

GVC Holdings

Exuding confidence - upgrades to come

H117 results

Travel & Leisure

GVC's H117 results were accompanied by a bullish update for Q317 and positive future indicators. Underlying 20% daily NGR growth in Q317 (to 10 September), combined with continued synergies from the bwin acquisition, should lead to upgrades in consensus estimates. The company is ambitious and well positioned as a consolidator in the gaming industry. Accretive M&A is highly likely in our view. The stock trades appropriately towards the top of its peer group, at consensus 2018e 9.4x EV/EBITDA and 12.9x PE respectively. Our forecasts are currently under review.

Year end	Revenue (€m)	EBITDA (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	247.7	54.1	50.0	76.4	56.0	11.6	6.3
12/16p**	894.6	205.7	121.2	41.5	30.0	21.4	3.4

Note: *Normalised and diluted (EPS) excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Pro forma results include bwin.party as if it were included from 1 January 2016.

H117 net gaming revenues (NGR) grew 10% to €486.2m, with 11% and 8% growth in Sports and Games Brands NGR. Sports Brands gross win margin increased from 9.1% to 9.8% and is currently 10.2% ytd, in line with management's target of 10%. Games Brands benefited from a 32% increase in partypoker NGR and, apart from bingo, there is significant positive momentum across the gaming segment. Benefiting from scale, volume and synergies, H117 EBITDA margin grew from 24% to 28%.

Current trading in Q317 (to 10 September) is strong, with daily NGR up 12% and underlying daily NGR (excluding Euro 2016) up 20%. Customer migrations have been successful, removing a risk to revenue forecasts. Management has stated that it expects FY17 EBITDA to be comfortably ahead of consensus (€255.9m) and we anticipate upgrades to consensus figures. Additionally, the CEO's target of doubling EBITDA within four years is significantly more bullish than current market estimates and implies double-digit revenue growth and market share gains.

GVC has strong organic growth prospects, as well as an excellent track record with integration, which is likely to be augmented by M&A at some stage. The stock trades towards the top end of its broader peer group, at 9.4x EV/EBITDA and 12.9x P/E for 2018e. Continued strong cash flow should enable further special dividends.

14 September 2017

Price **799.5p**

Market cap **£2,404m**

€1.11/E

Net debt (€m) at 30 June 2017 150.7

Shares in issue 300.7m

Free float 94%

Code GVC

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

GVC Holdings is a leading e-gaming operator in both B2C and B2B markets with four main product verticals (sports, casino, poker and bingo). About 69% of revenues come from regulated and/or taxed markets. GVC acquired bwin.party digital entertainment (bwin) in February 2016 for €1.51bn.

Analysts

Victoria Pease +44 (0)20 3077 5740

Katherine Thompson +44 (0)20 3077 5730

gaming@edisongroup.com

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