
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230

COMMISSION REPORT



**In Re the Application of
iGaming Cloud Inc.**

**ONLINE SPORTS WAGERING OPERATOR
LICENSE APPLICANT**

License Applicant Number SW-2022-46

Report Date: March 7, 2023

“Commission Presentation”

INTRODUCTION

Role of the Maryland Lottery and Gaming Control Commission (“Commission”)

The Commission is required to determine whether sports wagering applicants have proven, by clear and convincing evidence, that they meet the qualifications for licensure under the Sports Wagering Law. Requirements for qualification include: (1) applicant’s financial stability and integrity; (2) integrity of any financial backers related to the application; (3) applicant’s good character, honesty, and integrity; (4) applicant’s business ability; and (5) whether there are any mandatory disqualifiers that prevent the applicant from proving its qualifications by clear and convincing evidence. The Commission cannot issue a license unless it determines that the applicant is qualified.

The Regulatory Licensing and Investigations Division of the Maryland Lottery and Gaming Control Agency (“Agency”) conducts the required background investigation of an applicant’s qualifications. A report of the background investigation is provided to the Commission to assist it in determining whether the applicant described in this Report has proven that it is qualified.

The Executive Summary that will be summarized by Staff at the Commission meeting is a public document, which will be provided in the Commission packets, and is also available on the Agency website with other Commission meeting documents. If the applicant is found qualified, the Agency will work with the operator to ensure that all applicable requirements are met prior to issuing a license to operate.

Process

As a prerequisite to being eligible for an Online Sports Wagering Operator License, an applicant must submit an Online Sports Wagering Operator License Application to the Commission. The applicant must prove to the Commission, by clear and convincing evidence, that it meets the qualification criteria set forth in the Annotated Code of Maryland, State Gov’t Article (“SG”), § 9-1E and the Commission’s sports wagering regulations in Code of Maryland Regulations (“COMAR”) 36.10 (collectively, “the Sports Wagering Law”). The Sports Wagering Law also includes and incorporates applicable licensing requirements in SG § 9-1A, and COMAR 36.03 (collectively, “the Gaming Law”), which establishes requirements for all

casino-related licenses.

Specifically, the applicant must prove that it is qualified under SG § 9-1E-07(e) and COMAR 36.10.03.02 and 36.10.06.02 and not disqualified under SG § 9-1E-07(g)(1). An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities.

The Applicant

The Agency (“Agency,” “we” or “our”), conducted a suitability background license investigation of iGaming Cloud Inc. (“Applicant”), in connection with its application for an Online Sports Wagering Operator License.

iGaming Cloud Inc. was formed in New Jersey on December 19, 2017 for the purpose of operating mobile and online sports wagering in the United States, and has its principal office located at 99 Wood Avenue South, Iselin, New Jersey.

INVESTIGATION INTO APPLICANT

Background

iGaming Cloud Inc. is a wholly-owned subsidiary of iGaming Cloud Limited, Gaming Innovation Group PLC and the ultimate parent company Gaming Innovation Group, Inc., and is an affiliate of seventeen gaming companies worldwide. Collectively referred to as the Gaming Innovation Group (“GiG” or the “Company”), GiG is headquartered in St. Julians, Malta, and is currently licensed by state gaming regulatory authorities in New Jersey and Pennsylvania, as well as, internationally throughout Europe and South America.

The Company is a leader in iGaming technology, providing cloud-based solutions, products and services to iGaming operators. In December 2021, GiG acquired Sportnco Gaming SAS (“Sportnco”), a software provider specializing in online sports wagering. Sportnco’s wagering platform comprises trading tools, data feeds, anti-fraud tools and risk management functions.

iGaming Cloud Inc. has filed an Online Sports Wagering Operator License Application with the Commission. iGaming Cloud Limited, Gaming Innovation Group PLC and Gaming

Innovation Group, Inc. have each filed a Sports Wagering Principal Entity Disclosure Form with the Commission.

On August 9, 2022, iGaming Cloud Inc. entered into a service agreement with Crab Sports Maryland, LLC to operate its mobile and online sports wagering platforms. Under the terms of the agreement, iGaming Cloud Inc. will provide GiG’s player account management system and Sportnco’s wagering platform, and have exclusive rights to operate the gaming platforms.

Ownership of the Applicant

iGaming Cloud Inc. is a wholly-owned subsidiary of Gaming Innovation Group, Inc., a publicly traded company listed on the Oslo Stock Exchange under the ticker symbol “GIG”. As of September 30, 2022, the following entities held a 5% or greater ownership interest in Gaming Innovation Group, Inc.:

- SkyCity Entertainment Group Limited – 13,487,500 shares owned (11.0%)
- Optimus Invest Limited – 7,603,559 shares owned (6.2%)
- Myrlid AS – 7,044,000 shares owned (5.7%)

SkyCity Entertainment Group Limited, Optimus Invest Limited and Myrlid AS have all submitted Sports Wagering Principal Entity Disclosure Forms to the Commission.

DISCUSSION OF FINANCIAL PERFORMANCE

We performed a detailed analysis of GiG’s operating performance and financial condition for the calendar years ending December 31, 2017 through 2021 to assess its operating performance and financial condition.

Supplemental Discussion of Recent Financial Performance

We performed a review of GiG’s operating performance for the first nine months of calendar year 2022 and of its financial condition as of September 30, 2022. For the nine months ended September 30, 2022, total revenue increased \$17.3 million to \$75.3 million over the same prior year period. The Company experienced strong growth across all business segments,

particularly with the acquisition of Sportnco. Both cost of revenue and operating expenses increased as well, resulting in operating income of \$7.6 million for the first nine months of 2022. Interest expense, taxes and a loss from discontinued operations reduced net income, but the Company still realized a net profit of \$2.9 million for the first nine months of calendar year 2022.

The Company's financial condition improved as of September 30, 2022. Total assets grew to \$178.9 million as of September 30, 2022 from \$99.7 million as of December 31, 2021. This is the result of increases in goodwill and intangible assets from the Sportnco acquisition. Total liabilities increased at a slower pace, to \$116.0 million as of September 30, 2022 from \$86.2 million at 2021 year end, due to liabilities assumed in the Sportnco acquisition and the additional bonds issue in January 2022. Stockholder equity improved substantially to \$62.9 million as of as of September 30, 2022 from \$13.6 million as of December 31, 2021.

GiG continued to generate positive cash flows from operations of \$22.8 million for the first nine months of calendar year 2022. This cash was generated mainly from non-cash depreciation and amortization, net profits and stock issuance, and was used to acquire intangible assets, fund business expansion and pay down long-term debt. As of September 30, 2022, the Company had cash and cash equivalents of \$13.8 million, up from \$9.7 million as of December 31, 2021.

Conclusion

GiG's overall operating performance during the review period was poor, with net losses totaling \$120.9 million during calendar years 2017 to 2021. The bulk of this loss occurred in 2019 as the Company began to divest its business to consumer segment and focus on growing its business to business segment. Since that time, GiG's operating performance has shown steady improvement and was further bolstered by the acquisition of Sportnco late in calendar year 2021. For the first nine months of 2022, the Company realized a net profit of \$2.9 million. Similarly, the Company's financial condition was marginal for most of the review period but has shown improvement in the past two years with growth in assets and stockholder equity. GiG is somewhat highly leveraged but is managing its long-term debt and appears to have sufficient resources to meet its financial obligations and working capital requirements in the ordinary course of business and for the foreseeable future.

The Company's decision to divest its business to consumer segment and focus on its business to business segment has had a positive impact on its operating performance and financial condition, as well as its financial ratios and margins. Additionally, GiG's auditors have not expressed any concerns with the Company's operations, financial condition or continuation as a going concern. There are no financial concerns with the licensure of iGaming Cloud Inc. as an Online Sports Wagering Operator or with the licensure of iGaming Cloud Limited, Gaming Innovation Group PLC, Gaming Innovation Group, Inc., SkyCity Entertainment Group Limited, Optimus Invest Limited and Myrlid AS as Sports Wagering Principal Entities.

FINDINGS

The Agency conducted a complete and thorough background investigation as authorized under the Sports Wagering Law by analyzing corporate records and documents; scrutinizing the business operations, practices, and transactions of iGaming Cloud Inc. and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. The Agency adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in this report. The results of the investigation for the specific qualification criteria enunciated in SG § 9-1E-07(e)(6), and COMAR 36.10.03.02 and 36.10.06.02, and not disqualified under SG § 9-1E-07(g)(1), are summarized as follows:

- 1) iGaming Cloud Inc. was found to have financial stability, integrity and responsibility
- 2) There were no material issues involving the known financial backers
- 3) iGaming Cloud Inc. possesses the requisite good character, honesty and integrity
- 4) iGaming Cloud Inc. has sufficient business ability and experience
- 5) There were no potential disqualifying factors

Applicant and Principal Entities

The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.06.02, and are not disqualified under COMAR 36.10.03.02C and SG § 9-1E-07(g)(1).

Principal Qualifiers

We identified the following individuals as principals of the Applicant. Each has submitted a Temporary Principal Employee License Application or Principal License Application to the Commission:

1. Daniel Files – Technical Compliance Business Director (Temporary Principal License Issued: 01/30/2023);
2. Nicolas Adlecreutz – Outside Director, Chair of the Audit Committee (Temporary Principal License Issued: 02/16/2023);
3. Jonathan Psaila – Director (Temporary Principal License Issued: 02/12/2023);
4. Jonathan Gauci – Senior Vice President for Engineering (Temporary Principal License Issued: 02/09/2023);
5. Richard Brown – President (Temporary Principal License Issued: 01/31/2023);
6. Herve Schlosser – Managing Director (Temporary Principal License Issued: 02/27/2023);
7. Benjamin Bahle-Rotelet – Chief Information Officer (Temporary Principal License Issued: 03/01/2023);
8. Claudio Caruana – General Counsel (Temporary Principal License Issued: 02/23/2023); and
9. Kjetil Garstad – Director-GiG (Temporary Principal License Issued: 02/16/2023).

CONCLUSION AND RECOMMENDATIONS

The Applicant has submitted a completed Online Sports Wagering Operator License Application, adequate proof of bond, and all required fees.

The Agency’s investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant’s qualifications. Based on the criteria in SSG § 9-1E-07(e)(6) and COMAR 36.10.03.02 and 36.10.06.02, we conclude that the Applicant has established by clear and convincing evidence the qualifications required for an Online Sports Wagering Operator License.

Staff recommends that the Commission find iGaming Cloud Inc. qualified for an Online Sports Wagering Operator License based on the provisions of the Sports Wagering Law by clear and convincing evidence.

Staff recommends the Commission entertains motions to:

1. Find that iGaming Cloud Inc. has established, by clear and convincing evidence, its qualifications for an Online Sports Wagering Operator License; and
2. Delegate to Staff the authority to draft the Commission’s decision statement on the qualification of iGaming Cloud Inc. for an Online Sports Wagering Operator License.