November 3, 2020

Zacks Small-Cap Research

M. Marin
mmarin@zacks.com
Ph (312) 265-9211

Sponsored – Impartial - Comprehensive

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Newgioco Group (NWGI-NASDAQ)

NWGI: Expanding Internationally and At Home Organically and Via M&A

Newgioco Group operates in the international leisure gaming industry, with a core business in Italy that supports a variety of lottery, casino and sports betting options via its Elys technology platform. NWGI's strategy is to expand internationally, with a focus on the U.S. market. NWGI believes the U.S. represents a substantial opportunity following 2018 regulatory liberalization. NWGI has already signed deals to deploy the Elys platform with both tribal and non-tribal U.S. operators and expects to benefit from anticipated growth as new states authorize sports betting.

OUTLOOK

In addition to the expansion within the U.S. and other international markets, NWGI also expects to benefit from expanding in its home market, Italy, both through M&A as the market undergoes consolidation and organically.

For instance, NWGI plans to install up to 400 new self-service POS gaming kiosks in Italy, with the first 100 expected to be installed and operational by year-end 2020. In the aggregate, NWGI expects these kiosks to add up to roughly $18 million in annual revenue once they are fully operational.

Current Price (11/2/20)	$1.43
Valuation	**$2.20**

SUMMARY DATA

52-Week High	**$4.20**
52-Week Low	**$1.15**
One-Year Return (%)	**NA**
Beta	**3.2**
Average Daily Volume (sh)	**456,749**
Shares Outstanding (mil)	**17**
Market Capitalization ($mil)	**$25**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**26**
Insider Ownership (%)	**41**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2021 Estimate	**N/A**
P/E using 2022 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Industry	**Gaming**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018					$34.6
2019	$9.3	$9.1	$6.8	$10.5	$35.6
2020	$10.2A	$4.8A	$5.4	$8.4	$28.7 E
2021					$30.5 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018					($0.38)
2019	($0.33)	($0.17)	($0.06)	($0.65)	($0.91)
2020	$0.01A	($0.20)A	($0.02)	($0.10)	($0.31)E
2021					($0.16)E

Quarters might not = annual due to rounding / share count

Disclosures on page 13

© Copyright 2020, Zacks Investment Research. All Rights Reserved.

KEY POINTS

- Newgioco Group operates in the international leisure gaming industry and is a licensed gaming operator in Italy, offering a variety of lottery, casino and sports betting options there through both an onsite physical retail channel and a digital platform via its proprietary betting software, the Elys Game Board, that is integrated with a built-in player gaming account management system and sports book. As a gaming technology provider, NWGI services about 79,000 active online users. Onsite locations include about 1,200 web-cafés, among other locations.

- NWGI's Elys Game Board platform enables all forms of customer payment from both onsite and digital gaming. Elys can also integrate with products from other gaming companies to support payment for online casino, poker, lottery and horse racing, among others, and is being upgraded to enable integration with e-sports and daily fantasy sports. The platform has been active in Italy since 2015. Based on market demand, e-sports and daily fantasy can be switched-on.

- NWGI's strategy is to expand its gaming platform on a B2B basis in new international markets including the U.S. NWGI already operates in 12 countries in addition to Italy (Peru, Nigeria, Paraguay, Albania, Honduras, Colombia, Mexico, Dominican Republic, Uganda, Nicaragua, and Turkey). The strategy is to leverage partnerships in these countries to cross-sell and expand the Elys sports book platform.

- A 2018 Supreme Court ruling that the Professional and Amateur Sports Protection Act (PASPA) is unconstitutional and that states can regulate sports gambling individually opened the door to NWGI's U.S. expansion, as many U.S. states[1] now allow sports betting, with more expected to come online.

- The company believes that the U.S. sports betting and online gaming market represents a substantial opportunity to deploy Elys as a SaaS to tribal and independent casino and gaming operators. Elys complies with industry technology standards and is expected to enable smaller operators that cannot invest in building their own back-ends to provide online gaming operations. The company has obtained GLI-33 certification and currently in the process of obtaining regulatory approvals in Washington, D.C. to establish its first U.S. operating location. The strategy will be to roll the platform out to various gaming operators to process sports bets on a SaaS basis through Elys.

- Reflecting the anticipated importance of the U.S. market, NWGI established a U.S. subsidiary, Elys Gameboard Technologies, LLC, opened U.S headquarters and relocated its CEO to the U.S. Earlier this year, NWGI hired former Sportradar and IGT senior executive Matteo Monteverdi as President of the company to lead its U.S. operations and to oversee development of the U.S. platform and personnel to expand throughout the U.S..

- The company has signed deals to deploy the Elys platform at select locations. These include multi-year agreements with Fleetwood Gaming and the Chippewa Cree Tribe in Montana, and with Grand Central, LLC in Washington, DC. In 4Q 2019, NWGI transacted several sport bets that represented firsts in the U.S.

- Other aspects of the company's growth strategy include expanding in its home market of Italy organically and through M&A, as that market undergoes consolidation, and through M&A in other markets. NWGI recently acquired virtual sports technology developer Virtual Generation Limited.

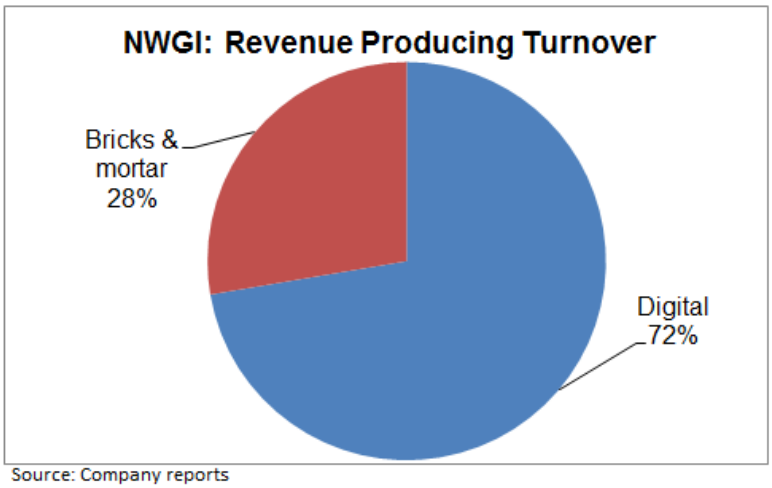
- According to research data, the global sports betting market is projected to reach about $155 billion by 2024, up from about $104 billion in 2017. The anticipated growth reflects a number of factors, including increasing consumer adoption of online betting reflecting the convenience and ongoing regulatory liberalization.

[1] Nevada, New Jersey, Delaware, West Virginia, Rhode Island, Pennsylvania, Arkansas, Montana, Illinois, Indiana, Iowa, Tennessee, New York, New Mexico, New Hampshire, North Carolina, Oregon, Michigan, Mississippi, Colorado and the District of Columbia, plus potentially Maine, California, Connecticut, Louisiana, South Carolina, Oklahoma, Kansas, Missouri, Kentucky, Ohio and Maryland.

COMPANY BACKGROUND

Newgioco Group, Inc. (NWGI) is a vertically-integrated international company engaged in various aspects of the leisure gaming industry. The company is a licensed gaming operator in its home market, the Italian leisure betting sector. It offers gaming services, including a variety of lottery, casino gaming and sports betting products through two distribution channels: an online channel and a land-based retail channel.

NWGI offers both an onsite physical retail channel and a digital platform via its proprietary betting software, the Elys Game Board, which is integrated to enable online payment mechanisms, host player gaming accounts and manage a sports book. As a gaming technology provider, NWGI currently services about 79,000 active online users. Onsite locations include about 1,200 web-cafés, among other locations.



Source: Company reports

Transaction revenue consists of wagering and gaming transaction income from spreads on wagers and commissions from online based betting web-shops and websites as well as land-based retail betting shops located throughout Italy on games such as casino, poker, as well as lotto and horse racing wagers. NWGI's platform facilitates wagers and bets on various sports and other gaming events and provides the back-end system to manage payments and track events.

SaaS Model – Onsite Operations

The company derives a percentage of the turnover – or betting amounts – it facilitates as fee revenue. Turnover via digital methods accounts for about 72% of the company's fee basis, with bricks-and-mortar representing the other 28%. The company offers digital services via the Elys platform. According to H2 Gambling Capital research, online represents a roughly 12% estimated share of total global gross gaming revenue, up from 9.5% estimated in 2015, and is expected to continue to represent a growing share of total wagers.

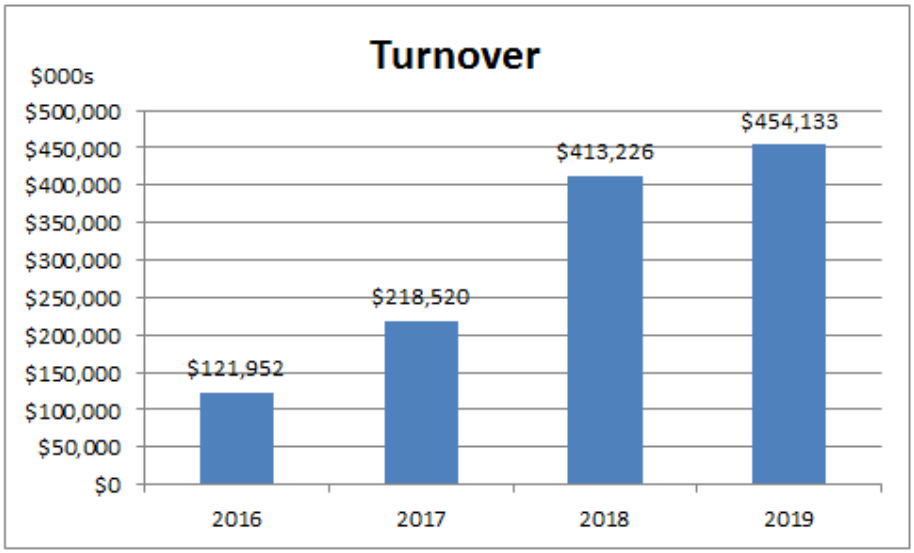
Digital Gaming Sites

- Agency An agency is a gaming-only arcade that is required to have at least 70% of its square-footage dedicated to gaming space. Agencies all have cash cages to facilitate gaming transactions.

- Corner Unlike an agency, a corner engages primarily in other complementary businesses (such as coffee shops or bakeries) that are conducive to including a gaming terminal to generate additional revenue. The venue can allocate up to 30% of floor space to the gaming device in order to be considered a corner.

- Web-shop A web-shop is a bricks-and-mortar site with game-enabled computers or other smart devices through which customers can bet and deposit funds into their online gaming accounts and play on digital devices.

Turnover, or betting handle, has grown from about $122 million in 2016 to $454 million in 2019, as NWGI has expanded its bricks-and-mortar footprint and integrated with a growing number of online operators. Management believes that the Elys platform is highly scalable and can continue to support NWGI's growth initiatives and expansion, reflecting its entrance into new markets combined with potential M&A transactions and the anticipated growth of the e-sports sector.



Source: Company reports

NWGI also continues to expand the types of wagers which the Elys platform can support and, in turn, increase the turnover from which it derives fee-based revenue. For instance, in February 2019, NWGI acquired Malta-based Virtual Generation Limited (VG), which develops virtual gaming software. Founded in 2014, VG grew from processing 67,000 bet tickets in 2014 to more than 20 million in 2018 for B2B customers in 12 countries in Europe, Latin America and Africa. The roughly $4.5 million cash and stock transaction gave NWGI an opportunity to introduce racing, keno, American Roulette and other casino games on the ELYS platform, as well as to launch VG products in Italy. The company generated royalty service revenue from its VG subsidiary throughout its operating footprint in 2019. In fact, VG has helped NWGI to open new markets. For instance, VG was the first certified provider of virtual games in the Colombian market.

Growth Strategy

International Expansion

NWGI's strategy is also to expand its gaming platform on a B2B basis in new international markets including the U.S. NWGI already operates in 12 countries in addition to Italy (Peru, Nigeria, Paraguay, Albania, Honduras, Colombia, Mexico, Dominican Republic, Uganda, Nicaragua, and Turkey). The strategy is to leverage partnerships in these countries to cross-sell and expand the Elys sports book platform.

The company believes that the U.S. sports betting and online gaming market represents a substantial opportunity to deploy Elys as a SaaS to tribal, non-tribal and independent casino and gaming operators. In the U.S., a 2018 Supreme Court ruling that the Professional and Amateur Sports Protection Act (PASPA) is unconstitutional and that states can regulate sports gambling individually opened the door to NWGI's U.S. expansion, as many U.S. states now allow sports betting, with more expected to come online.

Elys complies with industry technology standards and is expected to enable smaller operators that cannot invest in building their own back-ends to provide online gaming operations. The company obtained GLI-33 certification and currently in the process of obtaining regulatory approvals. The company plans to roll the platform out to various gaming operators to process sports bets on a SaaS basis through Elys.

Reflecting the anticipated importance of the U.S. market, NWGI created a U.S. subsidiary, Elys Gameboard Technologies, LLC, and opened a North American head office. The company's North American corporate presence includes a head office in Toronto, Canada and branches in Fort Lauderdale and Boca Raton, Florida.

NWGI also relocated its CEO to its North American headquarters. In addition, NWGI hired a former Sportradar and IGT senior executive Matteo Monteverdi as President of the company to lead its international expansion and U.S. operations and to oversee development of the U.S. platform and personnel to expand throughout the U.S.

To-date, NWGI has formed agreements with both tribal and non-tribal gaming operators in Montana and Washington, DC (see below) to deploy the Elys platform, subject to Elys obtaining the required regulatory certification, licensing and approvals.

Expansion in Italy

Another aspect of the company's growth strategy includes expanding in its home market of Italy organically and through M&A, as that market undergoes greater unification following the Italian regulator's directive for consolidation. Specifically, government reform' of Italy's gaming sector seeks to limit the number of operator concessions authorized. The company expects to roll-up smaller players in both the online and on-site channels as the fragmented industry consolidates. NWGI plans to analyze M&A opportunities, such as the above-noted acquisition of VG, within and outside of Italy to enhance and complement organic growth. In general, the worldwide gaming industry is fragmented and there have been several recent transactions, with larger companies such as IGT and DraftKings acquiring smaller players.

At the same time, the company continues to grow in its core Italian operations. In 2019, NWGI increased the number of web-shops it operates in Italy by about 20% to roughly 1,200 and expects further growth opportunities in Italy. For instance, NWGI recently announced plans to install up to 400 new self-service point of sale (POS) locations throughout Italy, with the first 100 terminals expected to be installed and operational by year-end 2020. The terminal is a kiosk that enables players to access their accounts in a contactless manner in order to deposit or withdraw funds and load and re-load pre-paid cards.

THE ELYS PLATFORM

The Elys betting platform is an end-to-end fully integrated solution that is already integrated with multiple payment and geo-location providers, enabling the tools for operators to move into sports betting fairly quickly and cost effectively, with a sophisticated risk management engine for sportsbook. Management believes that the Elys platform is highly scalable and can continue to support NWGI's growth initiatives and expansion as NWGI enters new markets and benefits from potential M&A transactions in its home market, combined with the anticipated growth of the e-sports sector.

Elys is compliant with industry technology standards. It is expected to enable smaller operators that cannot invest in building their own back-ends to provide online gaming operations. To-date, NWGI has formed agreements with both tribal and non-tribal gaming operators in Montana and Washington, DC, as noted. The company obtained GLI-33 certification and currently in the process of obtaining regulatory approvals. NWGI intends to roll the platform out to various gaming operators to enable them to process sports bets through Elys on a SaaS basis.

NWGI recently obtained GLI-33 certification for Elys to begin operating in Washington, D.C. The company intends to integrate Elys at POS terminals as part of Phase 1 of its strategy to roll Elys out in the emerging U.S. market. NWGI is currently in Phase 2, which encompasses testing the kiosk delivery, via a strategic partnership with the United Tote Company, and testing mobile access.

The company believes that an important competitive advantage of the Elys software platform is its track record in Italy that provides proof-of-concept of its scalability and functionality. NWGI intends to leverage the platform as the lynchpin of its expansion outside of Italy, primarily in the U.S. market, which is expected to experience substantial growth as new states authorize online wagering. Importantly, management expects its addressable market includes tribal and non-tribal casino operators using competing platforms in upcoming renewal cycles.

Platform is Economical

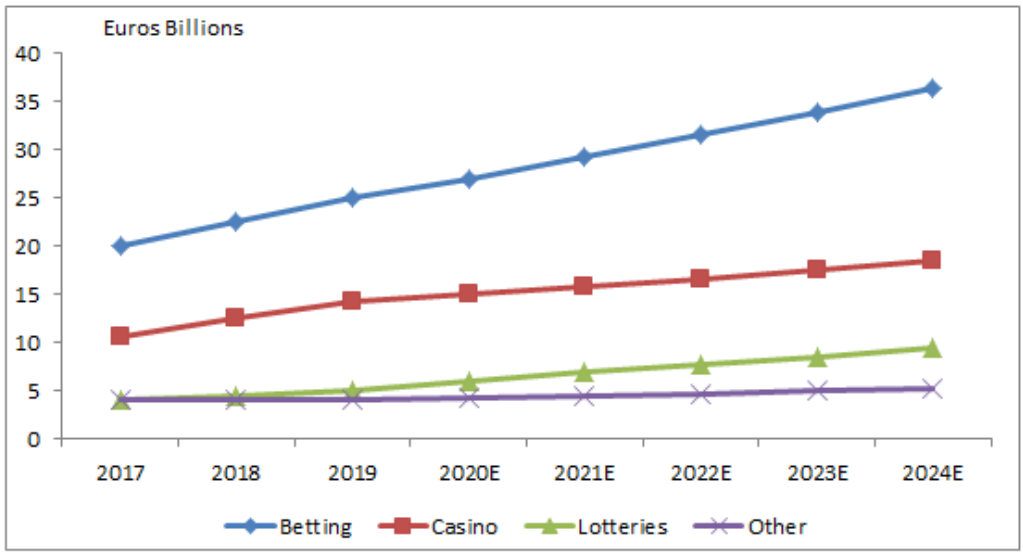
Management believes that Elys is more powerful and enables greater functionality compared to older legacy software that is currently in use in many locations, reflecting its microservices architecture. Moreover, NWGI

believes that the economic benefits of Elys compared to other systems is another competitive advantage. Elys can be installed at a cost of approximately $70,000 per location. This compares to more than $0.5 million and even up to $2 million per site for some competitors' platforms, according to management, which mitigates the operators' upfront capital investment requirements.

INDUSTRY

Market research firm Zion Market Research reports indicate that overall sports-betting represents roughly 70% of total worldwide gaming revenue, which surpasses that of lotteries, casinos, and poker, among others. Zion Market Research expects the global sports betting market to reach about $155 billion by 2024, up from about $104 billion in 2017. The anticipated growth reflects a number of factors, including increasing consumer adoption of online betting reflecting the convenience and ongoing regulatory liberalization.

Worldwide Online Gross Gaming Revenue (GGR)



Source: Zacks from H2 Gambling Capital data

U.S. Market

In the U.S., the Interstate Wire Act of 1961 and PASPA banned sports betting through May 2018 except for four states, Montana, Oregon, Nevada, and Delaware, where sports betting had been grandfathered. In May 2018, the U.S. Supreme Court overturned PASPA, which allowed individual states to legislate on whether to allow sports betting on a state by state basis. Several states have already passed legislation to allow online wagering, creating a sizable market opportunity.

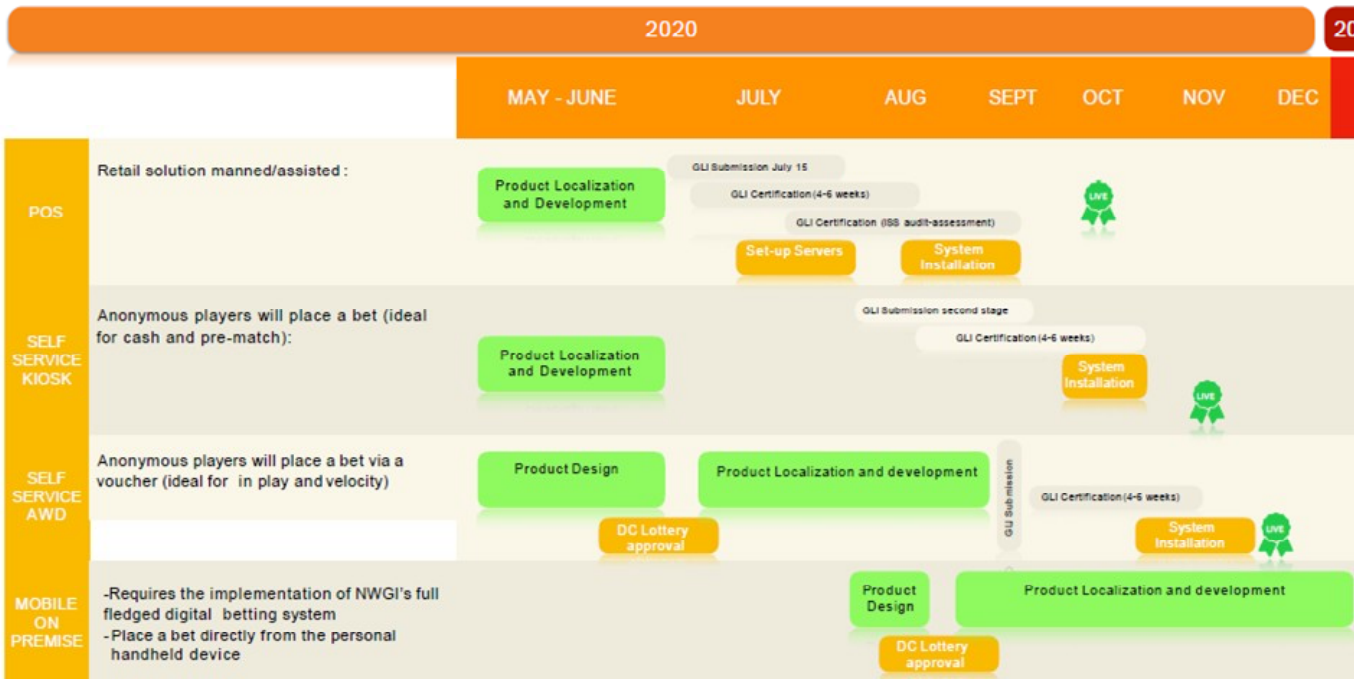
The company expects that the U.S. sports betting and online gaming market represents a sizable opportunity for the Elys platform. The company obtained GLI-33 certification and is the process of applying for regulatory approvals, with no likely impediments expected to occur. The strategy will be to roll the platform out to various gaming operators to process sports bets on a SaaS basis through Elys. Inaugural markets for Elys are Montana and Washington, DC.

Montana: NWGI formed a five-year agreement with Fleetwood Gaming in March 2019 for exclusive rights to distribute the Elys platform at select non-tribal locations, including sports bars and pubs in Montana. Over 12 million tourists visit Montana each year and gross gaming revenue from video gaming terminals (VGT) was about $400 million in 2017. Montana is home to 13 tribal casinos, according to the American Gaming Association, and about 1,440 electronic device locations. Fleetwood Gaming is a subsidiary of a company that was founded in 1951 as a vending machine distribution business and subsequently expanded into amusement and gaming equipment. The company formed a five-year agreement in April 2019 with the Chippewa Cree

Tribe, which operates the Northern Winz Casino, to install the Elys platform at the casino that Fleetwood Gaming will manage.

Washington, DC: In February of 2020, NWGI entered into a one-year agreement with Handle 19, a sportsbook that enables wagers on major league sporting events, and Grand Central, LLC, which each operate sports bar in Washington, DC, to provide sports betting products and services. Through its relationship with Handle 19, the company developed its new Elys U.S. facing platform and expects to go-to-market through the Grand Central location, the Grand Central sports bar and Capo deli.

Product Roadmap – U.S. Operations



Source: www.newgiocogroup.com

Given that the majority of online and virtual gaming enthusiasts playing eSports are millennials and Gen-X'ers, venues such as sports bars represent a strong opportunity for NWGI, which already has a strong track record in these locations in its home market of Italy. According to research data, 56% of U.S. Gen Z men (aged 13-21) are interested in e-sports. We believe the opportunity is underscored by recent investments in eSports from investors who have interests in various NBA or NFL sports teams.

COMPETITION

Reflecting the anticipated growth of sports betting, a number of companies have entered the market over the past decade. We highlight a few below and note that we believe it is still early in the development of this sector for a player such as NWGI, which has a track record in its home market, to achieve early mover benefits, particularly as online betting has only be authorized in less than half of all U.S. states at this point. Specifically, to-date more than 20 states have legalized sports betting and they represent an aggregate roughly 37% of the total domestic population. Of these, only nine states currently offer online betting, with the remainder in the process.

We also believe that investments and agreements from major content and / or gaming companies underscore the anticipated potential of the market. For instance, Fox Corporation acquired a stake in Ireland's Flutter Entertainment, which is the parent company of FanDuel. Fox had made an investment in DraftKings earlier.

FanDuel
FanDuel differs from NWGI in that it operates in the fantasy sports area as their primary product. It was founded in 2009 in the fantasy sports sector offering fantasy play options for NFL, NBA, MLB, NHL, Golf, WNBA, and the EPL. It has over six million registered users.

DraftKings
Similar to FanDuel, DraftKings also operates in the fantasy sports area as their primary product, as well as the e-sports space. It began operations in 2012 and has continued to increase the number of players and registered user accounts. Earlier this year, DraftKings announced an agreement to be the exclusive provider of daily fantasy sports and co-exclusive partner for gambling for ESPN.

Kambi Group plc
Kambi provides sports betting and technology services. Reflecting growing interest in sports betting, the company's operating turnover increased 37% in 2019, while the number of active players increased 52% year-over-year.

Amelco
U.K. and Poland-based Amelco provides sports betting platforms for tier 1 gaming operators.

Gaming Innovation Group
Gaming Innovation Group (GIG) offers an iGaming platform to both online and land-based operators. The company was founded in 2012 and its shares trade publicly on the Oslo Stock Exchange.

FINANCIAL REVIEW

NWGI reported strong 1Q 2020 results, with revenue up 9.8% year-over-year to $10.2 million. However, reflecting the economic downturn caused by the COVID-19 pandemic and the closure of many retail venues, including sports bars and restaurants that form the basis for much of the company's bricks-and-mortar channel, revenue came under pressure in 2Q 2020. Revenue declined to $4.8 million from $9.1 million in the prior year 2Q, which represents a 47.2% year-over-year decline. To offset the impact of this, the company was able to constrain selling expense to about $4.0 million from $6.3 million (down 37% year-over-year). Nevertheless, on the lower revenue base, NWGI reported a $2.0 million operating loss compared to a loss of about $532,703 in 2Q 2019.

Pre-COVID-19, the company generated about $35 million in annual revenue in 2018 and 2019. However, revenue has been negatively impacted by the economic slowdown, as noted, and the overall economic impact of the COVID-19 pandemic remains uncertain. We expect relatively modest year-over-year growth in 2021 on some economic recovery. We believe our growth expectation is also supported by the company's measures to continue advancing its strategy and the roll-out of the 400 above-noted gaming kiosks in Italy. NWGI has indicated that each kiosk could generate roughly $35k-$40k per annum in revenue once it is fully operational.

We believe there could be upside to our 2021 forecast depending on the expected economic recovery. We would anticipate more significant growth in 2022 on resumed economic stability and NWGI's growth initiatives.

The company is well-capitalized. Subsequent to the 2Q 2020, NWGI completed an equity offering in August 2020 of 4.2 million units at $2.40 per unit, raising gross proceeds of about $10 million. Each unit equals one share of stock and one five-year warrant to acquire an additional share at an exercise price of $2.50 per share. Reflecting the offering, the company had estimated pro forma cash of just under $16 million.

In 4Q19, the company's board approved an 8:1 reverse stock split in advance of a planned Nasdaq uplisting.

MANAGEMENT

Michele Ciavarella has served as NWGI's CEO since June 2011 and has over 21 years of professional business experience at senior executive level for various private and public companies. He holds approximately 27% of NWGI shares.

Mark Korb has served as NWGI's CFO since July 2019 and has more than 20 years of experience with emerging growth companies and/or advancing start-up operations and has extensive experience with foreign and domestic public reporting companies and procedures.

Matteo Monteverdi is NWGI's president. He has extensive industry experience and from April 2018 to February 2020 was U.S. President of Sportradar. Prior to that, he was IGT SVP of Global Digital Products from 2015 to 2018 and GTECH SVP of iGaming from 2012 to 2015. From 2010 to 2012, he was president of Lottomatica Betting and Interactive.

VP of Technology Luca Pasquini has more than 30 years of IT experience and key in development of the Elys Game Board system. He also co-founded Odissea Betriebsinformatik Beratung GmbH.

VP of Operations Alessandro Marcelli has more than 20 years of experience. From 1997 to 2010, he was manager of the operational and maintenance center with Vodafone Group plc for central and south Italy operations.

Philippe Blanc, who has over 34 years of executive experience including serving as CFO of IGT's Italy Region on the board of Lottomatica, is an independent member of NWGI's board.

Steven A. Shallcross, who also is CEO of publically traded Synthetic Biologics, is an independent member of NWGI's board.

Paul Sallwasser, who has extensive experience in the public accounting and auditing industry, is an independent member of NWGI's board.

Insiders hold an aggregate 41% of the shares, aligning their interests with those of other shareholders.

VALUATION

In our view, NWGI shares represent an option on management's ability to continue to execute its growth strategy, which encompasses bringing a betting platform with a proven track record in Italy to the growing U.S. market. The company expects to capitalize on the expected greenlighting of online wagering in a growing number of U.S. states and customer adoption of online betting. At this early stage, we believe that NWGI has early mover advantage. If the company's platform continues to gain traction with both tribal and non-tribal operators as management anticipates, we would expect multiple expansions.

NWGI shares, down significantly over the several months, trade below 1x forward revenue projections. Despite the opportunities in front of the company in the U.S. and as its home market, Italy, consolidates, NWGI shares have declined about 65% since earlier in 2020. Nevertheless, NWGI continues to hit its milestones regarding its growth objectives.

As the company continues to boost awareness of its opportunities and strategy and as the industry continues to expand, we would anticipate multiple expansion if NWGI can execute its strategy successfully. Even at $2.20 per share, the shares would still trade below 1x revenue. Moreover, our 2021 forecast reflects the anticipated continued impact of the economic slowdown and is not, in our view, an indication of NWGI's longer-term growth potential. We also note that larger players in the overall gaming space such as GIG command significantly higher multiples on a price to revenue basis.

We believe the risk / reward ratio on NWGI shares could be attractive for investors who want exposure to the sector and have a higher than average risk tolerance and longer time horizon.

RISKS

We believe risks include those outlined below, among others.

- Among the biggest risks, in our view, is that the NWGI does not gain market share as quickly as the company expects and / or the Elys platform might not gain traction with operators in the U.S. as quickly as NWGI anticipates, which leads to slower than anticipated revenue ramp.
- The company operates in a highly regulated industry and might not obtain the licenses and/or certifications it needs as quickly as it anticipates.
- The company could incur unanticipated costs associated with its expansion strategy and for marketing to promote the Elys platform.
- Additional M&A transactions might take longer than expected to find or might not close at all.
- Competition could increase.
- The economic outlook remains uncertain.
- Including a large shareholder, roughly two-thirds of NWGI shares are held by insiders.

RECENT NEWS

- NWGI announced that it had obtained GLI-33 certification to launch the Elys platform in Washington, D.C. on September 9, 2020.
- On August 25, 2020, the company announced that an industry market report had named it one of the top five players in the Italian online poker sector.
- NWGI closed a $10.0 million offering on August 17, 2020.
- NWGI reported 1Q20 results on July 23, 2020.

Newgioco Group

Newgioco Income Statement & Projections ($)

	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20E	4Q20E	2020E	2021E
Revenue	34,575,097	9,266,295	9,105,353	6,755,845	10,455,638	35,583,131	10,170,174	4,810,269	5,404,676	8,364,510	28,749,629	30,474,607
Selling expenses	24,142,110	7,407,706	6,268,772	3,156,446	10,751,568	27,584,492	6,215,161	3,957,366	2,525,157	8,601,254	21,298,938	22,551,209
G&A expenses	10,588,162	3,197,455	3,360,284	3,259,195	1,177,620	10,994,554	2,820,961	2,883,427	2,607,356	942,096	9,253,840	9,447,128
Total Costs and Expenses	34,730,272	10,605,161	9,629,056	6,415,641	11,929,188	38,579,046	9,036,122	6,840,793	5,132,513	9,543,350	30,552,778	31,998,338
Gain /(Loss) from Operations	(155,175)	(1,338,866)	(523,703)	340,204	(1,473,550)	(2,995,915)	1,134,052	(2,030,524)	272,163	(1,178,840)	(1,803,149)	(1,523,730)
Interest expense, net	(619,709)	(147,636)	(277,639)	(1,092,887)	545,719	(972,443)	(139,974)	(33,099)	(33,761)	(34,436)	(241,270)	(243,683)
Amortization of debt discount	(1,995,128)	(1,356,476)	(739,604)	-	(2,058,842)	(4,154,922)	(450,229)	(286,845)	(292,582)	(298,434)	(1,328,089)	(1,274,966)
Gain /(loss) marketable securities	(75,000)	(25,000)	-	125,000	(197,500)	(97,500)	130,000	592,500	604,350	616,437	1,943,287	1,165,972
Other (Expenses) Income	318,956	-	(28,218)	314,965	(742,596)	(455,849)	11,798	(705,528)	(719,639)	(734,031)	(2,147,400)	(214,740)
Total Other Expenses	(2,370,881)	(1,529,112)	(1,045,461)	(652,922)	(2,453,219)	(5,680,714)	(448,405)	(432,972)	(441,631)	(450,464)	(1,773,473)	(567,417)
Pretax loss	(2,526,056)	(2,867,978)	(1,569,164)	(312,718)	(3,926,769)	(8,676,629)	685,647	(2,463,496)	(169,468)	(1,629,304)	(3,576,621)	(2,091,147)
Taxes	(1,102,701)	(245,974)	(209,056)	(283,905)	(3,381,050)	(598,176)	(528,038)	(62,059)	(63,300)	(64,566)	(717,963)	(574,371)
Net Loss	(3,628,757)	(3,113,952)	(1,778,220)	(596,623)	(7,307,819)	(9,274,805)	157,609	(2,525,555)	(232,768)	(1,693,870)	(4,294,585)	(2,665,518)
Per share data												
Loss per share	($0.38)	($0.33)	($0.17)	($0.06)	($0.65)	($0.91)	$0.01	($0.20)	($0.02)	($0.10)	($0.31)	($0.16)
Average shares outstanding	9,485,993	9,549,358	9,870,357	10,241,996	11,244,018	10,226,432	12,209,833	12,434,338	14,245,930	16,457,526	13,836,907	16,458,526

Source: Zacks

Pro forma for 4Q19 8:1 reverse stock split

© Copyright 2020, Zacks Investment Research. All Rights Reserved.

HISTORICAL STOCK PRICE



© Copyright 2020, Zacks Investment Research. All Rights Reserved.

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, M. Marin, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are not based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.