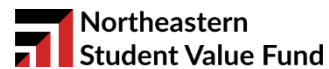


Long: Bragg Gaming Group (NASDAQ: BRAG)

Northeastern University Student Value Fund

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Executive Summary and Business Overview

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Executive Summary

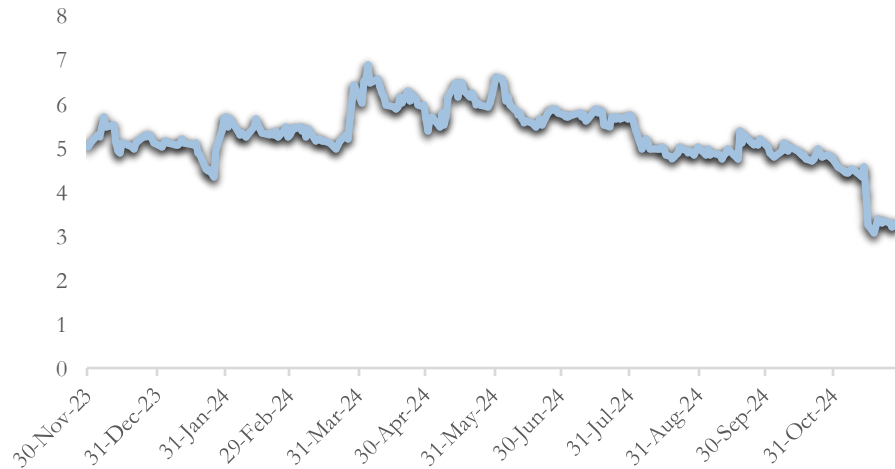
Bragg Pitch Summarized



Thesis Overview

- 1 Market oversells after strategic committee is disbanded and overlooks strong quarter
- 2 Strategic shift to propriety games will increase EBITDA margins by 5.5%

Share Price Performance



Market's View

The market is **currently doubting Bragg Gaming Group's ability to grow on its own** and has sold off the stock (-30%) after management's announcement they had disbanded their strategic review committee. Given the recent sell-off, there is a **large margin of safety** for this investment.

Catalysts – What actually makes the price go up?

Top-Line: Incremental revenue growth of **\$60 million** driven by continuation of partnerships and PAM expansion

Bottom Line: **~5%** incremental EBITDA margin driven by proprietary mix of games

Business Overview



Company Description & Business Segments

Company Description

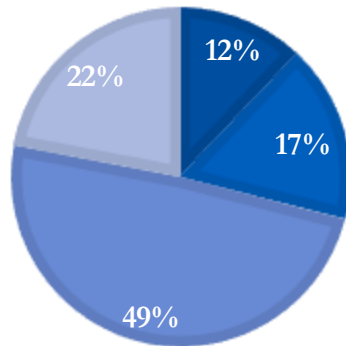
- Bragg Gaming Group is an online gambling solutions provider for casinos. They aggregate a mix of third-party, exclusive third-party and proprietary game titles such as slots, table games, lottery, bingo, etc. into their content aggregation platform. Bragg then licenses these games to online casinos who then pay Bragg a portion of the revenue generated from the games (6%-12%). Bragg also licenses a Player Account Management platform, to casinos and sportsbooks who pay Bragg a recurring fee.
- Bragg currently operates in 30+ regulated countries; its largest markets are the Netherlands, Malta, and Curacao.

Business Segments

Content creation & distribution (78% of 2023 Revenue): Bragg's main source of revenue comes from its content aggregation. Its content is broken into three categories: proprietary, exclusive 3rd party & proprietary content. Of Bragg's total revenue, 49% is low-margin 3rd party games, 17% is mid-margin exclusive games, and 12% is high margin propriety games.

Understanding The Revenue

- Propreitary games
- Exclusive games
- 3rd Party games
- Player Accout Management



Player Account Management system (22% of 2023 Revenue): Their PAM system is used as a backend for smaller start-up casinos and sportsbooks. It allows casinos and sportsbooks to easily understand their player base and to engage with them via Bragg's engagement tools.



Prelude: Strategic Committee

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Bragg's History



Understanding why this opportunity exists

In November of 2023, Raper Capital, Bragg's **second largest** public shareholder, wrote a letter to Bragg's Board of Directors **asking that they sell the company**. Raper cited three main reasons:

1. **Large premiums** that other content aggregation businesses had been receiving from M&A
2. **Cost synergies** that would be realized by larger firm
3. **High costs of capital** to fund the business had been a historical risk



BRAGG Strategic Committee Timeline



Understanding the markets reactions to announcements

1-Year Historical Timeline



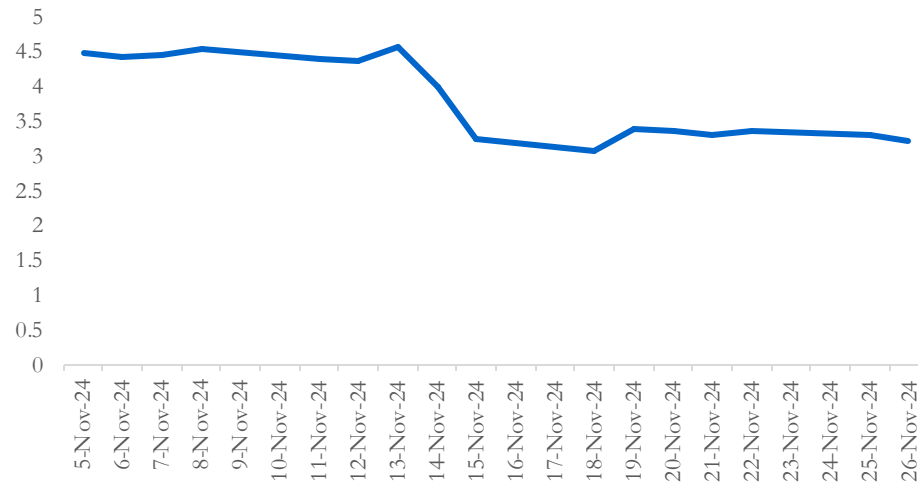
Thesis 1:

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Thesis 1:

Market oversells after strategic committee is disbanded, over looks strong growth

Bragg's 30% fall off after Q3



Earnings

\$27.3M in Revenue vs, Consensus **25.6M** (6% beat)

16% y/y Revenue Growth

\$4.3M Adjusted EBITDA vs. Consensus **\$3.8M** (13% beat)

7% y/y Adj. EBITDA Growth

Recent insider buying as of December 6th



Two board members bought **\$175,000** worth of stock three weeks after sell off. Indicating, insiders believe the stock is cheap and oversold.

Buy side highlights
downside protection

“If they can prove that they can stand alone the stock will follow, and if they can’t it will stay where it is...**the floor is set.**”

- *Call with Perritt Capital (~300 mil AUM) Bragg's 6th largest holder*

Thesis 1:

Marker oversells after strategic committee is disbanded, over looks strong growth

New and Expanding Partnerships in Q2 & Q3 Emphasize Growth



- Expanded its collaboration to launch new games and Remote Gaming Server (RGS) technology in Pennsylvania and Ontario, following earlier launches in New Jersey and Michigan.



- Launched its latest games and RGS technology in New Jersey, building on its existing distribution in Michigan, Pennsylvania, Connecticut, and Ontario.



- Strengthened its partnership with launches in Pennsylvania earlier in the year, followed by New Jersey, and an earlier collaboration in Ontario.



- Deployed its Player Account Management (PAM) platform for HardRockCasino nl, becoming its sixth PAM customer in the Netherlands.



- Added the Kambi sportsbook solution to its existing PAM customer in the Netherlands, enhancing its product offerings.



- Partnered with Mozzart Bet in Serbia to deliver content and aggregation services.



- Entered into a strategic collaboration to integrate proprietary content and exclusive games into Light & Wonder's ecosystem.

Thesis 2:

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Thesis 2:

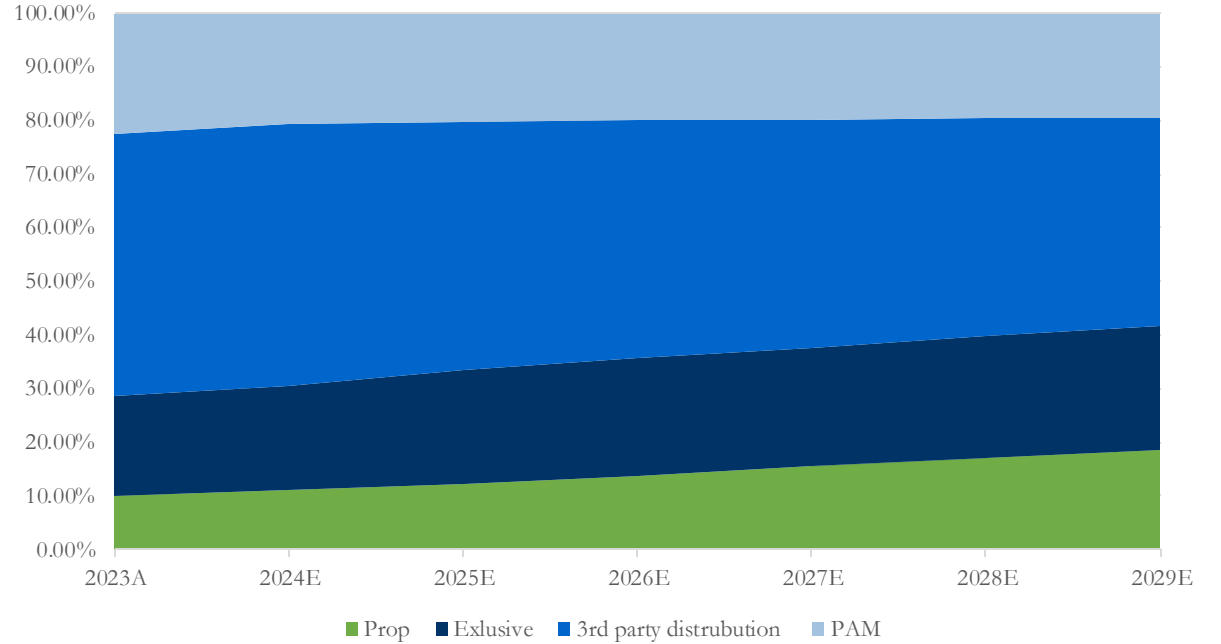
New emphasis on proprietary games will expand EBITDA margins by **5.5%** by 2029



Proprietary Games Studios

 ORYX GAMING	ORXY gaming (2018) 56 games
	Indigo Magic (2022) 39 Slots
	Atomic Slot Lab (2022) 32 Slots
	Wild Streak Gaming (2021) 31 Slots

Projected Product Mix



Q1 2024	Q2 2024	Q3 2024
6	12	8
<i>New Titles</i>	<i>New Titles</i>	<i>New Titles</i>

Bragg's proprietary revenue grew 40% y/y as they have begun to ramp up proprietary game development and will continue to do to shift away from lower margin 3rd-party games.

Thesis 2:



New emphasis on proprietary games will expand EBITDA margins by **5.5%** by 2029

Shift from product to regional approach led by new CFO

Bragg's prior structure consisted of 3 teams for each form of content (3rd party content team, exclusive content team, and proprietary content team). Bragg would often find that these teams would end up talking to the same operators trying to sell different products. This strategy was not aligned with Bragg's new emphasis to prioritize proprietary content – **Their goal is not to sell 3rd-party games exclusively, but instead to leverage them to sell their exclusive and proprietary games.** With a regional approach, Bragg will be able to prioritize selling their games in bundles with an emphasis on proprietary.



Early Proprietary Success in the USA & Canada



FanDuel partnership with proprietary game titles in Michigan, Pennsylvania and New Jersey

Bet365 & Ceasars Digital proprietary games partnership in Pennsylvania, New Jersey and Canada

US Revenue up **42% y/y**



"I am revamping to be on regional/country level... we have begun to identify places that we believe our products will resonate...our commercial strategy will be maximizing products with **proprietary** being the common denominator." - *Call with new CFO Robbie Bressler (appointed fulltime Nov-2024 from interim July-2024)*

Next Regional Approach

Emerging market



- Brazil's market is set to open **Jan 1st, 2025** with a **\$2 Billion** projected TAM and **15% CAGR**
- Bragg has recently opened its first office in Sao Paulo to support local operations
- Bragg is adjusting their suite of products for regulatory needs

Thesis Risks and Mitigants

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Thesis Risks



BRAG is subject to a variety of risks

<p>Thesis Risk 1</p> <p>Poaching Software Developers</p>	<p><i>Risk:</i> Bragg's reliance on its proprietary game studios makes retaining top-tier software developers critical to its success. Poaching by competitors could disrupt its ability to innovate and maintain a competitive edge with in-house content.</p>	<p><i>Mitigant:</i></p> <p>Bragg management says they have been giving competitive compensation to its proprietary content developers</p>
<p>Thesis Risk 2</p> <p>Currency Risk</p>	<p><i>Risk:</i> Bragg operates in multiple jurisdictions and reports in Euros, exposing it to fluctuations in foreign exchange rates. A strengthening US Dollar or weakening Euro could hurt its USD financial results.</p>	<p><i>Mitigant:</i></p> <p>As Bragg continues to expand into other countries like the US and Brazil this risk will be less threatening.</p>
<p>Thesis Risk 3</p> <p>Cost of Capital Risk</p>	<p><i>Risk:</i> One of Raper Capital's concerns was Bragg's cost of capital and dilution from convertible debt.</p>	<p><i>Mitigant:</i></p> <p>Bragg has a solid balance sheet and recently paid off its convertible debt.</p>

Valuation

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Valuation and Wrap-up



Conservative assumptions present favorable upside

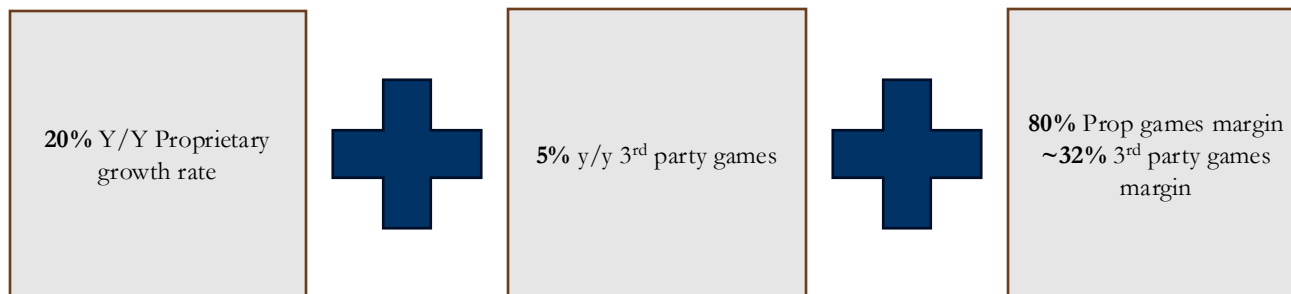
Unlevered Free Cash Flow <i>In Euros except per share</i>	Dec-23 FY 2023A	Dec-24 FY 2024P	Dec-25 FY 2025P	Dec-26 FY 2026P	Dec-27 FY 2027P	Dec-28 FY 2028P	Dec-29 FY 2029P
EBIT	-	(1,601)	314	2,666	5,472	8,818	12,801
(-) Taxes	(1,558)	(910)	(806)	(213)	516	1,386	2,424
NOPAT	(1,558)	(2,511)	(492)	2,453	5,988	10,204	15,224
(+) Depreciation & Amortization	13,067	13,635	14,227	14,845	15,490	16,163	16,865
(-) Change in Working Capital	(455)	(2,746)	(255)	(377)	(461)	(562)	(682)
(-) Capital Expenditures & Acquisition of Intangibles	9,723	9,894	10,224	10,610	10,991	11,363	11,721
ULFCF	2,241	3,977	3,766	7,065	10,948	15,566	21,050
DCF							
Discount Periods		0.07	1.07	2.07	3.07	4.07	5.07
Discount Factor		0.99	0.87	0.77	0.68	0.60	0.53
PV of ULFCF		3,942	3,292	5,445	7,439	9,326	11,119

EV/EBITDA Exit Multiple Method	
Exit Multiple	6.0x
Terminal value	177,994

Discount Factor	0.53
PV of TV	94,023
PV of ULFCF	40,564
Implied EV	134,587
Current Debt	2,900
Cash	8,796
Implied Equity Value	140,483
Diluted Shares Outstanding	25356
Implied Share Price	5.82
Current Share Price	3.31
Implied Upside	75.8%

WACC	13.42%
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Assumptions



Sensitivity Analysis					
5.82	4.0x	5.0x	6.0x	7.0x	8.0x
11.49%	4.85	5.56	6.27	6.98	7.68
12.49%	4.68	5.35	6.03	6.71	7.38
13.49%	4.51	5.15	5.80	6.45	7.10
14.49%	4.35	4.97	5.59	6.20	6.82
15.49%	4.20	4.79	5.38	5.97	6.56

Valuation Cases



Worst case presents limited downside, best case presents ~2x return

Bear

Base

Bull

EV/EBITDA Exit Multiple Method	
Exit Multiple	6.0x
Terminal value	104,535

EV/EBITDA Exit Multiple Method	
Exit Multiple	6.0x
Terminal value	177,994

EV/EBITDA Exit Multiple Method	
Exit Multiple	6.0x
Terminal value	216,856

Discount Factor	0.53
PV of TV	55,219
PV of ULFCF	18,149
Implied EV	73,369
Current Debt	2,900
Cash	8,796
Implied Equity Value	79,265
Diluted Shares Outstanding	25356
Implied Share Price	3.28
Current Share Price	3.31
Implied Upside	-0.8%

Discount Factor	0.53
PV of TV	94,023
PV of ULFCF	40,564
Implied EV	134,587
Current Debt	2,900
Cash	8,796
Implied Equity Value	140,483
Diluted Shares Outstanding	25356
Implied Share Price	5.82
Current Share Price	3.31
Implied Upside	75.8%

Discount Factor	0.53
PV of TV	114,552
PV of ULFCF	51,645
Implied EV	166,196
Current Debt	2,900
Cash	8,796
Implied Equity Value	172,092
Diluted Shares Outstanding	25356
Implied Share Price	7.13
Current Share Price	3.31
Implied Upside	115.3%

WACC	13.42%
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