



Newgioco Group, Inc.

Ticker: (Nasdaq: NWGI)

Initiating Research Coverage

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As of October 13, 2020

BACKGROUND AND HISTORY

Newgioco Group, Inc., ("Newgioco", "NWGI", or "the Company"), is an international technology firm focused on providing betting platforms for Business-To-Business and Business-To-Consumer leisure gaming operators. NWGI is a vertically integrated betting technology company, providing online and land-based gaming services in Europe and the U.S. The Company offers a range of leisure gaming services, including lottery, casino gaming, sports betting, online casino games, live online casino games such as poker and bingo. The Company also offers virtual sports and horse betting services and opportunities for consumers.

Founded in 1998 and headquartered in Toronto, Canada, Newgioco owns and operates innovative betting platform software that provides a suite of gaming products. Newgioco first incorporating in the State of Delaware, on August 26, 1998 and since operated under various names under predecessor corporations. The Company is now a licensed retail gaming operator as well as a betting technology provider offering the Company's Auxillary Wagering System.

NWGI entered the sports betting and online gaming industry by completing several acquisitions in Italy, one of the largest gaming markets in Europe. With both brick-and-mortar and online offerings, the Company offers its gaming products and services through partnerships, web services and agency locations. NWGI has since expanded into the U.S. through its sports betting platform ELYS™, as legalization shifts offer more opportunity.

In Italy, the Company provides its products primarily via its Website: www.newgioco.it, as well as through retail betting locations; and through other gaming websites and online platforms, including mobile and tablet distribution. Gaming platforms are distributed through licensed operators or via value-added resellers. The Company is currently servicing approximately 79,000 online user accounts, as well as numerous walk-in customers at one of their 1,200 web-café's, 7 corner and 117 agency locations.

Newgioco's Sports betting Platforms

Newgioco offers a proprietary platform designed to be a highly flexible sportsbook engine allowing competition against larger and more established franchised systems. The Company's platform is owned by their subsidiary Odissea Betriebsinformatik Bera-



Sector: Consumer Cyclical
Industry: Gambling / Technology
Website: www.newgiocogroup.com

Speculative Buy
6 Month Target Price Range: \$2.75 - \$3.25

Key Statistics

Price 10/13/2020	2.00
52 Week High	4.40
52 Week Low	1.09
Avg. Vol (3month)	424,000
Market Cap (Interday)M	33.3
Price/Sales	0.94
Common Shares Outstanding (M)	16.67
Float(M)	8.87
EPS(TTM)	-0.59
Beta (5y)	3.19

Source: Yahoo Finance / Nasdaq

Recent 2020 Highlights

- September 9, 2020 - The Company announced that it has obtained the Gaming Labs International (GLI) "Events Wagering System" certification standard GLI-33 for its ELYS™ Betting Platform. The GLI-33 technical specifications standard certifies the Company's betting system and retail functionality and is phase one of a multi-tiered plan for operations throughout the United States.
- September 1, 2020 - The Company announced announce that Odissea Betriebsinformatik Beratung GmbH, its wholly owned software development subsidiary, has completed Stage 2 compliance and testing procedures and has obtained ISO-27001:2013 certification for safety management. This certification allows for the management of sensitive third party information such as financial and legal assets and personal details involved in encrypting communications. This reassures customers that their information is safe and the company is operating at a international quality standard.
- August 25, 2020 - The Company announced that it has reached the top five out of 29 in Italian online Poker services with 5.56% of the market share - according to a recent report by industry publication: Agenzia Giornalistica Sul mercato Del Gioco.
- August 17, 2020 - The Company announced the closing of a \$10 million dollar underwritten public offering. The Company had previously announced 4,166,666 units at a price of \$2.40. Newgioco received gross proceeds of approximately \$10.0 million, before deducting underwriting discounts and commissions and other estimated offering expenses.

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tung GmbH (“Odissea”) and is certified by the Italian regulator ADM and the Malta Gaming Authority in Malta. The Company has recently obtained GLI-33 certification in preparation for the U.S. operations. With the U.S. anticipated to fully legalize sports-betting in many of states in the coming years, the company is aiming to offer its betting platform to operators in the U.S.

NEWGIOCO PRODUCTS AND INTELLECTUAL PROPERTY

Newgioco’s product offering features various betting and gambling games, including sports betting, virtual sports betting, poker, and casino solutions. The Company’s products are distributed through retail on-site physical venues and online, either directly to licensed operators or through value-added resellers or system integrators in the industry.

The most important of Newgioco’s product line is the sports betting platform, known as ELYS™, engineered and launched by the Company’s subsidiary, Odissea Betriebsinformatik Beratung. Odissea is a Newgioco wholly-owned subsidiary, which develops and maintains software for Newgioco, which as of 2020 possesses an ISO-2700, certifying it in the safety management. Newgioco acquired the Company on July 1, 2016. End users get extensive pre-match and live match betting schedules, live streaming for many sporting events, detailed accounting on account balances and stakes, and a vast competitive spectrum of bets. The platform is supported by a real-time customer management system and business intelligence program for efficient cross-platform marketing and synchronized financial accounting processes. ELYS™ allows the B2B and white-label customers to model their gaming businesses by odds customization, board management, performance analysis, and management report generation. The system implements artificial intelligence learning bots, adaptive business intelligence, and big data analytics to optimize the experience. There are also extensive risk management and monitoring tools.

On January 30, 2019, Newgioco completed the acquisition of Virtual Generation Limited (“VG”), a leading developer of virtual gaming software. Virtual sports betting features various computer-generated sport and racing events that are programmed with a random number generator. The games include virtual football, greyhound racing, horse racing, keno, and American roulette. The system is interactive and designed for extensive combination bets. VG operates online and works with B2B customers in 12 countries in Europe, Latin America, and Africa. The omni-channel software platform (ELYS™) is also fully integrated with the player gaming account management system, built-in sports book, and virtual sports through the VG subsidiary.

NWGI 2020 Achievements

- October 12, 2020 - Newgioco has begun installation of up to 400 self-service point of sale locations in Italy, with the launch of NGoy™ terminals.
- September 21, 2020 - Newgioco appointed Matteo Monteverde as President. Prior thereto he was President of Sportradar and an executive at other industry leader gaming firms.
- September 9, 2020 - Newgioco Obtains GLI-33 Certification to launch ELYS Sportsbook Platform in U.S.A.
- September 1, 2020 - Newgioco acquired ISO 27001 certification.
- June 10, 2020 - Newgioco established an U.S. subsidiary (ELYS Gameboard Technologies, LLC).
- April 1, 2020 - Newgioco’s subsidiary Virtual Generation Limited becomes certified in Columbia.
- January 14, 2020 - Newgioco rings a NASDAQ opening bell.



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Besides the sports and virtual betting platform, the Company also has extensive gaming product offerings, including online casino, poker, bingo, skilled and interactive games, virtual sports betting, and horse racing. The online casino is one of the largest online casino collections in Italy. There are virtual video slots and traditional online casino games combined with live tables of roulette, blackjack, baccarat, and casino hold'em games. Operators can customize their suite of offerings, monitor all activities, create innovative programs, and utilize Newgioco's marketing support to increase profits.

Next, the Company's poker solution is distributed on People's Poker, the largest Italian online poker network. Newgioco Poker Room Apps offer simple and intuitive interfaces, with optimized graphics and the latest innovative trends. The company also hosts the "People's Poker Tour," a live tournament in key Italian locations.

The Company's land-based locations typically include only sports betting, virtual sports betting, horse racing, and physical slot machines. On July 1, 2016, Newgioco acquired Ulisse GmbH, a retail gaming distributor in Italy, to boost its physical location betting expansion throughout Italy. Ulisse operates a network of approximately 170 land-based sites. Newgioco also obtained the Austrian Bookmaker License through the Ulisse acquisition. The subsidiary has been impacted by the COVID-19 pandemic, as it predominantly operates through retail locations and not online sales.

Newgioco holds "online," "retail," and "CED retail" bookmaker licenses in the Italian betting market through the Multigioco, Rifa, and Ulisse subsidiaries. Rifa Srl is a software company, incorporated in Italy, and was acquired by Newgioco on January 1, 2015. Multigioco, another subsidiary, was acquired on August 15, 2014. Through these acquisitions, Newgioco obtained both online and land-based licenses in Italy.

The Company's total turnover for three months ended June 30, 2020, was \$94,065,531, out of which \$89,855,358 was web-based, and \$4,210,173 was land-based. The land-based turnover decreased by 60.3% in relation to the same period in 2019 due to temporary shutdowns of betting shops in Italy caused by COVID-19. The ratio of payouts was 94.2% on online turnover and 85.5% on land-based turnover. The payout ratio varies based on the skill and luck of customers and the unpredictable outcomes of sporting events. The total gross gaming revenues for the period were \$5,860,967, out of which 89.6% came from online operations, and 10.4% came from land-based operations.

MANAGEMENT

Michele Ciavarella – Chief Executive Officer and Director

Mr. Ciavarella has served the Company's Chief Executive Officer since June 2011 and also serves as Director. Mr. Ciavarella has served in various capacities such as, President, Chief Executive Officer and Director of Operations. From 2004 to 2011, Mr. Ciavarella served in senior executive and director roles for a variety of private and publicly listed companies including Kerr Mines Ltd., Firestar Capital Management Corporation, Mitron Sports Enterprises, Process Grind Rubber and Dagmar Insurance Services. Michele Ciavarella also served as the Business Development Officer for Forte Fixtures and Millwork Inc. 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. Mr. Ciavarella received his Bachelor of Science degree from Laurentian University in

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Sudbury, Ontario Canada. Mr. Ciavarella has been focused on incubating and executing on business building strategies for the prior 25 years.

Mark J. Korb, Chief Financial Officer

Mr. Korb serves as NWGI's Chief Financial Officer with over 28 years of experience in business strategies, planning and analysis for high-growth companies. Mr. Korb began his career with the role as head of gaming and entertainment at PWC Africa and USA and is proficient in change management, as well as preparing and delivery of financial presentations to executives, board members, bond holders and rating agencies. Mr. Korb, previously served as Group CFO for a number of private and publicly listed companies including Icagen, Inc. in North Carolina, USA and Petroteq Energy Inc. a TSX.V listed company in Toronto, Canada, as well as First SA Management as U.S. Business development Consultant and recently with Avara Pharmaceuticals Inc. in London, UK as Executive Consultant. Mr. Korb is very versed in GAAP Accounting practices, IFRS and SEC Reporting, Initial Public Offerings, High-Yield and Eurobond High Yield market, as well as cross-border and foreign currency risk management, turnarounds, M&A, P&L and international business among other executive management skills. Mr. Korb holds a Chartered Accountant certification from South Africa.

Matteo Monteverdi - President

Mr. Monteverdi has extensive industry leadership experience, having served as U.S. President of Sportradar from April 2018 to February 2020, and as IGT Senior Vice President of Global Digital Products from 2015 to 2018. Previously from 2012 to 2015 he was GTECH Senior Vice President of iGaming. He also served as President of Lottomatica Betting and Interactive from 2010 to 2012. Mr. Monteverdi holds an MBA from SDA Bocconi in Milan, Italy, a Law Degree from Università Degli Studi in Milan, Italy and a specialization in Marketing from Stanford Graduate Business School. Mr. Monteverdi has previously served as an independent strategic advisor to the Company since March 2020 and has developed a firm understanding of the unique technological capabilities of the Company's ELYS™ betting platform and has established a strong rapport with the Company's current management team.

Luca Pasquini – VP Technology and Director

Luca Pasquini has served as a member of the Board and as VP of Technology since August 2016. Mr. Pasquini brings 30 years of information technology experience and has served the Company as team leader, service manager and project manager in various software and technology development projects. Since 2013, Mr. Pasquini has served as co-founder and Chief Executive Officer of Odissea Betriebsinformatik Beratung GmbH where he was instrumental in the engineering and creation of a powerful, state-of-the art sports betting and gaming technology system. From 2011 to 2013, Mr. Pasquini served as IT Manager of GoldBet sportwetten GmbH where he provided executive oversight of technology adaptation and software development. Mr. Pasquini has also been instrumental in assembling a solid team of gaming specialist software engineers that have developed an innovative bookmaker platform and a full suite of gaming products. Mr. Pasquini is a graduate of technical engineering studies at Istituto Superiore Valdarno in San Giovanni Valdarno, Italy.

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Alessandro Marcelli – VP Operations

Alessandro Marcelli has served as Vice President of Operations since 2014. Mr. Marcelli has also served as the Company's President from 2014 to 2017. Mr. Marcelli 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 in 1996 working within the Turkish Army. Mr. Marcelli was previously employed with Vodafone Group PLC from 1997 through 2010 serving as manager of the operational and maintenance center for central and south Italy operations. Since 2007, Mr. Marcelli's service has allowed the Newgioco to grow to the terms of approximately EUR \$410 million in gross annual gaming turnover during his tenure.

Beniamino Gianfelici - VP Regulatory Affairs

Beniamino Gianfelici is the founder of Newgioco and has served as Vice President of Regulatory Affairs since August 2015. He served as a member of the Board from August 2015 until May 2017. Mr. Gianfelici brings over 35 years of experience in gaming operations in Italy along with a wealth of business relationships in a broad range of industries and several key business centers throughout Italy. Prior to establishing Newgioco in 1996 and entering the gaming business, Mr. Gianfelici formed and managed a successful construction company which designed, engineered and constructed a number of prominent buildings in Rome, Italy.

Philippe Blanc - Board of Directors / Strategic Advisor

Mr. Blanc spent 8 years as CFO of Lottomatica SpA in Italy (a Division of International Game Technologies IGT) one of the largest gaming operators in the world. Mr. Blanc is serving in an operational governance role with Newgioco, and was recently appointed to the Board of Directors.

GROWTH DRIVERS

Newgioco Group generates revenues from providing retail land-based and web-based gaming technology services in regulated countries and offers solutions for the B2B and B2C markets. The Company is planning to capture some of the recently deregulated, multi-billion dollar U.S. sports betting market through its proprietary betting platform ELYS™. While the Company has heretofore focused on the Italian gaming market, which accounts historically for almost 100% of its diversified revenue stream, it intends to begin to enter the U.S. gaming markets by providing its software platform of services to gaming operators and casinos. For example, the Company's first tribal casino operation deal signed to deploy the Newgioco's ELYS™ sports betting platform, illustrates the Company's plan to expand into the U.S. marketplace. Revenue from these planned activities will begin in 2021 as individual states pass regulation to allow legalized sports betting. The first region the Company is planning on targeting is Washington D.C., where it hopes to launch in December or early 2021. ELYS™ is anticipated to comprise a significant share of the Company's revenues in the next several years, as it rolls out its growth in key markets where legal sports betting is permitted. The Company plans to offer its ELYS™ platform as a Software as a Service ("SaaS") though expansion plans in the U.S. The revenue model will consist of a fixed monthly fee plus a percentage of handle processed through the platform, amounts to be negotiated based on anticipated volume. Since the handle with large operators is significant, this can become a very large number once the Company has several major customers signed up.

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One key area of growth for Newgioco is the U.S. Tribal gaming/gambling market, where about 500 tribal casinos and gaming facilities operated in over 28 states as of last year. The Company plans to focus on the US Tribal casinos across 17 states and anticipates to begin to roll out in 2021. In April 2019 it signed its first Tribal Casino Operator deal with Chippewa Cree Tribe in Box Elder, Montana. In March 2019, the Company entered into an agreement with Fleetwood Gaming, Inc. for the exclusive rights to distribute the Company's ELYS™ platform at select locations in the state of Montana. The results of these early test deployments will enable the Company to have solid data for its expansion into other states in 2021.

The Company anticipates further growth as it rolls out its application of virtual gaming software, which was acquired in February 2019 by the acquisition of Virtual Generation Limited ("VG") and with Naos Holding Limited in a transaction involving \$4.5 million of cash and stock. VG's software portfolio of products includes horse racing and greyhound racing, league football (soccer), keno and American roulette. VG currently operates in 12 countries in South America, Central Asia and Africa, with very little overlap between the markets they serve. The expansion of VG should begin to occur in 2021 now that the Company is better positioned for its global marketing. Finally, the possibility of further acquisitions of smaller operators in Italy, a fragmented and diversified market, is a good possibility with the Company's strong balance sheet and Nasdaq listing status, enabling it to offer cash and stock for promising opportunistic targets as they occur in the marketplace.

INDUSTRY OVERVIEW

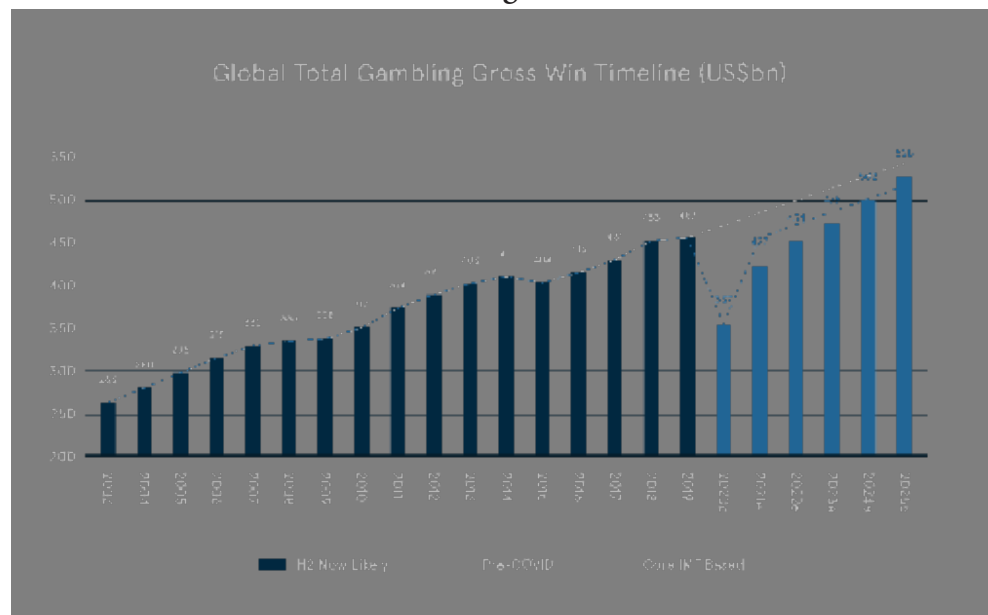
GLOBAL GAMBLING

Since pre-common-era gambling houses in China, through first western casinos in 17th century Italy, to modern "Sin Cities" like Las Vegas and Macau, the controversial gambling industry has been subject to varied and frequently changing legislation, leading to the development of distinctive country-specific regulatory environments that often produced significant illicit markets.

According to a July 2020 "Global Gambling Industry" figures reported by ReportLinker, the legal global gambling market was estimated to reach \$443.2 billion in 2020 and is projected to grow at a CAGR of 5.6% to \$647.9 billion by 2027.

H2 Gambling Capital, a trusted industry data source, recently adjusted its global gambling industry gross wins

Global Total Gambling Gross Win Timeline



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estimates for the impact of COVID-19. Reflecting significant disruptions to land-based gambling operations in major markets worldwide throughout the year, H2 Gambling Capital predicts that the market may shrink from \$457 billion in 2019 to \$357 billion, but rebound sharply in 2021 and resume growth to \$528 billion by 2025, close to its original projections.

Outside of traditional casino-style gaming, sports betting represents the most significant worldwide gambling activity. In its June 2020 "Sports Betting Markets" report, Research and Markets expects global sports betting activity to increase by \$144.4 billion over 5 years until 2024 at a CAGR of 11%, pegging the annual sports betting revenue at over \$210 billion in 2019.

Although originally established through land-based businesses, the industry is currently undergoing transformative digital marketplace expansion fueled by rapid advancement of online and mobile services, as well as favorable social attitudes.

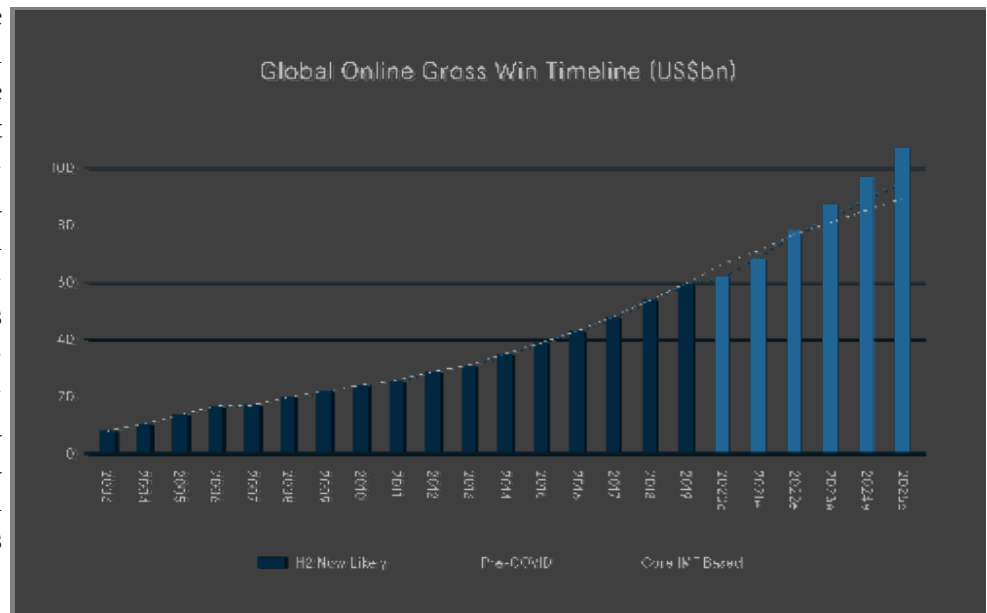
Consequently, the online segment of the global gambling market consisting mainly of sports betting, as well as casino and lottery iGaming, was valued at \$53.7 billion in 2019, and is expected to grow at a CAGR of 11.5% to reach \$127.3 billion by 2027, according to an April 2020 "Online Gambling Market" report by Grand View Research.

The magnitude of the online opportunity is largely confirmed by H2 Gambling Capital, which reported global online gross wins of about \$60 billion for 2019 and raised its forecast for 2025 to roughly \$110 billion.

U.S. REGULATORY LANDSCAPE

The U.S. regulatory landscape has likely never been more conducive to unprecedented industry growth since Nevada became the first state to legalize gambling in relief of Great Depression hardships in 1931, ushering in the era of casino leisure and entertainment industry centered in Las Vegas. With prohibitionist sentiment progressively waning across the country, underscored by gradual introduction of racetrack betting, amusement park games and state lotteries, New Jersey legalized casino gambling in Atlantic City in 1976, followed by nine other states by mid-1990s.

Global Online Gross Win Timeline



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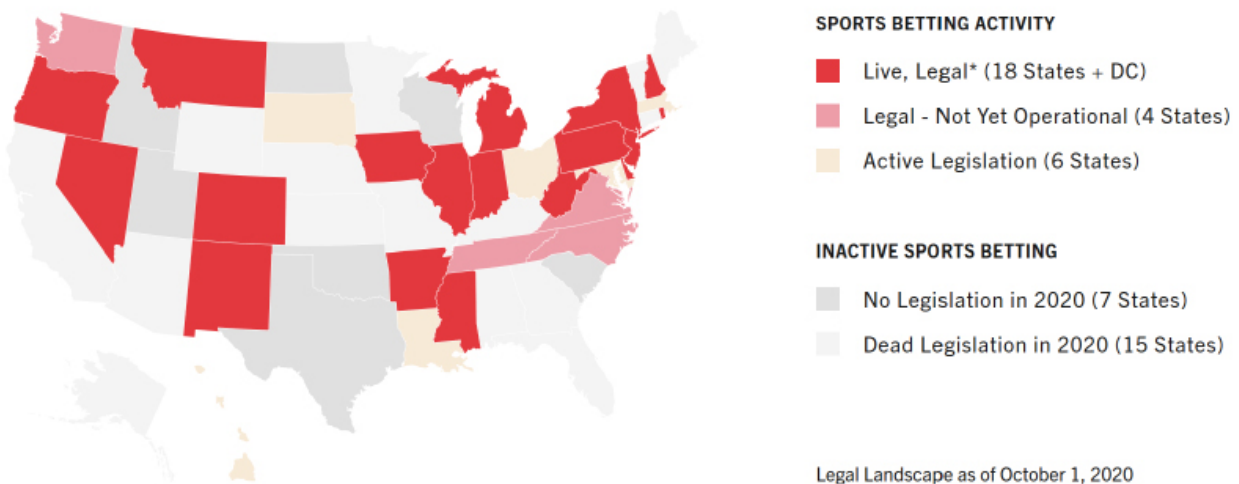
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Independently, as Native American tribes began to exercise their tribal sovereignty on reservation lands in 1970s, tribal casinos began proliferating the market starting with the Seminoles bingo parlor near Fort Lauderdale in Florida, subsequently codified by the Indian Gaming Regulatory Act of 1988.

With well over one thousand land-based commercial and tribal casinos across 44 states, the most of any countries worldwide, and online gaming introduced in a few states, including Delaware, New Jersey and Pennsylvania, as well as Nevada strictly for poker, **ReportLinker** values the total U.S. gambling market at \$119 billion in 2020, representing 26.8% of global revenues.

In May 2018, the U.S. Supreme Court repealed the federal Professional and Amateur Sports Protection Act ("PASPA"), liberalizing betting on sport events and opening the floodgates for the next wave of growth in the gambling industry. Enacted in 1992, PASPA generally prohibited states from authorizing, licensing or sponsoring betting on competitive games, exempting only Nevada in full, Delaware for National Football League (NFL) games, and Oregon and Montana for horse racing. The federal statute was challenged and ruled unconstitutional after a 2011 referendum to legalize sports betting passed by New Jersey voters. Currently, sports betting is legal in 22 states, including Arkansas, Colorado, Delaware, Illinois, Indiana, Iowa, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Tennessee, Virginia, Washington and West Virginia, as well as the District of Columbia, while additional six states, namely Hawaii, Louisiana, Maryland, Massachusetts, Ohio and South Dakota have active legislation on the issue.



U.S. SPORTS BETTING

Amid the dynamic regulatory progression from virtually two states, Nevada and Delaware, which offered sports betting prior to PASPA repeal, estimates for the size of the potential legal sports betting market in the U.S. by

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industry experts vary widely and are continually revised upwards. At the NYC Sports Betting Investor Summit in early November 2019, when wagering was legal in only 13 states, investment firm Morgan Stanley estimated the U.S. market for that year at \$833 million and predicted CAGR of 42.2% to \$6.9 billion in revenue from 36 states by 2025, with over 78% coming from online operations. Its high-end bullish projection was set at \$15 billion, if every state in the nation has legalized betting by 2025, and the low-end estimate at \$2.5 billion with an already-achieved minimum target of 22 states participating by then, which effectively yields 20.1% “organic” CAGR, without legalization in any additional states, including such populous ones as California, Florida, Texas or Ohio. Similarly, Vixio Gambling Compliance, an industry research specialist firm, which shortly after PASPA was struck down forecasted the market at between \$3.1 and \$5.2 billion in 2023, based on a target range of 25 to 37 states, in January 2020 upgraded the estimate to between \$5.9 and \$8.2 billion in 2024.

More than \$25.3 billion has already been bet with U.S. sportsbooks generating \$1.7 billion in revenues, according to data aggregated by LegalSportsReport.com as of October 2, 2020. Nevada operators still top the ranks in that time frame with \$10.2 billion in handle and \$608.1 million in revenue, followed by New Jersey with \$7.7 billion and \$531.8 million, and Pennsylvania with \$2.7 billion and \$196.6 million, respectively, but post-PASPA states with legal online sportsbooks are quickly outpacing the leader, especially lately in the COVID-19 environment.

For the first half of 2020, operators’ gross wins in both New Jersey and Pennsylvania surpassed those of Nevada’s, with two rapidly emerging online markets in Indiana and Colorado closing in on the 2020 revenue race, despite entering the industry just in September 2019 and May 2020, respectively.

Top Sports Betting States

Leading Sports Betting Jurisdictions by Operator’s Gross Win

State	Start Date	2020H1	since June 2018
New Jersey	Jun-18	\$ 138,481,036	\$ 531,829,667
Pennsylvania	Nov-18	\$ 82,352,052	\$ 196,600,554
Nevada	pre-PASPA	\$ 68,152,000	\$ 608,105,000
Indiana	Sep-19	\$ 42,421,241	\$ 95,015,064
Colorado	May-20	\$ 11,246,342	\$ 18,765,941

The regulatory forces in the U.S. are reshaping the entire gambling industry, crowning new sports betting leaders and prompting unprecedented M&A activity, especially between established casino operators and experienced sportsbook giants from European and other more mature international markets. FanDuel and DraftKings, two daily fantasy sports companies, which nearly merged in 2017, transformed into full fledged bookmakers and on-

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line casino operators by debuting their mobile products to serve the New Jersey market almost simultaneously just weeks after it became legal and securing 73.5% of revenue in key online sports betting markets outside Nevada, per Vixio Gambling Compliance estimates. FanDuel is owned by Flutter Entertainment (LSE: FLTR), which in May 2020 closed a share deal with The Stars Group, an operator of FOX Bet, creating the world's largest online gambling firm. After closing the merger valued at \$6 billion, Flutter raised \$998.6 million in a placement to institutional investors, which included Fox Corporation. DraftKings, on the other hand, went public through a SPAC transaction, which closed in April 2020.

William Hill (LSE: WMH), a London-based gambling group with 170 retail sites in 13 states, held a 32% sports betting market share in Nevada in 2019. Having entered Nevada in 2012, the company aggressively expanded into other states and online operations recently claiming to take one out of every four wagers placed in the U.S. Late September 2020, the company accepted a \$3.7 billion acquisition offer from its current 20% minority joint venture partner, Caesars Entertainment (NASDAQ: CZR), which is expected to close in the second half of 2021, subject to a 75% shareholder approval.

BetMGM, a brand established in July 2018 and owned jointly by MGM Resorts International and GVC Holdings, an offshore British company, received a \$250 million shareholder funding commitment in July 2020, in addition to the initial joint venture funding of \$200 million, setting it on track to reach its goal of operating in 11 states by the end of 2020.

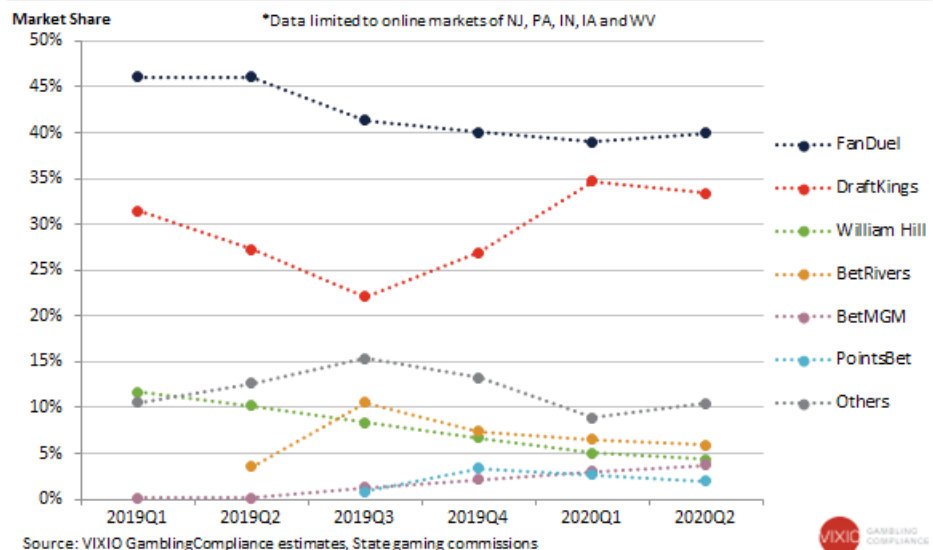
Further underscoring the size of the opportunity in U.S. sports betting and iGaming even for smaller operators, Rush Street Interactive, a Chicago-based owner of BetRivers and SugarHouse skins, agreed in July 2020 to go public via a SPAC merger with dMY Technology (NYSE:DMYT), which is expected to close before year's end and yield cash proceeds of \$230 million of cash in dMY's trust and an additional \$160 million PIPE investment led by Fidelity Management and Research Company.

COMPETITION

The global gambling industry, although highly fragmented geographically due to jurisdiction-specific regulations, is replete with large multinational operators offering a variety of B2C gambling products and services through their brick-and-mortar and online channels in multiple markets,

Recent U.S. Online-Sports Market Shares

United States: Online Sports Market Shares by Skin - 2019Q1 to 2020Q2



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as well as smaller local or regional companies specializing in specific product segments. The industry is supported by a robust B2B sector of independent game content, technology and equipment providers, which is increasingly becoming vertically integrated into the most successful operators. NWGI competes most directly with several technology providers offering scalable omni-channel platform software to sports betting and gaming operators, including:

- International Game Technology (NYSE: IGT), a London-based company with subsidiary roots in Las Vegas and Italy, claiming to have the most-used B2B platform in the U.S. deployed in more than 40 locations across 14 states;
- Scientific Games (NASDAQ: SGMS), a company headquartered in Las Vegas with 9,500 employees on six continents, providing platform solutions since late 1990s, currently to about 35 sports betting customers in 16 countries;
- SBTech, founded in 2007 as a private offshore U.K. company, which grew to over 1,000 employees and currently serves more than 50 licensees in over 15 regulated markets in Europe, the U.S. and Latin America, before becoming part of DraftKings in an April 2020 business combination transaction with a SPAC company;
- Kambi (NASDAQ Nordic: KAMBI), a Malta-based provider trading in Stockholm, which since 2010 serves sportsbook operators across six continents employing more than 850 people;
- Gaming Innovation Group (NASDAQ Nordic: GIGSEK), a firm founded in 2012, also domiciled in Malta and listed on exchanges in Stockholm and Helsinki, with 4 own gaming brands and 35 customers on the platform in central and northern Europe and the U.S., where it employs 650 people in total; and
- Optima, a private Spanish company founded in 2012, with operations in Europe, Africa and the U.S., which after being acquired in October 2019 is now part of Sportradar, the world's leading Switzerland-based provider of sports data intelligence that established presence in over 80 countries since 2020.

VALUATION

The Company's current market capitalization of \$33.7 results in a Price to Revenue ratio of 1.0 and Price to Book Value ratio of 4.1, based on annual Revenues of \$35.6 million and Book Value of \$8.8 million reported as of December 31, 2019. Taking into consideration the Company's August equity offering, which generated net proceeds of \$9.2 million after underwriting commission of \$800 thousand and fortified its proforma Shareholders' Equity to \$18.0 million, the Price to Book Value multiple is 2.0, further underscoring the potential undervaluation. As such, NWGI shares appear undervalued vis a vis a group of gambling companies participating in the emerging U.S. sports betting and gaming market, for which the same multiples have a median of 1.6 and 4.6, respectively. Based on these industry median figures, the Company could command a valuation of \$56.9 million, or \$3.41 per share with respect to the Revenue multiple, and \$41.4 million, or \$2.48 per share with respect to the Book Value multiple.

Gaming Innovation Group (NASDAQ Nordic: GIGSEK), the Company's closest competitor among publicly-trad-

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ed technology platform providers in terms of size, with a market capitalization of \$75.0 million, trades at 1.4 times its revenues. At a multiple of 1.4, NWGI's outstanding shares would be worth \$49,816,383.4 million in aggregate, or \$2.98 per share.

Furthermore, recent M&A activity involving another closely comparable competitor, albeit private and within Europe, suggests an even higher valuation potential for NWGI shares given the Company's current financial condition. When Sportradar acquired Optima, a sports betting platform provider Optima based in Seville, Spain, EGR Global (eGaming Review), a B2B publisher and membership networking group for the online gaming and gambling industry, reported negotiations rumors several weeks prior to the October 2019 transaction, revealing an acquisition price of £25 million, or \$31 million at that time. Given that Dun & Bradstreet, a global business data and analytics provider, lists Optima's likely self-provided 2019 annual revenues of \$14.52 million, the transaction took place at a Price to Revenue multiple above 2.0, which applied to NWGI's Revenues would dictate a market capitalization of \$71.2 million, or \$4.24 per share.

As one of a few pure-plays with omni-channel betting and gaming platform solutions, at current price levels NWGI appears to be an excellent potential acquisition target in a financing-rich rapidly consolidating and vertically integrating industry characterized by aggressive M&A ventures in recent years, especially for U.S. operators lacking technological expertise and trading experience in the newly dawned sports betting market. Provided the management can successfully begin to execute its roll-out strategy in the U.S. market within the next 12-18 months, the Company's stock price could appreciate progressively with announcements of new client acquisitions and wider overall industry recognition, potentially reaching levels in the \$2.75 to \$3.25 range within the next six months, representing a premium of up to 40 - 50 percent, to today's prices in a bullish case scenario. In the next year, the shares can likely trend even higher assuming key customer wins are announced in the U.S markets, as the roll-out begins in early 2021.

RECENT FINANCIAL RESULTS

For the six-months ended June 30, 2020 (unaudited), the Company reported Net Revenues of \$14.98 million, down 18.4% compared to \$18.37 million in the prior year six-month period ended June 30, 2019. Loss from Operations for the six-months ended June 30, 2020 were (\$0.896) million vs. (\$1.862) million in the prior six-month period last year, an improvement due to cost cutting. The Comprehensive Net Loss for the six-months ended June 30, 2020 was (\$2.461) million vs. Comprehensive Net Loss of (\$4.953) million for the six-month period ended June 30, 2019, a significant improvement. Loss Per Share in the six-months ended June 30, 2020 was (0.10 cents) vs (0.50 cents) in the comparable six-month period ended June 30, 2019, also a significant improvement. As of June 30, 2020, the Company had \$27.695 million in Total Assets, \$18.862 million in Total Liabilities, and \$9.102 million in Stockholder's Equity. The COVID-19 pandemic played a role in the reduction of revenues in the six months period ended June 30, 2020, where it impacted the Company's gaming operations in Italy. The ongoing impact from COVID-19 is not determinable but seems to be having much less of an impact currently.

For the year ended December 31, 2019, (audited), the Company reported \$35.58 million in Net Revenues, which was up from \$34.57 million in the prior year ended December 31, 2018 (audited). Loss from Operations for the

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year ended December 31, 2019 was (\$2.99) million, up from (\$.15) million for the year ended December 31, 2018. The Net Comprehensive Loss for the year ended December 31, 2019 was (\$9.39) million, up from (\$3.81) million from the year ended December 31, 2018.

There was a 1 for 8 reverse stock split, effective on December 12, 2019, which better positioned the Company's shares for an eventual listing on the Nasdaq Stock Market. On August 12, 2020, the Company's Offering became effective. The Company filed a Supplement to its Prospectus pursuant to an S-1 Registration Statement, for the Offering of 4,266,666 Units of Common Stock and Warrants to purchase one share of Common Stock. The Warrants are immediately exercisable and have an exercise price of \$2.50 per share. The Gross Proceeds of the Secondary Unit Share Offering was approximately \$10 million. There were 16.66 million shares issued and outstanding as of August 18, 2020. The equity offering greatly strengthened the balance sheet of the Company with proceeds towards reduction of debt, for working capital, growth and expansion purposes.

CONCLUSION

The Company's shares have been trading in the middle of the 52 week range and have settled in a recent range of \$1.50 to \$2.30. The 52 Week high was \$4.40. The declines were generally attributable to adjustments from COVID-19 but the price appears to have settled into the current trading



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Matteo Monteverdi – President
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All figures below are quoted in US Dollars and in Thousands

Income Statement	FY 12/31/18	FY 12/31/19	Half 6/30/20	Balance Sheet	FY 12/31/18	FY 12/31/19	as of 6/30/20	Cash Flow Statement	FY 12/31/18	FY 12/31/19	Half 6/30/20
Revenue	\$ 34,575	35,583	14,980	Cash	\$ 6,289	5,182	5,783	Operating Cash Flow	1,401	(145)	867
Oper Loss/Income	\$ (155)	(2,995)	(896)	Total Assets	\$ 22,653	27,825	27,695	Investing Cash Flow	(4,725)	(468)	(88)
Net Loss/Income	\$ (3,812)	(9,394)	(2,461)	Total Liabilities	\$ 12,714	19,024	18,863	Financing Cash Flow	4,999	(479)	(8)
Loss Per Share	\$ (0.38)	(0.91)	(0.19)	Total Shareholder's Equity	\$ 9,939	8,801	9,102	Cash at end of period	6,289	5,182	5,783

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range. A comparison of industry metrics of similar types of companies in the gaming/technology industry gives a considerably higher average and median price to revenue level, and price to book value as noted previously in the valuation section. Therefore, we are assigning a six-month initial price target range of \$2.75-\$3.25. If the Company continues to show progress, and hit key milestones including significantly adding new U.S. customers, the shares should begin to rebound to prior higher levels. Some of the key milestones to look for in the next several quarters are meaningful customer wins, and revenue growth. The recently concluded equity offering has greatly enhanced the Company balance sheet and positions it well for future growth within the global gaming markets. We view this as a global growth opportunity.



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Direct Industry Valuation Metrics

Company	Headquarters	Exchange Symbol	Oct 9th Share Price	Shares Outstanding	Market Capitalization	Last FYE Revenue	Yr/Y Rev Growth	Price / Revenue	Last FYE Net Income	Last FYE Book Value	Price / Book Value
NEWGIOCO GROUP	Toronto	NASDAQ: NWGI	2.80	16,700.1	33,400	35,583	3%	0.9	(\$,394)	8,801	3.8
BRAGG GAMING	Toronto	OTCQX: BRGGF	0.44	80,363.9	35,360	31,379	NM	1.1	(14,302)	7,807	4.5
SPORTTECH	London	LSE: SPD	0.23	188,751.3	43,309	84,218	2%	0.5	(18,803)	49,370	0.9
GAMING INNOVATION GROUP*	Malta	NASDAQOMX: GIOSEK	0.85	90,005.6	76,631	51,984	-15%	1.5	(78,137)	24,686	3.1
INSPIRED ENTERTAINMENT	New York City	NASDAQ: INSE	3.49	23,009.5	80,373	153,400	400%	0.5	(47,800)	(49,500)	(1.4)
GAN	London	NASDAQ: GAN	18.24	28,930.9	527,699	29,971	114%	17.6	2,173	15,102	34.9
EVERI	Las Vegas	NYSE: EVRI	8.54	85,451.0	729,752	533,227	14%	1.4	17,696	53,988	13.5
KAMBI*	Malta	NASDAQOMX: KAMBI	37.07	30,829.7	1,142,857	106,907	21%	10.5	11,597	84,657	13.5
888	Gibraltar	LSE: 888	3.20	368,735.7	1,181,319	580,300	4%	2.1	41,800	164,700	7.2
PLAYTECH	UK offshore	LSE: PTTC	4.48	298,128.4	1,340,088	1,779,988	23%	6.8	(15,543)	1,442,205	0.9
POINTS BET	Melbourne	ASX: PBH	8.30	176,747.9	1,467,290	54,125	193%	27.1	(29,854)	127,530	11.5
KINDRED	Malta	NASDAQOMX: KIND	8.24	226,899.7	1,870,425	1,186,640	1%	1.6	62,400	304,200	6.1
INTERNATIONAL GAME TECHNOLOGY*	London	NYSE: IGT	11.51	204,435.3	2,353,051	4,785,806	-1%	0.5	(19,025)	2,484,978	0.9
SCIENTIFIC GAMES*	Las Vegas	NASDAQ: SGMS	33.57	94,705.1	3,179,251	3,480,000	1%	0.9	(130,000)	(2,108,000)	(1.5)
WILLIAM HILL	London	LSE: WHM	3.80	1,049,497.6	3,781,608	2,056,230	-2%	1.8	(14,970)	416,280	9.1
GVC	UK offshore	LSE: GVC	14.18	584,968.7	8,797,808	4,680,650	23%	1.8	619,320	3,712,670	2.2
PENN NATIONAL GAMING	Pennsylvania	NASDAQ: PENN	64.70	137,629.4	8,904,624	4,268,700	47%	2.1	43,900	1,851,900	4.8
DRAFTKINGS	Boston	NASDAQ: DKNG	48.82	355,555.3	17,358,209	323,400	43%	53.7	(146,600)	NM	NM
FLUTTER ENTERTAINMENT	Dublin	LSE: FLTR	180.07	154,830.5	26,177,945	2,782,000	14%	9.4	187,200	5,446,480	4.8

Figures presented in thousands of USD, except share price in USD, Shares Outstanding in thousands and Price to Revenue and Price to Book value as multiples. Income Statement and Balance Sheet data from audited annual reports for the period ended December 31, 2019, except PBR as of June 30, 2020.

Foreign currency translation to USD at the following exchange rates as of October 6, 2020 where required: EUR - 1.18, GBP - 1.30, AUD - 0.72, SEK - 0.11.

* NWGI most direct competitors - sports betting platform providers

Average 7.5
Median 1.7

Average 6.8
Median 4.8

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Banks or Investment Firms often rate companies as a BUY, HOLD or SELL. A BUY rating is often given when the security may deliver absolute returns of 15% or greater over the next 12 month period, and recommends that investors consider taking position assuming it meets their risk profile. A SELL rating is given when the security is expected to deliver negative returns over the next 12 months, while a HOLD rating implies flat returns over the next twelve months.

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