

# We're long GAN: the toll road in online gaming

We're excited to invest you in GAN Ltd (GAN), the B2B technology platform providing turn-key online casino and sports wagering solutions. This stock replaces Collectors Universe in our Opportunities portfolio.

## GAN LTD (GAN)

Industry	Consumer
Stock Price	\$26.88
Market Cap	\$940 million
Price Target	~\$48 (+78%)

## Investment Thesis

**We believe GAN is a mission-critical B2B technology platform in the growing iGaming and sports betting industry, serving as the "toll road" for casinos to operate and go digital with customers.**

**First, we believe the total addressable market (TAM) for iGaming and sports betting will see continued growth** driven by increased state legalization. Less than half of U.S. states have legalized online casino gambling and sports betting thus far. Both online casino and sports betting offerings have been very successful in each state launched to date.

We believe more U.S. states will approve these offerings to reap the benefits of increased tax revenue. We see the Global Gaming market (~\$450B today) growing ~10% per year with only 12% online today. We expect GAN to continue signing clients as more states approve iGaming and sports betting.



**Next, we believe GAN's competitive advantages are durable and getting stronger with acquisitions.** Its end-to-end software solutions allow brick & mortar and online casinos to handle everything from player account management and payments to providing a library of gaming content that can be made available to online players. GAN also recently announced the acquisition of Coolbet, an international sportsbook technology provider which should be a home run (deal closing in Q1 2021). Bringing more sports betting capabilities in-house increases cross-selling abilities and broadens the scope of potential customers.

**Specifically, Coolbet's proprietary sportsbook technology provides the "missing piece" of GAN's B2B technology stack for a fully integrated offering, customizable at client discretion.** This deal diversifies GAN geographically and provides an additional margin capture opportunity for GAN with a single-source solution that also allows its operator customers to differentiate their entertainment offering. Coolbet also comes with a growing and sustainable international B2C business to self-fund continued product development. With Coolbet, GAN will be better positioned to capitalize on the expanding group of U.S. states regulating both iGaming and sports betting.

**Unit economics are strong and should rapidly improve as GAN integrates Coolbet and scales across more states.** Prior to the Coolbet acquisition, GAN management had issued guidance for \$100 million revenue and 30%+ EBITDA margins by year-end 2022 (vs. results of \$30 million and 28% in 2019). Based on our estimates of continued state legalization tailwinds, operational execution at core GAN, product cross-selling and cost synergies from Coolbet, we believe \$170 million sales at 35% EBITDA margins in 2022 are achievable. At ~16x our 2022E EV/EBITDA estimates, we see GAN as quite undervalued given its strong growth and scalable model. We believe the stock can at least hold this forward valuation multiple and compound EBITDA at a 20%+ clip for the next 3-5 years, implying a \$48 stock by year-end 2023.

**The biggest risk with owning GAN today is customer concentration.** FanDuel (a major GAN customer) migrated its sports betting software in-house in summer 2020 which weighed on GAN's stock (down -50% from peak to trough). The risk of large customers moving outsourced software tools in-house is real, but it's important to separate sports betting from internet casinos. We think the outsourced internet casino business is much stickier than sports betting, and while FanDuel may continue in-sourcing portions of its GAN contract over time, GAN should remain a key partner in many states (especially for internet casino).

**In summary, we believe GAN is the toll road in online gaming:** a mission-critical B2B technology platform poised for explosive growth and share gains as more states approve iGaming and sports betting.

## Exited Position: Collectors Universe (CLCT)

**Collectors Universe (CLCT)** provides authentication and grading services for collectors of coins, trading cards, sports memorabilia and autographs.

**Original thesis:** "Collectors Universe is a high-quality collectibles business under pressure from an activist investor. We think its share price can appreciate to \$100/share over the next three years, driven by substantial changes in operational efficiency, profitable digital innovation, and shareholder engagement."

**What changed: CLCT got acquired for \$92/share, a +118% return since we bought the stock at ~\$42/share.**

The biz remains incredibly strong, and we had actually voted against the tender offers of both \$75.25/share and \$92/share, but the board got enough votes from other shareholders for the recent \$92/share offer to get approved.



Source: Sentieo

**Our action: We exited our position up +118% (+2x)** since we initiated the investment for Opportunities clients just five months ago. While we believe the company is worth far above \$100/share, we're not too displeased with this quick doubling of client capital, and we're excited about our new position in GAN.

If you have any questions, please don't hesitate to email us at [research@titanvest.com](mailto:research@titanvest.com).



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