



## Bulls Position for Upside in Sports Betting Play GAN

**Ticker/Price:** GAN (\$20.2)

### Analysis:

**GAN Limited (GAN)** traded 9,950 calls on 6/8, just its fourth day of options available to trade since recently debuting in the US. The most interesting trade sold 1000 of the January \$7.50 puts at \$1 and bought the \$20/\$40 ratio call spreads 1500X3000 on the day for around \$1.50. On 6/3 the October \$30 calls were bought 750X to open near \$3.50. GAN shares have put in a strong move since its debut in May and recently retraced 50% of that move and working on a nice bullish reversal candle this week, a name that carries some scarcity value as there are few ways to play the emerging sports betting theme. GAN provides SaaS solutions for online casino gaming and online sports betting applications. GAN has a highly scalable and diversified business model and top tier industry partners like FanDuel, Parx, and Penn. GAN notes that over 30% of all US internet gambling revenue generated in 2019 was processed on its software platform. GAN thrives in mobile markets with is a \$12.5B opportunity while further regulatory changes are a positive tailwind for business. The iGaming business offers more predictable high margin revenues that mitigates the volatility/seasonality of sportsbooks. Recurring revenues are currently running at around 35% of total and metrics like Active Player Days and ARPDAU are gaining strength each quarter. The model is profitable with high margins, expecting 30%+ adjusted EBITDA margins. B. Riley initiated at Buy in May noting "With the legalization of U.S. sports betting and iGaming in its early innings, we see ample opportunity for GAN to drive top-line growth with SaaS-like margins. GAN provides B2B Internet gambling software and managed services to land-based and online gaming operators as a turnkey technology solution via its proprietary GameSTACK platform, giving investors a way to bet on the house through its attractive SaaS revenue share model (~65% revenue), as well as fees for its technology and services (~35% revenue). Its software gives casinos control of all facets of virtual operations, including loyalty programs, transaction processing, analytics, games, promotions, messaging, and back-office technology, creating a bridge between an operator's online and offline properties. The improving regulatory landscape in the U.S. since the U.S. Supreme Court overturned the Professional and Amateur Sports Protection Act in May 2018 has created what we view as a modern-day gold rush, and we believe GAN is uniquely positioned to benefit from the proliferation of mobile betting as a pick-and-shovel play. The company was early to focus on the U.S. market and is now reaping the rewards of its years of software optimization and regulatory experience, as revenue more than doubled in 2019, up Y/Y from \$14M to \$30M, with gross operator revenue up 171%. Today, most of the company's U.S. revenue is derived from just three states (NJ, PA, and IN), but online sports betting and casino gambling legislation is spreading rapidly, with states like New Jersey serving as a microcosm for the economic and tax benefits of full mobile access with 80%+ of wagering online. The company has already established partnerships with key casinos, racetracks, and FanDuel, a leader in daily fantasy sports, and we believe GAN is well positioned to increase its U.S. presence." Craig Hallum expects 30%+ revenue CAGR and expanding margins.

### Hawk Vision:



**Hawk's Perspective:** GAN is richly valued already but offers a long-term immense opportunity, so options will be tricky to time but a stock I want to own as part of a longer-term bullish bet on online/sports betting.

**Confidence Ranking:** \$\$