

# Newgioco Group Inc.

Italians Love their Sportsbook; Interesting Roll-Up Opportunity with a Fully Loaded B2B/B2C Platform

NWGI-OTC: \$0.40  
Speculative Buy  
\$1.80 Target

Projected Return: 350%

**Event:** We are initiating coverage of Newgioco Group Inc. (“Newgioco”, “the Company”, “NWGI”) with a Speculative Buy rating and a DCF-based \$1.80 price target. All figures are in USD unless otherwise noted.

**Industry Thesis:** The regulated Italian gaming market is the largest in the EU and extremely fragmented – the top online players in the region are Bet365, Snaitech (PTEC-LON, NR), Eurobet (GVC-LON, NR), planetwin365, and Sisal. We estimate ~60% of turnover to be controlled by these top 5 operators. The other ~40% of online turnover is divided between ~150-200 licenses, illustrating the highly fragmented nature of this region’s online gaming market. The Italian market is also rapidly expanding, showing 34% growth y/y for a total GGR (gross gaming revenue) of €1.4B in 2017 – the online gambling market now represents 7.2% (vs. 5.4% of 2016) of the whole Italian gambling market. Casino reached €569M, accounting for 41% of the region’s iGGR (online GGR) with sports betting next at €556M (59% y/y growth). Online tournament and cash poker games reached €114M of GGR (10% of the whole market). The remaining 9% of the Italian online gaming market is composed of €109M of GGR (+12% y/y) divided among a number of games such as horse betting, bingo, totalizer sports and numbering games, betting exchange, lotto, and scratch cards – with virtual sports and racing growing rapidly.

**Investment Thesis:** (1) NWGI currently has the 20th largest share of the Italian online market – a tremendous opportunity exists in rolling up smaller operators beneath it while staying under the radar of the larger players. (2) With over 150,000 events per season and more than 90,000 events in Live mode, Newgioco has a highly competitive game offering for bets and sporting events through its Odissea platform. (3) Newgioco’s management team has a combined 100+ years’ experience in gaming and technology development. An extensive network in the Italian marketplace among operators and government regulators should be beneficial as Newgioco expands in the region and seeks opportunities abroad. (4) Newgioco launched the first phase of its Artificial Intelligence (AI) technology on its ELYS Odissea gaming platform with the release of CHATBOT – CHATBOT is an AI betting technology using customized pattern recognition and machine-learning algorithms to determine the relevant features of customer interactions and to develop a comprehensive customer betting profile. (5) We expect Newgioco to start showing business-to-business (B2B) revenue on white-labelling its platform by the end of this year, and use it as a vehicle for international expansion – including the US sports betting market.

## Exhibit 1 – Newgioco Group



Source: Newgioco

Market Data (US\$)	
Market Capitalization	30
Net Debt	(5.6)
Enterprise Value	25
Basic Shares O/S	75.54
Avg. Daily Volume (M)	0.052
52 Week Range	\$1.78 / \$0.09
Dividend Yield	0.0%

Management	
CEO	Michele Ciavarella
President/COO	Alessandro Marcelli
CFO	Jay Caldwell
CTO	Luca Pasquini

Top Institutional Ownership	
#N/A	% Held #N/A

Total Insider Ownership 76.0%

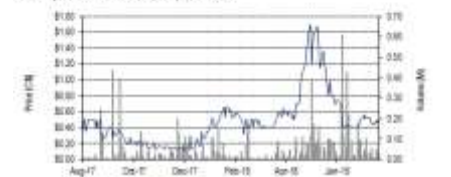
Revisions (US\$)		New	Old
2018 Revenue		35.41	
2018 EBITDA		3.77	
2018 EPS		(0.06)	

Financial Metrics (US\$)			
FYE 31-Dec	2017	2018E	2019E
Total Revenue	22.9	35.4	39.2
EBITDA	3.3	3.8	5.4
EBITDA (%)	14.4%	10.7%	13.7%
Diluted EPS	0.02	(0.06)	0.04

Valuation Data		
DCF - Current/Target		0.40 / 1.80
EV/Rev	0.8	0.5 / 0.5
EV/EBITDA	5.7	5.0 / 3.5
P/E	22.1	(6.5) / -9.3

Quarterly Data (US\$)					
		Q1	Q2	Q3	Q4
Revenue	2018	8.6	8.8	8.9	9.1
	2019	9.3	9.8	9.8	10.2
Adj. EBITDA	2018	0.6	1.1	1.0	1.1
	2019	1.3	1.3	1.3	1.4
EPS	2018	0.01	(0.09)	0.01	0.01
	2019	0.01	0.01	0.01	0.01

**Company Description**  
Newgioco Group, Inc. engages in the operation of licensed gaming. It provides retail web-based and land-based gaming services. It offers online casino, sports betting, virtual sports betting, horse racing, and physical slots. The company was founded on August 28, 1998 and is headquartered in Toronto, Canada.



Source: Consensus Data – FactSet, Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

## Investment Thesis

**Italy is Highly Fragmented.** The Italian gaming market (land-based and online) is the largest in the EU and extremely fragmented. We estimate that the top online players in the region are Bet365, Snaitech, Eurobet, planetwin365, and Sisal – with ~60% of turnover being controlled by these top 5 operators. The other ~40% of online turnover is divided between ~150-200 licenses, illustrating the highly fragmented nature of this region's online gaming market. NWGI currently has the 20th largest share of the Italian online market – ***a tremendous opportunity exists in rolling up smaller operators beneath it while staying under the radar of the larger players.***

**Technology.** The Newgioco platform is among the most advanced in the sports betting world. It guarantees efficiency, flexibility and innovative solutions to all operators who use its services, whether they are partners or end users. With over 150,000 events per season and more than 90,000 events in Live mode, Newgioco has a highly competitive game offering for bets and sporting events. The extensive coverage of the Live Streaming service, which includes the Lega Pro football and the A2 series of basketball, ensures an exciting gaming experience. The Match Tracker module allows players to follow events by having all the information on the matches available in real time. ***Every week, the user can choose from 1M+ results, of which over 1,200 are available for each Series A match.***

**Experienced Team.** Newgioco's management team has a combined 100+ years' experience in gaming and technology development. An extensive network in the Italian marketplace among operators and government should be beneficial as Newgioco expands in the region and seeks opportunities abroad. ***We believe the new board additions have the experience and networks to drive international expansion – including the US sports betting market.***

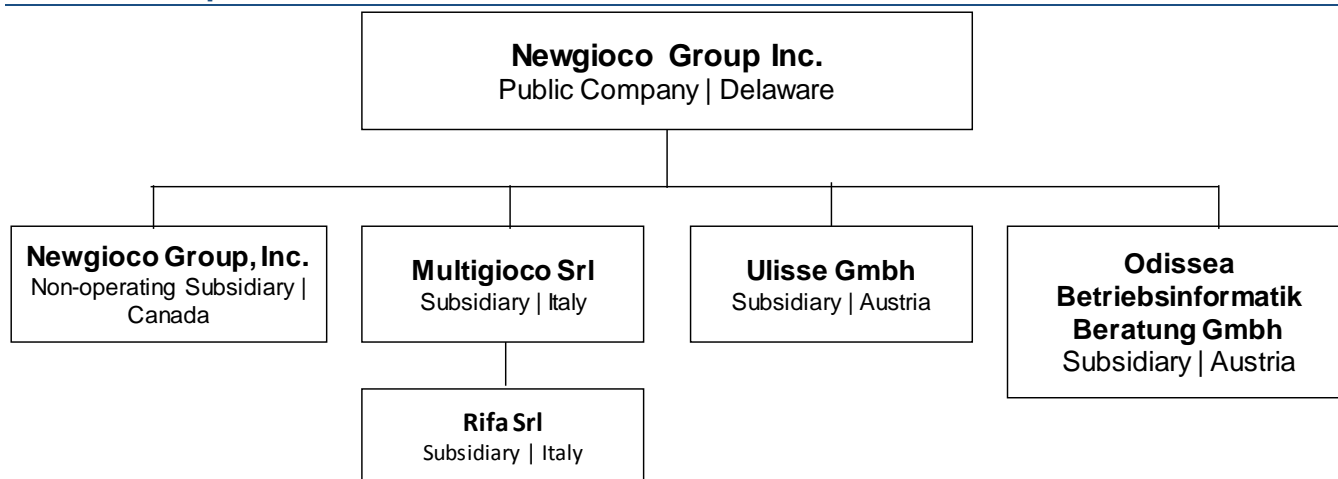
**AI/Blockchain/BI Upside.** Newgioco launched its first phase of its AI technology on its ELYS Odissea gaming platform with the release of CHATBOT. CHATBOT is an AI betting technology using customized pattern recognition and machine-learning algorithms to determine the relevant features of customer interactions and to develop a comprehensive customer betting profile. CHATBOT learns quantitative relationships between betting odds to automatically create effective play options for the customer. CHATBOT technology is built into ELYS' extensive betting modules and will be phased in for automated odds determination across multiple events, which will represent a fundamental paradigm shift for generating betting odds compared to existing manual and automated methods. Also in further development is its business intelligence app, where real time sorted profitability and business analysis metrics and tools can be gathered. Blockchain capabilities exist and are in development.

**B2B Opportunities on the Horizon.** The Italian regulator requires a minimum 50 retail licenses before being able to white-label betting platforms to other operators in the region. Newgioco currently holds nine retail licenses/rights. With the recently completed financing, we expect Newgioco to meet the 50-license threshold and start showing B2B revenue for the many Italian operators that are looking to leave Snaitech (recently acquired by Playtech (PTEC-LON, NR), Microgame, Exalogic, and others for various reasons. ***Controlling its own platform, and moving away from Snaitech, Exalogic and Microgame over time, has made Newgioco less dependent on third-party providers - and more attractive to partners in the Italian market.***

## Company Overview

Newgioco engages in the operation of licensed gaming, providing retail web-based and land-based gaming services. The Company offers online casino, sports betting, virtual sports betting, horse racing, and physical slots. The Company was founded on August 26, 1998, and is headquartered in Toronto, Canada, with wholly owned subsidiaries in Italy and Austria. Subsidiaries include: Multigioco Srl (acquired on August 15, 2014), Rifa Srl (acquired on January 1, 2015), as well as Ulisse GmbH and Odissea Betriebsinformatik Beratung GmbH (both acquired on July 1, 2016).

### Exhibit 2 – Corporate Structure

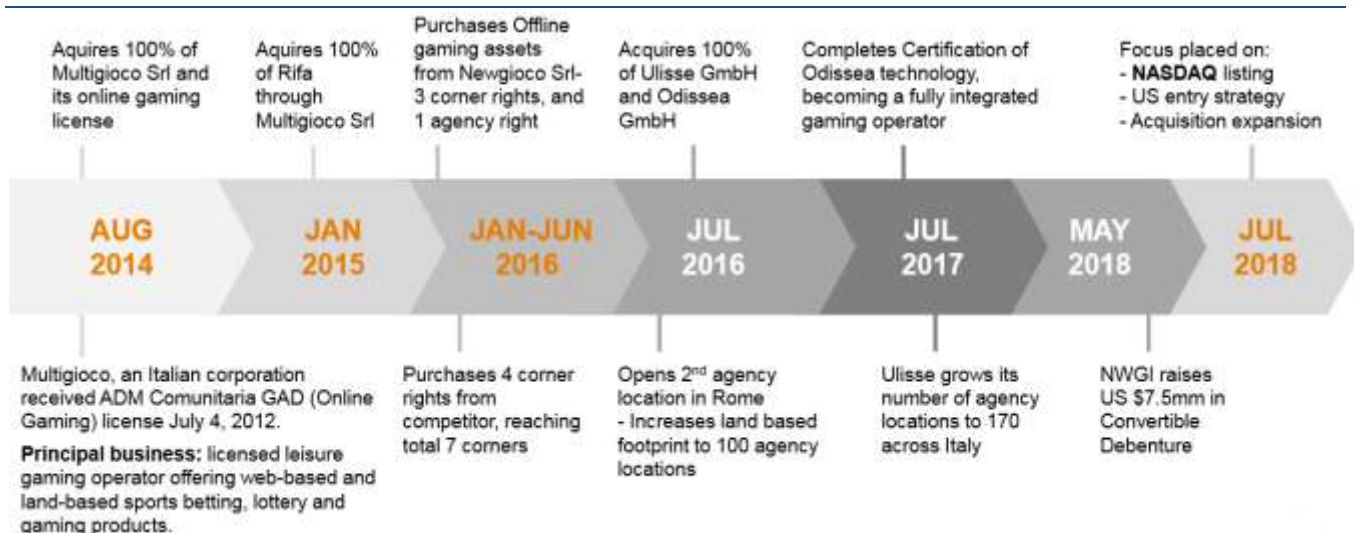


Source: Company Filings

## History

On August 15, 2014, Newgioco completed the acquisition of 100% ownership in Multigioco, a corporation organized under the laws of the Republic of Italy and now a wholly owned subsidiary of the Company. Multigioco was granted its ADM Comunitaria GAD (online gaming license) on July 4, 2012. As a result of the acquisition of Multigioco, the principal business became a licensed leisure gaming operator offering web-based and land-based sports betting, lottery, and gaming products.

### Exhibit 3 – Timeline



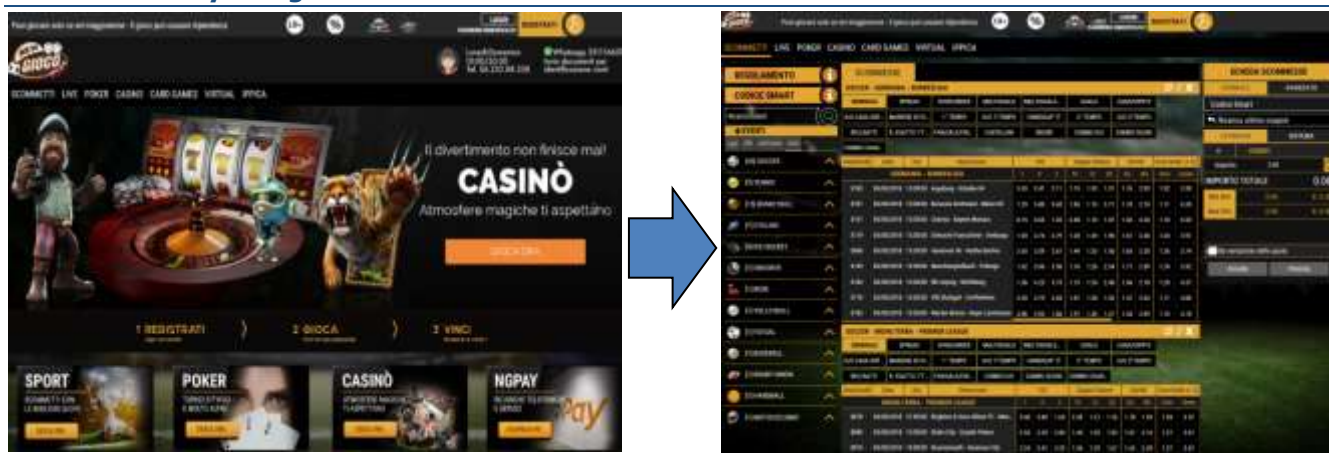
Source: Company Filings

## Core Focus

Newgioco is a vertically integrated company which owns and operates an innovative Betting Platform Software (“BPS”). The Company offers a complete suite of online and offline leisure gaming services including a variety of lottery and casino games, as well as online poker and sports betting products through a distribution network of retail betting locations situated throughout Italy. Newgioco intends to grow through acquisitions and organic development of its distribution network in Italy, in addition to exploring new opportunities in regulated gaming markets internationally – including the US sports betting market. Operations in Italy are carried out under an online gaming license regulated by the Agenzia delle Dogane e dei Monopoli (“ADM”), formerly known as the Amministrazione Autonoma Monopoli dei Stato (“AAMS”). The Company’s revenue streams, through subsidiaries Multigioco, Rifa and Ulisse, consist of wagering and gaming income from online and land-based (or “offline”) betting in neighbourhood betting shops. Online sports bets are processed by the Odissea betting platform, while all other online products such as casino, poker, card games, and lotto are processed through the Microgame betting platform. Land-based sports bet wagers, horse racing and virtual sports are processed through the SNAITECH betting platform. The Company’s revenue stream through Odissea consists of providing Business Operating System (“BOS”) services to third-party operators on a B2B basis. As of Q218, the Company had ~1,000 web-based betting shops and ~175 land-based betting shops operating under its license.

Newgioco’s strategy is to bring operators in the fragmented Italian gaming market under ownership and provide professional management and additional resources and services, and seeks to capitalize on the license tender auction known in Italy as the “Bando di Gara” for land-based license renewal that is expected to occur within the next 18-24 months.

### Exhibit 4 – Fully Integrated Platform



Source: Company Filings

## Target Demographic

Newgioco currently services ~60K active client accounts and estimates its base should double to 120K within 24 months based on projections supported by organic and inorganic opportunities. Clients range in age from 18 through 79, and are roughly 70% male. Analysis shows that sports betting is the most popular gaming vehicle among its customers and is also the most profitable revenue stream for the Company, yielding the highest percentage of GGR at ~51% of revenues. Newgioco’s male players prefer sports bets, while ~10% play casino and poker; whereas female players prefer casino and bingo, while only 1% try other games such as poker, sports bets, or lotteries.

**Sports Betting:** NWGI currently has an average of 5.5K players per month (~22% of its total gaming accounts) that place at least three bets per week. The number of monthly bets on its licenses averages between 160K and 180K tickets with an average amount played per ticket of €7.60.

**Casino:** NWGI has an average of 900 unique players participating in casino games (generally about 2.5% of all gaming accounts and 8.6% of the sports bet players), with approximately 26% of users playing on mobile. Each casino player generates coin-in revenue of ~€3K per month which represents a profit of €94 per player per month.

**Poker:** NWGI has an average of 1.1K unique players participating in poker games through its website (about 3% of all gaming account and 9.8% of the sports bet players) per month. Each poker player generates coin-in revenue of €2.9K per month which represents a profit of €103 per player per month.

**Exhibit 5 – Target Demographics**

Age Group	Characteristics	Connection
18 – 24	<ul style="list-style-type: none"> <li>▪ Pre-gaming/Future customer</li> <li>▪ New gaming audience</li> <li>▪ Desires experiential, e-gaming, virtual/fantasy gaming</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nearly 100% of this age group owns a smart phone</li> <li>▪ Majority have data packages &amp; internet access</li> <li>▪ Technologically savvy customer</li> </ul>
25 – 44	<ul style="list-style-type: none"> <li>▪ Mature gaming audience</li> <li>▪ Desires games of chance, casino, gaming tables, sports betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Majority of online gamers are 30 years old and heads of households</li> <li>▪ Neutral male and female balance</li> </ul>
45+	<ul style="list-style-type: none"> <li>▪ Grounded gamer</li> <li>▪ Baby boomer</li> <li>▪ Desires social interaction, easy play, bingo/slots, nickel games</li> </ul>	<ul style="list-style-type: none"> <li>▪ Target growing segment of the population</li> <li>▪ Significantly underserved</li> <li>▪ Needs are more social than self-fulfilling</li> <li>▪ High disposable income</li> <li>▪ Largest market size</li> </ul>

Source: Company Filings

## Distribution Model

In Italy, gaming products and services are offered through any of three distribution methods: agencies, corners, or websites. Regardless of the distribution method, licensed operators in Italy must be connected to the ADM network using an intermediary betting software platform such as Microgame or Odissea BPS. Only a single license is required to operate a web-based gaming service, which Multigioco owns, while each offline agency and corner must have a separate license right assigned to each location.

1. **Negozio Sportivo (“agency”) (translated as Sporting Store):** An agency is an arcade location that is a gaming specific venue meeting strict regulatory standards. An agency must have 70% of its square-footage specifically dedicated to gaming space in addition to having a cash cage, thereby creating an ‘arcade’ like facility for the primary purpose of gaming and gaming related revenues.
2. **Punto Sportivo (“corner”) (translated as Sporting Point):** A corner is distinguished from an agency insofar as the principal business situated at the location is mainly other than gaming (such as a coffee shop or bakery) with a terminal connected to the ADM network. The primary purpose of the facility is not gaming, and it only sections a small ‘corner’ for extra cash flow in exchange for a fee and/or commission. Specifically, a maximum of 30% of floor space of a corner location can be dedicated to gaming.
3. **Punti Virtuali di Ricarica (“web shops”) (translated as Virtual Reload Points):** A web shop is a physical location where a single or multiple computers are connected to the web and directed to Newgioco’s gaming website. Customers can access the website through the computers set up at the web shop and may also make cash deposits that are credited electronically to their online gaming accounts (i.e., virtual account reloading).

Multigioco websites are tailored to the Italian gaming market. The Company maintains a web-based platform directly under the branded website newgioco.it (the main “channel”) serving players and shops. There are some variations in website style because Multigioco offers different services through distinctive marketing campaigns:

- newgioco.it is mainly devoted to shops (locations), such that marketing for this brand is dedicated to webshop campaigns, branding, and proposals or marketing for prospective operators to become a ‘Newgioco Shop’;
- originalbet.it, timetobet.it, clubgames.it, mixbet.it, imperialbet.it, quibet.it, and lovingbet.it (agent web skins) are dedicated to the end-users (players), by focusing on campaigns and gaming offerings directed at players, such as welcome bonuses, rake back for poker players, etc.

### Exhibit 6 – Partner Network

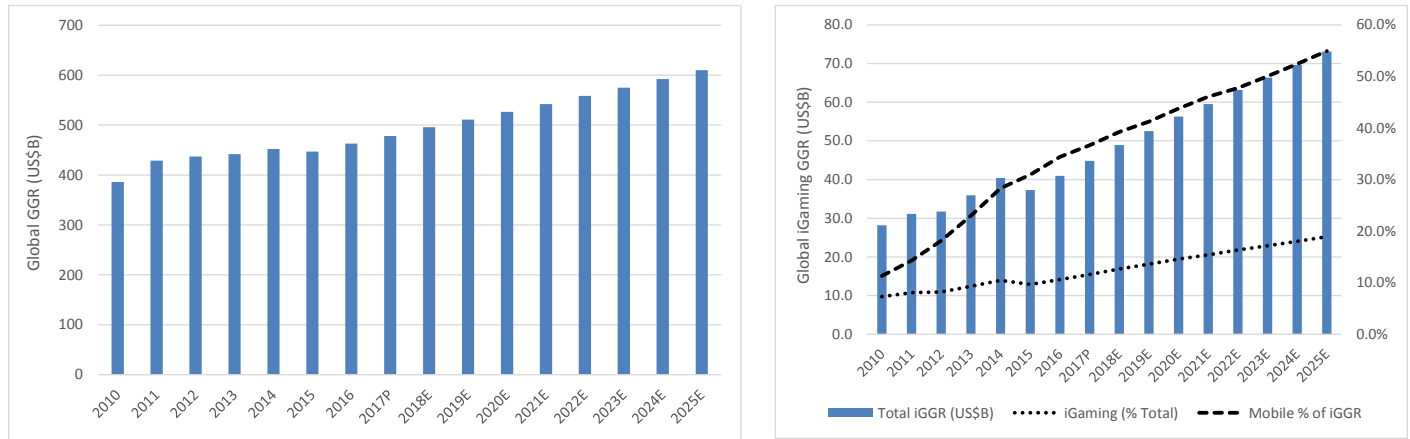


Source: Company Filings

## Global Gambling Overview

According to gaming industry consultants, H2GC, the global online gambling industry's (including online poker, casino, sports betting, bingo, lotteries and skill-based and other games) GGR has grown from ~\$8.2B in 2003 to \$44.3B in 2016. GGR is defined as rakes plus bonuses, promotions, overlays and loyalty rewards, less prizes or winnings. We estimate that the combined global online gambling GGR could grow to ~\$75B in 2025 for a CAGR of ~6.1%. The overall global gambling market (including land-based and tribal casinos) is expected to exceed \$600B by 2025. We estimate that online gambling should go from ~8% of overall GGR in 2010 to ~20% by 2025; and mobile should go from ~12% of online GGR in 2010 to 55%+ by 2025.

### Exhibit 7 – Global Gambling Market GGR vs. Online GGR



Source: Echelon Wealth Partners, H2GC, GBGC, Statista

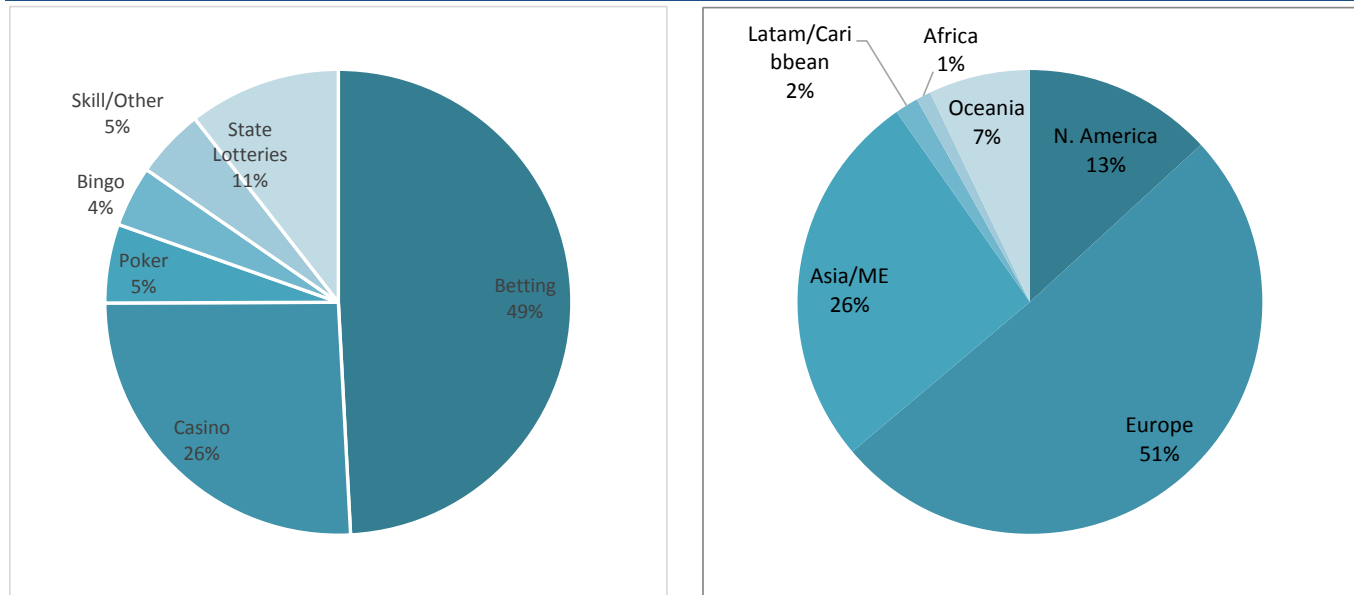
### Exhibit 8 – Sample of Competitors by Segment

Sportsbook	Casino	Poker	Bingo

Source: Echelon Wealth Partners

H2GC estimates that for 2017 alone, the GGR splits by segment were: sports betting (50%), casino (26%), state lotteries (9%), poker (6%), skill and other gaming and commercial lotteries (5%), and bingo (4%). H2GC's 2019 estimates by segment and geography are shown below.

**Exhibit 9 – Global Online GGR by Segment and Geography (2019E)**

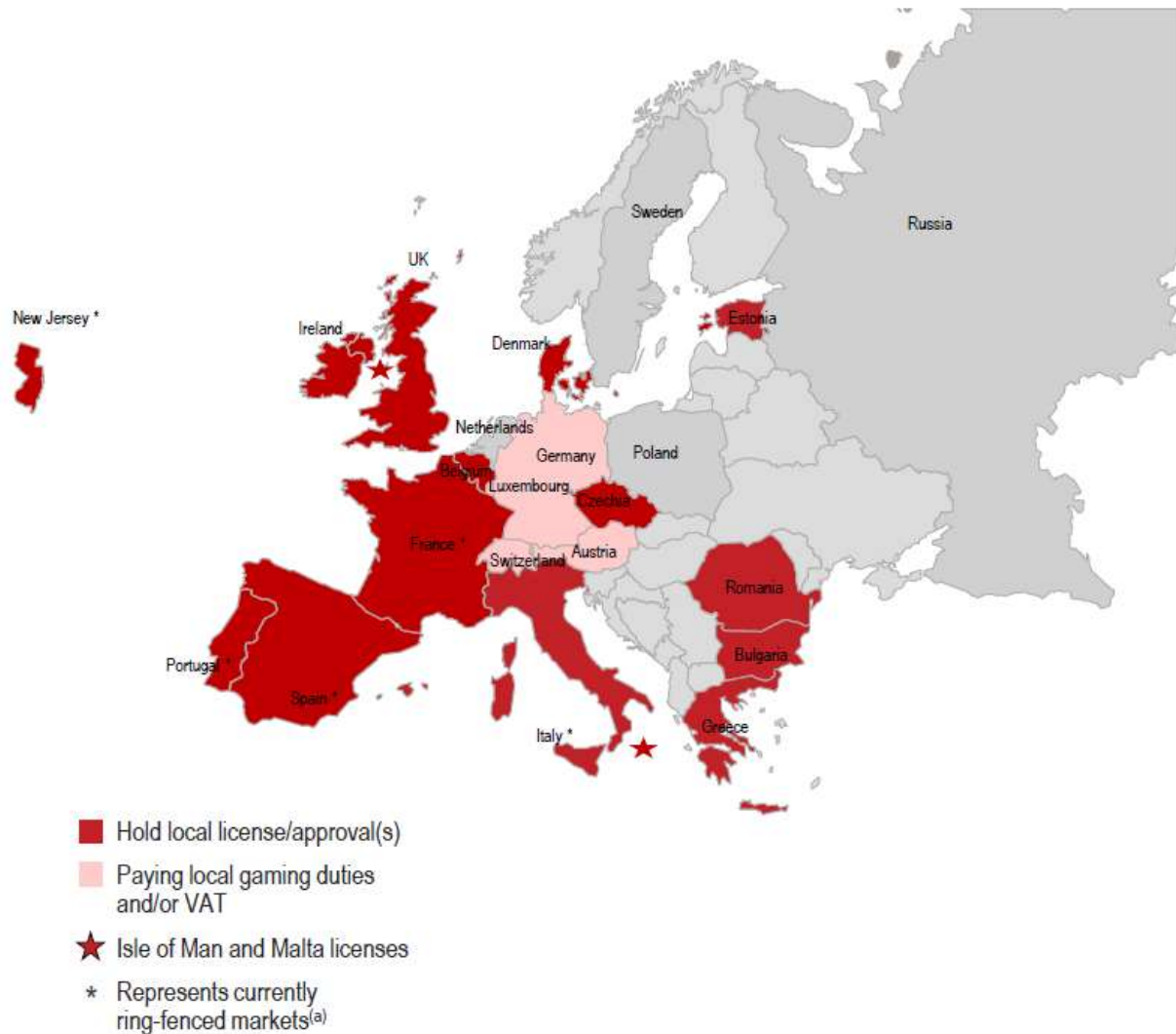


Source: Echelon Wealth Partners, H2GC, iGamingBusiness

## European Regulatory Framework

While the online gaming landscape is quite broad, the map below accurately depicts how online gaming is viewed in UK/Europe. Generally, the lighter coloured countries are those that have not fully liberalised/opened their gaming market to international operators/players. We anticipate NWGI entering foreign markets over time, as opportunities arise.

### Exhibit 10 – UK/Europe Online Gambling Regulatory Environment



Source: Stars Group

Specific to Italy, Newgioco’s current and main target market, the table below illustrates the various levels of regulation and license criteria, with anticipated tender dates and costs also shown.

**Exhibit 11 – Italian Regulatory Framework**

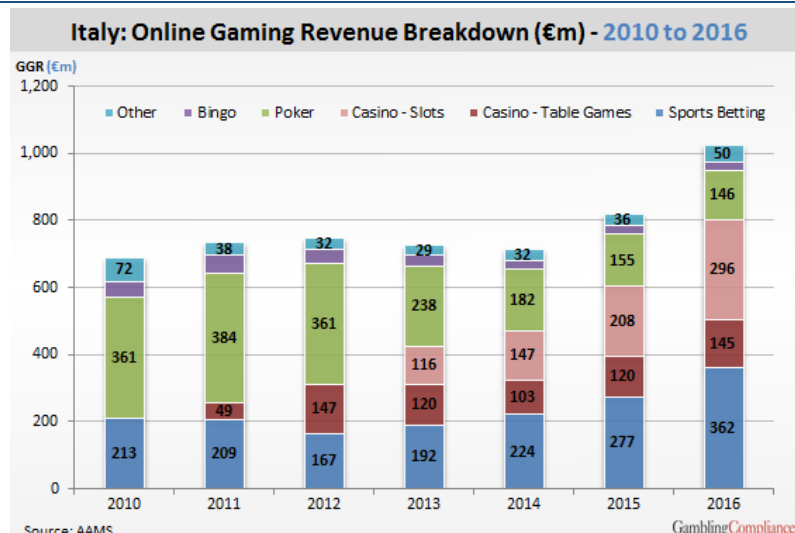
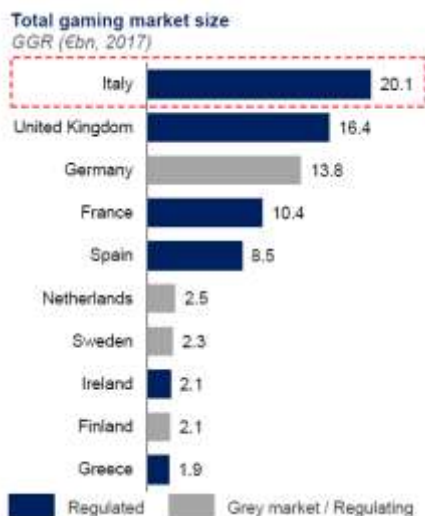
Segment	Key products/licenses required	License expiry	Concession scheme
Slot machines	• AWP	Mar-22	Multiple licenses
Video lotteries	• Platforms / games	Mar-22	Multiple licenses
Betting	• Sport betting • Horse betting • Virtual race	Jun-16 ( <i>tender expected not before Q4 2018, €60m capex per tender</i> )	Multiple licenses
Online games	• Betting • Poker and skill games • Casino/slots/quick games • Lotteries and bingo	Sep-20 (estimated capex of €300k-€500k)	Multiple licenses
Lotteries	• Lotto • NTNG ("Superenalotto") • S&W ("Gratta e Vinci")	Jun-25 Jun-18 Jun-19	Exclusive licenses
Bingo	• Bingo	2016	Multiple licenses

Source: Playtech/SNAI Conference Call; AWP = Amusement with Prize

**Italian Gaming Market – Numbers Speak for Themselves**

The Italian regulated gaming market is the largest in the EU and extremely fragmented – the top online players in the region are Bet365, Snaitech, Eurobet, planetwin365, and Sisal. We estimate ~60% of turnover to be controlled by these top 5 operators. The other ~40% of online turnover is divided between ~150-200 licenses, illustrating the highly fragmented nature of this region’s online gaming market. **The Italian online gaming market grew to €1.38B in 2017, +34% y/y.**

**Exhibit 12 – EU GGR & Italian iGGR**



Source: Playtech (left), GamblingCompliance (right)

Also a facet of the Italian market is its unsophisticated online channel with only 7% online business. This compares to the UK's gaming market where 41% comes from online channels. We attribute this wide delta to the Italian social culture – brick and mortar betting will always have a strong foothold in the Italian region.

**The Italian market is also rapidly expanding, showing 34% growth y/y for a total GGR of €1.4B in 2017 – online gambling now represents 7.2% (vs. 5.4% of 2016) of the whole Italian gaming market.** Casino reached €569M and accounted for 41% of the region's iGGR with sports betting next at €556M (59% y/y growth). Online tournament and cash poker games reached €114M of GGR (10% of the whole market). The remaining 9% of the Italian online gaming market is made of €109M of GGR divided among a number of games such as horse betting, bingo, totalizer sports and numbering games, betting exchange, lotto, and scratch cards (+12% y/y).

The mobile betting and gambling market reached €350M with a 50% increase, which was mainly driven by sports betting (+65% y/y) and casino games (+46% y/y).

The number of monthly average active online gambling players reached 959K (+25% y/y) out of 2.2M online gambling players in 2017; this still represents only 7% of Italian Internet users older than 18 years of age.

**Exhibit 13 – Italy Top Online Market Share – April to June 2018**

Vendor	Market Share
Bet365 (Hillside Plc)	18.23%
Snaitech	11.36%
Eurobet Italia (GVC/Ladbrokes Coral)	11.13%
planetwin365 (SKS365)	9.69%
Sisal Entertainment	8.81%
Lottomatica Scommesse	7.89%
Goldbet	7.18%
Intralot Italia	4.49%
WHG International	2.75%
Betaland (OIA Services)	2.57%
bwin Italia (GVC)	2.03%
Betfair Italia	1.74%
Stars Group (Reel Italy)	1.16%
Unibet Italia	1.05%
888 (Virtual Marketing Services Italia)	0.87%
Stanleybet	0.58%
BetItaly (GI.LU.PI. S.R.L.)	0.41%
Poker & Bet	0.40%
SkyBet (Hestview)	0.32%
<b>Multigioco</b>	<b>0.30%</b>
Betclic	0.27%
Easy World	0.26%
Sun Bet	0.26%
Betpoint	0.24%
Betflag	0.23%
Nexigames	0.23%
Admiral Sport	0.20%

Source: ADM

## Positioning for an Upcoming Tender

Under ADM (Italian regulator), an operator requires a minimum of 50 land-based licenses in order to use its own land-based protocol (Odyssey) and to be able to white label it in other retail shops. NWGI currently has ~10 retail licenses and is looking at acquiring more retail licenses in the secondary market until the next tender (could get them for ~€10-20K/piece) in order to get its B2B solution in the marketplace and be an early mover. According to the ADM, there will be 15K land-based licenses for tender at the next auction – 10K corners and 5K agencies.

Industry players DO NOT expect a tender to be announced for another 12-18 months due to political uncertainty from the recent election and complacency at the government level. This presents an opportunity for Newgioco to quietly expand its footprint and network while waiting for the government to get its house in order. **We expect a financing announcement of sorts prior to the tender to maintain competitiveness with an aggressive bid.**

## Recent Ban on Gambling Advertising

Italy's Deputy Prime Minister Luigi di Maio has confirmed that the country's new coalition government is preparing to launch a crackdown on gambling, starting with a ban on gambling advertising. Di Maio, leader of the populist Five Star Movement and Minister for Economic Development, Labour and Social Policies, said that the government would put a stop to gambling advertising in Italy in order to protect players from addiction.

According to what has been circulated, this ban would prohibit any type of advertising, sponsorship and promotion of both gambling trademarks and games with cash winnings both offline and online. The breach of such ban would be punished with fines between €50K and €500K against both the advertiser and the media on which the advertisement is disseminated.

From merely a political standpoint, this prohibition would considerably foster illegal gambling since the possibility of performing advertisements is the main advantage of licensed operators over unlicensed operators. Unlicensed operators would continue advertising on foreign affiliate websites since it will be very difficult to enforce the ban against them and their affiliates, while licensed operators would be obliged to comply with prohibition. **This would vanish the efforts made by the Italian gambling authority during at least the last decade to regulate online gambling.**

However, from a legal standpoint, this prohibition is so broad that it might prevent any communication to the public of the activity of online gaming operators. Indeed, unlike land-based operators that have gaming halls/sports betting shops in the streets through which they can attract players, online gaming operators are obliged under their license agreement with the Italian gambling authority to market their products only through online channels of communication. This means that such prohibition would prevent operators from actually running their business, while the current Italian gambling advertising law only regulates the practice of setting time slots and restricted TV channels.

According to CNR, in 2017 there were 400K problem gamblers in Italy – this represents ~1% of the Italian adult population. **In the case of Newgioco, the Company does not engage in any direct advertising from a corporate level.** Marketing programs are passed through to agencies which carry out localized marketing programs for their respective regions.

### Exhibit 14 – Addictions by Category in Italy

Addiction	Number of People	Source
Smoking	10,300,000	Istat
Alcohol	8,265,000	Istat
Social Network	6,300,000	Sos Il Telefono Azzurro Onlus
Drugs	4,000,000	La Stampa
Smartphone	3,400,000	Sos Il Telefono Azzurro Onlus
Compulsive Shopping	2,750,000	Il Giornale
Sex	1,500,000	La Repubblica
Gambling	400,000	CNR

Source: AGIMEG



## Online Gaming Status — UK/Europe

**UK** – Considered the most reliable and mature market from a global perspective, Brexit’s impact on the UK online gaming market is yet to be seen. If Scotland, Northern Ireland and Gibraltar do secede from the UK, they must develop their own gaming laws. Changes are expected in the next few years that include a stricter, more expensive licensing process, increased gaming taxes to help a transitioning UK economy, no automatic acceptance of EU gaming licenses, and a reduction in the number of online gaming operators in the UK. A 15% point-of-consumption (“POC”) tax exists on all online gaming revenues. The current betting limit on a fixed-odd betting terminal (FOBT) has recently been modified to £2 from £100 every 20 seconds. ***We believe the UK government will have no choice but to raise the POC tax on GGR in order to offset the tax revenue shortfall from modifying the FOBT limit.***

**Italy** – Gaming in Italy has been fully legal since 2011. Online and brick and mortar providers have to acquire a license in order to operate. State taxes are as follows: 22% on sports betting GGR; 25% on online casino GGR; 25% on poker GGR; 25% on bingo and other chance games GGR. A public tender has recently closed in Italy for the award of up to 120 online gaming licenses. According to Lexology, the new licenses will enable operators to set up and run online gaming platforms across various markets and cover fixed odds and pool betting on sports and non-sports events, in addition to skill games with cash prizes, fixed odds betting with interaction between players, and bingo. Licenses will run through the end of 2022. Successful applicants will be subject to a one-time license fee of €200K. The application deadline was March 19, 2018. It appears as though the Italian regulator, the ADM is seeking to expand the online gaming market in the region.

**Spain** – All forms of gaming are legal in Spain. Regulatory powers are distributed between the state and localised authorities. All online operators must obtain a license in order to offer services in the Spanish marketplace. Most licenses are issued for five years, with a select few only having a three-year term (blackjack, roulette, baccarat, horse betting). A 25% tax on GGR exists for all online operators and regulators have blocked the websites of unlicensed foreign operators.

**Portugal** – Portugal’s online gaming market was restarted under new legislation on June 28, 2015. All online operators must obtain a license and pay taxes in order to be able to operate. Bans on the websites of unlicensed operators are placed. Taxes are extremely high in this region; online gaming operators must pay 15-30% tax on GGR while online sports betting operators are taxed between 8-16% of GGR. This led to a number of high profile operators leaving the region – William Hill, PKR, PartyPoker, PokerStars, and Full Tilt. However, PokerStars & Full Tilt re-entered under license in Q416.

**France** – Online gambling has been legal and regulated in France since 2010. Only three forms of online gaming are legal in France: sports betting, poker, and horse race betting. Online casino operators may not receive a license, as the state considers it too addictive. Taxes are as follows: 9.3% on sports betting turnover plus a 20% VAT; 2% on poker stakes plus a 20% VAT.

**Exhibit 16 – European Regulated Tax Landscape**

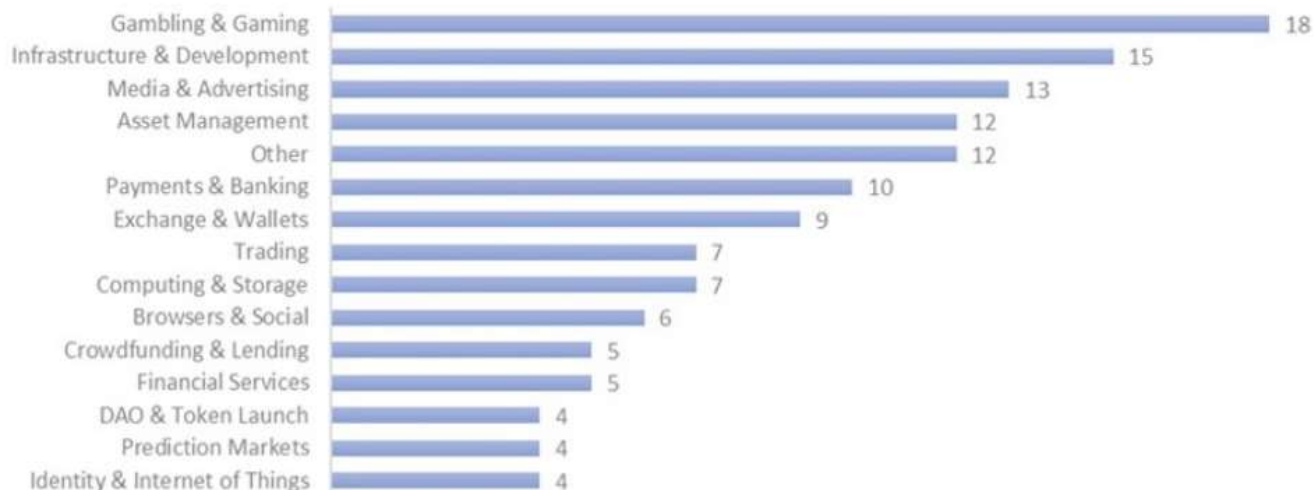
Country	Market Size 2017 (€M)	CAGR 2017-2022	Tax Rate				Pop (M)	GGR/per
			Sports Betting (S)	Casino (C)	Poker (P)	Bingo (B)		
United Kingdom	6,724	8.4%	15%	15%	15%	15%	66.62	100.9
Belgium	477	6.1%	11% GGR + 21% VAT				11.54	41.3
Czech Republic	303	10.7%	23%	35%	23%	35%	10.63	28.5
France	1,539	7.2%	(9.3% S T/O + 2% P T/O) + 20% VAT				65.27	23.6
Austria	294	4.1%	2% T/O	40%	40%	40%	8.75	33.6
Bulgaria	77	6.6%	20%	20%	20%	NA	7.03	11.0
Denmark	619	4.7%	20%	20%	20%	NA	5.76	107.5
Germany	2,243	5.6%	5% T/O	19% VAT	19% VAT	19% VAT	82.32	27.2
Greece	333	6.9%	35%	35%	35%	35%	11.14	29.9
Netherlands	306	11.6%	29%	29%	29%	29%	17.09	17.9
Romania	261	4.6%	16%	16%	16%	NA	19.57	13.3
Ireland	933	3.7%	1% T/O	23% VAT			4.81	194.0
Poland	142	21.9%	5% T/O	NA	NA	NA	38.10	3.7
Spain	772	6.7%	25%	25%	25%	25%	46.40	16.6
Italy	1,485	3.7%	22%	25%	25%	25%	59.28	25.1
Portugal	212	10.1%	NA	8-15% C B T/O; 30% P T/O			10.29	20.6
Sweden	1,045	7.5%	18%	18%	18%	18%	9.99	104.6
<b>Average:</b>							<b>47.0</b>	

Sources: GVC Annual Report, Wikipedia

**Blockchain / ICOs in Gaming**

Evidence has shown that a high number of gaming and gambling companies have used blockchain technology to raise money and fund startups. In total, more than \$4B has been raised via ICOs, according to Autonomous NEXT. Business Insider reported a \$500M ICO to build a floating cryptocurrency casino in Macau. Gambling with cryptocurrencies – as opposed to fiat money – can currently be conducted without the need to provide identification documents, or in some cases, without the need to create an account. Demand for anonymous gambling is evident in the relatively high use of pre-paid cards – such as the paysafecard– on gambling websites, and in consumer behaviour surveys. **We note that Newgioco does have blockchain and AI capabilities already in place, and may consider an ICO in the future.**

**Exhibit 17 – Cross-Sector Blockchain Startups Funded via ICO (Sample size = 141)**



Source: CB Insights, TokenData.io, Indigo 2017

## Industry Consolidation

We have seen plenty of M&A activity across both the online gambling (Stars Group/SkyBet/CrownBet/WMH Australia, Paddy Power/Betfair, Ladbrokes/Coral, GVC/BWIN) and lottery (IGT (IGT-US, NR)/GTECH, Pollard/Innova) sectors. We expect this activity to continue as companies look to fill platform and geographic gaps in their offerings. Most recently, Ladbrokes agreed to a £4B takeover by GVC (GVC-LON, NR) – which would yield a fast-growing, diversified, international online and retail sports betting led gaming group with over 90% of net revenues generated from locally regulated/taxed markets. Some analysts expect up to £100M in synergy savings post-integration (Source: gbgc).

From a Canadian perspective, the notable consolidation in 2017 was that of NYX Gaming Group by Scientific Games (SGMS-US, NR) for \$500M. In 2016, NYX acquired the leading B2B sportsbook operator in OpenBet in a deal valued at \$383M. The NYX acquisition expands Scientific Games' pedigree with global sportsbook reach and integration with some of the leading global online sportsbooks. **Average takeout multiples in the gaming sector in recent years have ranged around ~3x revenue and ~11x EBITDA.** We believe the global gaming industry is still very much fragmented, and with a challenging regulatory environment, further consolidation is the only logical solution forward.

From an Italian perspective, the two most notable deals are: Playtech acquiring Snaitech for €846M, and Gamenet (GAME-MIL, NR) acquiring GoldBet for €265M:

(1) The Playtech deal was a continuation of its strategy to invest in leading retail brands in fast growing, regulated markets. According to *Gaming Intelligence*, the acquisition valued Snaitech at an implied EV/EBITDA of 6.2x, and is expected to deliver annual cost synergies of €10.0M. Snaitech, which merged with Italian rival Cogetech last year, generated revenue of €889.6M in 2017 with EBITDA of €132.7M.

(2) According to *CalvinAyre.com*, Gamenet's addition of Goldbet's 990 Italian betting shops will create a combined retail footprint of around 1,700 shops, equaling roughly 21% of the country's retail sports betting market. The combined entity would also control 7% of Italy's online betting market and a one-third share of the lucrative virtual betting sector. Goldbet reported annual earnings of €40m and a net profit of €23m in 2017, and its earnings through the 12 months ending June 30, 2018 are believed to have hit €50m. The acquisition valued GoldBet at an implied EV/EBITDA of 6.6x. Since these are all CED locations (with no Rights), Gamenet would need to buy 990 rights at the tender to keep all the locations going.

**Exhibit 18 – Recent M&A Activity in the Online Gambling and Lottery Sectors**

Announced	Closed	Acquirer	Target	Value (US\$M)		
				Transaction	EV/Sales	EV/EBITDA
21 Jun '16	21 Jun '16	Tencent	Supercell	\$8,600.0	4.4	10.6
26 Aug '15	02 Feb '16	Paddy Power	Betfair	\$8,000.0	5.4	23.7
07 Dec '17	21 Mar '18	GVC Holdings	Ladbrokes Coral	\$6,607.0	2.5	17.2
16 Jul '14	07 Apr '15	GTECH	IGT	\$6,465.4	3.0	9.8
19 Oct '16	13 Dec '17	Tabcorp Holdings	Tatts Group Ltd.	\$5,536.0	2.6	14.4
22 Jun '15	01 Nov '16	Ladbrokes Plc	Gala Coral Group Ltd.	\$5,272.0	2.6	12.4
01 Aug '14	21 Nov '14	Scientific Games	Bally Technologies	\$5,027.1	4.1	11.9
12 Jun '14	01 Aug '14	Amaya	Rational/Pokerstars	\$4,900.0	4.4	11.5
21 Apr '18	10 Jul '18	Stars Group	Sky Beting & Gaming	\$4,700.0	5.4	16.6
30 Jul '16	23 Sep '16	Chinese consortium	Playtika/Caesars Ent	\$4,400.0	5.3	13.0
22 Jun '15	01 Nov '16	Ladbrokes Plc	Gala Coral	\$3,601.8	1.9	8.7
26 Aug '15	02 Feb '16	Paddy Power Plc	Betfair Group	\$3,351.0	4.4	17.5
04 Sep '15	01 Feb '16	GVC/Cerberus	bwin.party	\$1,713.0	2.1	15.1
31 Jan '13	18 Oct '13	Scientific Games	WMS Industries	\$1,549.7	2.3	7.5
15 May '15	01 Feb '16	GVC Holdings	bwin.party	\$1,483.0	1.8	13
16 May '12	20 Nov '12	Boyd Gaming	Peninsula Gaming	\$1,444.0	4.1	12.9
16 Jul '13	25 Nov '13	Bally Technologies	SHFLentertainment	\$1,283.5	4.7	15.5
07 Jul '14	21 Oct '14	Aristocrat Leisure	Video Gaming Technologies (VGT)	\$1,283.0	5.4	8.3
29 Jul '10	31 Mar '11	PartyGaming	bwin.party	\$1,055.2	2.6	17.5
29 Nov '17	09 Jan '18	Aristocrat Leisure	Big Fish Games/CHDN	\$990.0	2.2	11.9
08 Sep '14	19 Dec '14	Everi	Multimedia Games	\$983.0	4.5	9.5
12 Apr '18	03 Aug '18	Playtech	SNAI TECH SpA	\$972.9	1.0	6.2
17 Apr '17	01 Jun '17	DoubleUGames Co	Double Down/IGT	\$825.0	3.0	10.5
05 Feb '15	08 Apr '15	Intertain Group	Gamesys (Jackpotjoy)	\$682.5	3.4	6.6
01 Oct '12	19 Mar '13	GVC/William Hill	Sportingbet Plc	\$673.1	2.3	10.2
12 Nov '14	16 Dec '14	Church Downs	Big Fish Games	\$636.0	2.0	8.4
20 Sep '17	05 Jan '18	Scientific Games	NYX Gaming	\$501.0	2.9	11.7
10 Aug '17	19 Oct '17	Aristocrat Leisure	Plarium Global	\$500.0	2.5	11.3
12 Jan '12	20 Jan '12	IGT	DoubleDown	\$500.0	3.9	14.3
04 Apr '16	20 May '16	NYX Gaming	OpenBet	\$383.0	3.7	8.1
30 Mar '15	29 May '15	Apollo Global Management	Amaya's Cadillac Jack	\$382.0	3.1	10.2
24 Jul '18	Pending	Gamenet Group SpA	GoldBet Srl (from Sky Plc)	\$310.2	—	6.6
06 Mar '18	23 Apr '18	Stars Group	William Hill Australia	\$234.0	1.7	39.7
07 Feb '14	04 Mar '14	Betsson	Class One Holding	\$197.2	4.5	6.6
23 Feb '17	06 Jun '17	Kindred Group Plc	32Red Plc	\$196.0	2.3	15.2
03 Aug '16	03 Aug '16	Penn National Gaming	Rocket Games	\$170.0	—	6.3
25 Sep '12	05 Nov '12	Amaya	Cadillac Jack	\$167.0	2.1	8.0
25 Feb '14	15 Mar '14	GSN	Bash Gaming	\$165.0	2.1	6.6
26 May '11	31 Aug '11	Sportingbet Plc	Centrebet International	\$157.1	2.4	10.9
13 Jul '16	13 Jul '16	Playtech	Best Gaming Tech	\$153.0	3.7	11.9
09 Apr '15	31 Jul '15	NYX Gaming	Chartwell/CryptoLogics	\$150.0	4.3	14.3
09 Oct '14	23 Dec '14	Intertain Group	Dumarca/Vera&John	\$118.7	3.2	11.0
18 Apr '12	20 Jun '12	Betsson	Nordic Gaming Group	\$111.7	1.7	—
04 Jun '14	14 Jul '14	Intertain Group	Mandalay Media	\$100.4	3.4	6.9
05 Jun '14	03 Jul '14	Bally Technologies	Dragonplay	\$100.0	5.0	10.0
07 Aug '15	16 Sep '15	Unibet	iGame	\$87.7	2.9	8.4
13 May '11	15 Jun '11	Betsson	Safepay Malta	\$85.2	2.3	—
29 Jun '15	23 Jul '15	Betsson	Europe-Bet.com	\$85.0	1.6	4.1
21 Oct '13	11 Feb '14	Goldstar (Intertain)	Wagerlogic (InterCasino assets)	\$56.8	3.8	11.4
19 Feb '13	19 Feb '13	Betsson	Scandinavian Slots from Cherry AB	\$53.0	1.7	5.4
29 Jul '16	31 Aug '16	Stride Gaming Plc	Tarco Ltd.	\$51.1	—	—
10 May '17	10 May '17	Paddy Power Betfair	Starstreet, Inc.	\$48.0	—	—
29 Jul '16	31 Aug '16	Stride Gaming Plc	8Ball Games Ltd.	\$41.0	—	—
24 Jan '13	01 Mar '13	Ladbrokes Plc	Global Betting Exchange (Betdaq)	\$39.8	3.0	12.1
31 Jul '15	31 Jul '15	Stride Gaming	InfiApps	\$39.2	2.9	11.5
01 Oct '12	01 Nov '12	Amaya	Ongame Network from bwin.party	\$32.2	1.5	-
10 Mar '17	18 Sep '17	Pollard Banknote	Innova Gaming Group	\$28.8	1.3	7.3
12 Jun '13	14 Feb '14	Amaya	Diamond Game Enterprises	\$25.0	1.2	—
31 Aug '16	18 Jan '17	Scientific Games	DEQ Systems	\$19.7	2.7	—
15 Dec '11	01 Aug '12	Amaya	CryptoLogic	\$16.1	0.7	5.0
12 May '11	14 Jul '11	Amaya	Chartwell Technology	\$9.6	1.0	—
02 Jul '15	14 Aug '15	Jackpot Digital	PokerTek, Inc.	\$5.4	7.3	1.3
				<b>Average</b>	<b>3.0</b>	<b>11.3</b>

Source: Echelon Wealth Partners, FactSet

## Financial Estimates

NWGI has a December fiscal year-end. Quarterly results have been sequentially improving as the Company’s Odissea solution was rolled out to its online sports platform and replaced Microgame in August 2017. Seasonally, Q1 and Q4 are strongest due to the number of sports under way in those periods, with Q2 and Q3 generally quieter as casino and other table games are the focus. NWGI had a strong Q218 which included 15 days of the 2018 World Cup – Q218 revenue was \$8.8M, with adj. EBITDA of \$1.1M (excl. the non-cash derivative liability related to the convertible debenture and share price volatility through Q218). Non-GAAP betting turnover in Q218 was \$100M (+101.6% y/y), and \$190.6M (+86.3% y/y) for the H118. **NWGI is on track to exceed its 2018 projected turnover target of ~\$300M.**

NWGI has obtained final SOGEI certification just in time for the start of the 2018/2019 soccer season. Odissea is now independently connected to the regulator and completely free from third party processing.

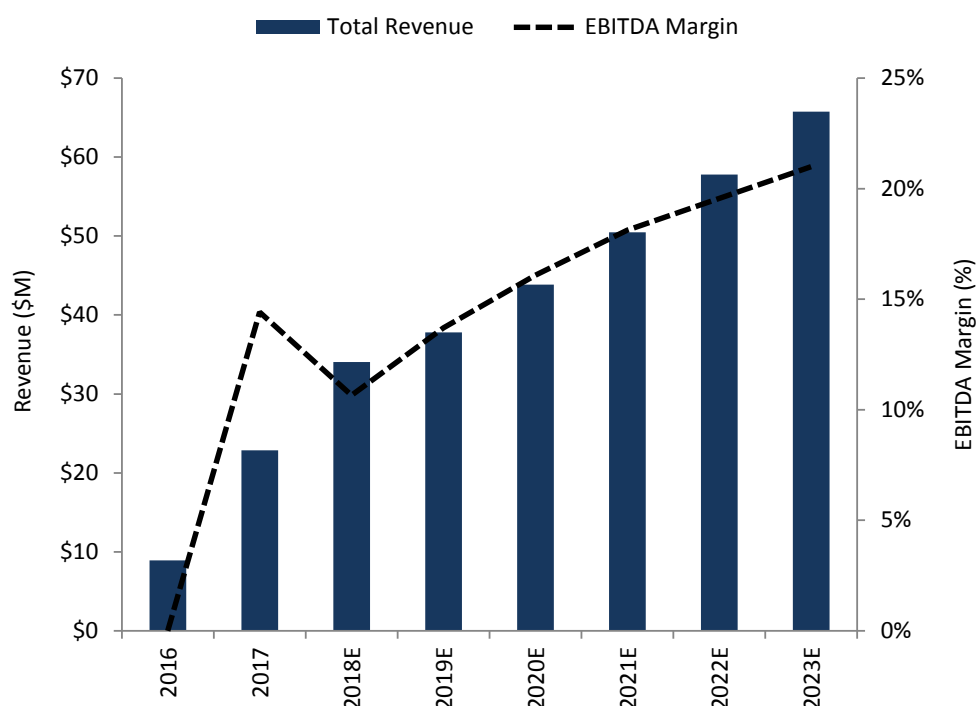
### Exhibit 19 – Quarterly Summary

Forecasts	Q118	Q218	Q318	Q318E	Diff.	Q418E	2018E	Q119E
Revenue (\$M)	\$8.6	\$8.8		\$8.9		\$9.1	\$35.4	\$9.3
EBITDA (\$M)	\$0.6	\$1.1		\$1.0		\$1.1	\$3.8	\$1.3
EPS (FD)	\$0.01	(\$0.09)		\$0.01		\$0.01	(\$0.06)	\$0.01
EPS (Basic)	\$0.01	(\$0.09)		\$0.01		\$0.01	(\$0.06)	\$0.01
CFPS	\$0.02	(\$0.00)		\$0.01		\$0.01	\$0.04	\$0.01

Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

Longer term, we expect EBITDA margins to trend toward 25% as more users scale on the platform through organic and inorganic growth. **We remind investors that the Italian marketplace is highly fragmented and retail operations are a necessity in this marketplace.** We believe the Italian online market is where the UK market was 10 years ago, and the real growth is ahead of us.

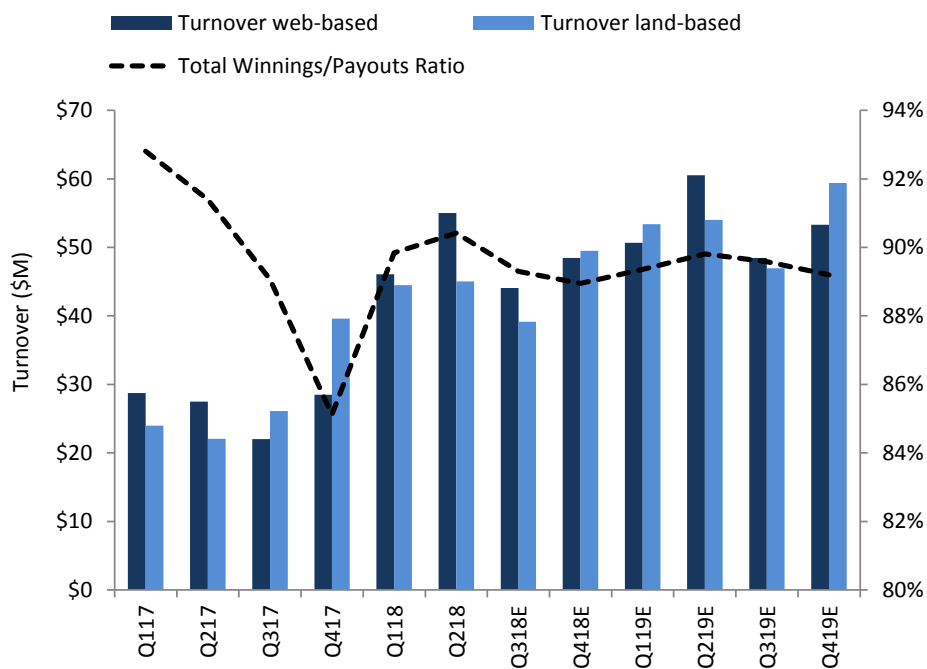
### Exhibit 20 – Revenue and EBITDA Margins



Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

**Turnover is the key metric when analyzing a sportsbook.** Historically, NWGI’s payout ratio has been under 90%, meaning the house’s keep has been averaging north of 10%. In its Q218 filings, web-based turnover grew 100% y/y to \$55.0M, with land-based turnover expanding 104% y/y to \$45.0M. We like the near ~50/50 split between web-based and retail turnover, furthering our belief that retail operations are a key cultural bias in the Italian marketplace.

**Exhibit 21 – Turnover (Online vs. Land-based)**



Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

Also important to note is that insiders hold a significant stake of the Company’s outstanding shares and are therefore directly vested in the success of the business and aligned with shareholders.

**Exhibit 22 – Capitalisation Table**

**Share Ownership:**

Gold Street Capital Corp.*	45.11%
Luca Pasquini, Director, CTO (Austria, Co-Founder Odissea)	7.08%
Gabriele Peroni, VP Bus. Deve (Italy, Co-Founder Odissea)	7.03%
Mississauga of the New Credit First Nation (Canada)	6.90%
Alessandro Marcelli, President and COO (Italy, Multigioco)	3.97%
Beniamino Gianfelici, VP Legal Affairs (Italy)	3.97%
Franco Salvagni, VP Land-based Operations (Italy)	1.22%
Harold Wolkin, Independent Director (Canada)	0.74%

**Insider Ownership** **76.0%**

Source: Company Filings, \*Gold Street Capital Corp. is a company owned by Gilda Ciavarella, spouse of Mike Ciavarella. Mike Ciavarella disclaims any beneficial ownership over the shares of the Company held by Gold Street Capital Corp.

## Valuation

We are initiating coverage of NWGI with a Speculative Buy rating and a DCF-based \$1.80 target. NWGI is currently trading, on our estimates, at a 2019E EV/Sales and EV/EBITDA of 0.7x/5.3x versus its Global Gaming comparables at 2.4x/8.4x, respectively.

### Exhibit 23 – DCF Analysis

Newgioco Group Inc.										
DCF Analysis (US\$)	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue (\$)	8,897,963	22,865,146	35,411,086	39,210,507	45,513,942	52,429,849	60,038,255	68,300,656	75,100,721	82,570,793
Revenue Growth		157.0%	54.9%	10.7%	16.1%	15.2%	14.5%	13.8%	10.0%	9.9%
EBITDA (\$)	(623)	3,296,761	3,771,767	5,358,749	7,305,417	9,488,663	11,723,111	14,319,811	16,839,015	19,720,087
EBITDA Growth			14.4%	42.1%	36.3%	29.9%	23.5%	22.2%	17.6%	17.1%
EBITDA Margin	0.0%	14.4%	10.7%	13.7%	16.1%	18.1%	19.5%	21.0%	22.4%	23.9%
Depreciation and Amortization	785,245	701,595	457,072	396,274	407,332	415,162	432,327	450,692	462,565	476,152
EBIT (\$)	(785,868)	2,595,166	3,314,695	4,962,475	6,898,085	9,073,500	11,290,784	13,869,119	16,376,450	19,243,935
NOPAT	(1,644,822)	1,832,756	4,803,353	4,001,996	5,562,972	7,317,339	9,105,471	11,184,774	13,206,815	15,519,302
Plus Amortization (\$)	785,245	701,595	457,072	396,274	407,332	415,162	432,327	450,692	462,565	476,152
Less Capital Expenditures (\$)	457,251	(180,722)	(4,889,395)	(211,579)	(231,278)	(252,503)	(1,025,676)	(300,976)	(328,597)	(358,754)
Capital Intensity	-5.1%	0.8%	13.8%	0.5%	0.5%	0.5%	1.7%	0.4%	0.4%	0.4%
Net Working Capital Changes	775,711	1,152,785	1,137,073	351,054	488,270	527,750	611,072	633,482	457,098	484,105
EPS (Continuing)	-0.03	0.02	-0.06	0.04	0.07	0.09	0.11	0.14	0.17	0.20
<b>Unlevered Free Cash Flow (\$)</b>	<b>373,385</b>	<b>3,506,414</b>	<b>1,508,103</b>	<b>4,537,744</b>	<b>6,227,296</b>	<b>8,007,748</b>	<b>9,123,194</b>	<b>11,967,971</b>	<b>13,797,880</b>	<b>16,120,806</b>
PV of Unlevered FCFs (\$)	435,805	3,720,540	1,454,725	3,979,216	4,963,076	5,801,885	6,009,148	7,166,282	7,508,957	7,975,562

#### Valuation Assumptions:

Discount Rate	10%
Terminal Multiple	10.0x

#### Valuation Analysis:

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$)	44,858,850	43,404,125	39,424,909
Terminal Value (\$)	197,200,870	197,200,870	197,200,870
PV of Terminal Value (\$)	97,562,604	107,318,865	118,081,581
Net (debt) cash position	6,202,285	9,399,227	14,076,562
Total Value (\$)	148,623,739	160,122,216	171,583,052
DCF Value/Share	<b>1.69</b>	<b>1.82</b>	<b>1.95</b>
FD Shares O/S	87,913,916	87,913,916	87,913,916

Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

### Exhibit 24 – DCF Sensitivity

		Terminal EV/EBITDA Multiplier						
		7.00	8.00	9.00	10.00	11.00	12.00	13.00
Discount Rate	6%	1.78	1.94	2.09	2.24	2.40	2.55	2.71
	8%	1.61	1.74	1.88	2.02	2.16	2.29	2.43
	10%	1.46	1.58	1.70	<b>1.82</b>	1.94	2.07	2.19
	12%	1.32	1.43	1.54	1.65	1.76	1.87	1.97
	14%	1.20	1.30	1.40	1.50	1.59	1.69	1.79
	16%	1.10	1.19	1.27	1.36	1.45	1.54	1.62

Source: Echelon Wealth Partners

**Exhibit 25 – Global Gaming Comparables**

	Ticker	Price (Local)	Rating	Target (Local)	Mkt Cap (US\$M)	LTM Rev (US\$M)	EV/Sales			EV/EBITDA			P/E		
							2017	2018	2019	2017	2018	2019	2017	2018	2019
<b>Stars Group Inc.</b>	<b>TSGI-CA</b>	<b>\$ 36.07</b>	<b>BUY</b>	<b>\$ 57.00</b>	<b>7,504</b>	<b>1,494</b>	<b>4.9</b>	<b>3.1</b>	<b>2.2</b>	<b>10.8</b>	<b>8.1</b>	<b>5.8</b>	<b>12.3</b>	<b>12.8</b>	<b>11.3</b>
<b>JPJ Group Plc</b>	<b>JPJ-GB</b>	<b>£ 8.73</b>	<b>BUY</b>	<b>£ 13.00</b>	<b>827</b>	<b>429</b>	<b>3.0</b>	<b>3.2</b>	<b>3.0</b>	<b>8.5</b>	<b>9.3</b>	<b>9.0</b>	<b>7.8</b>	<b>7.6</b>	<b>7.1</b>
<b>Intertain Group Limited</b>	<b>ITX-CA</b>	<b>\$ 14.23</b>	<b>BUY</b>	<b>\$ 23.00</b>											
<b>Pollard Banknote Limited</b>	<b>PBL-CA</b>	<b>\$ 20.94</b>	<b>BUY</b>	<b>\$ 28.00</b>	<b>410</b>	<b>249</b>	<b>2.1</b>	<b>1.8</b>	<b>1.6</b>	<b>13.7</b>	<b>11.3</b>	<b>10.0</b>	<b>29.2</b>	<b>25.6</b>	<b>18.8</b>
Great Canadian Gaming Corporation	GC-CA	\$ 44.00			2,062	665	5.0	2.6	2.2	13.8	7.9	6.9	31.4	17.4	15.1
Quantum International Income Corp.	QIC-CA	\$ 1.09			59	62	-	-	-	-	-	-	-	-	-
Breaking Data Corp.	BKD-CA	\$ 0.74			8	8	-	-	-	-	-	-	-	-	-
<b>Newgioco Group Inc</b>	<b>NWGI</b>	<b>\$ 0.40</b>	<b>SPEC BUY</b>	<b>\$ 1.80</b>	<b>30</b>	<b>32</b>	<b>1.1</b>	<b>0.8</b>	<b>-</b>	<b>7.5</b>	<b>5.4</b>	<b>-</b>	<b>20.1</b>	<b>10.1</b>	<b>-</b>
Jackpot Digital Inc	JP-CA	\$ 0.26			10	2	-	-	-	-	-	-	-	-	-
Global Daily Fantasy Sports, Inc.	DFS-CA	\$ 0.13			5	0	-	-	-	-	-	-	-	-	-
Tangelo Games Corp.	GEL-CA	\$ 0.02			3	27	-	-	-	-	-	-	-	-	-
Contagious Gaming Inc.	CNS-CA	\$ 0.05			1.1	0.2	-	-	-	-	-	-	-	-	-
Scientific Games Corporation	SGMS	30.15			2,756	3,248	3.7	3.4	3.3	9.4	8.6	8.2	NM	NM	NM
Everi Holdings, Inc.	EVRI	8.33			579	737	1.7	3.7	NM	7.8	7.2	NM	NM	NM	NM
Inspired Entertainment, Inc.	INSE	7.10			153	148	NM	1.9	1.8	NM	4.9	4.4	NM	NM	NM
Paddy Power Betfair plc	PPB-GB	71.30			7,514	2,398	3.1	3.1	2.9	11.3	12.3	12.1	16.6	18.0	17.5
International Game Technology PLC	IGT	20.21			4,121	4,941	2.3	2.3	2.3	6.8	6.5	6.4	23.5	18.1	11.2
GVC Holdings PLC	GVC-GB	10.99			8,110	1,011	3.8	1.0	0.9	13.4	4.5	4.1	20.3	13.8	12.6
Playtech plc	PTEC-GB	5.23			2,118	910	2.3	1.5	1.1	5.6	5.9	4.6	8.1	9.1	8.0
William Hill PLC	WMH-GB	2.57			2,820	2,253	1.3	1.4	1.4	5.8	6.9	6.7	8.5	10.9	10.5
Kindred Group plc (Unibet)	KIND-SE	112.55			2,820	1,161	2.8	2.6	2.3	11.5	11.6	12.0	15.2	15.9	16.7
bet-at-home.com AG	ACX-DE	63.20			507	157	2.4	2.6	2.6	8.5	9.1	9.3	13.2	13.8	14.1
Evolution Gaming Group AB	EVO-SE	676.00			2,647	76	11.9	9.6	7.7	26.1	21.5	17.3	34.1	28.5	23.3
NetEnt AB Class B	NET.B-SE	36.32			950	203	4.5	4.8	4.5	9.9	10.4	9.7	14.4	15.0	14.3
Rank Group Plc	RNK-GB	1.70			845	910	0.9	1.0	0.9	5.2	5.5	5.3	10.6	11.3	10.7
888 Holdings Plc	888-GB	2.31			1,061	542	1.7	1.6	1.5	10.2	8.5	8.0	15.1	14.5	13.5
Betsson AB Class B	BETS.B-SE	74.75			1,126	599	2.2	2.2	2.0	8.8	8.4	9.0	12.2	10.9	12.0
Stride Gaming PLC	STR-GB	1.10			106	118	0.6	0.6	0.6	2.7	3.2	3.4	4.0	6.6	6.3
LeoVegas AB	LEO-SE	57.40			623	121	2.6	1.7	1.3	NM	NM	8.5	NM	NM	11.0
Cherry AB Class B	CHER.B-SE	59.90			677	80	3.0	2.6	2.3	NM	NM	9.2	NM	NM	12.6
Kambi Group plc Class B	KAMBI-SE	162.00			529	42	6.6	6.2	5.1	25.8	23.3	16.4	71.8	71.0	34.8
Mr Green & Co AB	MRG-SE	41.80			186	170	0.9	0.7	0.6	5.6	4.8	4.0	13.7	14.4	10.1
Sportech PLC	SPO-GB	0.68			162	85	NM	NM	NM	NM	NM	NM	NM	NM	NM
Gamenet Group SpA	GAME-IT	8.77			301	699	0.6	0.7	0.6	4.8	4.8	3.2	18.2	16.8	7.1
Aristocrat Leisure Limited	ALL-AU	30.98			14,454	2,170	8.8	6.2	5.3	21.8	16.6	14.2	35.1	25.8	21.8
Tabcorp Holdings Limited	TAH-AU	4.73			6,957	2,133	4.2	2.6	1.9	18.7	13.5	9.3	20.4	27.2	23.0
Ainsworth Game Technology Limited	AGI-AU	1.17			284	214	1.4	1.7	1.6	4.9	6.7	6.7	7.1	13.6	14.9
<b>AVERAGES:</b>							<b>3.2</b>	<b>2.7</b>	<b>2.4</b>	<b>10.7</b>	<b>9.3</b>	<b>8.3</b>	<b>19.1</b>	<b>18.7</b>	<b>14.6</b>

Source: Consensus Data – FactSet

## Risks

**Financing Risk.** Newgioco is preparing for the upcoming retail tender in Italy. Should it not be able to secure financing in anticipation, operations could be materially adversely affected.

**Key Personnel Risk.** The key operators and technical people at the Company are Alessandro Marcelli and Luca Pasquini. A departure of either could disrupt operations.

**Obsolescence Risk.** Newgioco's proprietary Odissea betting platform is a new, up-and-coming solution in the marketplace. Should the technology fail to meet current marketplace demands, results could suffer.

**Expansion Risk.** Newgioco's current operations mainly reside in Italy. Should it expand to other countries such as Spain, US, UK, and others, it could involve material growth capex. Should capex efforts not have a targeted purpose or not yield as-expected benefits, this could put its balance sheet in a precarious situation and results could suffer.

**Regulatory Risk.** Newgioco's current operations mainly reside in Italy and are under federal, provincial and municipal regulation. Exogenous new rules and regulations such as a GGR tax increase could negatively impact results. Also, failure to comply with existing rules and regulations could cause operations to cease and fines levied.

**Liquidity Risk.** Newgioco currently trades on the OTC in the US. We are expecting a listing on a nationally recognized exchange in due course. Should this fail to happen, it could limit liquidity in NWGI shares.

## Management

### Michele (Mike) Ciavarella – Chairman & CEO

Michele Ciavarella has served as the Chairman and CEO since June 2011. In addition, Mr. Ciavarella has served the Company in various roles and executive capacities since 2004 including President, CEO and Director of Operations. From 2004 to 2011 Mr. Ciavarella was engaged in senior executive and director roles for a variety of private and publicly listed companies including Kerr Mines (formerly known as Armistice Resources), Firestar Capital Management Corporation, Mitron Sports Enterprises, Process Grind Rubber and Dagmar Insurance Services. He also served as the Business Development Officer for Forte Fixtures and Millwork Inc., a family business in the commercial retail fixture manufacturing industry from January 2007 until October 2013. From 1990 until 2004, Mr. Ciavarella served as a senior executive, financial planner, life insurance underwriter and financial advisor for Manulife Financial and Sun Life Financial, managing a portfolio of over \$100M for First Nations in Ontario, Canada. Mr. Ciavarella received his Bachelor of Science degree in Liberal Sciences (with studies in mining engineering) from Laurentian University in Sudbury, Ontario.

### Alessandro Marcelli – President and COO

Alessandro Marcelli serves as NWGI's President and COO, and brings 20 years of professional experience in the technology industry having a broad range of applicable cross border experience including a key role as Project Manager of Software with NATO working within the Turkish Army. He was employed with Vodafone Group PLC for 12 years as manager of the operational and maintenance centre for central and south Italy operations. Alessandro has extensive experience in communications, team building, as well as management skills in fast changing environments. Since 2007, Alessandro has been the COO and Managing Director of Multigioco Srl. and has been instrumental in its growth, expanding the Newgioco/Multigioco brand to over €77M in gross annual gaming turnover during his tenure.

### Luca Pasquini – Chief Technology Officer

Luca Pasquini brings 30 years of IT experience and has held the key roles of team leader, service manager and project manager in various software and technology development projects. From 2011 to 2013, Luca was IT Manager with GoldBet sportwetten GmbH where he provided executive oversight of technology adaptation and software development during a period of substantial growth in GoldBet's betting turnover. In 2013, Luca co-founded Odissea Betriebsinformatik Beratung GmbH where he was instrumental in the planning and creation of a powerful, leading edge sports betting and gaming technology system; as well as in assembling a solid team of gaming specialist software engineers that have developed a comprehensive bookmaker platform and a full suite of gaming products.

### Beniamino (Benji) Gianfelici – Vice President, Regulatory Affairs

Beniamino Gianfelici is the founder and a director of Newgioco Srl and has over 35 years of experience in the gaming industry in Italy. Prior to establishing Newgioco in the gaming business, Beniamino formed and operated a successful construction enterprise based in Rome, Italy.

### Gabriele Peroni – Vice President, Business Development

Gabriele Peroni has served as VP Business Development since August 2016. Mr. Peroni brings 20 years of experience in the online and land-based gaming business. From February 2011 to September 2013, Mr. Peroni was the Senior Sales Manager for GoldBet sportwetten GmbH in charge of business development throughout Italy. In addition, in June 2013, Mr. Peroni co-founded Odissea Betriebsinformatik Beratung GmbH ("Odissea") and since September 2013 he has been instrumental in securing a number of significant B2B contracts with Odissea.

### Franco Salvagni – Vice President, Land-Based Operations

Franco Salvagni has served as VP Land-based Operations since August 2016. Mr. Salvagni has 20 years of experience at the retail level in Italian gaming business. Since 2013, Mr. Salvagni has served as Area Manager in charge of developing the land-based distribution of betting shops in Italy of Ulisse GmbH.

## Board of Directors

### Michele (Mike) Ciavarella – Chairman

See bio above.

### Luca Pasquini – Director

See bio above.

### Russ McMeekin – Director

Russ McMeekin has served as a member of the Board since July 2018. Mr. McMeekin has over 25 years of professional experience in gaming, technology and executive management. Since May 2017, he has served as the Chief Executive Officer, President and co-founder of Universal mCloud (MCLD-V, C\$0.61, Spec Buy, C\$1.50 PT), and from June 2009 until September 2012, he served as the Chief Executive Officer of SCI Energy. From October 2015 until June 2016, Mr. McMeekin served as Executive Chairman of Yokogawa Venture Group following the acquisition of Industrial Knowledge by Yokogawa Electric Corp., an industrial technology company listed on the Tokyo Stock Exchange. From July 2002 until November 2008, Mr. McMeekin served as President, Chief Executive Officer and a member of the Board of Progressive Gaming International, an integrated gaming management systems provider who pioneered the use of embedded radio-frequency identification, also known as RFID, in poker chips and advanced sports betting systems included mobile gaming for the casino gaming industry worldwide. From July 2002 until November 2008, Mr. McMeekin served as a member of the board of the American Gaming Association and the Canadian Gaming Association. From July 1992 until October 2002, Mr. McMeekin served in various capacities at Honeywell International (“Honeywell”) including President of Advanced Software and Internet Business. As Group President at Honeywell, he also led the formation of Venture Initiatives to form Myplant (serving the industrial community), a joint venture with Microsoft Inc, Myfacilities (serving the commercial building industry) and MyAircraft a venture with Honeywell, I2 and BF Goodrich. While at Honeywell, Mr. McMeekin served as President and General Manager of Honeywell’s Hi-Spec Software Solutions business unit, the advanced software technology and optimization division of Honeywell. He also served in Singapore, leading the Asia Pacific Advanced Software group. Mr. McMeekin received a Diploma from Sault College in Engineering Technology and continued his studies in engineering at the University of Waterloo. He completed the Executive Business Program sponsored by Honeywell at the Harvard Business School and also completed the Stanford School of Law, Executive Director Program with a focus on public company corporate governance. He started his career at a University of Western Ontario Computer Aided Design Venture which was acquired by Honeywell in 1992.

### Harold Wolkin – Director

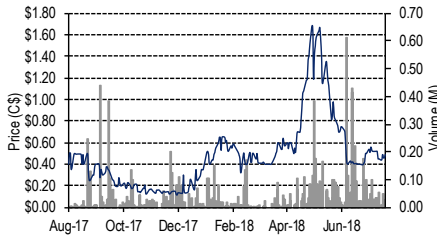
Harold M. Wolkin has served as a member of the Board since July 2018. Mr. Wolkin is an executive, investment banker and financial analyst with over 30 years of business success. From August 2009 until January 2011, Mr. Wolkin served as Executive Vice President, Head of Investment Banking of Dundee Capital Markets, and from July 2008 until August 2009, he served as Founder, Vice Chairman, Head of Investment Banking of Sandfire Securities, Inc. From October 1992 until January 2008, Mr. Wolkin served as Managing Director, Diversified Industries, Investment and Corporate Banking of BMO Capital Markets (“BMO”), and from October 1992 until January 2008, he served as Vice President and Director, Equity Research Analyst of BMO and BMO Financial Group. In addition to the foregoing, Mr. Wolkin has held a variety of roles with Canada Trust Corporation, Royal Trust Corporation and Crown Life Insurance Company from 1976 until 1992 including Assistant Portfolio Manager, Equity Research Analyst and Senior Economist. Since retiring in 2011, Mr. Wolkin has served as a member of boards of directors and committees of various companies, including public, private and non-for-profit companies. Specifically, he has served as a director and chairman of the audit committee of Baylin Technologies (BYL-T, NR) since November 2013 and was appointed as vice chair of the board in August 2017; director and chairman of the audit committee of Cipher Pharmaceuticals (CPH-T, C\$3.04, Buy, C\$8.75 PT) since September 2016; and director and a member of the audit committee of Diamond Estates Wine & Spirits (DWS-T, C\$0.33, Buy, C\$0.45) (“Diamond”) since September 2013 and chairman of the governance and compensation committee of Diamond since November 2017. In addition, Mr. Wolkin served as a

member of the board of Global Financial Group from November 2014 to September 2017, Ceres Global Ag from August 2014 until May 2016, White Knight Acquisition Corp. III from August 2014 until May 2016, Canterra Seeds from August 2014 to May 2016 and Plymouth Realty Corp. from August 2013 until June 2015. Since June 2014, Mr. Wolkin has served as a member of the advisory committee of Vantage Funds, and since June 2001 he has served as a member of the board of the Miles Nadal Jewish Community Centre where he was previously appointed as the president. Since May 2013, Mr. Wolkin has also served as a member of the advisory committee for the Masters in Financial Economics, at the University of Toronto. Mr. Wolkin is a Chartered Financial Analyst ("CFA"). He received a Master of Arts in economics from the University of Toronto and a Bachelor of Arts in economics from York University. He also holds a number of professional affiliations including, among several others, a Graduate of the Institute of Corporate Directors Program, Rotman School of Management; Former President, Toronto CFA Society and a Lifetime Member, Toronto Association of Basketball Officials.

### **William Rutsey – Director**

William Rutsey has served as a member of the Board since July 2018. Mr. Rutsey has had a highly accomplished career as a senior executive and an advisor to the public and private sectors in the gaming, sports and entertainment and real estate fields, culminating in his positions as Chief Executive Officer in the gaming industry in Nevada, Ontario and nationally in Canada. Since June 2017, Mr. Rutsey has acted as an advisor to the Canadian Gaming Association (the "CGA"). From March 2005 until June 2017, Mr. Rutsey served as Chief Executive Officer of CGA where he was a national advocate for the gaming entertainment industry, responsible for positioning the association to address regulatory, political and educational issues in the industry, including being a regular commentator on gaming issues in media and before the government. In March 2006 he co-founded Canada's pre-eminent annual gaming industry convocation, the Canadian Gaming Summit and served as its Chairman from March 2006 until June 2017. Mr. Rutsey also served as co-publisher of Canada's premier gaming industry magazine, Canadian Gaming Business, from January 2006 until June 2017. As Chief Executive Officer of RPC Gaming Inc. from November 1994 until March 2001 and Chief Executive Officer of Multigames International Inc from April 2001 until December 2007, Mr. Rutsey developed and managed gaming businesses in Ontario, Las Vegas and internationally, including a chain of sports bars in Las Vegas, and has been licensed by gaming regulators in Nevada and Ontario. As founder and practice leader of the Coopers and Lybrand (now PricewaterhouseCoopers) Gaming Consulting Practice from September 1987 until November 1994, he advised numerous private and public-sector clients, including the Ontario government, authoring the Ontario Casino Market and Economic Impact Study – the blueprint for the Ontario casino gaming industry. He also previously advised professional sports organizations on the design and development of new stadium and arena facilities and various levels of government on public infrastructure projects. In 2017, Mr. Rutsey received the Canadian Gaming Industry Leadership and Outstanding Contribution Award which is awarded for lifetime achievement.

# Newgioco Group, Inc. – Tear Sheet



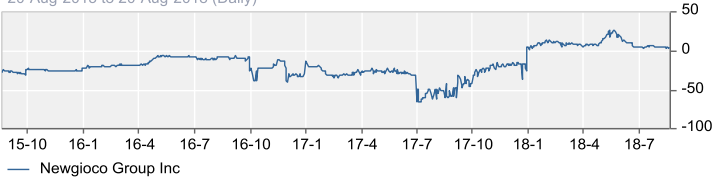
**Company Description**  
Newgioco Group, Inc. engages in the operation of licensed gaming. It provides retail web-based and land-based gaming services. It offers online casino, sports betting, virtual sports betting, horse racing, and physical slots. The company was founded on August 26, 1998 and is headquartered in Toronto, Canada.

Consensus	Current	Return
Rating:	Spec Buy	
Target:	\$ 1.80	349%
Median:	\$ 1.80	349%
High:	\$ 1.80	349%
Low:	\$ 1.80	349%

Consensus	
Buy	1
Hold	0
Sell	0
# of Ratings	1

## Enterprise Value to EBITDA

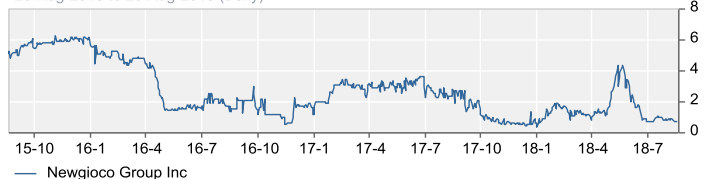
20-Aug-2015 to 20-Aug-2018 (Daily)



Source: FactSet Fundamentals

## Enterprise Value to Sales

20-Aug-2015 to 20-Aug-2018 (Daily)



Source: FactSet Fundamentals

Financial Summary/Key Metrics	2016	2017	Q118	Q218	Q318E	Q418E	2018E	2019E	2020E	2021E
Gaming Revenue	8.90	22.87	8.59	8.82	8.89	9.10	35.41	39.21	45.51	52.43
<b>Total Revenue</b>	<b>8.90</b>	<b>22.87</b>	<b>8.59</b>	<b>8.82</b>	<b>8.89</b>	<b>9.10</b>	<b>35.41</b>	<b>39.21</b>	<b>45.51</b>	<b>52.43</b>
Growth y/y		157%	122%	115%	74%	-7%	55%	11%	16%	15%
Consensus										
<b>EBITDA</b>	<b>(0.00)</b>	<b>3.30</b>	<b>0.63</b>	<b>1.05</b>	<b>1.03</b>	<b>1.06</b>	<b>3.77</b>	<b>5.36</b>	<b>7.31</b>	<b>9.49</b>
Growth y/y		NM	NM	119%	46%	-60%	14%	42%	36%	30%
<b>Diluted EPS</b>	<b>(0.03)</b>	<b>0.02</b>	<b>0.01</b>	<b>(0.09)</b>	<b>0.01</b>	<b>0.01</b>	<b>(0.06)</b>	<b>0.04</b>	<b>0.07</b>	<b>0.09</b>
Growth y/y		-152%	-189%	-3151%	93%	-67%	-442%	-169%	52%	36%
Cash	2.23	6.47	7.19	6.79	7.58	7.95	7.95	11.38	16.71	23.92
Net Debt	(1.56)	(4.28)	(6.54)	(6.20)	(7.11)	(7.59)	(7.59)	(11.34)	(16.88)	(24.23)
CAPEX	0.15	0.18	0.18	4.26	0.19	0.26	4.89	0.21	0.23	0.25

Top Inst. Ownership	% Held
#N/A	#N/A

Balance Sheet	2016	2017	Q118	Q218	Q318E	Q418E	2018E	2019E	2020E	2021E
Cash	2.23	6.47	7.19	6.79	7.58	7.95	7.95	11.38	16.71	23.92
Trade & Other Receivables	0.24	1.28	0.96	1.36	1.17	1.19	1.19	1.34	1.56	1.80
<b>Total Current Assets</b>	<b>2.79</b>	<b>7.85</b>	<b>8.34</b>	<b>8.51</b>	<b>9.03</b>	<b>9.43</b>	<b>9.43</b>	<b>13.04</b>	<b>18.63</b>	<b>26.12</b>
Intangible Assets	3.69	3.25	3.14	12.75	12.68	12.61	12.61	12.35	12.08	11.83
<b>Total Assets</b>	<b>7.43</b>	<b>12.22</b>	<b>13.12</b>	<b>22.72</b>	<b>23.34</b>	<b>23.92</b>	<b>23.92</b>	<b>27.34</b>	<b>32.76</b>	<b>40.08</b>
Trade & Other Payables	3.13	4.44	5.37	4.98	5.20	5.33	5.33	5.85	6.60	7.41
Short-Term Debt	0.62	2.11	0.92	0.86	0.76	0.67	0.67	0.44	0.29	0.19
<b>Total Current Liabilities</b>	<b>4.20</b>	<b>7.21</b>	<b>7.20</b>	<b>18.34</b>	<b>18.46</b>	<b>18.49</b>	<b>18.49</b>	<b>18.79</b>	<b>19.38</b>	<b>20.09</b>
<b>Total Liabilities</b>	<b>4.94</b>	<b>8.11</b>	<b>8.15</b>	<b>19.24</b>	<b>19.35</b>	<b>19.37</b>	<b>19.37</b>	<b>19.57</b>	<b>20.11</b>	<b>20.78</b>
<b>Total Liabilities &amp; Shareholders E</b>	<b>7.43</b>	<b>12.22</b>	<b>13.12</b>	<b>22.72</b>	<b>23.34</b>	<b>23.92</b>	<b>23.92</b>	<b>27.34</b>	<b>32.76</b>	<b>40.08</b>

Key Statistics	Value
52 Wk High	1.78
52 Wk Low	0.09
YTD Chg.	54%
1 Yr. Chg.	15%
Beta	5.71
Market Cap	30.29
EV	24.35
Shares Outstanding	75.54
LTM Dividend	-
Dividend Yield	0.0%

Valuation	2017	2018E
EV/Rev	0.8	0.5
EV/EBITDA	5.6	4.9
P/E	16.9	4.9

Comparables Multiples Analysis	Price	Target	Div Yield	Return			Rev (US\$M)		EBITDA (US\$M)		EPS (US\$)			
				1 Week	1 Month	3 Month	YTD	1 Year	2017	2018	2017	2018		
NWGI	0.401	1.80	0.0%	-9%	-23%	-75%	54%	15%	22.9	35.4	3.3	3.8	0.02	0.04
TSGI-CA	36.07		0.0%	-3%	-26%	-22%	23%	58%	1,312	2,101	600	797	2.25	2.16
PPB-GB	71.1		2.8%	0%	-15%	-17%	-19%	-1%	2,425	2,374	655	606	5.48	5.07
GVC-GB	11.05		2.7%	0%	1%	14%	19%	47%	1,104	4,300	311	935	0.69	1.01
WMH-GB	2,556		5.2%	-2%	-14%	-23%	-21%	6%	2,391	2,133	522	442	0.39	0.30
888-GB	2.3		5.0%	0%	-10%	-28%	-18%	-8%	542	569	89	107	0.20	0.20

Comparables Multiples Analysis	EV	FCF Yield		EV/Rev		EV/EBITDA		P/E	
		2017	2018	2017	2018	2017	2018	2017	2018
NWGI	24	NM	NM	1.06	0.69	7.38	6.45	22.1	10.0
TSGI-CA	6,491	4.4%	3.5%	4.95	3.09	10.81	8.14	12.4	12.8
PPB-GB	7,409	5.9%	5.8%	3.06	3.12	11.30	12.23	18.0	17.9
GVC-GB	4,200	1.8%	4.1%	3.80	0.98	13.51	4.49	22.2	13.9
WMH-GB	3,034	NM	NM	1.27	1.42	5.81	6.87	9.3	10.9
888-GB	901	NM	NM	1.66	1.58	10.13	8.45	16.4	14.4

Source: Consensus Data – FactSet, Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

## Appendix – Financial Statements

### Exhibit 26 – Income Statement

Newgioco Group Inc.

Income Statement (FYE Dec, US\$)

	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E
<b>Revenue</b>									
<b>Total Revenue</b>	8,897,963	22,865,146	35,411,086	39,210,507	45,513,942	52,429,849	60,038,255	68,300,656	75,100,721
Sales and Marketing	5,846,019	14,672,099	23,786,716	25,501,443	29,032,100	32,840,625	37,306,132	42,098,658	45,914,530
General and Administrative	4,512,812	5,597,881	8,309,675	8,746,589	9,583,757	10,515,723	11,441,340	12,332,878	12,809,742
Research and Development	0	0	-	-	-	-	-	-	-
Restructuring Charges	0	0	-	-	-	-	-	-	-
Stock Based Compensation	0	0	-	-	-	-	-	-	-
Depreciation of Property & Equipment	0	0	-	-	-	-	-	-	-
Amortization	0	0	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	10,358,831	20,269,980	32,096,391	34,248,032	38,615,857	43,356,348	48,747,472	54,431,537	58,724,271
<b>Operating Income</b>	(1,460,868)	2,595,166	3,314,695	4,962,475	6,898,085	9,073,500	11,290,784	13,869,119	16,376,450
<b>Total Other Income</b>	(309,766)	(256,356)	(6,857,528)	(730,881)	(479,531)	(314,620)	(206,422)	(135,434)	(88,858)
<b>EBT</b>	(1,770,634)	2,338,810	(3,542,832)	4,231,594	6,418,554	8,758,880	11,084,361	13,733,685	16,287,592
<b>Income Taxes</b>	(198,025)	(972,924)	(1,097,996)	(1,015,583)	(1,540,453)	(2,102,131)	(2,660,247)	(3,296,085)	(3,909,022)
<b>Net Income (Loss)</b>	(1,968,659)	1,365,886	(4,640,829)	3,216,011	4,878,101	6,656,749	8,424,115	10,437,601	12,378,570
<b>EPS</b>									
Basic EPS	(0.03)	0.02	(0.06)	0.04	0.07	0.09	0.11	0.14	0.17
Diluted EPS	(0.03)	0.02	(0.06)	0.04	0.07	0.09	0.11	0.14	0.17
<b>Shares Outstanding</b>									
Shares Outstanding, Basic	56,313,334	74,032,631	74,745,258	74,745,258	74,745,258	74,745,258	74,745,258	74,745,258	74,745,258
Shares Outstanding, Diluted	56,313,334	75,344,948	74,745,258	74,745,258	74,745,258	74,745,258	74,745,258	74,745,258	74,745,258
<b>Operating Metrics</b>									
EBITDA	(623)	3,296,761	3,771,767	5,358,749	7,305,417	9,488,663	11,723,111	14,319,811	16,839,015
EBT	(1,770,634)	2,338,810	(3,542,832)	4,231,594	6,418,554	8,758,880	11,084,361	13,733,685	16,287,592
Net Income	(2,821,397)	1,379,596	5,550,645	3,216,011	4,878,101	6,656,749	8,424,115	10,437,601	12,378,570

Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

**Exhibit 27 – Balance Sheet**
**Newgioco Group Inc.**
**Balance Sheet (As at Dec 31, US\$)**

	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E
<b>Current Assets</b>									
Cash	2,230,422	6,469,858	7,950,787	11,380,747	16,712,040	23,920,673	32,271,625	43,432,794	56,363,306
Restricted Cash & Short-Term Investments	0	0	0	0	0	0	0	0	0
Trade & Other Receivables	242,949	1,280,320	1,194,857	1,342,544	1,559,943	1,798,656	2,061,285	2,346,499	2,580,165
Investment/Income Tax Credits Receivable	0	0	0	0	0	0	0	0	0
Prepaid Expenses & Other Assets	320,326	100,235	286,253	314,586	354,675	398,217	447,851	500,042	539,284
Inventory	0	0	0	0	0	0	0	0	0
<b>Total Current Assets</b>	<b>2,793,697</b>	<b>7,850,413</b>	<b>9,431,897</b>	<b>13,037,877</b>	<b>18,626,657</b>	<b>26,117,546</b>	<b>34,780,762</b>	<b>46,279,335</b>	<b>59,482,755</b>
<b>Non-Current Assets</b>									
Property and Equipment	203,660	280,111	849,594	932,165	1,017,713	1,111,111	1,213,082	1,324,410	1,445,956
Intangible Assets	3,690,978	3,245,748	12,612,540	12,345,275	12,083,673	11,827,615	12,318,994	12,057,950	11,802,437
Goodwill	260,318	260,318	260,318	260,318	260,318	260,318	260,318	260,318	260,318
Restricted Cash	475,916	587,905	572,248	572,248	572,248	572,248	572,248	572,248	572,248
<b>Total Assets</b>	<b>7,431,077</b>	<b>12,224,496</b>	<b>23,921,597</b>	<b>27,342,883</b>	<b>32,755,609</b>	<b>40,083,839</b>	<b>49,340,404</b>	<b>60,689,261</b>	<b>73,758,713</b>
<b>Current Liabilities</b>									
Trade & Other Payables	3,133,590	4,436,787	5,325,095	5,852,169	6,597,927	7,407,932	8,331,268	9,302,154	10,032,160
Deferred Revenue	0	0	0	0	0	0	0	0	0
Operating Line	102,140	298,268	0	0	0	0	0	0	0
Short-Term Debt	616,517	2,114,743	672,032	440,920	289,288	189,802	124,529	81,703	53,606
Provisions	344,013	365,160	12,494,727	12,494,727	12,494,727	12,494,727	12,494,727	12,494,727	12,494,727
<b>Total Current Liabilities</b>	<b>4,196,260</b>	<b>7,214,958</b>	<b>18,491,854</b>	<b>18,787,817</b>	<b>19,381,942</b>	<b>20,092,461</b>	<b>20,950,524</b>	<b>21,878,585</b>	<b>22,580,492</b>
<b>Non-Current Liabilities</b>									
Term Loan	426,610	362,808	263,703	173,016	113,516	74,478	48,865	32,060	21,035
Provision/Loan Payable/Benefits Payable	315,579	532,680	611,026	611,026	611,026	611,026	611,026	611,026	611,026
<b>Total Liabilities</b>	<b>4,938,449</b>	<b>8,110,446</b>	<b>19,366,583</b>	<b>19,571,858</b>	<b>20,106,483</b>	<b>20,777,964</b>	<b>21,610,414</b>	<b>22,521,671</b>	<b>23,212,553</b>
<b>Shareholders Equity</b>									
Share Capital	3,701	7,415	7,534	7,534	7,534	7,534	7,534	7,534	7,534
Contributed Surplus	14,169,062	14,254,582	19,499,128	19,499,128	19,499,128	19,499,128	19,499,128	19,499,128	19,499,128
Retained Earnings	(11,263,504)	(9,897,620)	(14,538,449)	(11,322,437)	(6,444,336)	212,413	8,636,527	19,074,128	31,452,698
<b>Total Shareholders Equity</b>	<b>2,492,628</b>	<b>4,114,050</b>	<b>4,555,013</b>	<b>7,771,025</b>	<b>12,649,126</b>	<b>19,305,875</b>	<b>27,729,989</b>	<b>38,167,590</b>	<b>50,546,160</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>7,431,077</b>	<b>12,224,496</b>	<b>23,921,597</b>	<b>27,342,883</b>	<b>32,755,609</b>	<b>40,083,839</b>	<b>49,340,404</b>	<b>60,689,261</b>	<b>73,758,713</b>

Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

**Exhibit 28 – Cash Flow Statement**
**Newgioco Group Inc.**

<b>Cash Flow Statement (FYE Dec, US\$)</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>Cash Provided By Operating Activities</b>									
Net Income (Loss)	(1,968,659)	1,365,886	(4,640,829)	3,216,011	4,878,101	6,656,749	8,424,115	10,437,601	12,378,570
Amortization of Intangibles	522,199	601,266	362,230	267,265	261,601	256,058	258,621	261,045	255,513
Depreciation of Property & Equipment	263,046	100,329	94,841	129,009	145,730	159,104	173,706	189,647	207,052
Stock Based Compensation Expense	675,000	0	-	-	-	-	-	-	-
Impairment	0	0	-	-	-	-	-	-	-
Gain on sale of asset	0	0	-	-	-	-	-	-	-
<b>Changes in Non-Cash Working Capital</b>									
Trade & Other Receivables	775,711	1,152,785	720,654	(147,687)	(217,398)	(238,713)	(262,629)	(285,214)	(233,666)
Investment/Income Tax Credits	0	0	-	-	-	-	-	-	-
Prepaid Expenses & Other Assets	0	0	75,230	(28,333)	(40,089)	(43,542)	(49,634)	(52,190)	(39,242)
Trade & Other Payables	0	0	341,189	527,075	745,757	810,005	923,336	970,887	730,005
Deferred (Unbilled) Revenue	0	0	-	-	-	-	-	-	-
<b>Total Cash Provided By Operating Activities</b>	<b>785,880</b>	<b>3,358,674</b>	<b>3,069,146</b>	<b>3,963,339</b>	<b>5,773,703</b>	<b>7,599,661</b>	<b>9,467,514</b>	<b>11,521,775</b>	<b>13,298,233</b>
<b>Investing Activities</b>									
Purchase of Property & Equipment	(145,918)	(180,722)	(4,889,395)	(211,579)	(231,278)	(252,503)	(275,676)	(300,976)	(328,597)
Purchase of Intangibles	0	0	-	-	-	-	(750,000)	-	-
Business Acquisition	603,169	0	-	-	-	-	-	-	-
Redemption of Short-Term Investments & Restrict	(263,223)	(45,142)	15,657	-	-	-	-	-	-
<b>Total Cash From Investing Activities</b>	<b>194,028</b>	<b>(225,864)</b>	<b>(4,873,738)</b>	<b>(211,579)</b>	<b>(231,278)</b>	<b>(252,503)</b>	<b>(1,025,676)</b>	<b>(300,976)</b>	<b>(328,597)</b>
<b>Financing Activities</b>									
Proceeds from Loan	984,595	591,202	6,883,905	-	-	-	-	-	-
Operating Line (Repayment)	237,824	165,925	(177,060)	-	-	-	-	-	-
Repayment of Loan	0	(186,502)	(3,252,725)	(321,799)	(211,133)	(138,524)	(90,886)	(59,630)	(39,123)
Issue of Equity	0	0	-	-	-	-	-	-	-
<b>Total Cash From Financing Activities</b>	<b>1,222,419</b>	<b>570,625</b>	<b>3,454,120</b>	<b>(321,799)</b>	<b>(211,133)</b>	<b>(138,524)</b>	<b>(90,886)</b>	<b>(59,630)</b>	<b>(39,123)</b>
<b>Net Increase in Cash</b>	<b>2,073,059</b>	<b>4,239,436</b>	<b>1,480,929</b>	<b>3,429,960</b>	<b>5,331,293</b>	<b>7,208,634</b>	<b>8,350,952</b>	<b>11,161,169</b>	<b>12,930,512</b>
<b>Beginning Cash</b>	<b>157,363</b>	<b>2,230,422</b>	<b>6,469,858</b>	<b>7,950,787</b>	<b>11,380,747</b>	<b>16,712,040</b>	<b>23,920,673</b>	<b>32,271,625</b>	<b>43,432,794</b>
<b>Ending Cash</b>	<b>2,230,422</b>	<b>6,469,858</b>	<b>7,950,787</b>	<b>11,380,747</b>	<b>16,712,040</b>	<b>23,920,673</b>	<b>32,271,625</b>	<b>43,432,794</b>	<b>56,363,306</b>

Source: Historicals – Company Filings, Forecasts/Estimates – Echelon Wealth Partners

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**Company:** Newgioco Group Inc. | NWGI:OTC

I, Ralph Garcea, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

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<b>Buy</b>	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
<b>Speculative Buy</b>	The security is considered a BUY but in the analyst’s opinion possesses certain operational and/or financial risks that are higher than average.
<b>Hold</b>	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
<b>Sell</b>	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
<b>Under Review</b>	While not a rating, this designates the existing rating and/or forecasts are subject to specific review usually due to a material event or share price move.
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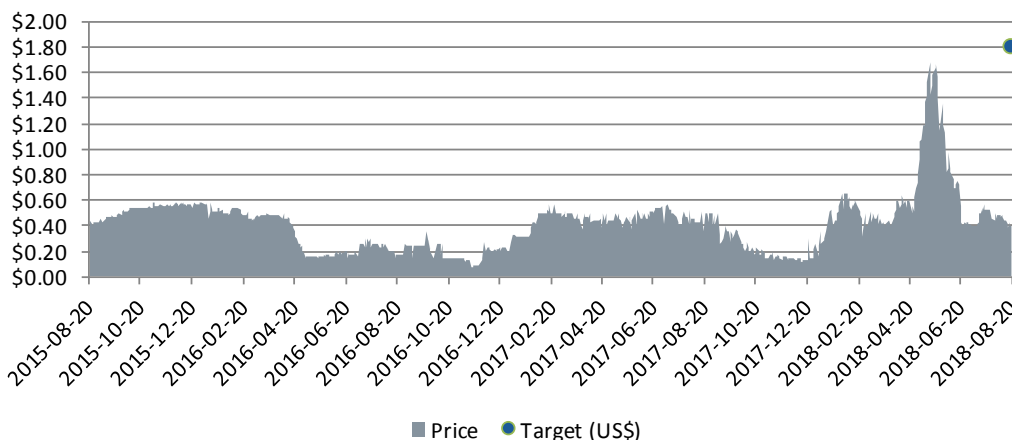
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Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	57	54	13	1	4	1	0
% of Total (excluding Restricted)	44%	42%	10%	1%	3%		
Number of investment banking relationships	9	29	1	1	0	1	0
% of Total (excluding Restricted)	23%	73%	3%	3%	0%		

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Date Target (US\$) Rating  
21-Aug-18 1.80 Spec Buy

**Newgioco Group Inc. (OTC:NWGI)**



Coverage initiated: 08/21/2018

Data sourced from FactSet

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