January 27, 2025

Zacks Small-Cap Research

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Golden Matrix Group Inc. (GMGI-NASDAQ)

GMGI: Fast Growing Player in the Growing iGaming / Gaming Space; Initiating Coverage

Golden Matrix provides a broad suite of software solutions to the gaming industry, offering casino, sportsbook & other products. Its platform provides enterprise SaaS solutions for online casino & sports betting operators. Through recent initiatives, GMGI has also entered the B2C niche, including pay-to-play, with a goal to expand its B2B and B2C customer base globally & grow its product portfolio.

Current Price (1/24/25)	$2.04
Valuation	**$3.00**

OUTLOOK

As GMGI pursues its growth strategy, a core objective is to continue to diversify its revenue base geographically and in both the B2C & B2B segments. GMGI has leveraged strategic M&A to enhance its growth. The company expects the April 2024 acquisition of Meridianbet, with its AI-enabled technology, to help lower CAC, raise player LTV & boost customer retention. Meridianbet recently secured an online betting license in Brazil, providing entry into one of the world's largest regulated gaming markets where Meridianbet will be able to operate through both online and physical channels. GMGI sees this as potentially transformative in enhancing its overall growth prospects.

SUMMARY DATA

52-Week High	**$6.27**
52-Week Low	**$1.86**
One-Year Return (%)	**-31**
Beta	**N/A**
Average Daily Volume (sh)	**122,496**
Shares Outstanding (mil)	**129**
Market Capitalization ($mil)	**263**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**50+**
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	**17**
P/E using 2024 Estimate	**N/A**
P/E using 2025 Estimate	**25**

Risk Level	**High**
Type of Stock	**Small-Growth**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	23 A	23 A	22 A	25 E	93 A
2024	25 A	39 A	41 A	45 E	150 E
2025					203 E

EPS or Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	$0.06A	$0.04A	$0.04A	$0.05E	$0.19E
2024	$0.04A	$0.00A	-$0.03A	$0.01E	$0.03E
2025					$0.08E

Quarters might not sum due to rounding & share counts

Disclosures on page 17

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KEY POINTS

- Golden Matrix Group provides a broad and growing array of software solutions, products and services to the gaming industry, offering casino, sportsbook and other competition products. The company historically has operated primarily in the B2B (business-to-business) segment but through recent initiatives, has entered the B2C (business-to-consumer) niche, including the pay to play space.

- The company's technology platform provides enterprise SaaS solutions for online casino operators and online sports betting operators. GMGI's systems have more than 8.2 million registered players and more than 785 unique casino and live game operations on its platforms. Separately, R Kings Competitions and GMG Assets Limited operate in the pay to enter prize competitions niche in the UK and Australia.

- Many of the company's operations have been added through strategic M&A. Most recently, GMGI acquired Meridianbet in April of 2024. GMGI expects Meridianbet's AI-enabled technology to help lower its CAC (customer acquisition cost) and raise player LTV (lifetime value), as well as boost customer retention, as AI enhances the platform's ability to 'learn' and 'know' players and their preferences.

- Meridianbet has more than 20 years of industry experience and GMGI views it as a leading sports betting and iGaming brand, operating across 18 jurisdictions worldwide. It offers its proprietary technology through both B2B and B2C channels and delivers its solutions online and through a broad international footprint comprised of a retail network of more than 800 outlets. GMGI believes Meridianbet is positioned as a key player in the global gaming market.

- GMGI's goal is to expand its B2B and B2C customer base globally and launch additional complementary products. As an example, GMGI entered the U.S. sweepstakes market last month through a partnership between its Expanse Studios subsidiary and multiple sweepstake casino operators in the U.S. The U.S. sweepstakes market was estimated at about $5.6 billion in 2023 and various projections estimate it will reach $7 billion to $11 billion by 2025.

- GMGI is diverse in terms of both its international footprint – operating in numerous regulated markets globally, as well as the product offerings and revenues streams generated from its product portfolio. A core company objective is to continue to diversify its revenue base.

- This month GMGI's subsidiary Meridianbet officially secured an online betting license in Brazil, providing the company's entry into one of the world's largest regulated gaming markets. Brazil's sports betting and iGaming industry is estimated to reach $5.6 billion in gross gaming revenue (GGR) by 2025, according to industry consultancy H2 Gambling Capital. Meridianbet will be able to operate through both online and physical channels in Brazil. GMGI sees this acquisition as potentially transformative in enhancing its growth prospects.

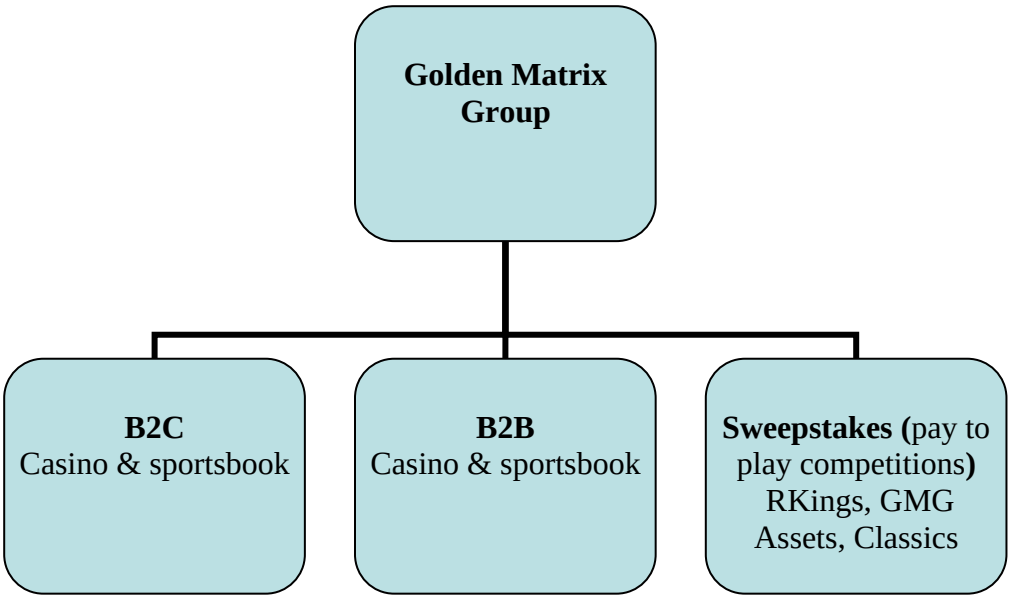
COMPANY OVERVIEW

Growing player in online gambling market

Las Vegas, Nevada–based Golden Matrix Group (GMGI-NASDAQ) is an iGaming group that provides a broad and growing array of products and software solutions to the gaming industry, offering casino, sportsbook and other competition products. The company historically has operated primarily in the B2B (business-to-business) segment. Through recent initiatives, GMGI has entered the B2C niche, including the pay to play space. Thus, GMGI currently provides enterprise SaaS (Software-as-a-Service) solutions for online casino operators and online sports betting (iGaming) operators globally in more than 18 countries and also operates pay to enter prize competitions.

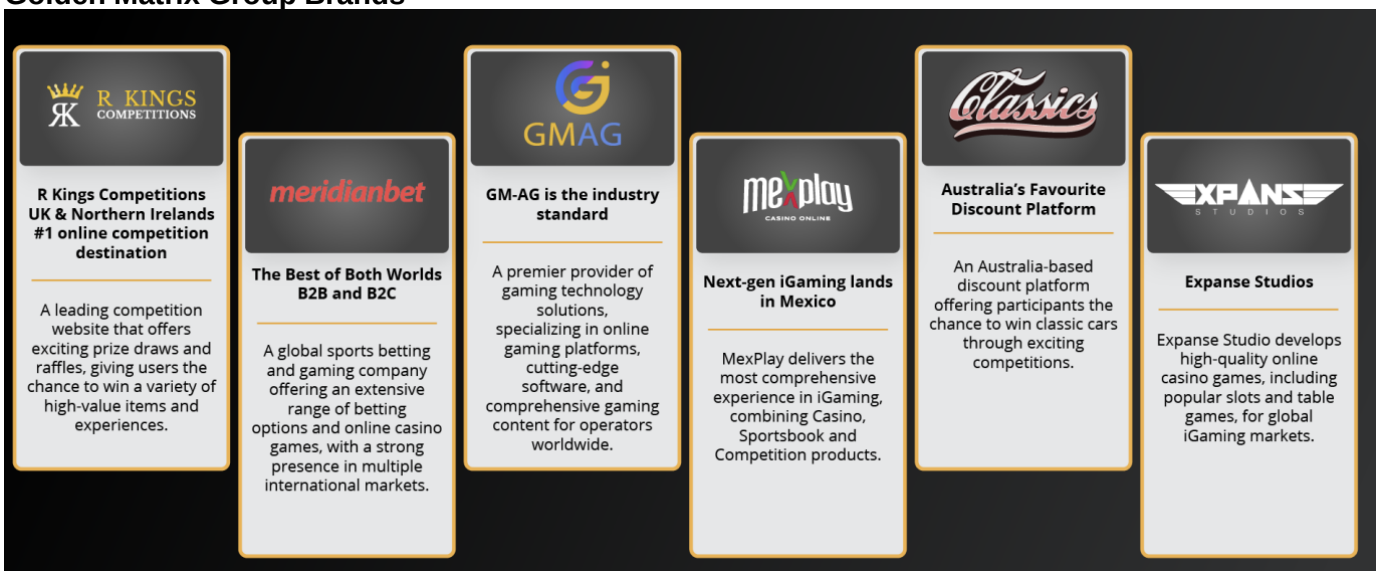
Through its proprietary technology platform, which the company believes is highly scalable to support a growing customer base, GMGI offers iGaming platforms that can be tailored for its customers. The company's technology platform provides enterprise SaaS solutions for online casino operators and online sports betting operators, or iGaming operators. GMGI operates pay to enter prize competitions in the UK through R Kings Competitions and GMG Assets Limited and recently enhanced this operation through the acquisition of Classics. GMGI also operates an online casino in Mexico through Golden Matrix MX.

GMGI views the diversification of its operations across both B2B and B2C channels and geographic markets as a competitive advantage that also protects Golden Matrix from contractions in any single market or channel. The company operates in more than 20 countries in total. Moreover, the company's technology platform is new generation and therefore able to integrate AI enhancements relatively easily, according to management, which GMGI sees as another advantage compared to competitors that operate older legacy technology platforms.



The company's product and solutions portfolio includes operations and brands such as Meridianbet, Expanse Studios, MexPlay, R Kings Competitions, Classics For A Cause and GM-AG, among others. Many of these brands were added through strategic M&A as discussed below. GMGI believes that some of its brands are among the most iconic in the industry. The company's April 2024 acquisition of Meridianbet is expected to strengthen its technology offering and enable GMGI to lower its CAC (customer acquisition costs) and improve the LTV (long term value) of a player, in part reflecting the ability of the AI technology to learn about players and their preferences and thereby boost customer retention. With Meridianbet, the company's system can now leverage AI to 'learn' player behavior and preferences in order to deliver targeted game recommendations in the iGaming segment, as well as personalized bet suggestions.

Golden Matrix Group Brands



Source: Company presentation

The company historically has operated primarily in the B2B segment of the iGaming sector, as noted, and has expanded into the B2C segment, as well. GMGI develops and owns online gaming intellectual property (IP) and builds scalable, turn-key and white-label gaming platforms that it can configure and customize for the needs of its international customers.



Source: Company presentation

GOLDEN MATRIX PLATFORMS AND SERVICES

GMGI's technology supports scalable platforms that can be deployed for social iGaming, real money iGaming, and online sports betting. The latest upgrade of the company's technology platform is new generation and therefore, according to GMGI, it can be integrated seamlessly with leading casino games, sportsbook systems, and live games and, importantly we believe, with artificial intelligence (AI) enhancements. GMGI provides its systems as an enterprise SaaS solution to primarily international customers. The company can leverage the technology to offer numerous third-party casino games, live games and sportsbook systems for which the company has obtained distribution rights.

The company's systems incorporate multiple modules, including gaming content, sportsbook, player registration, payment gateways, back-office reports, accounting, management and customer loyalty and marketing tools to support end-to-end solutions for casino operators. Both the legacy GM-X system and the GM-Ag upgrade are designed to enable GMGI customers to launch their iGaming and online

sportsbook offerings conveniently and quickly and subsequently scale their operations if and when their player base grows.

The company's primary SaaS customers are online casino operators and online sports betting operators, as well as the third-party gaming content distributors that are general resellers of the company's gaming content and systems. GMGI iGaming operators generally select the company's GM-X and GM-Ag systems, as they are turn-key solutions that are bundled with end-to-end software packages that enable customers to launch an online gaming business including online casinos, sportsbooks, lottery, and live games, and incorporate all the tools and gaming content they require to operate and maintain an online casino and/or sportsbook. GMGI's technology portfolio comprise an entire array of player facing and back-office tools and features the iGaming operator needs to operate an online gaming website and / or mobile app, ranging from player account registration and creation, payment services and gateways, geolocation, marketing, loyalty tools, real-time analytics to user and content management and report generation for data analytics. Players can access the company's platform through desktop and mobile applications.

The GM-X and GM-Ag systems also enable gaming customers to access extensive libraries of licensed gaming content from licensed and accredited gaming content providers seamlessly. The game content GMGI distributes includes games such as slots, table games like roulette, blackjack, and poker, sportsbooks and live games where a live casino game is streamed in real-time through a streaming video link from a table located in a physical casino. This latter feature enables players to place an online bet on the outcome of a live card game taking place in a physical casino.

GMGI sees system's ability to leverage AI as a significant competitive advantage

As noted, the company's technology platform is new generation; GMGI recently introduced an upgraded system, the GM-Ag platform, which supersedes its legacy GM-X system. Some of the enhancements that the upgraded GM-Ag platform can provide include seamless integration of gaming content and of a transfer wallet for casinos to provide to players so that players are able to access all content seamlessly without interrupting their play to transfer funds into and out of their primary wallet, which the company believes is a feature that will gain traction with casino operators. Importantly, management expects the newer GM-Ag system to integrate AI enhancements easily, which GMGI sees as a significant advantage compared to competitors that operate older legacy technology platforms.

As it deploys future installments of the system, the company expects customers to select the latest generation GM-Ag system. Moreover, GMGI also expects many – if not most – existing customers that currently have the older GM-X system installed to upgrade over time. The legacy GM-X and new generation GM-Ag systems each support both social and real money online casino gaming. Both the GM-X and GM-Ag platforms offer:

- **White Label flexible front-end development** GMGI can customize either platform so that casino operators can offer a website and mobile application to meet their needs and those of their players and which can enable player registration and account funding. The platform allows the casino customer to apply its proprietary branding to customer interfaces.

- **Integration of leading gaming content** Both the GM-X and GM-Ag platforms feature proprietary gaming engines that can integrate large portfolios of gaming content seamlessly to offer casino customers third party gaming content via a technical 'middle layer' that that interacts with customers' end user players.

- **Online sportsbook** Through a license and services agreement, Golden Matrix provides seamless integration to a leading sportsbook system so that its sports betting platform enables its customers to access some of the most popular sportsbook providers that have secured regulatory approval to operate in multiple states in the U.S.

- **Loyalty Tools for Customer Acquisition and Retention** Both systems provide a broad array of marketing and loyalty tools to facilitate customer acquisition and stickiness. These tools include the ability to offer free spins, cash bonuses and cash back promotions, as well as create and maintain leader boards and tournaments. In addition, the company's casino operators can offer players extended sessions, bonus campaigns and other promotional initiatives. The company's experience has been that both free spins and bonuses – respectively allowing the casino to offer players a chance to play slots without risking their own cash and allocating cash bonuses to players based on their wagering or activity in the casino – have provided strong loyalty incentives for players.

- **Data Analytics** The back-office capabilities of both systems enable a full suite of player management tools to enable casino operators to store customer and player activity data and process the data in real-time. In addition, the system back offices offer analytic and reporting tools to help customers improve player loyalty and boost player LTV (lifetime value), as well as advanced tools and reports that facilitate the casino operators' ability to streamline costs and optimize resources.

BUSINESS MODEL

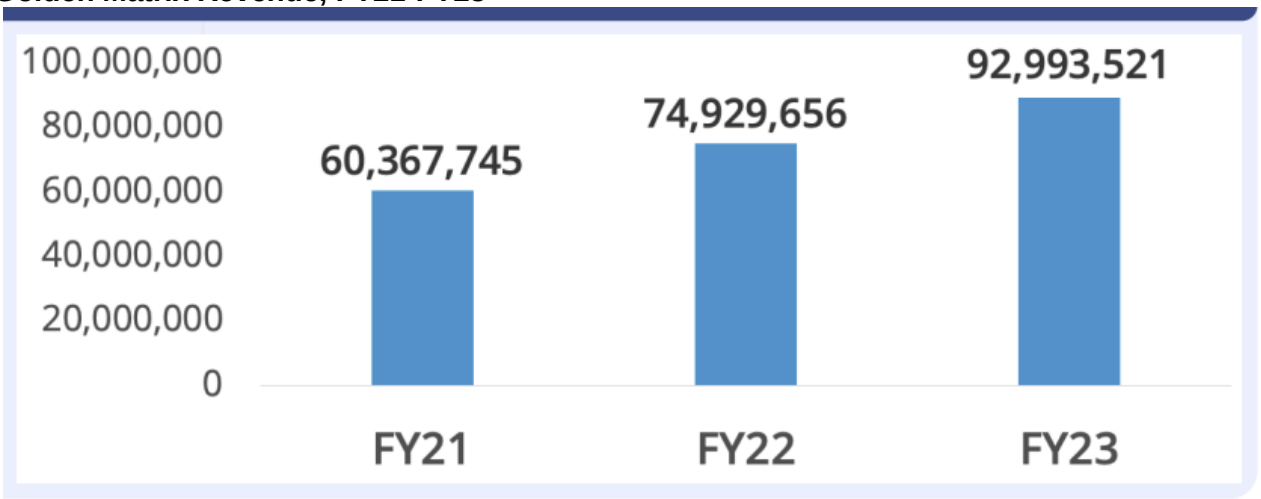
B2B Segment; SaaS solutions enable high margin recurring revenue

Golden Matrix generates revenue from several sources, including fees from the use of its systems and the use of the gaming content for which it has distribution rights and from fees from pay to enter competition players. The company's SaaS customers traditionally have been located primarily in the Asia Pacific region, but as GMGI continues its diversification efforts, the customer mix is expected to continue to shift and diversify.

GMGI does not deal directly with players through its SaaS services segment. The company provides B2B services and products to casino operators who, in turn, interface with players. Revenue generated from the use of gaming content for which the company has distribution rights is on a revenue share basis with the player-facing casino operator customer.

It generates B2B revenues primarily from licensing fees from gaming operators. GMGI's systems had more than 8.3 million registered players as of 1Q24, and more than 800 unique casino and live game operations on its platforms. Given the growth of its games portfolio, systems solutions and geographic footprint over the past few years, the company has enjoyed strong revenue growth. Total pro forma revenue reached nearly $92 million in FY 2023 (the company's fiscal yearend changed from January to December), up from about $60.4 million in FY 2021. Earlier this month, the company provided preliminary 2024 revenue estimates of $150 million for the year, which represents an anticipated roughly 61% year-over-year improvement compared to FY 2023. Pro forma for the integration of Meridianbet, combined revenue is estimated at roughly $163 million.

Golden Matrix Revenue, FY21-FY23



Source: Company reports

The company has historically operated primally in the B2B segment where it develops and owns online gaming intellectual property and builds scalable turn-key platforms that can be white-labeled for international gaming customers. GMGI's B2B customer base primarily is comprised of gaming distributors and licensed online gaming operators. As noted, the company also resells third party gaming content and provides related services to support this content.

The company's goal is to expand the customer base for its GM-X and GM-Ag platforms, turnkey solutions and white label features globally and to integrate additional operators, launch additional synergistic products and appoint more gaming distributors. Towards this goal, GMGI continues to engage new gaming distributors and gaming operators and anticipates continued growth for both the B2B and B2C segments.

Entering the B2C space; Pay to enter prize competitions

With the 2021 and 2022 respective acquisitions of R Kings Competitions and GMG Assets discussed below, the company entered into the B2C (business-to-consumer) segment by offering pay to enter prize competitions throughout the UK. With RKings, GMGI gained entry into the pay to enter competition niche in the U.K. Pay to enter competitions are online competitions in which participants pay to enter the competition and generally the winner is selected based on skill, not based on random chance. Specifically, according to the U.K. Gambling Commission, a "prize competition is where the outcome is determined by the participants' skill, judgement or knowledge. " This is how it differs from a raffle or lottery where the winner is selected based on random chance.

In addition, the company strengthened its position in the B2C segment with the July 11, 2022 acquisition of Golden Matrix MX, which was formed expressly as a vehicle for the company to launch operation of an online casino in Mexico in March 2023 that operates under the brand Mexplay. Mexplay features an extensive number of table games, slots, as well as sportsbook, and offers tournament competition prizes that are similar to those that R Kings offers. Its entry into this niche is consistent with a core objective to diversify its revenue base. Once the company's online casino began generating revenues in March of 2023, GMGI further strengthened its B2C business and enhanced this revenue stream.

R Kings does not offer B2C online sports betting and/or online casino services. It conducts competitions that provide the opportunity for entrants to win prizes online such as cars, motorbikes, watches, technology, holidays, and luxury gadgets, among other items. The prize competitions require entrants to demonstrate sufficient skill, knowledge, or judgment to have the potential to win. GMGI has focused on improving the functionality and responsiveness of the RKingsCompetitions.com website, as well as

enhancing the products and experience R Kings provides and , enhancing the prize values, and reducing ticket prices in order to improve the user stickiness of both new and existing players.

Golden Matrix also gives winners of R Kings' prizes the option of accepting the prize or taking the cash value in lieu of taking the actual prize. It does this through GMG Assets, which buys the prize from the winner for cash and sells the prize to wholesalers at a profit margin. GMGI purchased 100% of GMG Assets Limited effective as of March of 2023.

To-date, the company's B2C segment customers have primarily been based in Northern Ireland. However, consistent with its core objective to continue broadening and diversifying its geographic reach and footprint, Golden Matrix has expanded its promotional activities and initiated outreach to existing and potential customers throughout the U.K. As of October 31, 2023, R Kings had more than 325,000 registered users. Since the company incorporated GMG Assets in November of 2022, it had completed more than 150 transactions representing about $6 million in revenues.

Moozi partnership in U.S. sweepstake space

Last month GMGI announced a new partnership in the U.S. sweepstakes market through its game development division, Expanse Studios. Expanse formed a strategic content partnership with multiple sweepstake casino operators including Moozi, which operates a sweepstakes social casino in the U.S. The U.S. sweepstakes market was estimated at $5.6 billion in 2023, with projections to reach $7 billion to $11 billion by 2025, according to various forecasts.

Mexplay: B2C online casino

GMGI operates an online casino in Mexico through Golden Matrix MX, which was formed for the purpose of this operation. The online casino is operated under the brand Mexplay (www.mexplay.mx). Mexplay features table games, slots, as well as sportsbook, and also offers tournament competition prizes that are similar to those that R Kings offers. Mexplay became commercially operational and began to generate revenues in March of 2023. As of October 31, 2023, Mexplay had more than 61,000 registered users.

Meridian B2C online casino and sportsbook

MeridianBet Group, which was founded in 2001 and has established its online sports betting and gaming group over more than 20 years, is licensed and operating currently in numerous jurisdictions across Europe, Africa and South America in compliance with market regulatory parameters. Meridian leverages proprietary technology and scalable systems, which enable it to operate in many geographic markets with multiple currencies and offer omni-channel capability, including retail, desktop online and mobile channels.

GROWTH STRATEGY

Emerging international expansion strategy

In the past, the majority of the company's SaaS customers have been based in the Asia Pacific region, as noted, as well as in Europe. At this stage, Golden Matrix is focused on expanding its footprint and deployments into Europe, the U.S., South America, and Africa. The online gambling industry, in the U.S. is regulated at the state level. The company intends to engage with specialist gaming attorneys in the U.S. in order to expand its presence in the market. in addition, as noted above, the company recently formed a partnership with multiple sweepstake casino operators in the U.S.

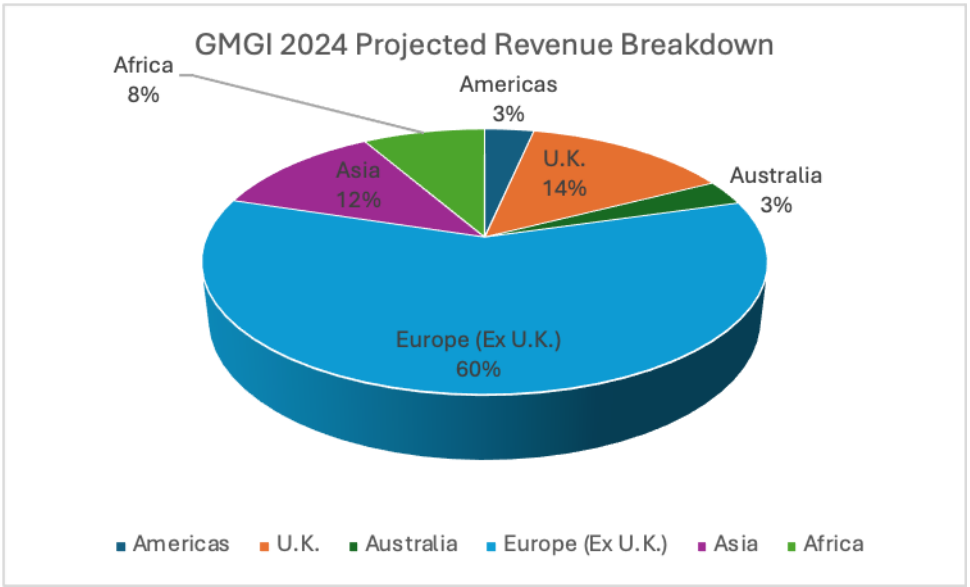
Numerous Company Workforce Locations Reflects Geographic Reach



Source: Company reports

Reflecting strategic M&A and its rollup strategy, GMGI has a broadly diversified geographic footprint, operating in 18 jurisdictions globally. The company views this diversification as a competitive advantage and as a strength that potentially mitigates its vulnerability to potential regulatory changes in any single market. The company also believes that its business diversification can help offset economic downturns or recessions in any single market.

Reflecting its diversification initiatives across different market segments and geographically, the company has a broad and diversified revenue stream at this point. GMGI recently released preliminary revenue estimates for full year 2024. Based on initial preliminary estimates of 2024 revenue, some 60% of total consolidated revenue came from aggregate European markets, excluding the U.K., which represented about 14% of total revenue. With the company's 2025 entrance into the sizable Brazilian online gambling market (see below) and growth in its U.S. footprint via partnerships such as the new Moozi one noted above, we anticipate further diversification going forward.



Brazil potentially represents a sizable market opportunity

Earlier this month, Golden Matrix subsidiary, Meridianbet, was awarded an online betting license in Brazil. Brazil is the largest country in South America, with a population of more than 210 million. The country's gaming market has been characterized by rapid growth in sports betting and iGaming industry. The company views its pending entry into this market as potentially transformative and believes its technology and operational knowledge and experience position it to have a significant competitive advantage within Brazil's regulated gaming market that it expects will accelerate its growth prospects.

According to the Rio Times, the Brazilian regulated gaming market "has become the world's third-largest online betting market since legalizing sports betting in 2018," representing nearly 1% of Brazilian GDP, according to Strategy & Brasil consultancy. According to forecasts from H2 Gambling Capital consultancy, the market is expected to generate $5.6 billion in gross gaming revenue (GGR) by 2025.

Meridianbet's license establishes it as an authorized operator in Brazil and Meridianbet will be able to operate across both online and physical channels in the Brazilian market. According to iGaming Business, sports betting is expected to overtake iGaming in Brazil in the near- to medium-term, possibly reflecting the longstanding importance of soccer to Brazilian fans. The company has formed strategic partnerships in other markets to strengthen its presence in various sports betting niches. For example, GMGI recently formed a strategic alliance with Crvena Zvezda, a major brand in the Euroleague basketball space, aimed at strengthening its presence within the sports betting space. Future branding or marketing agreements in Brazil and / or other markets would not surprise us.

In addition, slots, including crash games, are expected to comprise a sizable portion of the market. Casino Life Media notes that crash gambling "is when players bet on a multiplying curve. The longer a player stays active, the more they can win, and they are free to cash out at any time. If the game crashes before they have cashed out, they lose." Since 2021, crash gaming has increasingly become popular with players, likely reflecting their potentially high payout to players. Because crash game operators retain odds that are below those of more traditional games, according to Casino Life Media, the potential return to player (RTP) can be significantly higher compared to slots and other games. Players who invest in crash games try to cash out before the simulated 'market' crashes and crash games can reflect diverse various themes, such as games about outer space or racing, among other themes. Crash games initially launched to enable players to bet using cryptocurrencies and have evolved to enable payment with traditional currencies. Given the virtual wallet that GMGI systems enable, the company's technology can handle a broad range of payment types.

In part reflect the recent and expect growth of iGaming, Brazil is strengthening its regulatory oversight of the legal online betting market. GMGI believes its extensive experience within the sector, understanding of and compliance with local gaming regulations and flexibility of its technology platform, combined with its local operating team in place to manage the operation, create competitive advantages if / when regulatory modifications occur in the market.

GROWTH ENHANCED BY STRATEGIC M&A

Growing player in sports betting market

GMGI is leveraging strategic M&A to complement and potentially accelerate its growth strategy to expand its product suite and geographic footprint. The company operates internationally, as noted, and is pursuing a strategy to continue to further diversify its revenue streams geographically, by product and by channel. To fund acquisitions, the company has used a combination of cash and shares, as well as earnouts.

Acquisition	Date	Stake	Jurisdiction
Global Technology Group (GTG)	19-Jan-21	100%	Australia
RKingsCompetitions Ltd	29-Nov-21	80%	Northern Ireland
Golden Matrix MX	11-Jul-22	99.99%	Mexico
GMG Assets Limited	17-Oct-22	100%	Northern Ireland
MeridianBet Group	9-Apr-24	100%	
Classics for a Cause	Aug-24	80%	Australia

Source: Zacks from company data

Highlights of recent transactions a related transaction completed in early 2021 in which the company acquired from its CEO 100% ownership of Australian's Global Technology Group (GTG), which has been granted an Alderney Gambling Control Commission license that allows GTG to conduct business related to casino, lotto, and other gaming related activities.

On November 29, 2021, GMGI acquired an 80% ownership interest in RKingsCompetitions Ltd, a private limited company in Northern Ireland. On July 11, 2022, the company acquired 99.99% of Golden Matrix MX in Mexico. GMGI subsequently launched its licensed proprietary B2C online casino in Mexico on November 1, 2022 via Golden Matrix MX. The online casino, Mexplay, (www.mexplay.mx), features numerous table games, slots, as well as a sportsbook, and offers tournament competition prizes similar to those offered by RKings. Subsequently on October 27, 2022, the company exercised its right to acquire the minority 20% in RKings and now RKings is a wholly owned subsidiary of GMGI.

In October of 2022, the company acquired 80% ownership of GMG Assets Limited and subsequently in August 2024, entered into an agreement to acquire an 80% interest in Classics for a Cause Pty Ltd (CFAC), which is an independent online discount platform that is based in Australia. Classics marks GMGI's entry into the consumer loyalty and rewards sector, which the company believes will complement its existing operations in the gaming and sports betting space. Moreover, reflecting expected synergies between these business verticals, the company expects it will have opportunities to scale and expand CFAC's business. CFAC generated more than $10 million in revenue and $1.9 million in pretax operating profit in the FY ending June 30, 2024, according to company reports.

INDUSTRY BACKDROP

Tailwind of Strong Global Industry Growth

As it executes its growth strategy, the company has the tailwind of a rapidly growing online gambling industry. While forecasts vary, industry outlooks from various market research firms consistently view the sector as characterized by strong growth. For example, according to market research firm Spherical Insights, the global online gambling market was valued at nearly US$85 billion in 2023 and is expected to reach almost US$165 billion by 2033. This projection represents an expected CAGR of 6.85% over that period. The sector encompasses wagering games that occur over the Internet or on mobile devices, which the firm believes accounts for a significant majority (more than 85%) of play, particularly as mobile features such as high-definition audio and video continue to improve and mobile phone penetration and availability of high-speed broadband internet continue to rise. Other market research places expected growth even higher.

The Spherical Insights market research firm also attributes the growth of the overall sector, in part, to the expansion of online payment gateways and growing player use of cryptocurrency, facilitated by changes in the regulatory environments and market legalization in multiple gambling jurisdictions. The relatively

recent legalization of online gambling in Brazil, noted above, is one example, as are recent legalization activities in several other markets.

According to Spherical Insights, the sports betting niche held a 65% share of the market in 2023, while online casinos represented the bulk of the balance. Generally, sports betting players "are focused on sports for which they have a certain level of knowledge," which underscores why the growth of this niche is expected to outpace that of online casinos in Brazil as indicated above.

RECENT FINANCIAL HIGHLIGHTS

Revenue growth reflects recent expansion initiatives

Revenue growth is highly correlated to wagering volumes. Year-to-date through 3Q24, the company's revenue in the first nine months of 2024 increased 55% year-over-year to $105.3 million. Revenue grew 85% year-over-year in 3Q24 alone to $41 million, with revenue growth driven by consistent performance across various key markets, according to management. The company's 3Q24 gross profit advanced 39% to $22.4 million, with year-to-date gross profit rising 24% to $61.8 million. The company attributed this improvement to improvements in operational efficiency and product margins. On the higher revenue and margins, adjusted EBITDA for 3Q24 reached $4.3 million.

The company also recently announced preliminary revenue estimates of $150 million for full year 2024, which as noted earlier represents a 61% year-over-year anticipated advance compared to FY 2023 pro forma revenues of $93 million.

On a pro forma basis, if Meridianbet had been included as of January 1, 2024, combined revenues for FY 2024 would have been about $163 million, or up about 75% year-over-year, according to GMGI. The company noted that 2024 results reflect strong performance across various markets, as well as the company's expanding portfolio of sports and iGaming offerings, including the launch of a series of AI-driven products and entry into new markets in South Africa, Peru and Australia, which is consistent with its core objective of further diversifying its global geographic footprint and revenue streams.

Financial flexibility to support growth strategies

Golden Matrix had more than $38.4 million in cash and equivalents at the end of 3Q24 to support its strategy. At the end of 3Q24, GMGI had short-term debt of about $17.5 million and long-term debt of about $16.2 million, as well as long-term payable related to the Meridian acquisition of $25 million.

As the company continues to execute its growth strategy, its goal is to maintain sufficient liquidity and financial flexibility to fund operations and support growth initiatives. The company expects it has significant runway to maintain its growth initiatives and also recently enhanced its expected financial flexibility with an ATM agreement. The company's capital allocation strategy also includes a share repurchase plan.

MANAGEMENT

Chief Executive Officer

Brian Goodman is the co-founder and CEO of GMGI. He has more than 20 years of management experience within the iGaming industry. He has served as the company's CEO since 2016.

CEO of Meridianbet Group

Zoran Milošević has been the CEO of Meridianbet since 2008. He has more than 20 years of experience in various iGaming managerial roles and, according to the company, led the expansion of Meridianbet into numerous gaming jurisdictions.

Chief Operating & Financial Officer

Cathy Feng is a co-founder and Chief Operating & Financial Officer of GMGI. She has more than 10 years of experience in various executive roles within the iGaming industry, according to GMGI.

VALUATION

In our view, GMGI shares represent an option on management's ability to continue to execute its growth strategy, which encompasses expanding its gaming technology platform to new geographic markets and adding complementary products, among other initiatives. The company expects to capitalize on the anticipated continued growth of online wagering and regulated gaming in a growing number of markets and customer adoption of online betting and expansion of its footprint. At this early stage, we view Brazil as a potentially significant opportunity. If the company's iGaming technology platform and online footprint continue to gain traction as management anticipates, we would expect multiple expansion on GMGI shares.

GMGI shares trade below 2x forward revenue projections on a P/S basis, despite the opportunities the company expects. If GMGI continues to hit milestones regarding its growth objectives, we believe the potential opportunities on the company's recent measures to enhance its growth prospects could lead to higher multiple and valuation. Therefore, as GMGI continues to boost awareness of its opportunities and strategy, we would anticipate multiple expansion, if it can execute its strategy successfully.

Companies in this sector command a range of multiples on a P/S basis on forward revenue, ranging from about 2X to much higher. Reflecting GMGI's recent and anticipated growth, we apply a roughly 3X multiple to our 2025 revenue forecast. We also add a risk adjustment factor of about 70% and derive a valuation of $3.00. We note that larger players in the overall gaming space command significantly higher multiples on a price to revenue basis. DraftKings, for instance, trades at a multiple of nearly 5X on this basis, according to Yahoo Finance data.

We believe the risk / reward ratio on GMGI shares could be attractive for investors who want exposure to the sector and have a higher than average risk tolerance and longer time horizon. If the company delivers milestones related to growth initiatives earlier / later than expected, our adjustment factor could prove too high / low.

RECENT NEWS

- Golden Matrix announced that it had doubled its U.S. sweepstakes game lineup on January 17, 2025.
- On January 13, 2025, GMGI reported preliminary FY 2024 consolidated revenue guidance of $150 million.
- Meridianbet secured on online betting license in Brazil on January 2, 2025.
- Golden Matrix entered the U.S. sweepstakes market through a partnership with Moozi on December 23, 2024.
- Golden Matrix resumed its stock repurchase program on December 20, 2024.
- GMGI filed for an Ontario gaming license on December 18, 2024.

RISKS

We believe risks to Golden Matrix Group achieving its goals, and to our valuation, include the following, among other risks.

- GMGI might not gain market share in new areas as quickly as the company expects, which could lead to slower than anticipated revenue ramp.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- The company might need to raise capital to support its strategy that might be dilutive to current shareholders.
- Insiders hold a controlling interest in the company's voting rights. Their interests might differ from those of other shareholders.
- Government regulations governing the gambling sector could change.
- The company faces technology risk. Its platform is new generation but competitors might launch newer technology capabilities that would require GMGI to further upgrade.
- Reflecting its diverse geographic footprint and as it continues its international expansion strategy, the company faces potential foreign exchange (FX) risk.

FINANCIAL MODEL

Golden Matrix Holdings

Golden Matrix Group Income Statement and Projections (US$)

	1Q23*	2Q23	3Q23	4Q23*	2023E*	1Q24*	2Q24	3Q24	4Q24E	2024E	2025E
Revenues	$22,936,312	$22,578,810	$22,209,657	$25,268,742	$92,993,521	$24,850,587	$39,415,242	$40,992,329	$44,741,842	$150,000,000	$202,500,000
Cost of goods sold	(5,785,658)	(6,040,914)	(6,116,688)	(8,020,966)	(26,038,186)	(7,158,657)	(17,729,700)	(18,589,162)	(18,756,464)	(62,233,983)	(87,075,000)
Gross profit	17,150,654	16,537,896	16,092,969	17,623,408	66,955,335	17,691,930	21,685,542	22,403,167	25,985,378	87,766,017	115,425,000
S,G&A	12,323,456	12,610,305	12,863,262	13,403,068	51,453,048	13,997,809	21,560,430	23,379,550	23,706,864	82,500,000	103,275,000
Income (loss) from operations	4,827,198	3,927,591	3,229,707	4,220,340	15,502,287	3,694,121	125,112	(976,383)	2,278,514	5,266,017	12,150,000
Other income / (expense)											
Interest expense	(8,358)	(19,523)	(4,049)			(4,371)	(32,484)	(790,193)			
Interest ncome	3,465	6,260	25,807			34,882	69,666	58,475			
FX	47,053	(92,384)	366,183			12,937	(131,458)	(219,060)			
Other	193,590	312,637	219,145	-	-	493,150	509,759	495,654	-	-	-
Total other income (expense)	235,750	206,990	607,086	978,422	2,428,344	536,598	415,483	(455,124)	(459,675)	37,282	(1,365,372)
Pretax income / (loss)	5,062,948	4,134,581	3,836,793	5,198,762	17,930,631	4,230,719	540,595	(1,431,507)	1,818,839	5,303,298	10,784,628
Taxes	413,296	418,241	316,733	567,415	1,613,757	281,697	524,969	1,864,122	218,261	477,297	970,617
Net income (loss)	4,649,652	3,716,340	3,520,060	4,631,347	16,316,874	3,949,022	15,626	(3,295,629)	1,600,578	4,826,001	9,814,011
Minority interest	39,098	90,290	41,771	73,213	195,802	(41,712)	(49,299)	109,935	19,207	57,912	117,768
Net income (loss) to GMGI	4,610,554	3,626,050	3,478,289	4,558,134	16,121,072	3,990,734	64,925	(3,405,564)	1,581,371	4,768,089	9,696,243
EPS	$0.06	$0.04	$0.04	$0.05	$0.19	$0.04	$0.00	($0.03)	$0.01	$0.03	$0.08
Avg shares out (FD)	83,475,190	83,475,190	83,475,190	83,475,190	83,475,190	83,475,190	128,455,184	121,510,697	121,510,697	113,737,942	128,904,000

Source: Company reports, Zacks estimates

*Reflecting change in FY to December 31 as of 2024 2023 FY is E, 1Q both years is implied

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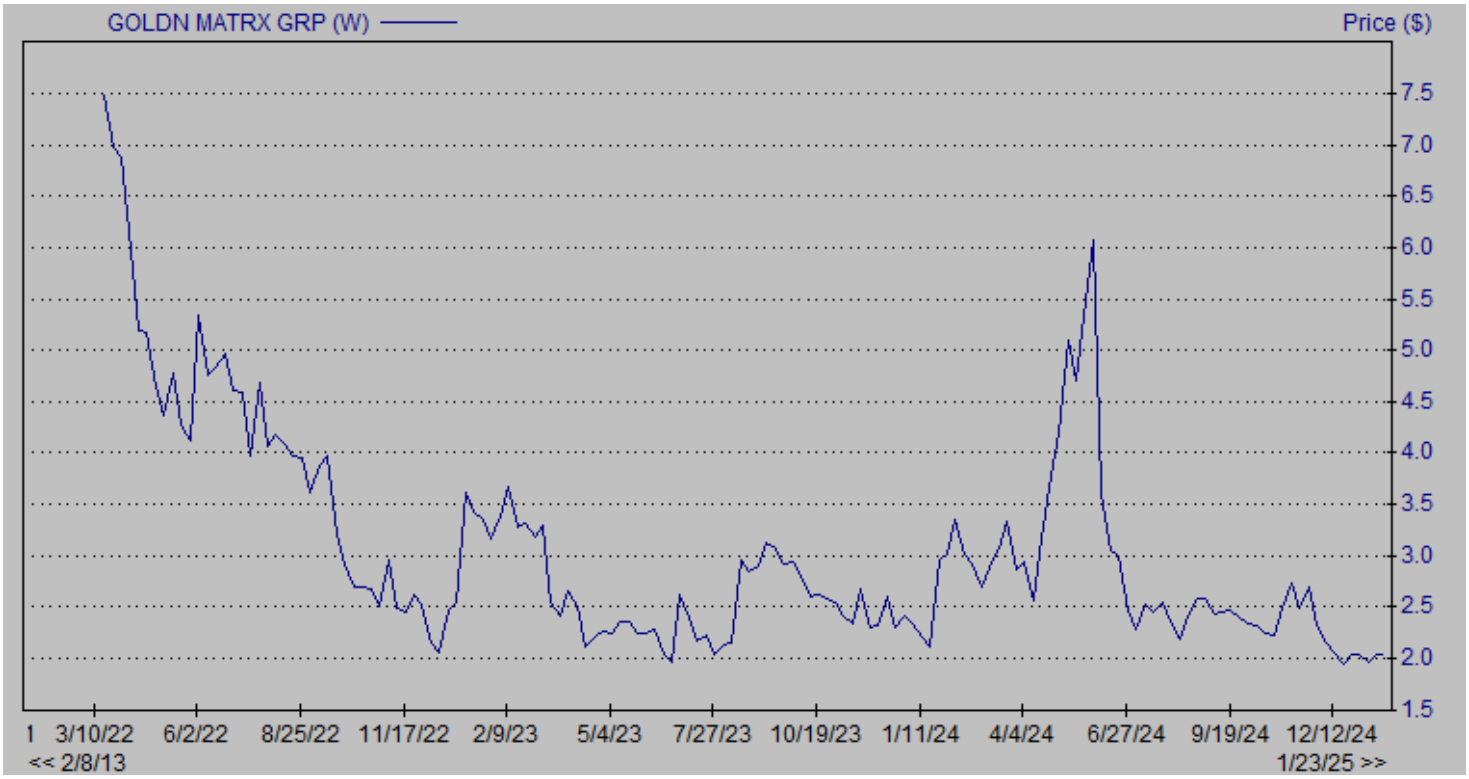
HISTORICAL STOCK PRICE



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