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HIGH STAKES, HIGH RETURNS: A
FINANCIAL EVALUATION OF EVOLUTION
GAMING

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Abstract

This section of the report provides a comprehensive analysis of Evolution Gaming Group AB, a leader in the live casino industry. The report highlights Evolution's revenue growth between 2019 and 2023 as a result of product expansion, significant acquisitions like NetEnt, and geographic diversification. Evolution showcases robust profitability, liquidity, and operational efficiency despite regulatory and competitive constraints, all of which are bolstered by a strong ESG strategy. Capital structure, DuPont analysis, liquidity, profitability, and revenue growth are all included in a thorough financial evaluation. Evolution's market leadership and long-term success posture are strengthened by the review, which validates its financial stability and development possibilities.

Keywords: Live Casino; B2B Casino

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This report is part of the Evolution Gaming: The House Always Streams report (annexed), developed by Vilhelm Carlsson and Diogo Afonso and should be read as an integral part of it.

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Introduction

This joint report provides a comprehensive analysis of Evolution Gaming Group AB's performance within the growing live casino sector. This report evaluates Evolution's growth trajectory, financial position, and competitive and strategic responses to arising opportunities and challenges. This analysis assesses Evolution Gaming's ability to keep its market leadership in this industry, through insights into macroeconomic trends, technological innovations, and changing regulatory requirements.

Moreover, the report delves into the company's strong ESG strategy, underscoring its progress in governance and some areas for improvement regarding social and environmental sectors. By thoroughly examining profitability, liquidity, and capital structure, the report highlights the dedication and strategic vision that support Evolution Gaming's current success in the online gaming industry.

Overall, Evolution Gaming is positioned to continue to lead the live casino sector by leveraging innovation, operational efficiency, and the ability to constantly adapt to market changes. This report highlights Evolution's potential for sustainable value creation and market leadership.

Report Structure

The report is divided into two main parts:

Part 1: Vilhelm Carlsson focuses on the **company-specific analysis**, detailing Evolution's history, business model, leadership, strategy, and financial performance. This section provides insights into Evolution's ownership structure, leadership under Martin Carlesund and Todd Haushalter, and the company's strategic pillars of **innovation, market expansion, and acquisitions**. Financial forecasts, valuation metrics, and stock performance are also thoroughly examined to highlight the company's growth trajectory and market value.

Part 2: Diogo Afonso provides a broader analysis of the **macroeconomic context and industry drivers**, including the current state and growth trends in the live casino and online gaming sectors. This section explores regional market variations, key macroeconomic trends, and competitive dynamics, with comparisons to major competitors like **Playtech** and **Pragmatic Play**. It also evaluates Evolution's ESG strategy and its role in maintaining long-term sustainability and investor confidence.

Macroeconomic Context and Main Drivers

Current State of the Online Gaming Industry

Live casinos have grown to become one of the most rapidly developing areas of the online gambling realm. It combines the advantages of accessibility of online gaming with the excitement and realism of physical casinos. Live casinos offer a real-time gaming experience with players able to interact with actual dealers via video streaming, for a true casino experience. Due to technological developments, changing consumer demands, and the international legalization of online gambling, this industry has seen an unprecedented growth rate over the past few years.

In **2022**, the **global online gambling market was valued** at around **€66.7 billion** and is expected to grow at a **CAGR of 11.5%** from **2023** to **2032** (*Grand View Research, 2022*). Furthermore, Evolution Gaming is uniquely positioned for growth, experiencing rapid growth along with the industry as a whole, as the live casino segment of online gaming is projected to grow even faster, thanks to the increasing demand for real-time, immersive gameplay. However, the sector continues to face significant challenges, including ongoing regulatory uncertainty, increased competition, and macroeconomic factors such as inflation and interest rates.

Historical Growth of the Live Casino Industry

- Early Development (2000-2010)

Live casinos were introduced in the early 2000s, with the evolution of video streaming and a growing appetite for real-time, interactive gambling activities. Where previous platforms were stymied by bandwidths and processing limitations, the exception to RNG-driven gaming was the introduction of human interaction in the form of live dealers.

- Expansion and Technological Enhancements (2011-2019)

The industry grew through the years from 2010 bolstered by: Better Internet Connection: The onset of 4G networks and mobile devices facilitated seamless HD streaming of content. Move to HTML5 and HD for streaming improved experience for the end-user. Regulatory Frameworks: Licensing authorities like the UKGC and MGA promoted stable environments for industry growth, leading Europe to be the most regulated market. During this period online gambling revenues also grew at a CAGR of ~10% (*H2 Gambling Capital, 2019*), and live casinos were among the fastest-growing overall segments.

- Impact of COVID-19 Pandemic (2020-Present)

The live casino set has tremendously grown during the pandemic as the land-based casinos were temporarily closed and players opted for playing online. Growth continued to accelerate from expansion into liberalized markets, most notably in the U.S., and revenue from online gambling increased six-fold to \$500 million in 2020 (*Statista, 2021*). The live casino market was worth \$3.2 billion by 2020, with a growth rate of roughly 27% year on year (*Grand View Research, 2022*).

Trends and Regional Geographical Variations

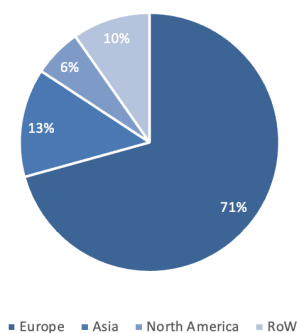
- Europe

Europe, which accounted for over half of worldwide revenue, is **by far the most developed and profitable market for live casinos**. Various countries such as the UK, Malta, Sweden, and Spain already have regulatory frameworks in place, ensuring a robust market infrastructure. The **UK** has particularly **taken the lead** with the UKGC enacting high-quality but business-friendly regulations. The **EGBA states** in its report that the European live casino market saw a year-on-year **increase of 20% between 2015 – 2020** (*EGBA, 2022*).

- North America

The North American market, especially the US, is rapidly growing. Since federal sports gambling prohibition was overturned in 2018, a dozen or so states, often working with private contractors, have started keeping tabs on online betting. Live casinos have been quick to respond to this opportunity, and this has not gone unnoticed. The **high consumer**

Figure 2. Revenue Distribution FY19 for Evolution (source: Financial reports)

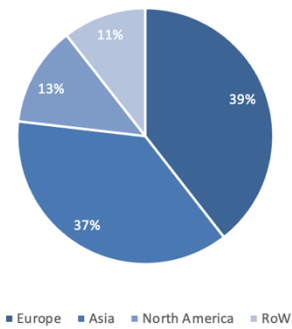


demand and the relatively healthy regulatory environment mean the U.S. represents a large share of the global live casino market (*Statista, 2022*).

- Asia-Pacific

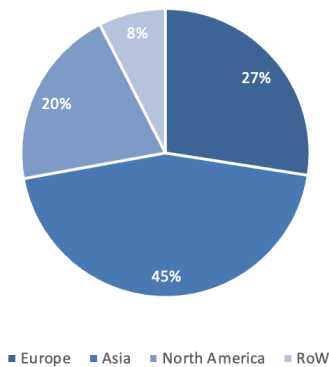
Live casino potential in Asia-Pacific (APAC) region Mobile gambling — an industry led by the likes of the major casinos and gambling resorts across China, Japan, and India — has profited from an engagement with the highest level of online gambling platforms, due to **rising smartphone penetration and high population numbers**. Regulatory uncertainty in some (e.g., China) is a headwind, anecdotally. Thus, the APAC market is expected to compound at **35% between 2021 and 2025** (*Mordor Intelligence, 2022*).

Figure 3. Revenue Distribution FY23 for Evolution (source: Financial reports)



Macroeconomic Trends and Their Impact

Figure 4. Estimated Revenue Distribution FY33 for Evolution (source: Financial reports)



Regulatory challenges: The online gaming industry is highly regulated, with changes in legislation having the potential to affect operations significantly. Sustainability-related ESG issues in the gaming space include regulatory reform, such as increased scrutiny of the market (e.g., Europe), which can increase costs associated with compliance, albeit with the corresponding external benefits from reducing excessive risk to society, and potential restrictions placed on the gaming be marketed. On the other hand, the increasing legalization of online gambling in the U.S. offers a major growth catalyst for Evolution and similar companies.

Technological Advancements: The quick progress of technology like 5G, AI, and AR is set to accelerate innovation in the online gaming sector. As mentioned earlier, Evolution Gaming can seize these developments because it is one of the few companies that uses technology in its influence what they bring in the market.

Consumer Preferences: The demand for live casino games has been driven by the increasing number of consumers seeking personalized and interactive entertainment experiences. And that's a real opportunity for Evolution moving forward, particularly with the entry into new markets.

Economic Conditions: As entertainment is only a low-priced offering of spending expense, it is partially recession-proofed for the online gaming

industry. However, other larger macroeconomic headwinds, including increasing inflation and interest rates, will weigh on discretionary consumer spending and likely hinder growth for the sector.

Risks and Challenges

Expansion of regulation represents a source of growth opportunity, but also a substantive risk. Evolution's revenue streams could be impacted by regulatory changes or restrictions in key markets like Europe or the U.S.

With new entrants and competitors all investing in live dealer technology, the live casino sector is a hotbed of competition. Whether Evolution can hold on to its market-leading position will depend on ongoing innovation and product differentiation.

Although Evolution has diversified its portfolio with the acquisition of NetEnt, the company will need to demonstrate its long-term prospects for growth by successfully integrating RNG-based games into its live casino ecosystem.

Competitive Landscape

What sets Evolution Gaming apart from other live casino providers is its sophisticated infrastructure and unwavering commitment to player experience. There are rivals like Playtech, Pragmatic Play and Vivo Gaming, but few of them are on Evolution's scale or tech sophistication.

The underlying framework of Evolution combines studio-grade production, live streaming, and sophisticated anti-cheating techniques to provide undistorted gaming across enormous player quantities. *"The player-first approach is all about making games work best on low-bandwidth devices and listening to how they can be improved in what it calls a "fail fast" philosophy,"* Todd Haushalter, Evolution's Chief Product Officer, explains.

Using this state-of-the-art technology, scalability, and commitment to quality gives Evolution an edge over its competitors and the position it maintains at the top of the live casino gaming market.

Now let's briefly take a look at Evolution's two biggest competitors Playtech and Pragmatic:

- Playtech

Founded in 1999, Playtech initially concentrated on the building blocks of online gambling, before branching into live casinos. Playtech on the other hand placed priority on securing operators through old-fashioned long-term contracts and had far less of the ambition of evolution gaming, and as a result, took a backseat. Although it faced criticism for copying Evolution, Playtech has bounced back as the second biggest player behind Evolution with €1.7 billion (2023) in revenues and a 13.5% EBIT margin. Its B2B and B2C portfolio features casino software, poker, sports betting, and live dealer, although live casino revenue details have not been released.

- Pragmatic Play

Pragmatic Play was founded in 2015 after TopGaming Technologies was folded and quickly expanded into the slots market. Its 2018 acquisition of Extreme Live Gaming, meanwhile, marked its live casino debut and enjoyed a momentary boost from the talents of Evolution's ex-CTO. Pragmatic has also followed in Evolution's lead but is taking market share and represents the first real competitive threat to Evolution. This growing competition could explain at least some of Evolution's -23% total return year to date (as of 12/12-2024).

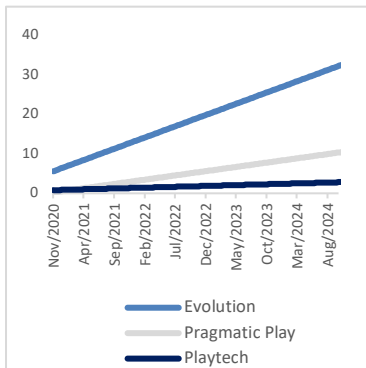
ESG (Environmental, Social, and Governance)

- Current ESG Position

Evolution Gaming's ESG approach has been ever more critical, not least now that institutional investors are focusing more than ever on sustainable and responsible investment practices. The company has made governance advancements but still has room to grow on the environmental and social fronts.

Environmental: Evolution has commenced in addressing its

Figure 5. Average Unique Monthly Players (source: Quarter)



environmental footprint by embedding energy-efficient technologies in its studios and data centers. But there is still more to do as far as carbon reduction targets.

Social: The company's social focuses are responsible gaming, employee well-being and diversity. Evolution has adopted programs like responsible gaming initiatives to make sure its customers can successfully manage their gaming involvement. The company also invests in a work environment that is truly diverse and inclusive, as attracting top talent is crucial for the company as well.

Governance: Like evolution itself, Evolution's governance practices are solid, with plenty of focus on transparency, risk management, and shareholder alignment. They have a very experienced, well-respected Board of Directors to provide oversight and to make sure certain key decisions are made in compliance with regulatory requirements.

- Comparative Positioning

Across geographies, Evolution's ESG policies are early on the curve compared to its peers. The company has made strides in governance but has fallen behind some of its competitors in environmental and social efforts. Evolution needs to improve its ESG strategy as ESG considerations become a higher priority for investors.

- Future Outlook

Until October 2023, the company will continue to expand its ESG work and respond to increasing investor demand for more sustainable operations. The corporation will probably work towards reducing its environmental footprint by establishing carbon minimization targets and increasing renewable energy usage. Moreover, progression on social fronts, especially diversity, equity, and inclusion (DEI) and responsible gaming will need to remain high on the list for Evolution going forward.

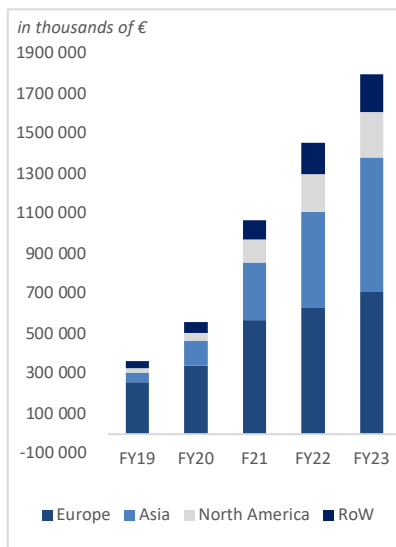
With the incorporation of ESG into its corporate strategy, Evolution will not only bolster its appeal to investors but also set the company at the forefront of sustainable and responsible gaming practices. In an increasingly competitive and regulated industry, this focus on ESG will be instrumental in supporting long-term growth and resilience.

Financial Analysis of Evolution Gaming

This Evolution Gaming analysis mainly covers various aspects of its financial performance. It provides a detailed examination of key areas such as Revenue trends, Margin ratios, Profitability metrics, Liquidity, Net Financial debt, and finally Capital Structure metrics.

Revenue Growth Overview

Figure 6. Geographical Overview of Revenue Growth of Evolution (source: Financial reports)



The chart illustrates Evolution's revenue growth and geographical diversification from FY19 to FY23.

Over this period, Evolution achieved **substantial annual revenue increases**, with a **compound annual growth rate (CAGR) of 48.9%**, underscoring the company's successful expansion and rising demand for its offerings.

Strategically, Evolution has **focused on the European market**, which continues to generate **the highest revenue**. However, consistent with its long-term goals, Evolution has actively **diversified its revenue sources across other regions**, particularly in **Asia**. Revenues from Asia saw remarkable growth, with a **CAGR of 91.9%** from **FY19 to FY23**, reflecting Evolution's commitment to penetrating this high-potential market. **North America** and the **Rest of the World (RoW)** also showed strong revenues performance during this period, with **CAGRs of 79.2%** and **52.1%**, respectively.

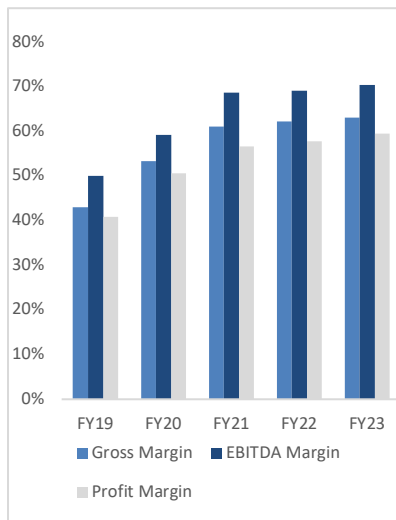
Between **FY19 and FY21**, Evolution Gaming saw **rapid growth** driven by its **expansion into new markets**, especially North America, and **strategic acquisitions**, including NetEnt. The **COVID-19 pandemic fueled a surge in demand for online gaming**, which Evolution capitalized on through its live casino services. This growth was further supported by significant investments in studio capacity and digital infrastructure.

From **FY22 to FY23**, Evolution's **growth slowed to 36%** and **23% YoY**, shifting focus to **sustainable growth**. The company optimized operations, consolidated its market share, balanced organic growth with acquisitions, and navigated increased competition and regulatory

challenges while expanding into emerging markets like Latin America.

Margin Evolution

Figure 7. Margins Evolution (Gross Margin, EBITDA Margin and Profit Margin) of Evolution (source: Financial reports)



The figure above illustrates the margin dynamics of Evolution Gaming between FY19 and FY23, **highlighting consistent growth and efficient cost management**. Over this period, Evolution has successfully improved its margins, **reflecting strategic decisions and operational efficiencies**.

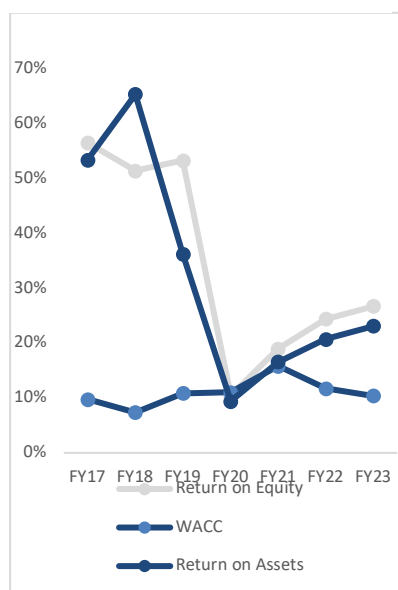
Gross margin increased steadily from **43% in FY19 to 64% in FY23**, underscoring a reduction in the Cost of Goods Sold (COGS) relative to total revenue. This improvement is particularly notable as the company **maintained strong cost control throughout the years**. Similarly, the **EBITDA margin** followed an upward trajectory, **rising from 50% in FY19 to 70% in FY23**. This growth can be attributed to Evolution's ongoing investments in operational efficiency, particularly in **enhancing its studio capacity and technological infrastructure**, which contributed to improved profitability.

Profit margin also experienced positive growth, although at a more moderate pace, **increasing from 41% in FY19 to 60% in FY23**. This reflects the company's **ability to manage operational costs** while also navigating increased competition and regulatory challenges. Overall, the data indicates that Evolution has been able to maintain healthy margins, demonstrating strong financial resilience and the effectiveness of its cost optimization strategies during this period.

Profitability

When evaluating profitability metrics, the key financial ratios focus on the individual analysis of Return on Equity (ROE) and Return on Assets (ROA), as well as their progression relative to the Weighted Average Cost of Capital (WACC).

Figure 8. Key Profitability Ratios of Evolution (source: Financial reports)



From **FY17 to FY18**, **ROA** demonstrated strong growth, rising from **53%** to **65%**. However, between FY19 and FY20, there was a significant decline, with **ROA dropping to 36% in FY19** and further to **9% in FY20**. ROE experienced a small decline, between FY17 and FY19, dropping from **57% in FY17 to 51% in FY18**, before **rising** again to **53% in FY19**. Nonetheless, in FY20, it followed a similar trend to ROA, **falling sharply to 10.44%**. The significant declines in both ROA and ROE can be largely attributed to two key factors: (i) the **acquisition of NetEnt in 2020**, which expanded Evolution Gaming's portfolio into RNG-based slots to enhance market reach and diversify its product offerings; and (ii) the impact of the **COVID-19 pandemic**, which led to a surge in demand for online casinos, resulting in an increase in the company's total assets and equity value. These factors collectively influenced profitability metrics, reflecting the substantial investments and growth dynamics during this period. Both ROA and ROE showed an **upward trajectory**, from **FY21 to FY23**, steadily increasing over this period. In **FY21**, ROE stood at **19%**, while **ROA** was **17%**.

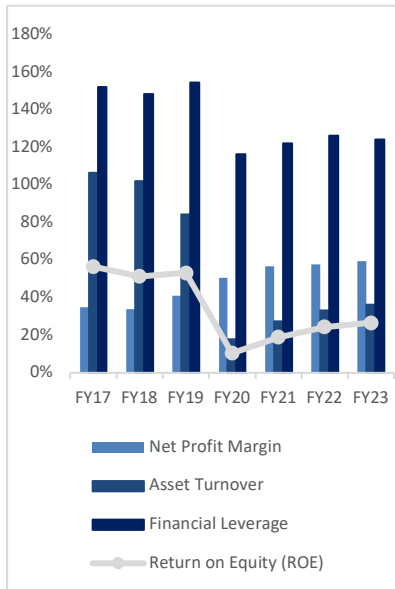
By **FY22**, **ROE** had risen to **24%**, and by **FY23**, it reached **27%**. Similarly, **ROA** grew from **21% in FY22 to 23% in FY23**, reflecting consistent improvements in profitability and asset efficiency.

Evolution's cost of capital fluctuated significantly between **7% and 16%** over the analyzed period. In **FY17**, the company recorded a moderate WACC of **10%**, reflecting a balanced capital structure and stable investor confidence. By **FY18**, **WACC dropped sharply to 7%**, the lowest point in this period, likely driven by increased investor confidence stemming from strong ROA performance and reduced perceived risk. However, **from FY18 to FY19**, **WACC rose to 11% and remained steady in FY20**. This increase suggests a growing perception of risk, potentially influenced by the impact of the NetEnt acquisition and the COVID-19 pandemic. In **FY21**, WACC peaked at **16%**, indicating heightened risk and financing costs. This surge can be attributed to ongoing uncertainties related to the acquisition integration and pandemic-induced market volatility, despite initial signs of ROA and ROE recovery. Between **FY22 and FY23**, WACC **declined to 12%** and **then to 10%**, respectively. This downward trend coincided with rising ROA and ROE, reflecting improved investor confidence, enhanced operational stability,

and more efficient asset utilization.

DuPont Analysis

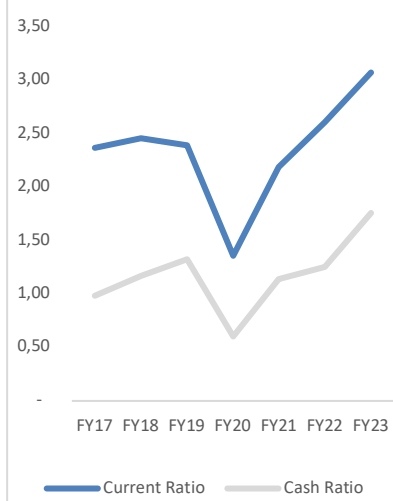
Figure 9. DuPont Analysis of Evolution
(source: Financial reports)



Furthermore, our DuPont analysis has yielded valuable insights into the factors driving ROE performance. The Net Profit Margin has generally exhibited an upward trend, despite a slight decline to **34.01% in FY18**, ultimately **reaching a peak of 59.54% in FY23**. Meanwhile, Asset Turnover experienced a **downward trajectory between FY17 and FY19**, hitting its **lowest point at 17.71% in FY20**. However, it demonstrated consistent growth in the subsequent years, **peaking at 36.16% in FY23**. Evolution's Financial Leverage figures indicate a cautious approach to debt management. **Between FY17 and FY19**, financial leverage remained steady, **ranging from 1.48x to 1.55x**. However, it **declined to 1.16x in FY20**. Starting in FY21, there was a **gradual increase**, reaching **1.22x in that year, 1.26x in FY22**, and **1.24x in FY23**. Hence, the **decline in ROE to 10.44% in FY20** was due to lower Financial Leverage and Asset Turnover. However, the recovery from FY21 to FY23 (26.73% in FY23) was driven by improved Asset Turnover, modestly higher Financial Leverage, and stronger Net Profit Margins, reflecting a positive impact on profitability and returns on equity.

Liquidity Profile

Figure 10. Liquidity Profile of Evolution
(source: Financial reports)



Evolution's liquidity profile has experienced significant fluctuations over the years. Since the company doesn't hold inventories, the Quick Ratio isn't relevant. Instead, liquidity can be evaluated using metrics such as the Current Ratio or Cash Ratio. **Between FY19 and FY20**, the **Current Ratio** saw a significant **decline to 1.36x**. Despite the increase in assets that year due to the acquisition, this suggests that current liabilities, particularly current tax liabilities and other short-term obligations, rose even more. A possible factor for this increase could be the **impact of the COVID-19 pandemic**. From FY21 to FY23, the Current Ratio steadily **improved, reaching 3.07x by FY23**, reflecting stronger liquidity and an enhanced ability to meet short-term liabilities.

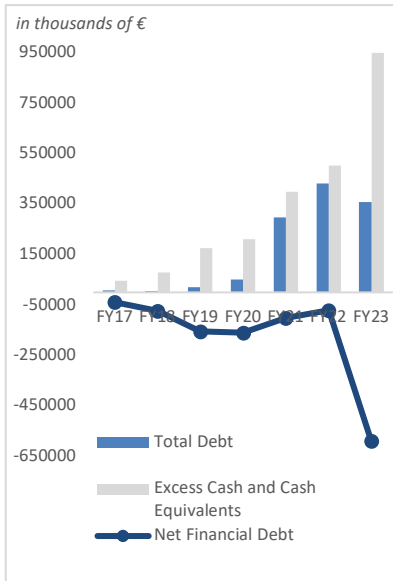
Regarding the **Cash Ratio**, it fluctuated between **0.98x and 1.33x from**

FY17 to FY19, with a notable **drop to 0.60x in FY20**. However, from FY21 to FY23, it exhibited consistent growth, **peaking at 1.76x in FY23**.

Net Financial Debt Analysis

Evolution's total debt has risen significantly over the years, from **€7m** in FY17 to **€358m** in FY23, with a sharp increase between FY21 (**€298m**) and FY22 (**€431m**), indicating a growing reliance on debt to fuel expansion and operations. At the same time, the company's **Excess Cash and Cash Equivalents** have steadily increased, rising from **€46m** in FY17 to **€950m** in FY23, with the most substantial growth occurring between FY21 and FY23. This strong cash buildup highlights the company's efforts to ensure liquidity and financial flexibility. Despite the rise in debt, **Net Financial Debt** has remained negative throughout the period, starting at **€-39m** in FY17 and reaching **€-591m** in FY23. This negative net debt reflects effective capital management, where the company's growing cash reserves are used to offset its debt, reducing its reliance on external financing. Overall, Evolution's strategy of leveraging debt for growth while building substantial cash reserves has allowed the company to maintain robust liquidity and effectively manage its debt position.

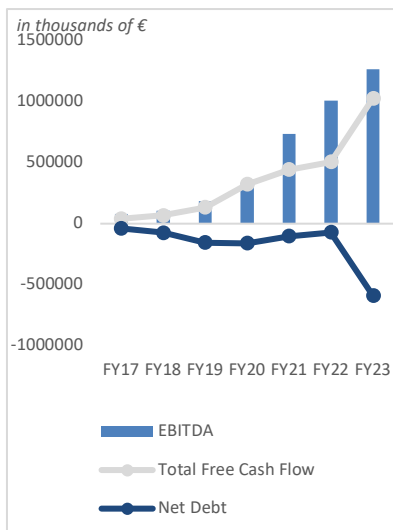
Figure 11. Net Financial Debt Analysis for Evolution (source: Financial reports)



Capital Structure Analysis

EBITDA shows consistent and strong growth, rising from **€81** in FY17 to **€1,267m** in FY23, nearly doubling between **FY20 (€332m)** and **FY21 (€735)**. This reflects continuous improvement in operational performance and profitability. Alongside this, the substantial increase in **Free Cash Flow (FCF)** from **€40m** in FY17 to **€1,029m** in FY23 indicates growing operational efficiency and effective capital management. The sharp rise in FCF, especially the near doubling from **€506m** in FY22 to **€1,029m** in FY23, closely aligns with EBITDA growth, suggesting that improved profitability translates directly into cash generation. This trend highlights the company's ability to optimize its operations through incremental debt, enhancing liquidity, and reducing

Figure 12. Capital Structure Analysis of Evolution (source: Financial reports)



reliance on external financing.

In essence, Evolution is leveraging its enhanced operational efficiency, as evidenced by the strong growth in EBITDA and FCF, to manage and optimize its debt position, ensuring both liquidity and financial flexibility. As EBITDA rises, so does the ability to generate cash internally. This cash is crucial for covering operational costs, funding new investments, and servicing debt. The substantial growth in FCF (from €40m in FY17 to €1,029m in FY23) further illustrates Evolution's ability to generate cash from operations beyond just maintaining day-to-day operations, positioning it for strategic investments and growth opportunities.

Moreover, **Net Financial Debt**, which started at €-39m in FY17 and grew to -€591m in FY23, reflects that more cash is held than debt. The negative net debt position in FY23 indicates strong financial strength and liquidity, with sufficient cash reserves to offset its increasing total debt. This underscores the company's **financial prudence** and effective management of debt, allowing it to service its obligations while maintaining flexibility and reducing reliance on external financing.

Evolution's strong **EBITDA** and **FCF** growth, along with its negative **net financial debt**, showcases effective cash generation and debt management. This financial strength ensures liquidity, operational flexibility, and reduced reliance on external funding, positioning the company for sustained growth and future opportunities.

Relative Financial Analysis

The comparable financial analysis assesses Evolution Gaming's performance in comparison to its competitors operating in the same industry. Although, Evolution's Gaming main strategy focuses on live casino solutions, this analysis provides insightful information for the company mainly regarding its competitive position.

- **EBITDA Margin**

Evolution's EBITDA Margin for **FY23 was 70.47%**, substantially higher than the peer median of **29.10%**. The company performs much better relative to its competitors, demonstrating its cost-effectiveness and scalability, especially in its live casino business.

- Profitability

In terms of Profitability, Evolution Gaming holds a leader position over its peers. In FY23, the company's **ROIC increased to 31.36%**, higher than the median of **6.03%** in the same year. This showcases the company's ability to produce considerable returns on capital investments. Similarly, its **ROE for FY23 was 6.83%**, higher than the industry median but lower than the values from previous years. Nonetheless, this represents continuous value generation for its shareholders.

- Liquidity

Regarding Liquidity, the industry median of **1.42** is considerably lower than Evolution's current ratio of **3.07 in FY23**. Therefore, the company is positioned to fulfill its immediate obligations, maintaining operational and strategic flexibility. Furthermore, the differences between Evolution and competitors such as Churchill Downs Incorporated (0.55) reinforce the company's strong financial position among its competitors.

- Capital Structure

In **FY23**, Evolution Gaming's **DEBT/EBITDA ratio was 0.28x**, which indicates a conservative approach to its capital structure. The company's use of financial leverage, lowering financial risk while conserving growth potential, is demonstrated by comparing Evolution's result to the **industry median of 5.18x**. Overall, Evolution Gaming's financial performance highlights its leadership in the gaming sector. The company's superior margins, strong liquidity, and profitability metrics further reinforce Evolution's stability and resilience in a competitive and evolving market landscape.

Table 4. Relative Financial Analysis
(source: Stock Analysis)

Relative Financial Analysis - FY 2019 - FY 2023					
(in thousand of EUR (€))	FY19	FY20	FY21	FY22	FY23
Debt/EBITDA	0.11x	0.15x	0.41x	0.43x	0.28x
Median	5.75x	9.70x	9.57x	6.84x	5.18x
Playtech	3.35x	6.65x	4.91x	2.03x	2.06x
DraftKings	-	-	-	-	-
Churchill Downs Incorpora	4.71x	9.70x	4.85x	9.93x	6.34x
Playtech	6.78x	-	32.52x	24.21x	7.49x
Light & Wonder	11.24x	39.10x	14.23x	4.64x	4.02x
Current Ratio	2.39	1.36	2.19	2.60	3.07
Median	1.34	1.78	2.22	1.67	1.42
Playtech	1.34	1.71	1.62	0.96	1.42
DraftKings	1.02	3.96	2.96	1.67	1.34
Churchill Downs Incorpora	0.55	1.27	0.55	0.53	0.55
Playtech	2.03	2.23	2.22	1.93	1.53
Light & Wonder	2.62	1.78	2.72	1.88	1.88
ROIC	119.67%	11.09%	19.60%	24.89%	31.36%
Median	-1.24%	0.99%	2.88%	5.41%	6.03%
Playtech	4.13%	0.99%	2.88%	4.76%	5.44%
DraftKings	-161.48%	-36.83%	-33.83%	-33.09%	-20.33%
Churchill Downs Incorpora	2.48%	9.02%	6.76%	6.77%	7.47%
Playtech	-6.24%	-2.02%	-0.93%	5.41%	6.03%
Light & Wonder	-1.24%	2.56%	5.08%	8.21%	9.99%
ROE	53.30%	10.44%	18.97%	24.37%	6.83%
Median	-287.85%	-6.90%	55.44%	10.58%	17.77%
Playtech	4.39%	-6.90%	55.44%	2.47%	5.99%
DraftKings	-1078.46%	-85.43%	-70.68%	-91.83%	-74.17%
Churchill Downs Incorpora	3.03%	73.93%	102.39%	57.75%	41.37%
Playtech	-578.73%	-	-	-	-
Light & Wonder	-	-	-	18.69%	29.54%
EBITDA Margin	45.18%	43.88%	50.02%	59.20%	70.47%
Median	29.05%	21.25%	30.15%	29.60%	29.10%
Playtech	22.00%	20.50%	23.30%	23.20%	23.80%
DraftKings	-	-	-	-	-4.12%
Churchill Downs Incorpora	33.91%	27.13%	39.26%	42.21%	41.56%
Playtech	24.19%	-20.62%	10.01%	14.77%	29.10%
Light & Wonder	39.00%	22.00%	37.00%	36.00%	39.00%

Valuation

Relative Financial Analysis

For a multiples valuation, Playtech, DraftKings, Wynn Resorts, Churchill Downs Incorporated, and Light & Wonder are relevant comparables within Evolution Gaming's industry. These companies show similar performance across key metrics, such as size, market capitalization,

enterprise value, and sector alignment, collectively highlighting industry trends and benchmarks, providing valuable context for evaluating Evolution Gaming's position and strategic initiatives. By analyzing these drivers, we can better understand how Evolution leverages its strengths to maintain competitiveness and sustain its growth trajectory within a dynamic market landscape.

To assess Evolution Gaming's valuation, we compared its market multiples to those of its industry peers:

Price-to-Earnings (P/E): Evolution Gaming's **FY 2023 P/E ratio of 21.87x** is below the industry median of **24.12x**, suggesting that the market is valuing the company's earnings at a discount relative to competitors. This lower multiple may reflect investor concerns over potential challenges such as slowing growth, increased competition, or regulatory risks despite Evolution's strong fundamentals and market position.

EV/Sales: Evolution's **12.69x EV/Sales** multiple is substantially higher than the industry median of **4.07x**, suggesting that investors place a premium on its revenue generation capabilities, likely due to its market dominance and strong sales growth relative to peers.

EV/EBITDA: With an EV/EBITDA multiple of **18.01x**, significantly above the industry **median of 11.11x**, Evolution demonstrates strong profitability and operational efficiency, as well as the market's expectation for continued growth and superior margins.

EV/EBIT: Evolution's EV/EBIT multiple of **19.88x** is slightly higher than the **industry average of 16.49x**, reflecting its solid operational performance but also indicating cautious investor sentiment regarding potential risks or growth sustainability.

Key Differences in Multiples: The differences in these multiples can be attributed to Evolution's strong market position, superior margins, and scalable business model, which justify premium valuations in EV-based metrics.