



# | Q3

Interim Report  
July-September 2019  
Scout Gaming Group AB



**SCOUT**  
gaming group

All figures in brackets in this report refer to the corresponding period of the previous year, unless otherwise stated. All figures refer to the Group unless otherwise stated

## July - September 2019

- Revenues increased to mSEK 8.1 (3.6), corresponding to a growth of 125% compared to same quarter last year
- EBITDA improved to mSEK -7.9 (-8.7)
- Net result improved to mSEK -9.5 (-11.9)
- Earnings per share amounted to SEK -0.7 (-1.0)
- Operator trading index (which illustrates the underlying client activity) increased to 900 (465), a growth of 94%, previous year contained activity related to World Cup Soccer.
- In September, Scout Gaming entered into a framework agreement with Eurovision Sport, a division within the European Broadcasting Union (EBU), which is the world's leading public service media alliance. A first targeted partner gained access and launched Scout's product offering during the fourth quarter. The agreement stipulates that Scout Gaming will provide platform licenses to Eurovision Sport, its partners and EBU Members

## Interim period January - September 2019

- Revenues amounted to mSEK 15.7 (10.0).
- EBITDA amounted to mSEK -34.6 (-21.2)
- Net result amounted to mSEK -38.9 (-28.1)
- Earnings per share amounted to SEK -2.8 (-2.3)

## Events after the period ended

- In November, Scout Gaming's product was launched with the global operator brand Betway, initially targeted towards the African market under Betway's African licensee partner – Raging River.

For additional information, please contact:

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## 125% growth and an improved result

I am delighted to look back at a successful quarter, in which we fulfilled the objective to increase revenues significantly during the second half of 2019.

During the third quarter, after an initial learning period regarding Scout's offering, major clients have started to market our products. We have contracted and launched new clients, increased our prize pools and launched new betting related games such as our internal sportsbook, covering fantasy markets. This has resulted in all-time high revenues and improved profitability measures across the border.

Scout's client activity has increased significantly during the third quarter, which is illustrated by the *Scout Gaming operator Index* that reached a new all-time high of 900. The index level corresponds to a growth of 94% compared to the same quarter last year, which included activity peaks from the Soccer World Cup.

Scout's products have now reached enough end-users for our European soccer league fantasy pools to be the world's largest. This is a strong competitive advantage going forward. We are beginning to demonstrate the scalability of our business model, which we have been aiming for since inception.

Scout Gaming launched its first external B2B customer in the third quarter of 2017, with revenues totaling mSEK 1.6. Since then, revenues have increased fivefold as we have launched new customers, larger prize pools and new games. The focus on signing new clients has resulted in a cost level that has

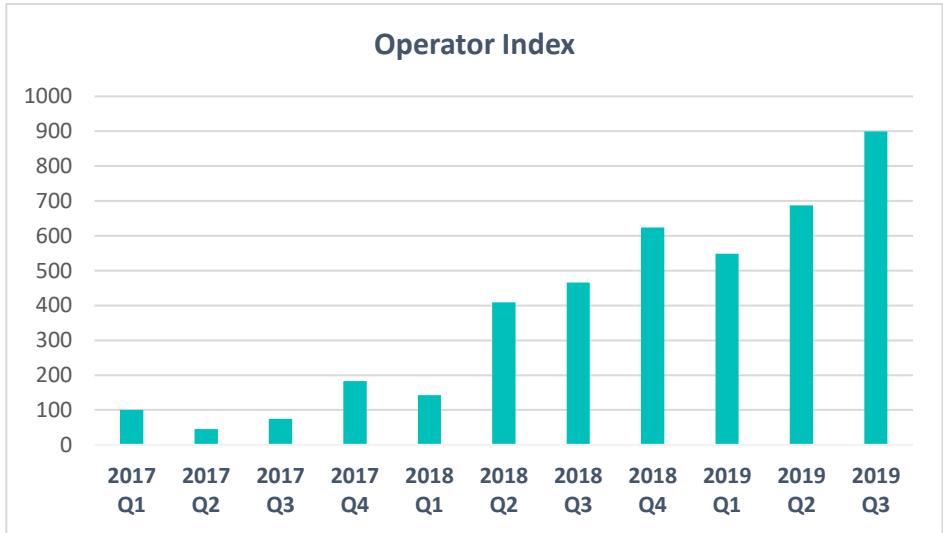
induced a trend of increasing losses. This trend has ended during the third quarter. We now expect successively improved earnings going forward. Volatility between quarters may continue to occur as a result of larger customer launches and events but should decrease as the revenue base grows.

During the quarter we migrated our platform to Kubernetes and Google Cloud. The migration went smooth, server response times have decreased, and we are now able to continue our global rollout in a more seamless way.

During the third quarter, we have entered into an agreement with EBU to deliver platform licenses. Revenues from the agreement will be dependent on the number of connected media companies. We see the deal with EBU as a clear stamp of quality, since state owned companies put certain demands to their suppliers.

I look confidently towards our future and strongly believe in our long-term strategy.

Andreas Ternström, CEO



### Scout Gaming Operator Index

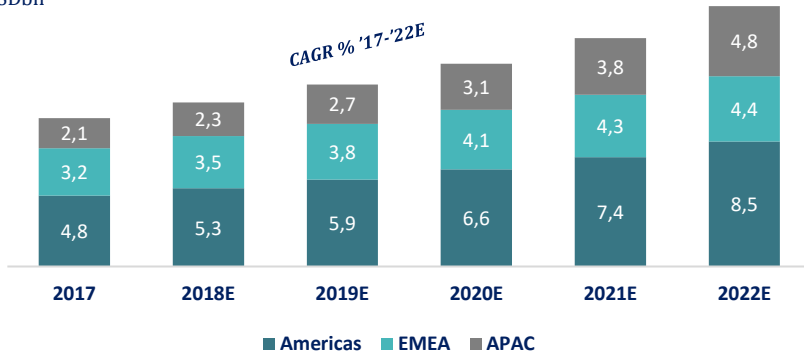
The operator trading index, illustrating the underlying client activity, increased to 900 (465) during the third quarter 2019. The increase corresponds to a growth of 94% compared to the same quarter last year which included traffic peaks from the Soccer World Cup. The increase is explained by a mix of new clients, increased activity from current clients and revenues generated from new markets and products, such as NFL and our player odds.

We use the first quarter of 2017 as index base. Number of launched clients, changes in their activity and general market growth affects the index development. General market growth is dependent on the major leagues and championships. The index is also affected by the clients' share of their end customer's activity (so-called "rake"), but also their sportsbook margin which may vary between different markets and product categories.

## Fantasy Sports market

### Historical and forecast development

USDbn



The global Fantasy Sports market amounted to USD 10.1bn in 2017 and is expected to grow at a CAGR of 11.9% from 2017 to 2022E.

Americas is the largest region, accounting for close to 50% of the market in 2017, and is expected to experience strong growth in the coming years, with a CAGR of 12.0% from 2017 to 2022E. EMEA is the second largest region, accounting for slightly above 30% of the overall market, with an expected CAGR of 6.5% from 2017 to 2022E. APAC is the smallest but the fastest growing region, with an expected CAGR of 18.4% from 2017 to 2022E.

The market is recognised as rather young, having passed the early innovation phase and entered the growth phase, with strong expected growth in the coming years.



## Financial performance

### Revenues

Revenues amounted to SEKm 8.1 (3.6) during the third quarter and mainly relates to gaming related services that Scout Gaming provides to its clients in the form of fees. The fees are charged to clients based on a combination of different variables such as number of provided markets and product categories, guarantee commitments in prize pools etc. and may be fixed or variable. Revenues for the first three quarters were SEKm 15.7 (10.0).

### Costs

Total costs amounted to SEKm -18.6 (-14.8) and mainly consists of personnel, marketing and sales related expenses. The costs are mainly fixed and therefore not expected to increase going forward. Total costs for the first three quarters were SEKm -57.6 (-37.5).

### Result

Operating profit was SEKm -10.4 (-11.3) during the third quarter and SEKm -41.9 (-27.5) for the first three quarters. Net result was -9.5 m (-11.9) during the third quarter and SEKm -38.9 (-28.1) for the first three quarters. New clients have launched Scout Gamings products, hence the result has improved.

### **Liquidity, financing and financial position**

Cash flow from operating activities before changes in working capital amounted to SEKm -8.4 (-9.9) during the quarter and to SEKm -35.1 (-22.3) for the first three quarters. Cash flow from investing activities amounted to SEKm -1.7 million (-1.7) for the third quarter and to SEKm -5.3 million (-3.8) for the first three quarters of the year. Cash flow from financing activities amounted to SEKm 26.8 million (0) for the quarter and to SEKm 26.9 (0.9) for the first three quarters. Cash flow for the period was SEKm -13.8 million (-7.2) for the quarter and SEKm -20.0 million (-32.9) for the first three quarters of the year. Cash flow from operating activities before changes in working capital has been sequentially improved during the quarter. Cash and cash equivalents amounted to SEKm 28.0 (17.4) million at the end of the quarter (17.4).

### **Capitalised development costs**

In the third quarter of 2019, development expenditure of SEKm 1.7 (1.5) was capitalised. These capitalised development costs are amortised over four years, starting when the costs are incurred. Capitalised development costs are included as part of the revenue. Capitalised development costs for the three first quarters were SEKm -5.1 (-3.3).

## Key Ratios

<b>Group Key Ratios mSEK</b>	<b>Jul-Sep 2019</b>	<b>Jul-Sep 2018</b>	<b>Jan-Dec 2018</b>
Revenue	8.1	3.6	14.6
Revenue growth, %	125	125	81
EBITDA	-7.9	-8.7	-37.0
EBITDA-margin, %	Neg	Neg	Neg
Operating profit	-10.5	-11.3	-45.2
Number of shares at the end of the period	14,533,455	12,383,455	13,283,455
Average number of shares *	13,908,455	12,383,455	12,833,455
Employees at end of period **	80	70	81
Earnings per share (SEK)	-0.7	-2.0	-3.6
Shareholders' equity per share (SEK)	2.8	2.5	4.1
Operator Trading Index	900	465	N/A

From this report and going forward, Scout Gaming will not report number of launched operators since it is no longer a relevant metric for the development of the company.

\* Scout Gaming has issued 308,000 warrants of series 2018/2021: 1. \*\* Also refers to contract staff in Ukraine.

## Other

### Parent company

Operating income for the third quarter of 2019 amounted to SEKm 1.3 (1.3). Operating profit amounted to SEKm -0.4 (-3.1). Profit for the period amounted to SEKm 0.6 (-2.9). The parent company's cash and cash equivalents amounted to SEKm 13.9 (15.3) at the end of the period and equity amounted to SEKm 110.3 (50.9).

### Risks

Scout Gaming's operations are subject to certain risks that may affect the performance or financial position to varying degrees. These can be divided into industry and business-related risks as well as financial risks. In assessing the Group's future development, it is important to consider, in addition to possible opportunities for profit growth, the risk factors. The development of the legal situation for the type of gaming services provided by Scout Gaming is a key risk factor for the Group's future earning ability. As the majority of the company's customers are active in Europe, legal status in the EU becomes particularly interesting and monitored and managed by the Group continuously. Nevertheless, for cases where the legislation should be interpreted in an unfavorable or unexpected manner, there is a risk that Scout Gaming's terms of growth, profitability and product development will change. Similarly, an interpretation in a favorable direction could have a positive impact on the Group. For further information about Scout Gaming's risks and risk management, refer to the Annual Report 2018, which is found on the company's website.

**Accounting principles**

The interim report has been prepared in accordance with the Annual Accounts Act and the Board of Directors' General Advice BFNAR 2012: 1 Annual Report and Consolidated Financial Statements (K3). The Parent Company applies the same accounting principles as the Group except in the cases specified. Amounts are expressed in mSEK (millions of SEK) unless otherwise stated.

**Related party transactions**

No related party transactions were conducted during the quarter

## Owners per 30 September 2019

<b>Shareholders</b>	<b>No. Shares</b>	<b>Amount</b>
Atle Sundal Holding AS	1,578,705	10.9%
Nordnet Pensionsförsäkring	1,348,124	9.3%
Swedbank Robur Fonder	1,295,440	8.9%
Novobis AB	1,244,082	8.6%
Knutsson Holdings	1,189,327	8.2%
Avanza Pension	980,858	6.8%
Andreas Sundal Holding AS	803,464	5.5%
Bjorn Fjellby Holding AS	729,731	5.0%
Tekcorp LLC	465,629	3.2%
Rolf Blom	458,962	3.2%
Total top 10 owners	10,094,322	69.5%
<b>Others</b>	<b>4 439 133</b>	<b>30,5%</b>
Number of shares		14,533,455

## **Calendar**

Scout Gaming will publish reports according to the following schedule:

Year-end report: February 28, 2020

## Condensed consolidated income statement

### Scout Gaming Group AB (publ)

559119-1316

Group income statement (kSEK)	Jul-sep 2019	Jul-sep 2018	Jan-sep 2019	Jan-sep 2018	Jan-Dec 2018
<b>Revenue</b>	<b>8,149</b>	<b>3,582</b>	<b>15,707</b>	<b>9,980</b>	<b>14,579</b>
Personnel expenses	-9 158	-7,936	-30 383	-19,767	-31,541
Other external expenses	-6 852	-4,342	-19 932	-11,398	-19,975
Depreciation, amortization and impairment of PPE	-2 566	-2,558	-7 307	-6,361	-8,219
<b>Total operating expenses</b>	<b>-18 576</b>	<b>-14,836</b>	<b>-57,622</b>	<b>-37,527</b>	<b>-59,734</b>
<b>Operating profit/loss</b>	<b>-10 427</b>	<b>-11,254</b>	<b>-41,915</b>	<b>-27,546</b>	<b>-45,155</b>
Financial items	942	-632	2,949	-593	-775
<b>Profit before tax</b>	<b>-9 485</b>	<b>-11,886</b>	<b>-38,965</b>	<b>-28,139</b>	<b>-45,931</b>
Tax	14	25	54	67	89
<b>Profit/loss for the period</b>	<b>-9,471</b>	<b>-11,861</b>	<b>-38,912</b>	<b>-28,072</b>	<b>-45,842</b>



## Condensed consolidated balance sheet

### Scout Gaming Group AB (publ)

559119-1316

Group balance sheet (kSEK)	2019-09-30	2018-09-30	2018-12-31
<b>Assets</b>			
Intangible assets	8,245	11,141	9,926
Property, plant and equipment	1,204	1,051	1,229
Financial assets	30	10	22
<b>Total non-current assets</b>	<b>9,479</b>	<b>12,202</b>	<b>11,177</b>
Accounts receivable	3,707	932	1,387
Other receivables	10,167	4,729	3,999
Prepaid expenses and accrued income	2,815	2,108	1,666
Cash and cash equivalents	27,952	17,436	46,554
<b>Cash and cash equivalents</b>	<b>44,640</b>	<b>25,205</b>	<b>53,606</b>
<b>TOTAL ASSETS</b>	<b>54,119</b>	<b>37,407</b>	<b>64,783</b>

<b><i>Equity and liabilities</i></b>			
Share capital	765	652	699
Other capital contributed	173 016	103,127	146,214
Reserves	-3 029	1,787	375
Retained earnings including profit for the period	-129 495	-74,801	-92,571
<b>Total equity</b>	<b>41 257</b>	<b>30,765</b>	<b>54,718</b>
Deferred tax liability	187	553	484
Other liabilities	0	917	0
<b>Total long-term liabilities</b>	<b>187</b>	<b>1,469</b>	<b>484</b>
Short term debt to creditors	41	0	45
Accounts payable	1,706	1,595	3,156
Current tax liabilities	416	133	200
Other current liabilities	8,118	1,538	2,262
Accrued expenses and prepaid income	2,393	1,907	3,918
<b>Total short-term liabilities</b>	<b>12,675</b>	<b>5,173</b>	<b>9,580</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>54,119</b>	<b>37,407</b>	<b>64,783</b>

## Consolidated changes in equity

(kSEK)	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
<b>2018-01-01</b>	<b>652</b>	<b>103,127</b>	<b>269</b>	<b>-46,729</b>	<b>57,319</b>
Conversion difference		0	208	0	208
Profit/loss for the period				-9,085	-9,085
<b>2018-03-31</b>	<b>652</b>	<b>103,127</b>	<b>478</b>	<b>-55,814</b>	<b>48,442</b>
<b>2018-04-01</b>	<b>652</b>	<b>103,127</b>	<b>478</b>	<b>-55,814</b>	<b>48,442</b>
Conversion difference			304		304
Profit/loss for the period				-7,126	-7,126
<b>2018-06-30</b>	<b>652</b>	<b>103,127</b>	<b>782</b>	<b>-62,940</b>	<b>41,620</b>
<b>2018-07-01</b>	<b>652</b>	<b>103,127</b>	<b>782</b>	<b>-62,940</b>	<b>41,620</b>
Conversion difference			1,005		1,005
Profit/loss for the period				-11,861	-11,861
<b>2018-09-30</b>	<b>652</b>	<b>103,127</b>	<b>1,787</b>	<b>-74,801</b>	<b>30,765</b>
<b>2018-10-01</b>	<b>652</b>	<b>103,127</b>	<b>1,787</b>	<b>-74,801</b>	<b>30,765</b>
Rights issue	47	42,253			42,300
Warrants		835			835
Conversion difference			-1,411		-1,426
Profit/loss for the period				-17,770	-17,770
<b>2018-12-31</b>	<b>699</b>	<b>146,214</b>	<b>376</b>	<b>-92,571</b>	<b>54,718</b>

<b>2019-01-01</b>	<b>699</b>	<b>146,214</b>	<b>376</b>	<b>-92,571</b>	<b>54,718</b>
Revaluation of conversion difference			-1,988	1,988	
Conversion difference			437		437
<b>Profit/loss for the period</b>				<b>-16,102</b>	<b>-16,102</b>
<b>2019-03-31</b>	<b>699</b>	<b>146,214</b>	<b>-1,175</b>	<b>-106,685</b>	<b>39,053</b>
<b>2019-03-31</b>	<b>699</b>	<b>146,214</b>	<b>-1,175</b>	<b>-106,685</b>	<b>39,053</b>
Rights issue		26,888			26,888
Conversion difference			-750		-750
<b>Profit/loss for the period</b>				<b>-13,339</b>	<b>-13,339</b>
<b>2019-06-30</b>	<b>699</b>	<b>173,102</b>	<b>-1,925</b>	<b>-120,024</b>	<b>51,852</b>
<b>2019-07-01</b>	<b>699</b>	<b>173,102</b>	<b>-1,925</b>	<b>-120,024</b>	<b>51,852</b>
Rights issue	66	-66			
Fee for rights issue		-20			-20
Conversion difference			-1,104		-1,104
<b>Profit/loss for the period</b>				<b>-9,471</b>	<b>-9,471</b>
<b>2019-09-30</b>	<b>765</b>	<b>173,016</b>	<b>-3,029</b>	<b>-129,495</b>	<b>41,257</b>

## Consolidated statement of cash flows

Group (kSEK)	Jul-sep 2019	Jul-sep 2018	Jan-sep 2019	Jan-sep 2018	Jan-Dec 2018
Operating profit	-9,485	-12,136	-38,965	-28,389	-45 931
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortization and impairments	2,566	2,558	7,307	6,361	8,219
Capital gain	-1,434	0	-3,432	0	231
Tax paid	0	-287	0	-235	-1
<b>Cash flows from operating activities before change in working capital</b>	<b>-8,353</b>	<b>-9,866</b>	<b>-35,090</b>	<b>-22,263</b>	<b>-37 482</b>
Changes in working capital	-2,919	3,436	-6,548	-7,746	-3,732
<b>Cash flows from operating activities</b>	<b>-11,272</b>	<b>-6,430</b>	<b>-41,638</b>	<b>-30,009</b>	<b>-41 213</b>
Capitalized intangible assets					
Acquisition of intangible assets	-1,691	-1,508	-5,070	-3,331	-3,934
Change in non-current receivables	-55	-190	-195	-576	-837
<b>Cash flows from investing activities</b>	<b>0</b>	<b>-10</b>	<b>-8</b>	<b>92</b>	<b>86</b>
Capitalized intangible assets	<b>-1,746</b>	<b>-1,708</b>	<b>-5,272</b>	<b>-3,815</b>	<b>-4,685</b>
Credit	0	917	0	917	0
Warrants	0	0	0	0	835
Rights issue, after transaction costs	26,824	0	26,867	0	42,300
<b>Cash flows from financing activities</b>	<b>26,824</b>	<b>917</b>	<b>26,867</b>	<b>917</b>	<b>43,135</b>
<b>Cash flow for the period</b>	<b>13,806</b>	<b>-7,222</b>	<b>-20,043</b>	<b>-32,907</b>	<b>-2,764</b>
Cash and cash equivalents at start of period	13,684	24,998	46,554	49,853	49,853
Exchange rate differences	461	-341	-1,440	490	-536
<b>Cash and cash equivalents at end of period</b>	<b>27,951</b>	<b>17,436</b>	<b>27,951</b>	<b>17,436</b>	<b>46,554</b>

## Condensed Parent Company income statement

Scout Gaming Group AB  
 (publ)  
 559119-1316

Parent Company income statement (kSEK)	Jul-sep 2019	Jul-sep 2018	Jan-sep 2019	Jan-sep 2018	Helår 2018
<b>Total revenue</b>	<b>1,275</b>	<b>1,275</b>	<b>3,825</b>	<b>3,825</b>	<b>5,100</b>
Personnel expenses	-1,026	-2,668	-7,623	-4,423	-9,462
Other external expenses	-689	-1,682	-3,246	-2,676	-6,127
Depreciation, amortization and impairment of PPE	-7	0	-22	0	-10
<b>Total expenses</b>	<b>-1,723</b>	<b>-4,350</b>	<b>-10,892</b>	<b>-7,099</b>	<b>-15,599</b>
<b>Operating profit/loss</b>	<b>-448</b>	<b>-3,075</b>	<b>-7 067</b>	<b>-3,274</b>	<b>-10,499</b>
Financial items	1,042	194	2,838	317	<b>1,714</b>
<b>Profit before tax</b>	<b>594</b>	<b>-2,881</b>	<b>-4,228</b>	<b>-2,957</b>	<b>-8,785</b>
<b>Net profit</b>	<b>594</b>	<b>-2,881</b>	<b>-4,228</b>	<b>-2,957</b>	<b>-8,785</b>

## Condensed Parent Company balance sheet

### Scout Gaming Group AB (publ)

559119-1316

Parent company balance sheet (kSEK)	2019-09-30	2018-09-30	2018-12-31
<b>Assets</b>			
Property, plant and equipment	65	0	140
Financial assets	1,125	1,000	73,014
<b>Total non-current assets</b>	<b>1,189</b>	<b>1,000</b>	<b>73,154</b>
Group internal receivables	96,203	35,347	0
Accounts receivable	20	0	0
Other receivables	468	274	1
Prepaid expenses and accrued income	85	381	319
Cash and cash equivalents	13,880	15,252	18,234
<b>Total current assets</b>	<b>110,654</b>	<b>51,254</b>	<b>18,554</b>
<b>TOTAL ASSETS</b>	<b>111,843</b>	<b>52,254</b>	<b>91,708</b>

***Equity and liabilities***

Share capital	765	652	699
Other contributed capital	129,060	59,171	102,258
Retained earnings excluding profit for the period	-19,489	-8,911	-15,259
<b>Total equity</b>	<b>110,336</b>	<b>50,912</b>	<b>87,698</b>
Accounts payable	248	323	2,042
Tax liabilities	416	93	200
Other current liabilities	276	199	244
Accrued expenses and prepaid incomes	568	727	1,523
<b>Total current liabilities</b>	<b>1 507</b>	<b>1,342</b>	<b>4,009</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>111,843</b>	<b>52,254</b>	<b>91,708</b>



## **SIGNATURES AND ASSURANCE**

This Interim Report has not been subject to review by the Company’s auditor. The Board of Directors and the Chief Executive Officer offer their assurance that this Interim Report gives a true and fair view of the Group’s and Parent Company’s operations, financial position and results of operations and describes the significant risks and uncertainties facing the Group and Parent Company.

Stockholm, 15 November 2018

Jörgen Ragnarsson, Board member

Rolf Blom, Chairman

Atle Sundal, Board member

Andreas Ternström, CEO

Anders Enochsson, Board member

Carla Maree Vella, Board member

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Corporate identity number: 559119-1316

This year-end Report is information that is mandatory for Scout Gaming Group to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on 15 November 2019.

## **Information about Nasdaq First North Growth Market**

Nasdaq First North Growth Market ("First North") is an alternative marketplace operated by the constituent exchanges of Nasdaq Stockholm. It does not have the same legal status as a regulated marketplace. Companies quoted on First North are subject to First North's rules, rather than the legal requirements set for trading on a regulated marketplace. An investment in a company trading on First North implies higher risk than one in a listed company. Companies must apply to the exchange and gain approval before trading on First North can commence. A Certified Adviser guides the company through the listing process and also ensures that the company continuously satisfies First North's standards. Redeye AB is Scout Gaming's Certified Adviser. Contact details: [Certifiedadviser@redeye.se](mailto:Certifiedadviser@redeye.se), +46 (0)8 121 576 90.

## Definitions

Revenue - Revenue for the current period.

Revenue growth - Revenue for the current period through Revenue for the same period last year.

EBITDA - Operating profit before depreciation and amortization.

EBITDA margin - EBITDA as a percentage of Revenue

Operating profit - Consolidated operating profit for the period.

Operating margin - Group operating profit as a percentage of revenue.

Number of shares at the end of the period - The number of shares outstanding at the end of the period.

Average number of shares - Opening number of shares for the period added with outstanding number of shares divided by 2.

Number of employees at the end of the period - Number of employees in the Group at the end of the period, including contract employees in Ukraine.

Earnings per share - Profit after tax divided by the average number of shares during the period.

Equity per share - Equity divided by the number of outstanding shares during the period.

Operatorindex - Scout Gaming has established an index to report the total turnover on Scout Gaming's products to the company's customers.