[1] H2 Gambling Capital - Global Gambling Data / Regulatory Intelligence June 2021 Industry Comment / Posting Schedule

In this regard, eSports is gaining momentum in terms of market demand, and is driving the overall gaming industry across the globe, particularly from start-ups.

European iGaming Market[2]
In 2019, the total European gambling market was worth €98.6b, with online gambling accounting for €24.5b (24.8%) and land-based gambling accounting for €74.1b (75.2%) in GGR. In 2020, total GGR is expected to drop by 23% to €75.9b because of the impact of COVID-related closures on land-based gambling, while online gambling revenue is expected to increase by 7% to €26.3b GGR and grow steadily to reach €37.3b.

The market share of online gambling is growing steadily and is expected to reach 33.6% of Europe's gross gaming revenue by 2025. In 2020, the share of online gambling is expected to momentarily increase to 34.7% of total gross gaming revenue as COVID-related closures reduce land-based gambling. The online share is then expected to dip to 29.5% in 2021 as land-based establishments fully reopen.

Sports betting continues to be the most popular online gambling activity, with a 41% share of Europe's online revenue and worth €10b in gross gaming revenue in 2019. This was followed by casino games (34%), lottery (15%), poker (5%), bingo (4%), and other/skill gaming (1%). Additionally, there is a shift to mobile online gaming in Europe. In 2019, 55.9% of Europe's online bets were placed from a desktop computer, while 44.1% of online bets were placed from mobile devices. A shift to mobile betting is expected, with mobile reaching 58.2% of all online bets by 2025.

General iGaming Market
The iGaming market is still gaining favourable momentum across the world, with the United States expected to obtain a larger market share in the coming years and promising markets are also developing in other parts of the world, particularly in Asia and South America. In the US, increasing number of states are proposing new laws related to gambling in an attempt to move the stagnant legislation that currently prohibits many forms of gambling in the country.

The iGaming industry is highly regulated, and has only recently been regulated in many jurisdictions, including several of the Issuer's key source markets. The pace of regulatory development varies from one jurisdiction to another, with different approaches to regulation adopted among jurisdictions, but continuing and increased regulation of the global iGaming market is a strong trend. Regulation can have both positive and negative consequences for the iGaming market. While increased regulation places more of a burden on operators and affiliates (for example, through the imposition of licensing requirements or operational restrictions, as well as the taxation of gaming activities), it also reduces the stigma around iGaming. If gambling becomes more socially accepted in general, this could in turn lead to increased growth, which is why the Issuer therefore expects the net effect of regulation of the iGaming market to be positive.

Established operators within the online gaming industry may benefit from a fragmented and regulated market. New entrants demand strong financial presence and branding, together with having sufficient and adequate resources to endure complex regulations, rigid fees and operating in a price sensitive environment. In light of this, White Label Operators generally aim to partner with established companies, already owning the necessary licences and technology in order to avoid all necessary barriers to entry. These partnerships benefit existing gaming operators by generating additional volume through their website, increasing their negotiating power, and obtaining new information on potential new markets. In fact, this is the niche market that the Issuer (and the Group) is targeting through its online gaming offering.

[2] https://www.egba.eu/eu-market/

3.2 Comparative Analysis

The purpose of the table below compares the debt issuance of the Company to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Company's business and that of other issuers is therefore also different.

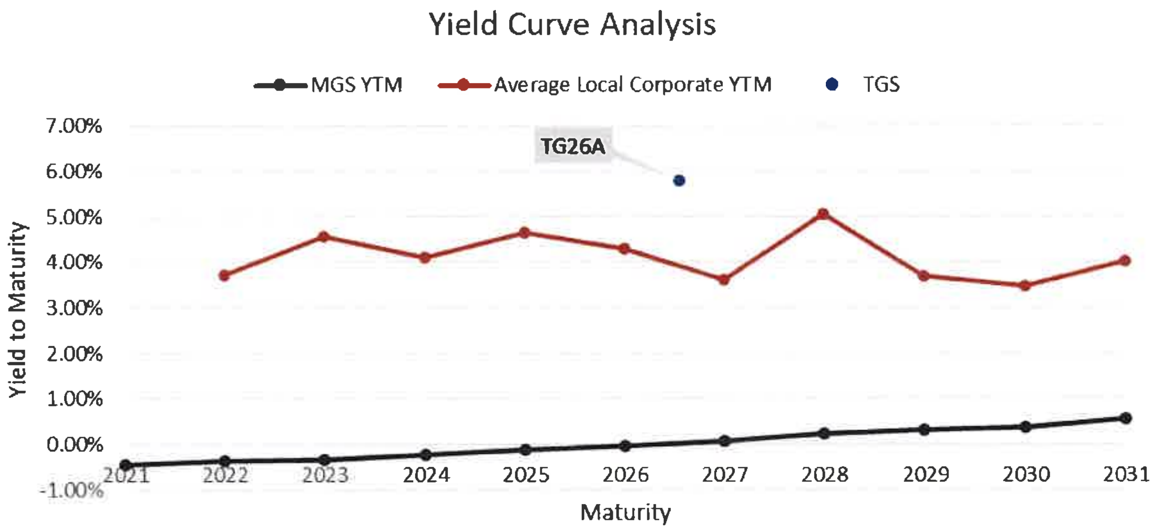
Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)	Last Closing Price *
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)	
5.75% International Hotel Investments plc Unsecured € 2025	45,000	4.95%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	102.75
5.1% 6PM Holdings plc Unsecured € 2025	13,000	4.55%	(.7)x	0.5	(19.3)	-5156.2%	38.8%	12.2x	(.1)x	0.6%	-3.1%	-48.3%	102.00
4.5% Hili Properties plc Unsecured € 2025	37,000	4.49%	1.6x	149.6	62.7	58.1%	54.9%	14.6x	0.5x	6.8%	52.9%	-11.5%	100.01
5.25% Central Business Centres plc Unsecured € 2025 S2T1 (xd)	3,000	4.63%	1.9x	34.8	20.2	41.8%	36.3%	10.1x	0.2x	19.9%	292.6%	15.3%	102.50
4.5% Medserv plc Unsecured € 2026	21,982	5.88%	1.3x	121.8	4.3	96.5%	94.3%	18.2x	1.7x	-95.7%	-27.1%	12.6%	94.50
5.75% Medserv plc Unsecured USD 2026	9,148	7.05%	1.3x	121.8	4.3	96.5%	94.3%	18.2x	1.7x	-95.7%	-27.1%	12.6%	94.99
4.35% Hudson Malta plc Unsecured € 2026	12,000	4.00%	4.9x	43.4	5.5	87.3%	81.6%	8.3x	1.3x	-14.8%	-2.9%	-29.6%	101.50
5.9% Together Gaming Solutions plc Unsec Call Bds €2024-2026	20,000	5.79%	1.4x	46.6	18.6	60.0%	50.8%	19.4x	1.0x	-7.0%	-14.7%	32.3%	100.45
4% MIDI plc Secured € 2026	50,000	3.56%	(.5)x	227.6	101.8	55.3%	37.8%	(64.5)x	2.9x	-2.1%	-75.1%	-89.8%	102.00
4% International Hotel Investments plc Secured € 2026	55,000	3.56%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	102.00
3.9% Plaza Centres plc Unsecured € 2026	7,720	2.96%	2.8x	38.9	26.7	31.4%	10.7%	1.6x	4.6x	1.6%	17.0%	-22.4%	104.50
5% Dizz Finance plc Unsecured € 2026	8,000	5.33%	0.2x	61.3	6.8	89.0%	85.3%	238.1x	0.9x	-67.0%	-33.3%	-77.0%	98.50
4.8% Mediterranean Maritime Hub Finance plc Unsecured € 2026	15,000	4.47%	2.9x	38.3	4.7	87.6%	81.4%	6.5x	0.7x	8.5%	2.6%	-14.3%	101.50
3.75% Premier Capital plc Unsecured € 2026	65,000	3.34%	6.8x	278.8	53.0	81.0%	75.2%	3.1x	1.0x	32.1%	5.5%	-6.5%	102.00
4% International Hotel Investments plc Unsecured € 2026	60,000	3.67%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	101.60
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	2.27%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%	105.00
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.55%	34.1x	69.4	24.3	65.0%	57.1%	1.1x	0.9x	210.3%	125.6%	119.2%	101.00
4.35% SD Finance plc Unsecured € 2027	65,000	4.05%	6.8x	324.4	137.6	57.6%	43.3%	4.1x	1.4x	9.0%	20.5%	5.7%	101.50
4% Eden Finance plc Unsecured € 2027	40,000	3.94%	(.5)x	190.5	108.5	43.1%	31.8%	(51.4)x	0.9x	-4.3%	-39.2%	-73.1%	100.30
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1 (xd)	6,000	4.40%	1.9x	34.8	20.2	41.8%	36.3%	10.1x	0.2x	19.9%	292.6%	15.3%	100.01
3.75% Tumas Investments plc Unsecured € 2027 (xd)	25,000	3.36%	7.2x	229.6	137.5	40.1%	17.6%	1.6x	4.5x	8.3%	32.6%	-42.5%	102.10
4.5% Grand Harbour Marina plc Unsecured € 2027	15,000	4.04%	3.0x	27.4	2.5	90.7%	88.4%	9.4x	1.7x	-13.5%	-9.5%	-0.4%	102.50
4% Stivala Group Finance plc Secured € 2027	45,000	3.55%	2.6x	354.1	231.4	34.6%	26.5%	11.5x	5.0x	11.7%	229.8%	-46.9%	102.50
3.75% Virtu Finance plc Unsecured € 2027	25,000	3.18%	4.0x	200.0	86.6	56.7%	47.7%	5.9x	1.6x	5.4%	14.4%	-27.4%	103.27
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	3.57%	2.5x	61.4	26.7	56.6%	49.4%	12.2x	2.5x	-4.4%	-5.3%	9.4%	101.00
Average**		4.10%											

* Last price as at 24/06/2021

** Average figures do not capture the financial analysis of the Company

Source: Latest available audited consolidated financial statements

Although the above comparative analysis table specifically refers to the respective Issuers, it is important to clarify that financial figures and metrics pertaining to such issuers captures the consolidated operation of the respective Group. More specifically, the presented financial data relates to either the Holding Company, Guarantor or the Issuer depending on the respective group structure of each issuer.



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the yield of the 5.9% Together Gaming Solutions plc bond.

As at 24 June 2021, the average spread over the Malta Government Stocks (MGS) for comparable issuers maturing during 2025 and 2027 is 410 basis points. The 5.9% Together Gaming Solutions 2024-2026 bond is currently trading at a YTM of 5.79%, meaning a spread of 582 basis points over the equivalent MGS. This means that this bond is trading at a significant premium of 172 basis points in comparison to corporates identified. It is pertinent to note that the above analysis is based on a maturity matching basis and that the Issuer's industry is significantly different to the corporates identified and as such its risks also differ to that of other issuers.

Part 4 – Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Income (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by the average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	Free cash flow (FCF) represents the cash a Group/Company generates after accounting for cash outflows to support operations and maintain its capital assets. It is calculated by taking Cash Flow from Operating Activities (before the payment of interest) less the Capex of the same financial year.
Balance Sheet	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.

Interest Coverage Ratio	The interest coverage ratio measures how many times a Group/Company can cover its current interest payment with its available earnings.
Interest Coverage Level 1	Is calculated by dividing EBITDA by Cash Interest Paid.
Interest Coverage Level 2	Is calculated by dividing EBITDA by Finance Costs.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.