Fundamental Research Corp.
Investment Analysis for Intelligent Investors

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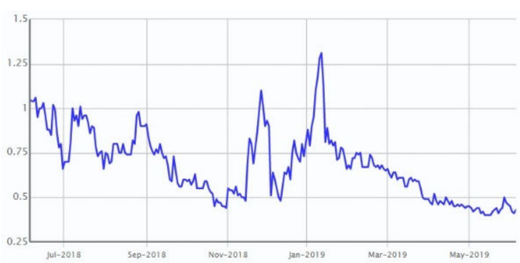
Bragg Gaming Group Inc. (TSXV: BRAG): Q1-2019 Revenues up 203% YoY

Sector/Industry: Online Gaming **www.bragg.games**

Market Data (as of June 11, 2019)

Current Price	**C$0.40**
Fair Value	**N/A**
Rating*	**N/A**
Risk*	**N/A**
52 Week Range	C$0.39 - C$1.39
Shares O/S	77,863,850
Market Cap	C$31.15 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.3x
YoY Return	-45.2%
YoY TSXV	-23.2%

*see back of report for rating and risk definitions
**all $ amounts are C$ unless otherwise specified.



Highlights

- In Q1-2019, Bragg Gaming Group Inc. ("Bragg", "company") reported 203% YoY growth in revenues to $10.37 million. The strong growth was a result of the acquisition of Oryx Gaming in December 2018.
- Oryx's revenues, which accounted for 89% of total revenues in Q1-2019, were up 83% YoY.
- In Q1-2019, ORYX closed a number of key clients, signing 22 new agreements with notable industry players.
- Restructuring of Bragg's other business line, GiveMeSport (a leading sports media outlet), is on schedule and a new website is scheduled to be launched in August 2019. GiveMeSport ("GMS"), as the number one Facebook (Nasdaq: FB) Sport Publisher, has 26.1 million Facebook fans.
- Bragg has developed a proprietary gaming platform, GIVEMEBET ("GMB"), that is expected to leverage GMS' following and monetize users who may transition into online gaming and sports betting.
- At the end of Q1-2019, the company had $2.74 million in cash, and working capital of $0.68 million.
- We will be initiating coverage on the company in the coming weeks, upon completion of our due diligence.

Key Financial Data (FYE - DEC 31) (C$)	2018*	Q1-2019
Cash	$8,571,701	$2,737,166
Working Capital	$2,650,836	$676,955
Assets	$70,812,787	$65,954,649
Total Debt	$585,264	$542,011
Revenues	$8,810,273	$10,365,351
Net Income	-$21,514,473	-$2,086,913
EPS (basic)	-$0.73	-$0.04

Q1-2019 Revenues up 203% YoY

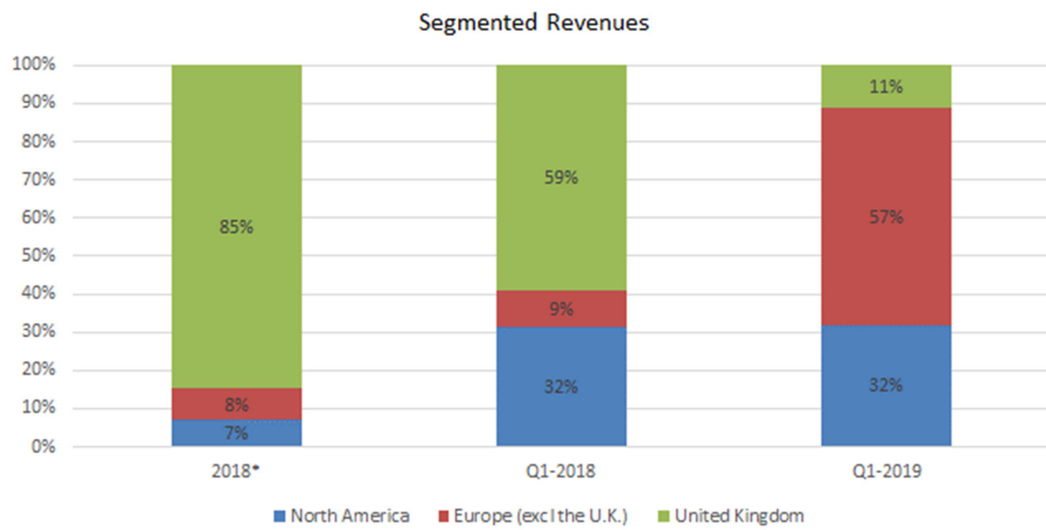
The company reported 203% YoY revenue growth in Q1-2019 to $10.37 million. Segmented revenues are shown below:

Segmented Revenues (Business)	2018 [1]	Q1-2018	Q1-2019	YoY
GiveMeSport (Online Media)	$7,611,199	$3,415,826	$1,169,042	-66%
Oryx (B2B Online Gaming)	$1,199,074		$9,196,309	83% [2]
Total	**$8,810,273**	**$3,415,826**	**$10,365,351**	**203%**

1. 9 months
2. Oryx's YoY Revenue Growth

Source: Company Data / FRC

Bragg's portfolio includes the recently acquired Oryx Gaming, a B2B gaming technology platform and casino content aggregator, and GiveMeSport, a leading sports media outlet. As Oryx was acquired in December 2018, Bragg's income statements did not include comparable period's figures in Q1-2018. However, the company did state that Oryx's revenues, which accounted for 89% of total revenues in Q1-2019, were up 83%. The acquisition of Oryx has diversified the company's revenues base, as shown in the chart below.



Source: Company Data / FRC

We believe that the Oryx platform is an enticing offering to online casino operators as it is essentially a **"one-stop shop"**, with support across the full spectrum of gaming operations, as well as access to over 8,000 games. We note that Q1 had two key encouraging developments:

- **Diversifying revenue base:** By the end of Q1-2019, 49% of revenues came from the top five customers, while in Q1-2018, over 75% of revenues came from just two customers.
- **Growing customer-base -** ORYX closed a number of key clients in the quarter, signing

22 new agreements with notable industry players.

GiveMeSport's revenues were down 66% YoY as expected, as the platform is currently being restructured and a new website is scheduled to be launched this summer. Management's objective is to focus on higher quality content and to make the portal more appealing to its customer base. The company indicated that preliminary results in the restructuring phase have been encouraging, with video engagement during January to April 2019 increasing over 124% YoY, and Facebook unique users increasing to 65.7 million in Q1. Note that, as the number one Facebook Sport Publisher, GiveMeSport has 26.1 million Facebook fans, more than ESPN (19.4 million) and SkySports (11.7 million). GMB is being developed with the expectation of leveraging GMS' large existing user base and monetization of this user base through conversion to sports betting

EBITDA Margins Improve

Q1-2019's EBIT and net margins improved YoY although they are not directly comparable due to the Oryx acquisition.

Margins	2018*	Q1-2018	Q1-2019
Gross	48.43%	53.75%	49.70%
EBITDA	-73.50%	-65.47%	-10.09%
EBIT	-79.78%	-81.06%	-17.83%
Net	-244.20%	-411.27%	-18.66%
Expenses	**2018***	**Q1-2018**	**Q1-2019**
G&A	75.38%	23.46%	55.03%
Sales & Marketing	5.69%	5.42%	2.72%
Share Based Compensation	40.86%	17.34%	12.59%

* 9 months

Source: Company Data / FRC

EBITDA was -$1.05 million in Q1-2019 versus -$2.24 million in Q1-2018. **Excluding stock based compensation, EBITDA would have been $63k in Q1-2019 versus -$0.71 million in Q1-2018.**

Net losses in Q1-2019 were $1.93 million (EPS: -$0.04) versus $14.05 million (ESP: -$0.51) in Q1-2018. Excluding a one-time impairment of $11.30 million in Q1-2018, the company would have posted a net loss of $2.75 million (EPS: -$0.10).

Free cash flows were -$5.49 million in Q1-2019 versus -$1.34 million in Q1-2018. The significant decline was primarily a result of a $4.33 million reduction in payables in Q1-2019. Despite the large payout, the company still had a high payables balance of approximately $8 million at the end of Q1-2019.

Summary of Cash Flows	Q1-2018	Q1-2019
Operating	-$809,653	-$4,153,865
Investing	-$526,055	-$1,334,554
Financing	$2,640,000	-
Effects of Exchange Rate	-$111,058	-$346,117
Net	**$1,193,234**	**-$5,834,536**
Free Cash Flows to Firm (FCF)	**-$1,335,708**	**-$5,488,419**

Source: Company Data / FRC

$3M in Cash, $6M in A/R and $8 M in A/P

At the end of Q1-2019, the company had $2.74 million in cash, but working capital of only $0.68 million due to the accounts payables mentioned above. The company also had long-term debt of $0.40 million, implying total debt to capital of 2.2%.

Liquidity & Capital Structure	2018	Q1-2019
Cash	$8,571,701	$2,737,166
Working Capital	$2,650,836	$676,955
Current Ratio	0.98	0.87
LT Debt	$434,235	$403,339
LT Debt / Capital	1.7%	1.7%
Total Debt	$585,264	$542,011
Total Debt / Capital	2.3%	2.2%

Source: Company Data / FRC

Valuation Multiples

We will be initiating coverage on the company shortly with an in-depth, comprehensive valuation of the company. The below table demonstrates valuation multiples for comparable sectors that we believe Bragg could be considered a constituent of, and which Bragg may begin to emulate in the long-term.

Sector	EV/R	EV/EBITDA	P/E
Online Gaming Operations	2.60	11.10	16.70
Online Casinos	2.50	12.60	16.70
Gaming Operations	2.70	11.30	20.60
Casinos	3.00	11.70	19.20
Average	**2.70**	**11.68**	**18.30**

Source: FRC, Capital IQ

Based on the Q1-2019 revenues of $10.37 million (annualized - $41.46 million), the valuation multiples above suggest that Bragg has the potential to trade at a market capitalization between $82 million (based on a 2.0x EV/R ratio) and $110 million (based on a 2.7x EV/R ratio). **Bragg is currently trading at a market capitalization of just $31 million.**

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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