

BETSSON AB (BETS-B.ST)

Comprehensive Equity Research Analysis

INVESTMENT SNAPSHOT	
Investment Recommendation BUY ON WEAKNESS	Current Price: SEK 136.40 Target Entry: SEK 110-120 10-Year Target: SEK 400-500
Quality Score: 72/100 Opportunity Score: 58/100 Risk Level: MEDIUM	Expected CAGR: 15-25% Dividend Yield: 5.3% P/E (TTM): 9.0x

ONE-LINE THESIS: High-quality online gaming operator with fortress balance sheet (€220M+ net cash), trading at 9x P/E following a 20% selloff on temporary margin pressure, with FIFA World Cup 2026 as a major near-term catalyst and strong Latin American growth engine providing asymmetric upside if acquired at depressed levels.

KEY ALERT FLAGS

- Q4 2025 EBIT down 24% YoY due to higher gaming taxes (+23%) and personnel costs (+16%)
- Nordic market revenue declining (-28% YoY in Q2) as company reallocates capital to higher-growth regions
- Gross margin compression from 65.3% to 60.5% as regulated market mix reaches record 68%
- B2B segment weakness (-13% YoY) due to single customer dependency

SECTOR CONTEXT & TOP-DOWN THESIS

Metric	Value	Assessment
Sector	Online Gaming/Gambling	Understandable - CONTINUE
Global Market Size (2025)	\$95-105 billion	Large addressable market
Market CAGR (2025-2033)	7.7-12.2%	Above GDP growth
Sector YTD Return	Mixed - European operators underperforming	Opportunity
Secular Trend	Digitalization + Regulatory expansion	Strong tailwind

Top-Down Thesis: The online gambling industry benefits from three structural tailwinds: (1) continued migration from offline to online betting, (2) regulatory expansion in Latin America (Brazil launched January 2025) and US states, and (3) major sporting events driving engagement. The FIFA World Cup 2026 (June-July) represents the largest single sports betting event globally, with analysts predicting \$35B+ in wagers. Betsson is well-positioned with its proprietary sportsbook platform and strong LatAm presence.

Company Positioning: Betsson disproportionately benefits as one of few operators with established presence in Peru, Argentina, Colombia, and Brazil. Latin America delivered 35%+ YoY revenue growth in H1 2025. The shift to 68% regulated market revenue (record high) reduces regulatory risk while temporarily compressing margins via higher gaming taxes.

SECTOR VERDICT: CONTINUE - Sector has tailwinds, company positioned to benefit disproportionately from LatAm growth and World Cup 2026.

BUSINESS MODEL ANALYSIS

Revenue Model

Betsson operates a B2C online gaming platform (77% of revenue) and B2B licensing business (23%). The B2C segment offers casino games (slots, live casino, table games) representing ~75% of gaming revenue, and sportsbook (sports betting) representing ~25%. Revenue is generated primarily through gross gaming revenue (GGR) - the difference between player wagers and winnings paid out.

Revenue Breakdown (Q4 2025)

Segment	Revenue (€M)	YoY Change	% of Total
Casino	220	+3%	72%
Sportsbook	83	-9%	27%
Other	1	-50%	1%
Total Gaming Revenue	304	-1%	100%

Geographic Breakdown (Q4 2025)

Region	Revenue (€M)	YoY Change	% of Total
CEECA (Central/Eastern Europe & Central Asia)	120	-9%	39%
Latin America	84	+8%	28%
Western Europe	61	+15%	20%
Nordics	34	-15%	11%
Rest of World	5	+67%	2%

Competitive Moat Assessment

Moat Type	Evidence	Strength (1-10)
Proprietary Technology Platform	In-house sportsbook & casino platform enabling faster product iteration	7
Brand Portfolio & Recognition	Multiple brands (Betsson, Betsafe, NordicBet) with strong regional positioning	6
Regulatory Licenses (17 jurisdictions)	First-mover advantage in LatAm; high compliance costs create barriers	8
Switching Costs	Customer accounts, deposit history, VIP programs create stickiness	5
Scale Economies	€1.1B+ revenue enables marketing efficiency, tech investment	6

Primary Moat: Regulatory licenses in 17 jurisdictions (Strength: 8/10). Obtaining gaming licenses requires significant capital (Brazil: \$6M entry fee), compliance infrastructure, and local market expertise. Betsson's early entry into LatAm markets creates sustainable competitive advantage as new entrants face years of regulatory approval processes.

Durability Assessment: LIKELY TO PERSIST 10+ YEARS. Regulatory moats strengthen as governments tighten requirements. The shift toward local licensing (68% of revenue from regulated markets) positions Betsson well as grey markets shrink globally.

FINANCIAL HEALTH ASSESSMENT

Balance Sheet Strength

Metric	Current Value	Assessment
Net Debt Position	€-220M (Net Cash)	FORTRESS - More cash than debt
Debt-to-Equity	0.21x	Excellent - Well below industry average
Cash & Equivalents	~€400M	Strong liquidity position
Total Debt	€100M bond (2024/2027)	Manageable, floating rate EURIBOR+325bps
Interest Coverage (EBIT/Interest)	>20x	Extremely comfortable
Equity Ratio	63%	Strong capital structure

SOLVENCY VERDICT: CLEAR - Betsson maintains a fortress balance sheet with €220M+ net cash position. The company has no solvency concerns and significant financial flexibility for M&A, buybacks, and dividend payments.

Profitability Analysis

Metric	TTM/Latest	FY2024	FY2023	5Y Avg	Trend
Revenue	€1.20B	€1.11B	€948M	€826M	↑
Revenue Growth	+8%	+17%	+22%	+15%	→
Gross Margin	60.5%	65.3%	65.6%	66%	↓
EBITDA Margin	27.4%	28.6%	27.7%	27%	→
EBIT Margin	22.4%	23.2%	22.2%	22%	→
Net Margin	16.4%	16.6%	18.2%	17%	→
ROE	22.9%	24%	26%	24%	→
ROIC	13.7%	14.5%	15%	14%	→

ROIC vs WACC Analysis: ROIC of 13.7% exceeds estimated WACC of 9-10%, indicating the company is creating economic value. However, ROIC has slightly declined from 15%+ levels due to margin compression from higher gaming taxes in regulated markets.

Free Cash Flow Analysis

Metric	9M 2025	FY2024	FY2023
Operating Cash Flow	€192.3M	€272.9M	€230.4M
CapEx (incl. R&D capitalization)	~€40M	~€50M	~€45M

Free Cash Flow (est.)	€150M+	€220M+	€185M+
FCF Margin	~17%	~20%	~19%
FCF Conversion (FCF/Net Income)	>100%	~120%	~107%

FCF Assessment: STRONG - Betsson generates robust free cash flow exceeding net income (high FCF conversion). This supports the dividend (€0.76/share for 2024, ~5% yield) and €40M share buyback program while maintaining the fortress balance sheet.

Capital Allocation

- Dividend: €0.757/share proposed for 2024 (17% increase), including €0.10 special dividend
- Share Buybacks: €40M program announced October 2025 (through April 2026)
- Share Dilution: +1.95% over past year (modest; primarily SBC)
- M&A: Disciplined approach - cancelled Netherlands acquisition, returned €26.7M
- Product Investment: Increased personnel (+16% costs) for technology/product development

DILUTION VERDICT: ACCEPTABLE - Share count growth of ~2% annually is offset by buyback program and strong per-share earnings growth. Management demonstrates disciplined capital allocation.

VALUATION ANALYSIS

Current Valuation Metrics

Metric	Current	3Y Avg	5Y Avg	Percentile
P/E (TTM)	9.0x	10.5x	11.0x	25th
P/E (Forward)	9.7x	-	-	Below avg
EV/EBITDA	5.5x	6.5x	7.0x	20th
EV/EBIT	7.0x	8.0x	8.5x	25th
P/FCF	7.5x	9.0x	9.5x	20th
EV/Revenue	1.5x	1.8x	2.0x	25th
Dividend Yield	5.3%	4.5%	4.0%	75th

Valuation Assessment: Betsson is trading near historical lows across all valuation metrics following the 20% selloff on January 16, 2026. The current P/E of 9.0x and EV/EBITDA of 5.5x represent significant discounts to 5-year averages and to peers (Flutter: ~20x P/E, Entain: ~12x P/E).

DCF Intrinsic Value Analysis

Key Assumptions:

- Revenue CAGR: 6-8% (Base), 3% (Bear), 10% (Bull) over 10 years
- Terminal FCF Margin: 15% (Bear), 18% (Base), 22% (Bull)
- WACC: 9.5% (Risk-free: 3.5%, Beta: 0.56, ERP: 5.5%, CoD: 6%)
- Terminal Growth Rate: 2.5%

Scenario Analysis

Scenario	Rev CAGR	FCF Margin	10Y Value/Share	CAGR	Weight
Bear (25th)	3%	15%	SEK 200	4%	25%
Base (50th)	7%	18%	SEK 350	10%	50%
Bull (75th)	10%	22%	SEK 550	15%	25%

Probability-Weighted Expected Value: SEK 340 (~150% upside from current SEK 136)

Expected 10-Year CAGR: 9.5% (excluding ~5% dividend yield = ~14.5% total return expectation)

Fair Value Assessment

Valuation Method	Bear	Base	Bull
DCF (10-Year)	SEK 200	SEK 350	SEK 550
P/E Multiple (12x normalized)	SEK 180	SEK 200	SEK 220
EV/EBITDA Multiple (8x)	SEK 190	SEK 210	SEK 240
Analyst Consensus	-	SEK 187.50	-
Weighted Fair Value	SEK 185	SEK 250	SEK 350

CURRENT VALUATION VERDICT: UNDERVALUED by ~40-50% vs. Base Case fair value of SEK 250. The selloff creates an attractive entry point, though waiting for further weakness (SEK 110-120) would provide additional margin of safety.

MANAGEMENT QUALITY ASSESSMENT

CEO: Pontus Lindwall

Operating History: Long-tenured CEO who has led Betsson through seven consecutive years of growth. Under his leadership, revenue has grown from €500M (2017) to €1.1B+ (2024), with successful expansion into Latin America and CEECA regions.

Track Record in Current Role:

- Delivered 17% revenue CAGR and 22% EBIT CAGR in 2024
- Successfully navigated regulatory challenges in Nordic markets
- Maintained capital discipline - cancelled Netherlands acquisition when deal terms deteriorated
- Consistent guidance delivery - rarely misses forecasts

Recent Comments (January 2026): *"I am optimistic about 2026 where I am especially looking forward to the FIFA World Cup and also to be able to start reaping the benefits of the investments we have made in product development."*

CEO Assessment: STRONG - Proven track record of value creation, disciplined capital allocation, and transparent communication.

Compensation Alignment

- Performance-based compensation tied to EPS, revenue growth, and share price
- CEO stated he "would not sell his shares based on this quarter" following Q2 2025 selloff
- Insider alignment through equity ownership and long-term incentive plans

Incentive Alignment: STRONG - Management interests aligned with shareholders through equity participation and performance metrics.

GROWTH CATALYSTS & TIMELINE

Catalyst	Timeline	Probability	Stock Impact	Notes
FIFA World Cup 2026	Jun-Jul 2026	95%	+15-25%	Largest sports betting event; 104 matches
Q4 2025 Full Results	Feb 5, 2026	100%	+/-10%	Market expects weakness; could surprise
Brazil Full-Year Operations	2026	85%	+10-15%	First full year in regulated Brazil market
Product Investment Payoff	H2 2026	70%	+5-10%	Personnel investment expected to drive growth
Margin Recovery	2026-2027	65%	+10-20%	Tax burden stabilizes; scale benefits
M&A Opportunity	12-24 months	40%	+15-30%	Fortress balance sheet enables deals
Regulatory Expansion (US/New Markets)	2-5 years	50%	+20-40%	Option value not priced in

Near-Term Catalyst: FIFA World Cup 2026 - The tournament runs June 11 - July 19, 2026 across USA, Canada, and Mexico. With 48 teams and 104 matches (vs. 32 teams/64 matches previously), this represents the largest sports betting event in history. Analysts project \$35B+ in global wagers. Betsson's proprietary sportsbook and LatAm presence (tournament hosted in Americas) create significant revenue opportunity.

Weighted Expected Catalyst Upside (18M): +25-40%

RISK ASSESSMENT

Risk Category	Score (1-10)	Mitigation	Residual Risk
Regulatory Risk	7	68% regulated revenue; 17 licenses	Tax increases, advertising bans
Margin Compression	6	Scale benefits; cost discipline	Gaming taxes may continue rising
Competition	5	Brand strength; platform technology	US giants entering Europe/LatAm
Nordic Decline	4	Strategic de-prioritization	Limited impact (11% of revenue)
Execution Risk	4	Proven management team	Product investments may disappoint
Currency Risk	4	Geographic diversification	EUR/SEK/LatAm FX exposure
Sportsbook Volatility	5	8-quarter avg margin normalizes	Event outcomes affect margins

Aggregate Risk Score: 5.0/10 (MEDIUM)

Top 3 Major Risks

Risk #1: Regulatory Tax Increases

- Description: European governments increasing gaming taxes to fund budgets
- Impact: Every 5% tax increase = ~3% margin compression
- Probability: 60% over next 3 years
- Mitigation: Shift to lower-tax jurisdictions; scale efficiencies
- Exit Trigger: EBIT margin falls below 18% sustainably

Risk #2: Competition Intensification

- Description: Flutter/DraftKings/Entain with larger marketing budgets
- Impact: Market share loss in key growth regions
- Probability: 40%
- Mitigation: First-mover advantage in LatAm; proprietary platform
- Exit Trigger: Active customers decline >10% YoY for 2 consecutive quarters

Risk #3: Product Investment Failure

- Description: €52M personnel investment doesn't translate to growth
- Impact: Margin compression without corresponding revenue acceleration
- Probability: 25%
- Mitigation: Track product KPIs (new games, platform uptime, customer satisfaction)

- Exit Trigger: Revenue growth falls below 5% while costs remain elevated

PEER COMPARISON SUMMARY

Company	P/E	EV/EBITDA	Rev Growth	EBIT Margin	Net Cash/(Debt)	Score
Betsson AB	9.0x	5.5x	+8%	22%	€220M cash	72
Flutter	20x	12x	+15%	12%	(\$7B) debt	68
Entain	12x	7x	+5%	18%	(\$3B) debt	62
Evolution AB	25x	18x	+12%	65%	€1B cash	85
DraftKings	NM	25x	+30%	(5%)	(\$1B) debt	55

Why Betsson Wins: Betsson offers the most attractive risk/reward profile among European online gaming operators: (1) Lowest valuation on P/E and EV/EBITDA basis, (2) Only major operator with net cash balance sheet, (3) Strong profitability (22% EBIT margin vs. industry average ~15%), (4) Proven management with 7+ years of consecutive growth. The primary disadvantage is smaller scale vs. Flutter/Entain, limiting marketing firepower in competitive markets.

FINAL INVESTMENT DECISION

Opportunity Score Calculation

Factor	Score	Weight	Contribution
Downside Risk Score	35	-0.35	-12.25
Base Case Confidence	70	+0.35	+24.50
Base Case CAGR	14.5%	×1.5	+21.75
TOTAL OPPORTUNITY SCORE	-	-	58/100

Score Interpretation: 58/100 indicates a STRONG opportunity in the 55-70 range. The opportunity is competitive for capital allocation but falls short of the 70+ threshold for exceptional high-conviction positions.

Investment Thesis (Full)

Betsson represents a compelling asymmetric opportunity following its 20% selloff on January 16, 2026. The market is overreacting to temporary margin pressure (higher gaming taxes and personnel investment) while ignoring: (1) the fortress balance sheet (€220M+ net cash) providing downside protection and M&A optionality, (2) structural tailwinds from Latin American growth (35%+ YoY) and regulatory expansion, (3) the FIFA World Cup 2026 catalyst in June-July that should drive significant sportsbook revenue, and (4) a proven management team with 7+ consecutive years of profitable growth.

The thesis acknowledges genuine concerns: gross margin compression from the mix shift to regulated markets (higher taxes), Nordic market decline, and B2B segment weakness. However, these are largely priced in at 9x P/E and 5.5x EV/EBITDA - valuations typically reserved for declining businesses, not companies growing revenue 8%+ with 22% EBIT margins and net cash balance sheets.

The risk/reward is asymmetric: Bear case (SEK 200) implies +47% upside, Base case (SEK 350) implies +157% upside, and Bull case (SEK 550) implies +300%+ upside over 10 years. Combined with a 5%+ dividend yield, total returns could significantly exceed market indices with limited permanent capital loss risk given the balance sheet strength.

FINAL RECOMMENDATION

BUY ON WEAKNESS

Target Entry: SEK 110-120 (Current: SEK 136)

10-Year Fair Value: SEK 350 (Base) | SEK 550 (Bull)

Expected Total Return CAGR: 14-20% (including dividends)

Rationale

High-quality business trading at distressed valuations following temporary margin pressure. The fortress balance sheet provides downside protection while catalysts (World Cup 2026, LatAm growth, product investment payoff) create meaningful upside. Current price of SEK 136 is attractive but waiting for SEK 110-120 (additional 15-20% pullback) would provide enhanced margin of safety and improve the asymmetric return profile toward the 30%+ hurdle rate.

Entry Strategy

- Tier 1: SEK 120 - Deploy 25% of intended position
- Tier 2: SEK 110 - Deploy additional 50% of intended position
- Tier 3: SEK 100 or below - Deploy remaining 25% (full position)
- Alternative: If stock recovers before entry, reassess at next earnings (Feb 5, 2026)

Position Sizing

Recommended: €75-100 (75-100% of standard position size)

Rationale: Strong opportunity score (58/100) but not exceptional; reserve capacity for potential M&A catalyst or further weakness.

Exit Criteria

Condition	Action
Target price reached (SEK 350); forward returns <15% CAGR	Sell 50%, let 50% run
Stock up 100%+; forward returns <10% CAGR	Sell entire position; redeploy
Thesis broken: EBIT margin <18% sustainably OR active customers decline >10% YoY for 2Q	Sell immediately
Better opportunity emerges with Score >75	Consider replacement

Monitoring Framework

- Quarterly: Revenue growth, EBIT margin, active customers, FCF generation
- Catalyst tracking: World Cup 2026 results, Brazil revenue contribution, product launch updates
- Competitive: Market share trends vs. Flutter, Entain in key markets
- Regulatory: Gaming tax changes, advertising restrictions in core markets

Report Date: January 17, 2026 | Data Sources: Company Filings, Yahoo Finance, Investing.com, Industry Reports

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