



| Q3

Interim Report

January-September 2023

Scout Gaming Group AB

Third quarter: July - September 2023

- Revenues from the gaming operation amounted to mSEK 6.3 (6.6), corresponding to a decrease of 5 percent.
- B2B revenues amounted to mSEK 5.4 (4.7), an increase of 15 percent.
- B2C revenues amounted to mSEK 1.0 (1.9), a decrease of 47 percent.
- EBITDA amounted to mSEK -5.9 (-10.2).
- Net result amounted to mSEK -5.8 (-14.3).
- Earnings per share amounted to SEK -0.03 (-0.77).

Interim period: January - September 2023

- Revenues from the gaming operation amounted to mSEK 22.3 (17.6), corresponding to an increase of 27 percent.
- B2B revenues amounted to mSEK 18.0 (8.9), an increase of 102 percent.
- B2C revenues amounted to mSEK 4.4 (8.6), a decrease of 49 percent.
- EBITDA amounted to mSEK -21.8 (-57.2).
- Net result amounted to mSEK -36.1 (-60.2), this includes a non-cash flow cost of mSEK 42.2 relating to the divestment of the Norwegian subsidiary and a positive currency effect of mSEK 27.7.
- Earnings per share amounted to SEK -0.16 (-2.86).

For additional information, please contact:

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CEO comment

During the first nine months the group has carried out a management buy-out of the Norwegian subsidiary. The purpose of the divestment was to increase customer focus and deliverance quality. This strategic step has already given part of the desired effect and we are positive to reach them fully over time.

We continue to increase our profitable and long term stable B2B recurring revenue base and executed during the quarter on this strategy by signing two new partner agreements, Sesame and Duelbits who will go live by end of November respectively during December. Furthermore, our fantasy Free-2-play product went live with bet365. in Canada and in Mexico, and after the quarter bet365 has added another three US states with further states to be rolled out in the next coming quarters. We have taken important steps in working closer with our partners and our dialogues have turned rather encouraging. The feedback we get is important information for us to be able to know where to focus our efforts going forward.

To reach a sustainable balance between our revenue and our cost we announced a new reorganization package in August. Since then the expenses has decreases but the full effect will not be seen until first quarter 2024. We are positive to the outcome so far and will continue to monitor them until we reach a stable profitability.

Our B2C operations with Fanteam.com, has during the last few months been under remodeling and we are positive to reach a more balanced way of operating that part of the business. We are confident in the choices that we have made and believe to increase the activity on our B2C operations in the coming months by pushing the product, but this will be done cautiously with a high return on investment focus.

We are now halfway through the fourth quarter and it is encouraging the way which all my colleagues within Scout Gaming Group really are pushing forward to make our Group profitable.

I want to thank all partners, shareholders and employees of the Group for all the support and belief in us.

Niklas Jönsson
CEO

Financial performance

Revenues

Total revenues for the quarter amounted to mSEK 6.3 (6.6) and the period 22.3 (17.6), a decrease of 5 percent compared to the same quarter last year and an increase of 27 percent compared to the first half of last year. The reduction from the comparative quarter is mainly driven by the Group ceasing their cooperation with the Norwegian partner Norsk Tipping as well as multiple additional “one-off” sales in this period.

Revenues from B2B operations increased during the quarter to mSEK 5.4 (4.7) and for the period 18.0 (8.9) an increase of 15 percent compared to last years third quarter and an increase of 102 percent compared to the first half of last year. The growth of B2B comes from the increased focus on this vertical. The Group has by end of second quarter 10 integrated and active B2B partners. The revenues from B2C decreased during the quarter to mSEK 1.0 (1.9) and for the period 4.4 (8.6) a decrease of 47 percent compared to last years second quarter and a decrease of 49 percent to last year. The decrease in B2C revenue is explained by a continued decrease of previous non profitable marketing campaigns. The management’s assessment is that the B2C operation has the potential to generate profitable growth under controlled measures and the Group is aiming to realize these in the remainder of the year.

Revenues for B2C operations are booked at the date the transaction takes place (for Daily Fantasy Games (DFS) or when a bet is settled. For B2B operations revenues are invoiced partners after month end based on either minimum fee specified in the agreements or revenue share agreements.

Capitalized development costs

The Group has at year-end 2022 made a change in principle concerning capitalization of development costs, which means that the group will not do any capitalization going forward. The principle means that the Group’s profit & loss, balance sheet and equity has been historically adjusted, where the previous capitalization and amortization has been removed for the years 2021 and 2022. The ingoing balance of capitalized work of January 1st 2021 has been adjusted directly towards equity.

All comparative numbers have been restated to reflect this change. The comparative numbers for 2022 shows negative equity at the end of the second quarter compared to what was reported previous year, due to this change which was decided upon at the end of the year.

Expenses

Total operational expenses during quarter amounted to mSEK 12.3 (16.92) and 44.2 (75.0) for the period. The expenses consist mainly of personnel costs amounting to mSEK 5.0 (10.1) for the quarter and mSEK 23.4 (37.0) for the period. Other external expenses amounted to mSEK 7.2 (6.7) for the quarter and 20.7 (37.8) for the period. Other external expenses for the quarter consist mainly of software & hosting expenses, consultancy costs (auditors, accountants etc) and guarantee losses.

The Group records all costs when they are incurred, specifically related to guarantee losses these are booked when the registration of the underlying tournament is closed. Guarantee losses are defined as the part of the prize pool set by the Group not covered by user buy-ins (through our B2C brand and partners connected to the network).

Player and partner related debts and assets

The company classifies all player funds as “client assets” in the financial statements, furthermore buy-ins from networked partners are booked as the same based on the transaction date. Buy-ins are

invoiced after month end from all partners but as a “network operator” the Group incurs the debt at transaction date.

Funds held with Payment Service Providers (PSPs) are classified as “other receivables” due to the funds being a receivable from another entity. Per quarter end these amount to 3.0 mSEK.

This only affects numbers from beginning of 2023 and onwards and is not reflected in the comparative numbers.

Per period end the company had mSEK 14.3 of liabilities related to player balances and ongoing tournaments. Player funds accounted for mSEK 7.8 and networked buy-ins mSEK 6.5. The networked buy-ins reflecting the low activity level of underlying sports per quarter end. All debts related to buy-ins included per quarter end will be settled as follows:

Next quarter, mSEK 6.1
After the coming quarter, mSEK 0.4

The B2B and B2C entities always retain sufficient liquidity to be able to pay their client assets (networked buy-ins and player funds) at all times. The rest of the funds are distributed on the basis of need.

This balance also includes guarantee losses amounting to mSEK 0.5, already booked as expenses before quarter end. See expenses above related to guarantee costs for principles of bookings this.

Current buy-ins will be settled in the following periods and be distributed to partners who participated on the network.

Result

Operating result for the quarter was mSEK -5.9 (-10.3) and for the period mSEK -21.9 (-57.4). Net result was mSEK -5.8 (-14.3) during the quarter and mSEK -36.1 (-60.2). The negative net result of this period was mainly driven by the sale of the Group’s Norwegian entity and from currency effects reducing this impact by mSEK 27.7 for the period.

Liquidity, financing and financial position

Cash flows from operating activities amounted to mSEK -4.4 (-9.1) during the quarter and mSEK -22.3 (-69.9) for the period. Cash flows from investing activities amounted mSEK 0, due to the decision not to capitalize cost. Cash flows for the quarter was mSEK -4.4 (10.9) and mSEK -22.8 (-29.9) for the period. Cash and cash equivalents amounted to mSEK 51.7 (19.3) at the end of the period.

Key Ratios

	Jul-Sept 2023	Jul-Sept 2022**	Jan-sept 2023	Jan-Sept 2022**	Full year 2022
Revenue	6.3	6.6	22.3	17.6	25.6
Growth, %	-5	0	26.7	-23	-20
EBITDA	-5.9	-16.9	-44.1	-74.8	-72.5
EBITDA-margin, %	Neg	Neg	Neg	Neg	Neg
Operating profit	-5.9	-10.3	-21.9	-57.4	-64.5
Number of shares at the end of the period	225,200,470	22,520,047	225,200,470	22,520,047	225,200,470
Average number of shares	225,200,470	22,520,047	225,200,470	22,520,047	112,600,235
Employees at end of period *	37	64	37	111	64
Earnings per share (SEK)	-0.03	-0.77	-0.16	-2.86	-0.27
Shareholders' equity per share (SEK)	0.17	3.57	0.17	3.92	0.30

* Includes contract staff in Ukraine.

** Restated to adjust for change in principle

Other

Parent company

Revenue for the quarter amounted to mSEK 0.0 (0.0) and mSEK 1.1 (0.3) for the period. Operating result amounted to mSEK -2.4 (-2.2) for the quarter and mSEK -5.2 (-7.2) for the period. Financial result was mSEK 0.5 (-2.4) for the quarter and mSEK -73.1 (-180.4) for the period, mainly driven by the sale of the Norwegian entity. The result for the quarter amounted to mSEK -1.9 (-4.6). The parent company's cash and cash equivalents amounted to mSEK 38.5 (7.6) at the end of the quarter and equity amounted to mSEK 106.7 (184.4).

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. The war in Ukraine has effected Scout Gaming in very negative way with decreased revenues, this risk was impossible to estimate in the beginning of the quarter.

For further information about Scout Gaming's risks and risk management, refer to the Annual Report 2022, 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 change in principle concerning capitalization of development cost the Group has used K3, 18:7. Amounts are expressed in mSEK (millions of SEK) unless otherwise stated.

Related party transactions

During the quarter the Chairman of Board has received mSEK 0.3 for work relating to commercial activities which the Group has made during the year.

Owners per September 30th 2023

Shareholders	No. Shares	Ownership
Topline Capital Partners LP	57,017,879	25.3%
Scobie Ward	35,306,667	15.7%
Novobis AB	20,721,580	9.2%
Knutsson Holdings AB	19,939,600	8.9%
Atle Sundal Holding AS	9,018,340	4.0%
SIA Optibet (Entain Group)	8,333,330	3.7%
JP Morgan Chase Bank NV	7,693,200	3.4%
Andreas Sundal Holding AS	6,500,083	2.9%
Clearstream Banking S.A.	4,215,663	1.9%
Mats Gidlund	4,003,180	1.8%
Top 10 shareholders	172,749,522	76.8%
Other shareholders	52,450,948	23.3%
Total number of shares	225,200,470	

Calendar

Scout Gaming will publish reports according to the following schedule:

- Year-end report 2023: February 23rd, 2024
- Annual Report 2023: April
- First quarter report 2024: May 15th, 2024
- Second quarter report 2024: August 15th, 2024
- Third quarter report 2024: November 14th, 2024

Condensed consolidated income statement

Scout Gaming Group AB (publ)

559119-1316

Group income statement (kSEK)	Jul-Sept 2023	Jul-Sept 2022	Jan-Sept 2023	Jan-sept 2022	Full year 2022
Revenue	6,320	6,633	22,330	17,555	25,574
Other revenues	-	-	-	-	71
Total Revenues	6,320	6,633	22,330	17,555	25,646
Personnel expenses	-5,018	-10,102	-22,937	-37,011	-46,396
Other external expenses	-7,228	-6,764	-21,191	-37,752	-51,444
Depreciation, amortization and impairment of PPE	-	-65	-93	-195	-260
Total operating expenses	-12,246	-16,931	-44,221	-74,958	-98,100
Operating profit/loss	-5,926	-10,298	-21,892	-57,403	-72,454
Result from Investments in Group Companies	-	-	-42,141	-	-
Financial items*	-104	-3,974	27,877	-2,777	8,009
Profit before tax	-5,822	-14,272	-36,145	-60,180	-64,445
Tax	-	-	-	-	-
Profit/loss for the period	-5,822	-14,272	-36,145	-60,180	-64,445

* Includes sale of the Group's Norwegian entity

Condensed consolidated balance sheet

Scout Gaming Group AB (publ)

559119-1316

Group balance sheet (kSEK)	2023-09-30	2022-09-30	2022-12-31
Assets			
Property, plant and equipment	-	591	470
Financial assets	-	122	7
Total non-current assets	-	713	477
Accounts receivable	5,494	6,900	2,459
Other receivables	3,690	102,947	1,357
Prepaid expenses and accrued income	859	1,063	7,262
Cash and cash equivalents	51,702	19,268	74,959
Total current assets	61,745	130,178	86,037
TOTAL ASSETS	61,745	130,891	86,514
Equity and liabilities			
Share capital	11,853	1,185	11,853
Non-registered share capital	-	10,668	-
Other capital contributed	423,424	423,152	423,424
Reserves	-293	2,088	-11,545
Retained earnings including profit for the period	-397,681	-357,163	-361,536
Total equity*	37,303	80,485	62,196
Deferred tax liability	-	9	9
Total long-term liabilities	-	9	9
Accounts payable	2,501	5,049	3,327
Client assets	14,269	-	2,903
Other current liabilities	519	41,419	11,959
Accrued expenses and prepaid income	7,153	3,929	6,120
Total short-term liabilities	24,442	50,397	24,309
TOTAL EQUITY AND LIABILITIES	61,745	130,891	86,514

* see "Capitalized development costs" p 4

Consolidated changes in equity

	Share capital	Capital contributed	Reserves	Retained earnings	Total equity
Comparative period(s)					
2022-01-01	1,185	334,776	2,128	-297,082	41,008
Conversion difference			-699		-699
Profit/loss for the quarter				-21,688	-21,688
2022-03-31	1,185	334,776	1,429	-318,770	18,620
2022-04-01					
2022-04-01	1,185	334,776	1,429	-318,770	18,620
Conversion difference			-5,218		-5,218
Profit/loss for the quarter				-24,121	-31,436
2022-06-30	1,185	334,776	-12,533	-342,891	-18,034
2022-07-01					
2022-07-01	1,185	334,776	-12,533	-342,891	-18,034
Rights issue	10,668	90,672			101,340
Expenses from rights issue		-2,296			-1,741
Conversion difference			14,621		8,290
Profit/loss for the quarter				-14,272	-24,121
2022-09-30	11,853	423,152	2,088	-357,163	80,485
Current period(s)					
2023-01-01	11,853	423,424	-11,545	-361,536	62,196
Conversion difference			-17,592		-17,592
Profit/loss for the quarter				7,021	7,021
2023-03-31	11,853	423,424	-29,137	-354,515	51,625
2023-04-01					
2023-04-01	11,853	423,424	-29,137	-354,515	51,625
Conversion difference			29,561		29,561
Profit/loss for the quarter				-37,344	-37,344
2023-06-30	11,853	423,424	424	-391,859	43,842
2023-07-01					
2023-07-01	11,853	423,424	424	-391,859	43,842
Conversion difference			-717	0	-131
Profit/loss for the quarter			0	-5,819	-5,819
2023-09-30	11,853	423,424	-293	-397,681	37,303

Consolidated statement of cash flows

Group (kSEK)	Jul-Sept 2023	Jul-Sept 2022	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Profit before tax	-5,822	-14,272	-36,145	-60,180	-64,445
<i>Adjustment for items not included in cash flows</i>					
Depreciation, amortization and impairments	-	65	93	195	260
Non cashflow affecting	-	-	12,090	-627	-13,856
Tax paid	-	-	-	-	0
Cash flows from operating activities before change in working capital	-5,822	-14,207	-23,962	-59,463	-78,041
Changes in working capital	1,454	5,156	1,166	-9,290	-49
Cash flows from operating activities	-4,368	-9,051	-22,796	-69,902	-78,090
Acquisition of tangible assets	-	-	-	-	-79
Change in non-current receivables	-	-	-	-	-43
Cash flow from investing activities	-	-	-	-	-122
Rights issue, after transaction costs	-	-	-	-	88,092
Loan	-	20,000	-	40,000	40,000
Repayment of Bridge financing	-	-	-	-	-30,413
Cash flow from financing activities	-	20,000	-	40,000	97,679
Cash flow for the period	-4,368	10,949	-22,796	-29,902	27,112
Cash and cash equivalents at start of period	56,786	8,388	74,959	49,413	49,413
Exchange rate differences	-716	-69	-461	-243	-1,566
Cash and cash equivalents at end of period	51,702	19,268	51,702	19,268	74,959

Condensed Parent Company income statement

Parent Company income statement (kSEK)	Jul-Sept 2023	Jul-Sept 2022	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Total revenue**	-	-	1,102	257	2,146
Personnel expenses	-767	-1,322	-1,728	-4,712	-4,248
Other external expenses	-1,663	-842	-4,534	-2,853	-5,342
Depreciation, amortization and impairment of PPE	-	-3	-	-8	-19
Other expenses	-	-	-	-	-9
Total expenses	-2,430	-2,167	-6,262	-7,573	-9,610
Operating profit/loss	-2,430	-2,167	-5,161	-7,216	-7,464
Financial items*	486	-2,431	-73,176	-180,362	-178,768
Profit before tax	-1,944	-4,598	-78,337	-187,678	-186,232
Profit before tax	-1,944	-4,598	-78,337	-187,678	-186,232

* includes write down of shares in subsidiary of 178,038 kSEK in column "Full year 2022" numbers and "Jan-Sept 2022" numbers. Includes the divestment of the Norwegian entity for "Apr-Jun 2023" numbers.

Condensed Parent Company balance sheet

Parent company balance sheet (kSEK)	2023-09-30	2022-09-30	2022-12-31
Assets			
Property, plant and equipment	-	11	-
Financial assets	63,870	75,115	75,000
Total non-current assets	63,870	75,126	75,000
Group internal receivables	4,451	44,703	48,559
Other receivables	1,301	92,193	1,063
Prepaid expenses and accrued income	30	367	350
Cash and cash equivalents	38,547	7,576	62,701
Total current assets	44,329	144,840	112,673
TOTAL ASSETS	108,200	219,966	187,673
Equity and liabilities			
Share capital	11,853	1,185	11,853
Non-registered share capital	-	10,668	-
Other contributed capital	379,468	379,468	379,468
Retained earnings excluding profit for the period	-284,645	-206,921	-206,308
Total equity	106,676	184,400	185,013
Accounts payable	375	1,683	554
Loans from shareholders	-	31,952	-
Group internal payables	0	-	1,238
Other current liabilities	318	71	316
Accrued expenses and prepaid incomes	830	1,860	553
Total current liabilities	1,523	35,566	2,661
TOTAL EQUITY AND LIABILITIES	108,200	219,966	187,673

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, November 17th, 2023

Niklas Braathen, Chairman

Fredrik Rūden, Member

Jonathan Petteimerides, Member

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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. Corpura Fondkommission AB is Scout Gaming's Certified Adviser.

Definitions

Revenue – Total 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