



**NEWGIOCO**  
G R O U P

# Investor Presentation

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**RALPH GARCEA**

VP Corporate and Business Development

January 2019

OTCQB: NWGI

## SAFE HARBOR STATEMENT

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## INTRODUCING NEWGIOCO GROUP, INC.



## EXISTING EUROPEAN OPERATIONS: LEISURE &amp; DAILY BETTING

- We offer a **complete portfolio of gaming products**
  - Web-based Sports betting, Virtual, Casino, Poker, Bingo
  - Land-based Sports betting, Virtual games
- **Strong, steady growth** in sales and earnings

	FY2016	FY2017	TTM Q3 2018
Total Handle (turnover)*	\$122M	\$ 219M	\$347M
Revenue	\$ 8.9M	\$ 23M	\$ 35M

- Italian gaming market is **growing by double-digits**
- **Proven operations** in highly-regulated, challenging market in Italy provide validation for SaaS expansion
- Portfolio of complementary products ready to launch: U.S., LatAm
- Executing a number of initiatives to sustain growth trajectory in turnover (“handle”) and revenue
- Steady wager growth, exceeding 50% YoY, across all products

\* Handle (turnover) represents the total amount of wagers before deducting winnings

## EXPANSION TO U.S.: SOFTWARE-AS-A-SERVICE

From the Perspective of Casino Operators:

- **ELYS is a proven, innovative and efficient betting platform software**
  - ELYS provides casinos with **state-of-the-art risk management**
  - **Credibility:** we can best support casinos who are launching sport betting because we didn’t just develop the platform – we’re successful because of it
- **Better top line for casinos** because sports betting:
  - **Drives Traffic:** Market is rapidly expanding in early-adopter states
  - Fits well: Sports betting is a **natural complement to casino gaming**
- **Better bottom line for casinos**
  - ELYS’ risk management can be customized for individual locations

From Our Perspective:

- Partner with casinos: **offer sports book as a “supplier”** (not an “operator”)
- Utilize a recurring revenue business model to **grow revenue and profits**
- \$32B U.S. Tribal Market represents a logical, high-growth, accretive expansion opportunity

## WHO

Newgioco Group, Inc.



## WHAT

Vertically-integrated leisure gaming technology company with fully licensed online and land-based gaming operations and innovative betting technology platforms that provide bet processing for casinos and other retail gaming operators.

## WHERE

Italy plus currently expanding platform geographically

UNITED STATES

LATIN AMERICA

## HOW

*Four pillars of success...*

### SIGNIFICANT MARKET OPPORTUNITY

- Global Gaming Market was **\$500B** in 2018
- Online Gaming Market was **\$50B** in 2018
- Sports betting represents **51%** of total gaming market
- **9% CAGR for global sports betting by 2022**

### TRACK RECORD OF SUCCESS IN ITALIAN GAMING MARKET

- Italy is largest EU gaming market
- Total gaming: **~\$23B**
- Online gaming: **~\$1.7B**
- Fragmented market: 150+ vendors
- Newgioco taking market share (AGIMEG, Nov 2018)
- Ranking: # 6 in online poker
- Ranking: #22 in sports betting
- Target **\$500M** betting handle

### EXPANSION STRATEGY FOR GLOBAL SPORTS BETTING MARKET

- Huge U.S. opportunity: Supreme Court ruling to allow sports betting. Our Focus: U.S. Tribal Market including **\$32B** of gaming
- Proposed acquisition of Virtual Generation Ltd. should expand footprint to Latin America and Africa
- NWGI to provide innovative ELYS sports betting platform and virtual gaming software as SaaS-based service in global markets

### EXPERIENCED LEADERSHIP

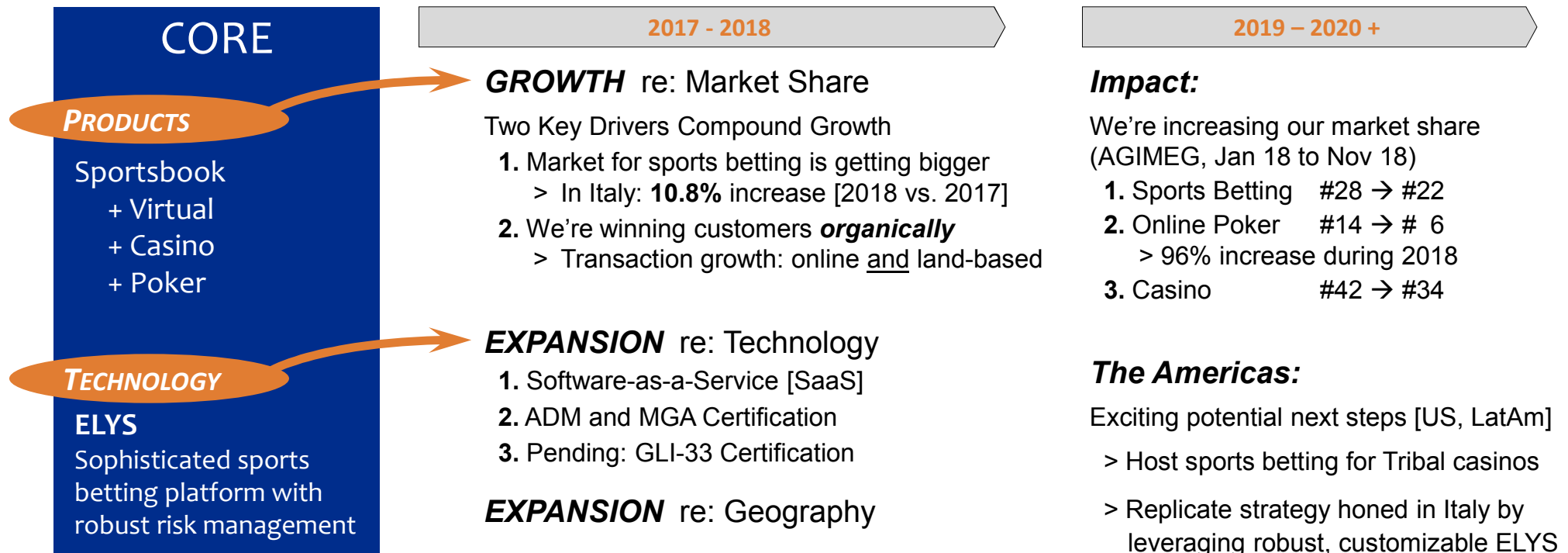
- Management team with substantial gaming and technology experience
- Board of Directors with majority of independent directors and Nevada gaming compliant backgrounds
- Significant ownership by Management, Insiders and Board (70%) aligns shareholder interests

Our **focus on the technology** that fuels leisure betting ➡ is also fueling our **growth and expansion**

## NEWGIOCO'S *EXPAND FROM CORE* STRATEGY IS WORKING



ELYS ISN'T JUST A GREAT PLATFORM — IT'S OUR FOUNDATION FOR *GROWTH AND EXPANSION*



## 2017: SOLID GROWTH IN HANDLE AND REVENUE, BUT...

The Good News: More End Users & More Products Lead To Accelerated Growth of Handle and GGR

### PRODUCTS

- Market acceptance of our Sports betting products at our locations in Italy
- Introduction of “virtual games” at agencies, corners, and shops

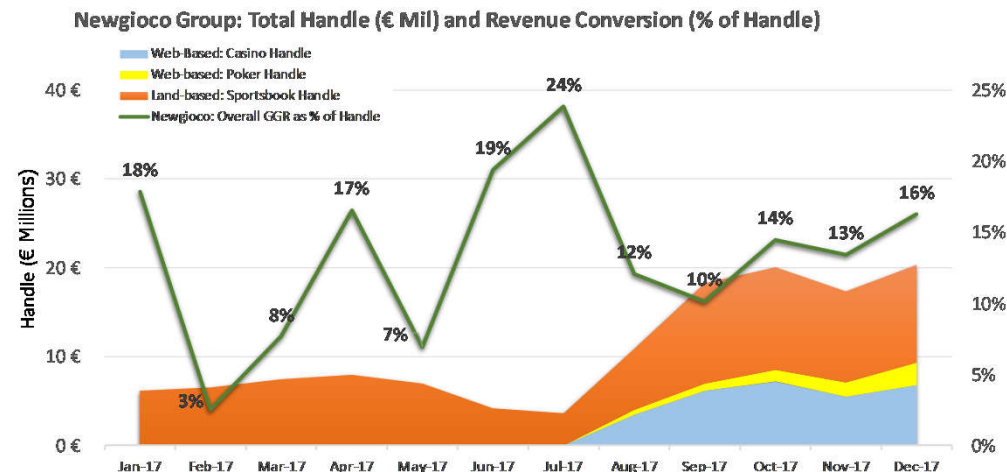
### MARKET PENETRATION

- Brand awareness develops for products, despite the fact that roughly half of the market is spread among a small number of very large competitors, and the market is highly fragmented otherwise

### SALES CHANNELS

- Focus initially was on land-based shops. We increased our number of physical locations during 2017.
- In August 2017 we added to our product portfolio by launching web-based offerings: Casino and Poker

The Problem: Gross Gaming Revenue (i.e. Handle less player winnings) was way too volatile



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## SPOTLIGHT ON: *SPORTS BETTING*

- There is a strong and consistent demand for sports betting
  - Italy has the largest market for sports betting of any country in Europe [please refer to Appendix]
  - It's also highly regulated and very competitive
- Betting “turnover” or “handle” varies depending on the season
  - Q2 tends to be a peak quarter for Seria A, LIGA, Premier League, Ligue 1, Bundesliga, and Champions League play
  - Events like the World Cup (2018), the UEFA Cup (2020), and the Olympics also influence the volume and frequency of betting
  - U.S. seasonality will align with Super Bowl (NFL), March Madness (NCAA), NHL Stanley Cup and NBA Finals, and the World Series (MLB)
- Revenue Conversion:  $\text{Gross Gaming Revenue} = \text{Handle} - \text{Player Winnings}$ 
  - Lots of factors can influence the revenue that results
  - Some factors are beyond our control. Ex: when “favorites” win consistently then Gross Gaming Revenues can suffer
  - This means that ***effective risk management is essential*** in order to have consistency in GGR %
- Operating a successful sports book isn't like offering casino games
  - You have to determine the level of risk you are willing to accept
  - You also need to trust that your sports betting platform will manage to the risk parameters you set



- ELYS sports betting platform has ***proven risk management capabilities***
  - It features industry-leading and highly scalable “shop-client” architecture
- From the perspective of the End User: Advanced functionality makes the platform best-in-class
  - Speed, range of products, plus the ***fully-integrated gaming account supports multiple products at the same time***
  - For example: you can play poker during your sporting event, go back and place an in-match wager, then return to playing poker
- From the perspective of Operators and Agency Owners: ELYS runs circles around competitors’ platforms
  - Reliability and comprehensive reporting are key. In addition, ***ELYS has earned coveted ADM certification.***
  - ELYS makes it easy to track betting handle, and resulting revenue, and a lot more
  - ELYS features ***fully-integrated business intelligence capabilities*** with sophisticated reporting at multiple levels



## 2018: THE BENEFITS OF RISK MANAGEMENT

**Problem Solved:** Improved risk management means *improved revenue conversion stability*, even while handle continues to grow 50%+ YoY

### PRODUCTS

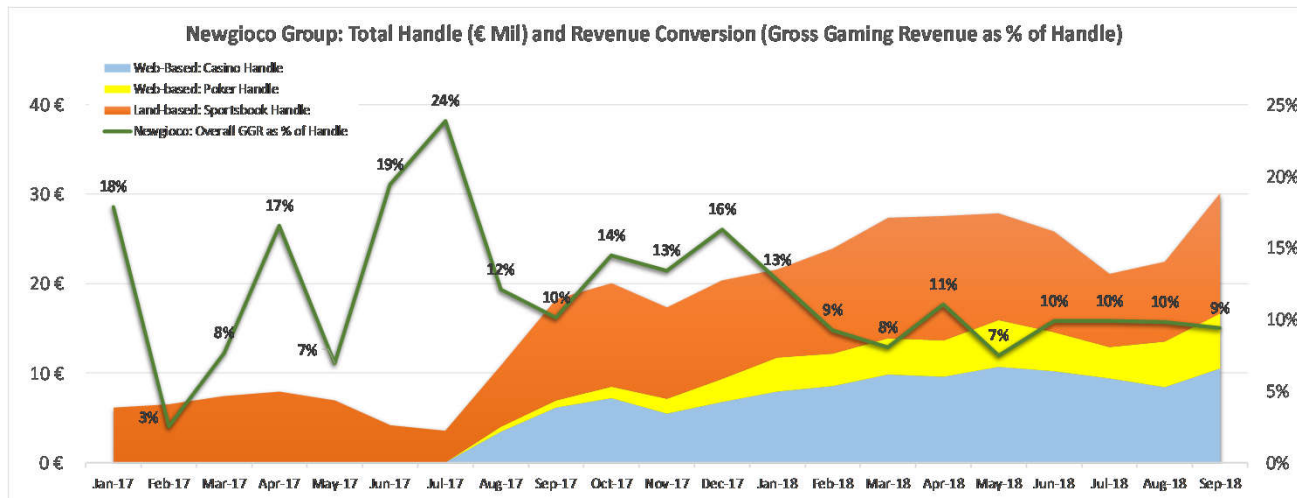
- Web-based Casino and Poker gain market share. **NWGI ranks #6 in Italy for Online Poker**, and #22 in sports betting (AGIMEG).
- Accelerated revenue growth from web-based games is a great complement to the seasonality inherent with sports betting

### MARKET PENETRATION

- Brand awareness grows as Newgioco gains ground against competitors in several product categories
- Complementary products, and the ability to play multiple games at the same time, *drives player retention and growth in Handle*

### SALES CHANNELS

- Organic growth in both web-based and land-based channels
- In 2018 we continued to expand our network of land-based locations. We currently operate ~170 agencies/shops/corners.



### 2018 RESULTS (THRU Q3)

#### ONLY TELL PART OF THE STORY:

- \$5.8M in cash
- Handle: +85% to \$278M
- Revenue: +93% to \$25.2M

We not only grew – we “grew smart”. We **reduced the volatility** of Revenue Conversion as a result of:

1. ELYS’ risk management
2. Portfolio of Products now includes regulated Casino and Poker games

## CORE PRODUCTS



## SPOTLIGHT ON: *ONLINE CASINO, POKER*

SUCCESS OF ELYS LAUNCH IN AUGUST 2017 LEADS TO KEY ONLINE CASINO AND POKER DEALS

- Web-based games are a great complement to our land-based products
  - Casino and poker raise Newgioco's brand awareness for a different cross-section of end users
  - Our fully-integrated ELYS platform means you can easily use sports bet winnings to play casino games and poker
- From the standpoint of economies of scale, online games are a cost-effective way to organically grow handle
- Revenue conversion is lower for casino/poker than for sports betting, but with ***far less risk management needed***
  - Regulations for Casino and Poker include payout ratios, so GGR as a % of Handle is fairly consistent
  - Stability from month to month: seasonality affects handle for sports bets, but has less impact on casino and poker handle

WEB-BASED PRODUCTS ARE AMONG OUR ***FASTEST-GROWING***

Let's compare 1<sup>st</sup> Year (2017) quarter-on-quarter growth rates of Handle for Sportsbook with Casino and Poker:

- |               |   |  |   |
|---------------|---|--|---|
| • Sportsbook: | 2 <sup>nd</sup> Quarter: - 5% vs. 1 <sup>st</sup> qtr.  | 3 <sup>rd</sup> Quarter: + 17% vs. 2 <sup>nd</sup> qtr.  | 4 <sup>th</sup> Quarter: + 54% vs. 3 <sup>rd</sup> qtr. |
| • Casino:     | 2 <sup>nd</sup> Quarter: +102% vs. 1 <sup>st</sup> qtr. | 3 <sup>rd</sup> Quarter: + 36% vs. 2 <sup>nd</sup> qtr.  | 4 <sup>th</sup> Quarter: + 16% vs. 3 <sup>rd</sup> qtr. |
| • Poker:      | 2 <sup>nd</sup> Quarter: +307% vs. 1 <sup>st</sup> qtr. | 3 <sup>rd</sup> Quarter: + 110% vs. 2 <sup>nd</sup> qtr. | 4 <sup>th</sup> Quarter: + 19% vs. 3 <sup>rd</sup> qtr. |

## CORE TECHNOLOGY

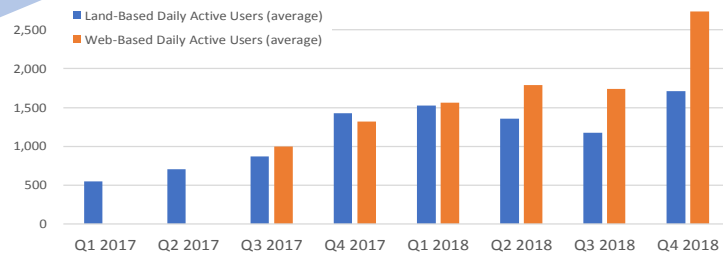
## SPOTLIGHT ON: *BUSINESS INTELLIGENCE*



ELYS CAPTURES LOTS OF DATA — AND BI ANALYSIS TURNS THAT DATA INTO *ACTIONABLE INSIGHTS*

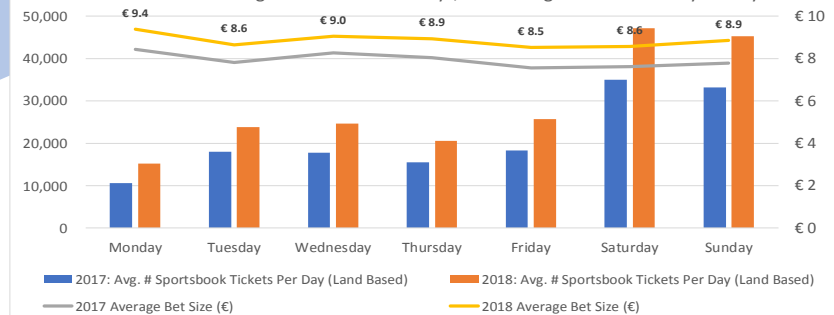
### Quarterly Trends

Average Daily Active (Unique) Users, Per Quarter



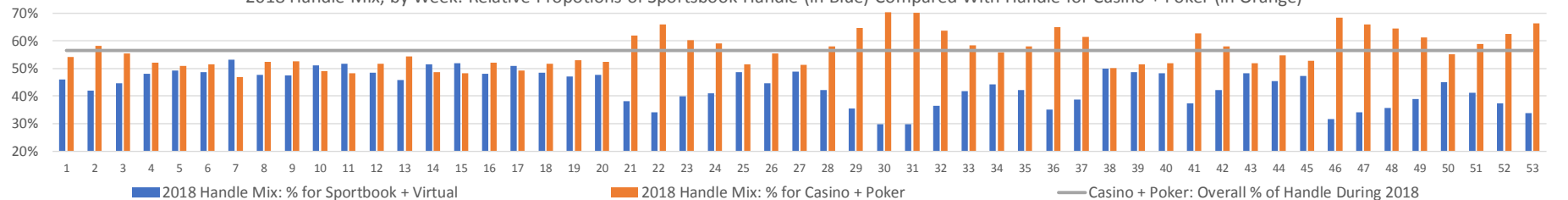
### Day-of-Week Trends

Ticket Volume Is Highest on Weekend Days, But Average Bet Size is Fairly Steady



### Weekly Handle Mix %s

2018 Handle Mix, by Week: Relative Proportions of Sportsbook Handle (in Blue) Compared With Handle for Casino + Poker (in Orange)



A wide range of granular data means we can answer a wide range of questions about what's happening in the business

## NEWGIOCO GROUP: BRINGING IT ALL TOGETHER

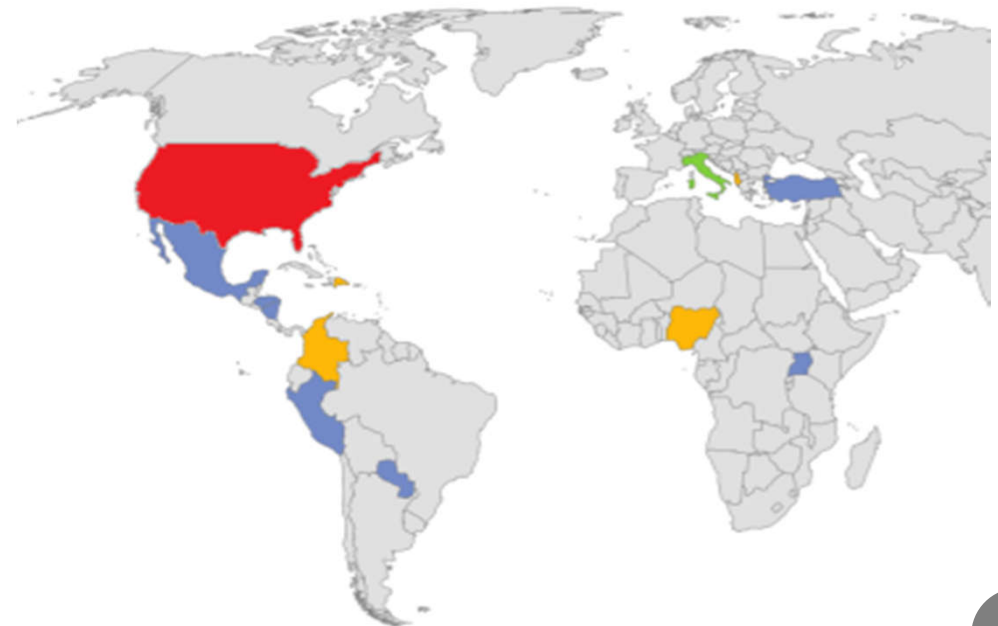


NWGI IS WELL POSITIONED FOR *CORE GROWTH* AND *GLOBAL EXPANSION*

- Leverage track record of success in highly regulated Italian gaming markets
- Provide certified ELYS sports betting platform and VG virtual gaming software as SaaS-based services to high-growth global gaming markets
- Targeting U.S. Tribal Gaming market
  - Initial focus on 17 states
  - Agreements expected to roll out 2019-2022
- Virtual Generation (VG) acquisition provides further global expansion opportunities
  - Cross-selling ELYS platform and
  - VG software as package in 12 countries where VG currently operates

### International Expansion

■ <2017 ■ 2017 ■ 2018 ■ 2019 Planned



## THREE BUILDING BLOCKS OF OUR VALUE PROPOSITION



### DRIVE GROWTH

- Focus on Growth** Newly expanding regulated markets include the U.S. plus the 12 countries VG currently operates in
- “Governments are Growth”: Legitimate sports betting drives revenue for governments
  - Regulated markets are a boon for us
    - Just look at 2018 increases in New Jersey, Mississippi, and Delaware [see next slide]
  - That’s why we’re very confident when we look at the trajectory for growth across the U.S.

### DEVELOP TECHNOLOGY

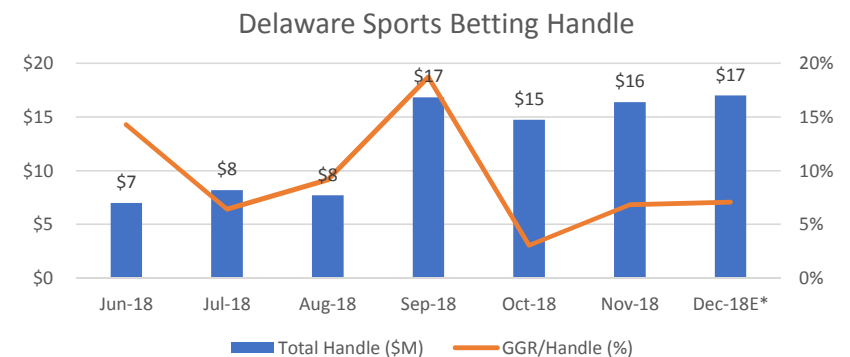
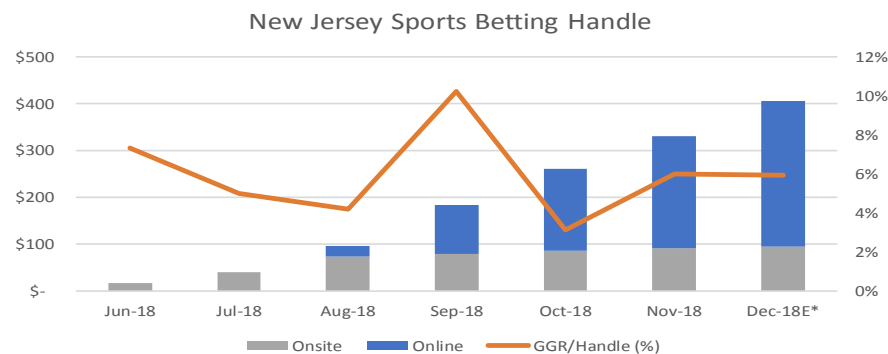
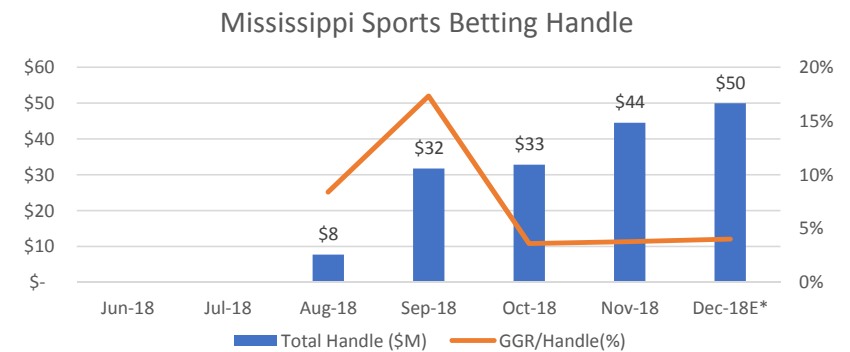
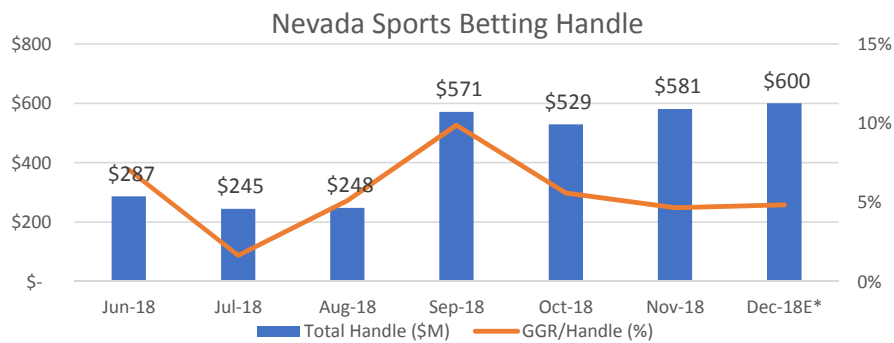
- Expanding into SaaS** We are uniquely positioned to understand and meet the hosting needs of operators
- GLI-33 certification
  - Expand AI application and effectiveness, also expand KPI granularity in powerful BI
  - Expand sports data feed sources [Sportradar, Betgenius, etc.]
  - Expand portfolio of country or tribe-specific virtual sports products [Example: Indian Horse Relay]

### DELIVER VALUE

- Significant Operating Leverage** creates opportunity to increase profitability
- Robust volume of handle from core products in Italy is the cornerstone of our business
  - Expanding into markets in the Americas and beyond is a great next step
    - Increase utilization of existing resources, then add resources as volume warrants
    - Up-front costs for U.S. expansion are low – and can be recouped quickly (2-3 months)
    - Incremental costs for U.S. support and maintenance are modest – and reflected in our SaaS pricing

## DRIVE GROWTH: U.S. IN 2H 2018

EARLY ADOPTER STATES HAVE BEEN REWARDED WITH STRONG GROWTH



\*Excl. Nevada

**US\$ 1.54B Total Handle\* \$105M GGR\* and \$13.9M Taxes Collected\***

## NWGI IS UNDERVALUED COMPARED TO PEERS

### NWGI TRADING AT LOWER EV/SALES RATIO COMPARED TO PEERS

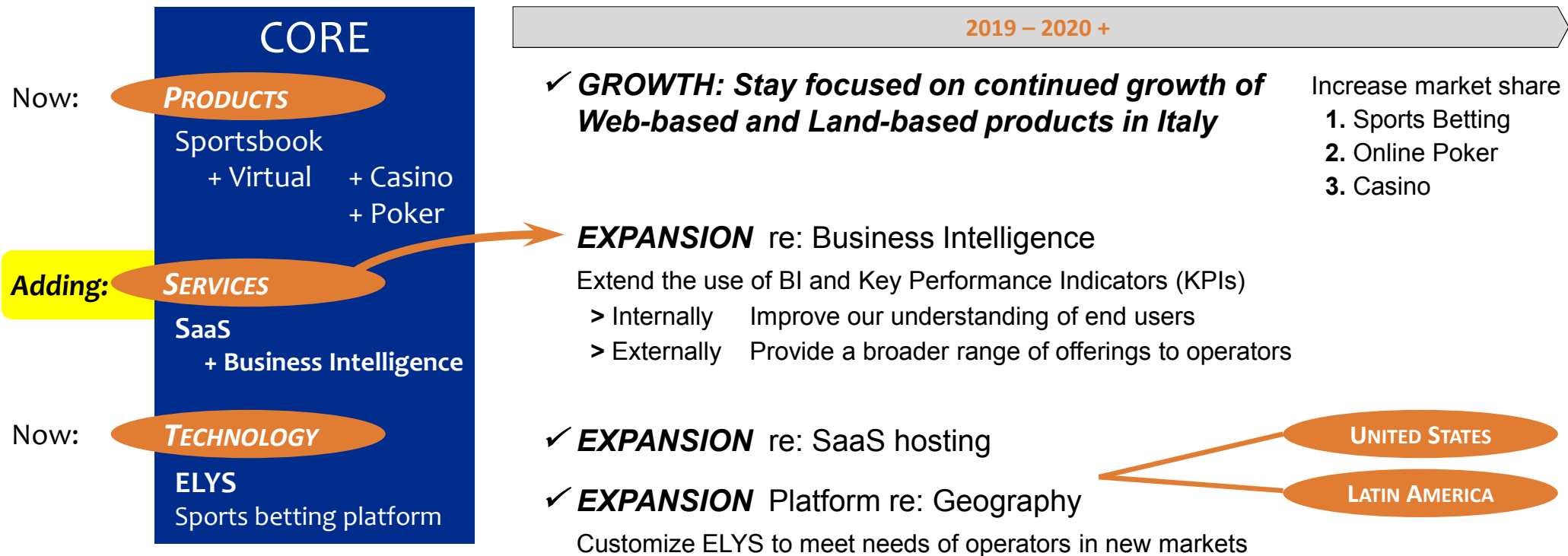
	Ticker	Price (Local)	Mkt Cap (US\$)	LTM Rev (US\$)	EV/Sales			P/E		
					2017	2018	2019	2017	2018	2019
<b>Newgioco Group Inc</b>	<b>NWGI-US</b>	<b>\$ 0.40</b>	<b>42</b>	<b>35</b>	<b>1.5</b>	<b>1.2</b>	<b>0.9</b>	<b>20.0</b>	<b>20.0</b>	<b>10.0</b>
Scientific Games Corporation	SGMS	24.85	2,279	3,301	3.5	3.3	3.1	NM	NM	NM
Evolution Gaming Group AB	EVO-SE	544.00	2,161	76	9.6	7.7	6.1	27.9	23.6	19.3
William Hill PLC	WMH-GB	1.73	1,960	2,253	0.9	1.0	1.0	5.9	8.5	13.4
Playtech plc	PTEC-GB	3.79	1,584	982	2.3	1.6	1.2	6.1	6.9	6.5
Betsson AB Class B	BETS.B-SE	86.06	1,316	614	2.4	2.4	2.2	14.2	11.4	13.2
NetEnt AB Class B	NET.B-SE	42.80	1,135	204	5.3	5.5	5.1	17.2	17.0	16.3
Cherry AB Class B	CHER.B-SE	86.90	996	358	4.1	3.3	2.7	NM	21.5	17.6
888 Holdings Plc	888-GB	1.71	820	556	1.3	1.3	1.2	11.5	11.6	11.9
Kambi Group plc Class B	KAMBI-SE	196.00	653	42	8.2	7.3	5.8	NM	60.1	41.1
Inspired Entertainment, Inc.	INSE	6.50	140	141	2.0	1.7	1.7	NM	NM	NM
<b>AVERAGES:</b>					<b>4.0</b>	<b>3.5</b>	<b>3.0</b>	<b>13.8</b>	<b>20.1</b>	<b>17.4</b>

Source: FactSet (as of January 28, 2019)

OTCQB: NWGI

## NEXT STEPS: GROW SMART

CONTINUING TO EXECUTE – AND BENEFIT FROM – OUR “EXPAND FROM CORE” STRATEGY



OTCQB: NWGI

**ELYS: proven technology is the foundation for our multi-faceted growth**



FOR ADDITIONAL INFORMATION PLEASE CONTACT:

**RALPH GARCEA, MBA, P. ENG.**

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VP, CORPORATE AND BUSINESS DEVELOPMENT  
NEWGIOCO GROUP, INC.

R.GARCEA @ NEWGIOCOCGROUP.COM

OTCQB: NWGI

# APPENDIX

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## SUPPLEMENTAL DATA

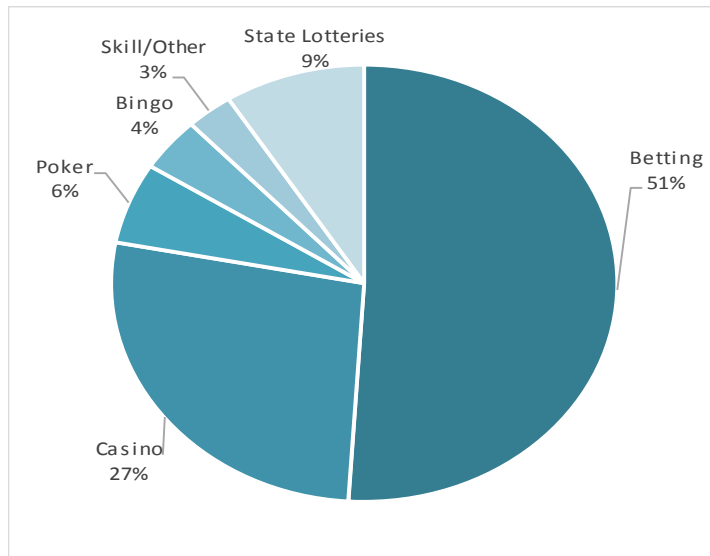
OTCQB: NWGI

## MARKET OVERVIEW

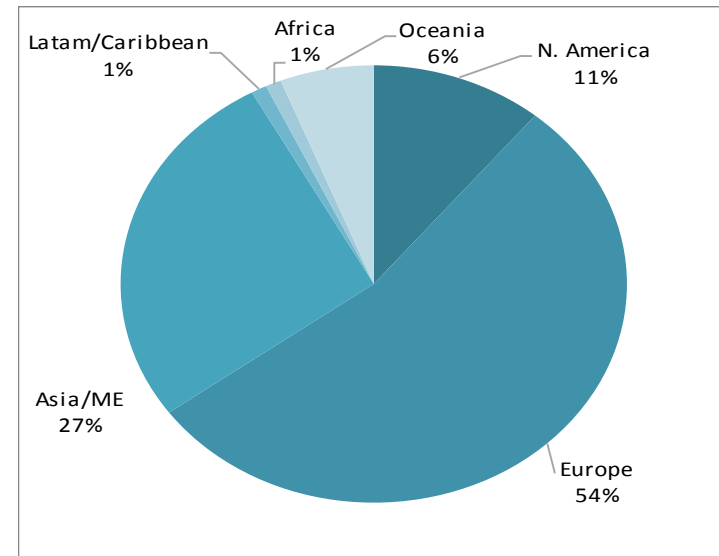
GAMING REPRESENTS A US\$500B GLOBAL MARKET – AND IT'S GROWING



**Sports Betting is Largest Segment in the Global Gaming Market**



**Europe is Largest Gaming Market**

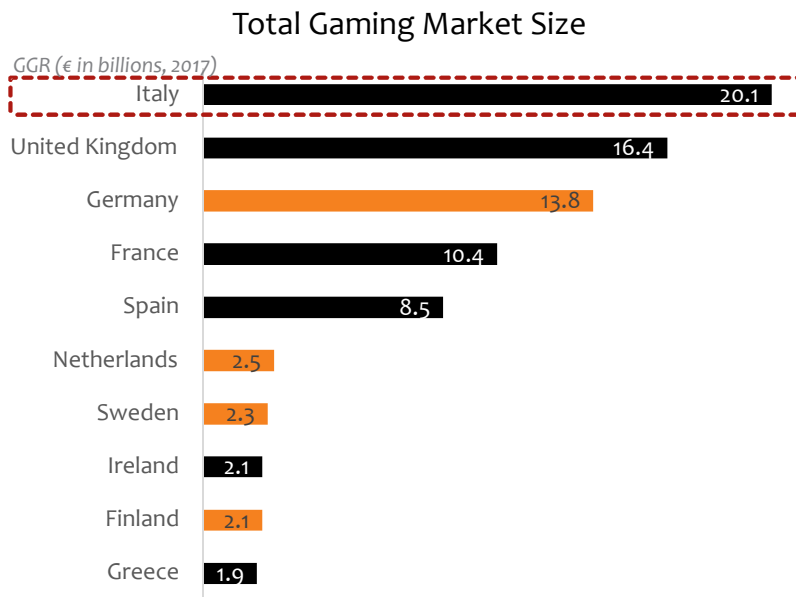


Source: H2GC, iGamingBusiness

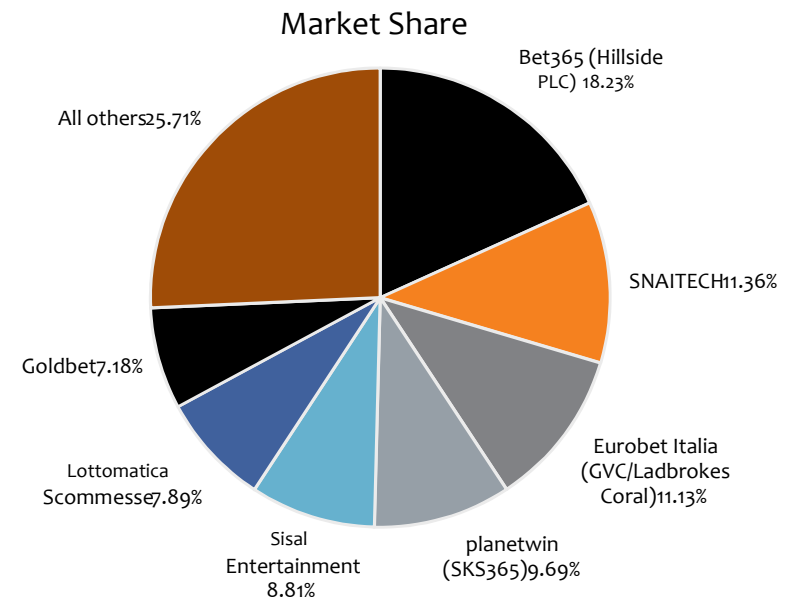
## MARKET OVERVIEW: EUROPE ITALY IS THE LARGEST GAMING MARKET IN THE EU



Newgioco has well-established operations in one of the largest and most highly regulated gaming markets



Italy gaming market growing at double-digit rates

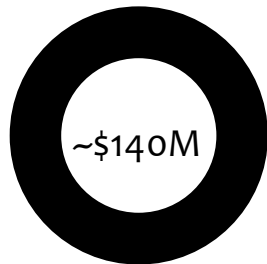


Newgioco currently represents < 0.50% of total

Source: AGIMEG

## MARKET OVERVIEW: U.S. SPORTS BETTING

RECENT LEGISLATIVE CHANGES CREATED A MASSIVE EMERGING MARKET OPPORTUNITY



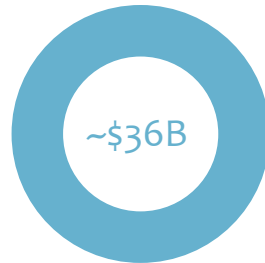
Wagered legally on the Super Bowl



Wagered illegally on one game



Wagered on March Madness

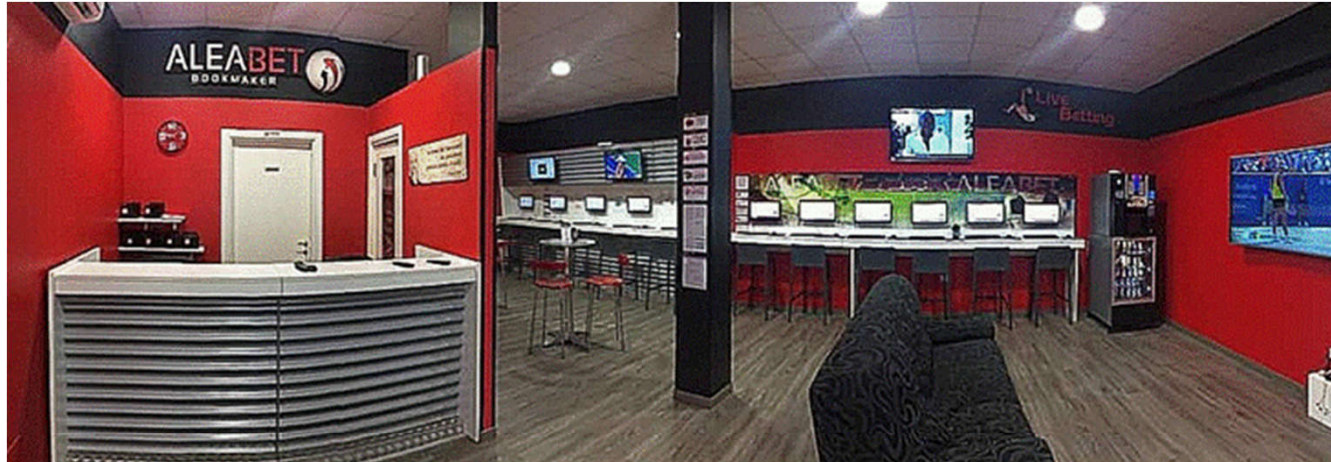


Wagered on MLB in one season

Source: American Gaming Association (AGA)

- Smartphone apps currently handle ~70% of Nevada sports betting... representing a \$4.9B market
- Active sports betting legislation in the U.S.
  - 10 States enacted online gaming bills in 2017
  - In July 2018, the U.S. Supreme Court ruled to allow sports betting
- Regulation means protection for consumers
  - Regulation also means tax revenue for state and federal coffers (see Slide 14)

## INSTALLATION BRANDING



### RETAIL LOCATION ECONOMICS:

- ~\$15,000 - \$20,000 one-time investment to outfit a retail shop
- “Typical” handle for a small town Italian shop is ~\$100,000/mth
- 10-15% hold will drive GGR of \$10,000 - \$15,000/mth
- Investment payback occurs within the first few months of operation