



Interim Report
January-September 2022
Scout Gaming Group AB

Third quarter: July - September 2022

- Revenues from the gaming operation amounted to mSEK 6.6 (6.6), corresponding to an increase of 1 percent
- B2B revenues amounted to mSEK 4.7 (2.2), an increase of 113 percent
- B2C revenues amounted to mSEK 1.9 (4.4), a decrease of 57 percent
- Total revenues amounted to mSEK 6.7 (12.2)
- EBITDA decreased to mSEK -10.2 (-6.3)
- Net result decreased to mSEK -17.5 (-11.9)
- Earnings per share amounted to SEK -0.77 (-0.53)
- Received bridge financing of mSEK 20 from four larger shareholders
- Launched in more than 120 markets with bet365
- An Extra General Meeting on September 1st decided to approve the proposal of performing a fully guaranteed rights issue of mSEK 101

Interim period: January-September 2022

- Revenues from the gaming operation amounted to mSEK 17.6 (22.9), corresponding to a decrease of 23 percent
- B2B revenues amounted to mSEK 8.9 (6.3), an increase of 41 percent
- B2C revenues amounted to mSEK 8.6 (16.6), a decrease of 48 percent
- Total revenues amounted to mSEK 22.9 (39.5)
- EBITDA decreased to mSEK -51.8 (-34.6)
- Net result decreased to mSEK -64.5 (-38.1)
- Earnings per share amounted to SEK -2.86 (-1.69)

Events after the period ended

- Signed agreement with Apple iSports

For additional information, please contact:
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CEO comment

We have during the third quarter performed a review of our B2B partnership and have thereafter commenced a restructuring program which aims to secure profitability in all partnerships and also to decreasing our expenses. The restructuring program will be fully concluded during the fourth quarter. The effects on revenue and expenses will be realized gradually but the assessment is that it will be during the first quarter 2023. It is clear that the Group still has too high a cost base in relation to revenues. It is our opinion that we possess a good product that has a "right to exist".

A large part of the partner agreements (B2B) has historically been driven by non-commercial reasons. Through renegotiations and a revenue adapted expense base it is our assessment that we will get closer to profitability.

We have commenced the renegotiations of several partner agreements and we have chosen to terminate non-profitable agreements during the fourth quarter.

After the end of the quarter, we signed an agreement with Apple iSports which is Australian based sportsbook-, fantasy and racing operator. We will deliver our whole product portfolio during the first quarter.

Scout's own B2C brand Fanteam has during the year decreased in revenue due to reduced marketing expenditure. Management's assessment is that there is a profitable growth potential for Fanteam and will evaluate a controlled investment to regain the historic level of revenue, ensuring a positive gross profit.

We are building the future of Scout with many promising projects and integrations which aims towards increase growth. It will require a lot of work, continued efficiencies and sharp focus from all of us in the organisation to realize our plan and to create shareholder value. We believe that our product portfolio with Fantasy and our sportsbook version, with i.e. Match-up and Pick-em Jackpot, using Fantasy points have a real value for a gaming operator.

During the quarter we carried out an oversubscribed rights issue which brought in mSEK 101.3 before expenses from the transaction. This capital injection gives us the opportunities for new agreements and future growth. We are very humble of the confidence which our current and new shareholders have given us.

Niklas Jönsson
acting CEO

Financial performance

Revenues

Total revenues for the quarter amounted to mSEK 6.6 (12.2) and the period mSEK 22.9 (39.5), a decrease of 46 respectively 42 percent compared to last year. Revenues from gaming operations and gaming related services that Scout Gaming provides to its clients, amounted during the quarter to mSEK 6.6 (6.6) and for the period mSEK 17.6 (22.9), which is no change respectively a decrease of 23 percent.

Revenues from B2B operation decreased during the quarter to mSEK 4.7 (2.2) and for the period to mSEK 8.9 (6.3) or an increase of 113 respectively 41 percent compared to last year. The revenues from B2C decreased during the quarter to mSEK 1.9 (4.4) and for the period to mSEK 8.6 (16.6), a decrease of 57 respectively 48 percent compared to last year. The Group has currently 16 B2B partners integrated and active.

The groups business model, which was launched for new partners during the end of 2021, with fixed monthly revenues means that the Group will have recurring revenue during every month during the contract.

Revenues are 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. The increase is due to additional launched partners and higher activity within current client base compared to corresponding period previous year.

Capitalised development costs

During the quarter development expenditure of mSEK 0 (4.4) was capitalized. During the period mSEK 4.2 (13.1) was capitalized. Capitalised development costs are included as part of the total revenue. These capitalised development costs are amortised over four years, starting when the costs incurred.

Costs

Total costs during quarter amounted to mSEK 20.2 (21.4) and for the period mSEK 84.6 (81.9). The costs consist mainly of personnel costs amounting to mSEK 10.1 (11.7) for the quarter and mSEK 37.0 (32.0) for the period and other external expenses amounting to mSEK 6.7 (6.8) for the quarter and mSEK 37.8 (42.0) for the period. Other external expenses consist mainly of marketing expenses for the B2C operations and guarantee losses, which amounts to mSEK 0.5 respectively 0.5 during the quarter and mSEK 5.6 respectively mSEK 12.6 during the period. The change of process which commenced during the second quarter concerning guarantee levels has given a substantial change concerning this typ of expenses. The effect from the restructuring which was initiated during the second quarter has continued to decrease the personnel expenses and a full effect will not be shown until the fourth quarter. The number of employees has decrease from 107 to 64 at the end of the quarter.

Result

Operating profit for the quarter was mSEK -13.6 (-9.2). Net result was mSEK -17.5 (-11.9) during the quarter. Operating profit for the period amounted to mSEK -61.7 (-42.4) and net profit to SEK -64.5 million (-38.2).

Liquidity, financing and financial position

Cash flows from operating activities amounted to mSEK -9.1 (-7.9) during the quarter and to mSEK -65.7 (-47.4) for the period.

Cash flows from investing activities amounted to nSEK 0 (-4.5) for the quarter and mSEK -4.2 (-13.1) for the period. Cash flows from financing activities amounted to mSEK 20 (0) for the quarter and mSEK 40 (0) for the period. Cash flows for the quarter was mSEK 11.0 (39,4) and mSEK -29.9 (-8.9) for the period. Cash and cash equivalents amounted to mSEK 19.3 (66.8) at the end of the period, with the addition of the liquidity from the rights issue which was received on October 5th amounting to mSEK 90.1.

Key Ratios

	Jul-Sept 2022	Jul-Sept 2021	Jan-Sept 2022	Jan-Sept 2021	Jan-Dec 2021
Revenue	6.6	6.6	17.6	22.9	31.8
Growth, %	1	-43	-23	4	23
Total revenue	6.6	12.2	22.9	39.5	56.6
Growth, %	-46	-19	-42	32	1
EBITDA	-10.2	-6.3	-51.8	-34.6	-56.6
EBITDA-margin, %	Neg	Neg	Neg	Neg	Neg
Operating profit	-13.5	-9.2	-61.7	-42.4	-45.8
Number of shares at the end of the period	22,520,047	22,520,047	22,520,047	22,520,047	22 520 047
Average number of shares	22,520,047	21,528,350	22,520,047	20,536,654	21 455 709
Employees at end of period *	64	111	64	111	125
Earnings per share (SEK)	-0.78	-0.57	-2.86	-1.69	-3.24
Earnings per share (SEK) after registration of rights issue	-0.08	-0.57	-0.29	-1.69	-3.24
Shareholders' equity per share (SEK)**	0.16	4.50	0.16	4.50	3.10
Shareholders' equity per share (SEK) after registration of rights issue	0.47	4.50	0.47	4.50	3.10

* Includes contract staff in Ukraine.

** Equity decrease with the rights issue of mSEK 101

Other

Parent company

Revenue for the quarter amounted to mSEK 0 (0) and for the period to mSEK 0.3 (0.5). Operating profit for the quarter amounted to mSEK -2.2 (-2.3) and for the period to mSEK -7.2 (-7.3). Profit for the quarter amounted to mSEK -4.6 (-2.3) and for the period to mSEK -187.7 (-7.3). The parent company's cash and cash equivalents amounted to mSEK 7.6 (23.5) at the end of the period and equity amounted to SEKm 184.4 (265.2).

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 2021, 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 BFAR 2012: 1 Annual Report and Consolidated Financial Statements (K3). Amounts are expressed in mSEK (millions of SEK) unless otherwise stated.

Related party transactions

No material related party transactions were conducted during the quarter.

Owners per October 18th 2022 after the registration of shares from the rights issue

Shareholders	No. Shares	Ownership
Topline Capital Partners LP	36,889,390	16.4%
Scobie Ward	29,306,667	13.0%
Novobis AB	20,721,580	9.2%
Knutsson Holdings AB	19,939,600	8.9%
Atle Sundal Holding AS	11,177,487	5.0%
Nordnet Pensionsförsäkring AB	11,119,085	4.9%
SIA Optibet (Entain Group)	8,333,330	3.7%
JP Morgan Chase Bank NV	7,689,460	3.1%
Andreas Sundal Holding AS	6,500,083	2.9%
Avanza Pension	5,414,694	2.4%
Top 10 shareholders	157,091,376	69.8%
Other shareholders	68,109,094	30.2%
Total number of shares	225,200,470	

Calendar

Scout Gaming will publish reports according to the following schedule:

Year-end report 2022: February 28, 2023

Annual accounts 2022: April 30, 2023

Interim report Q1 2023: May 25, 2023

Interim report Q2 2023: August 18, 2023

Condensed consolidated income statement

Scout Gaming Group AB (publ)

559119-1316

Group income statement (kSEK)	Jul-Sept 2022	Jul-Sept 2021	Jan-Sept 2022	Jan-Sept 2021	Jan-Dec 2021
Revenue	6,633	6,584	17,555	22,922	31,788
Capital Expenditure	-	4,457	4,210	13,057	20,024
Other revenues	9	1,173	1,164	3,536	4,820
Total Revenues	6,642	12,214	22,929	39,515	56,632
Personnel expenses	-10,102	-11,722	-37,011	-32,032	-45,737
Other external expenses	-6,764	-6,774	-37,752	-42,035	-76,320
Depreciation, amortization and impairment of PPE	-3,335	-2,885	-9,882	-7,841	-10,886
Total operating expenses	-20,201	-21,432	-84,645	-81,908	-132,943
Operating profit/loss	-13,559	-9,217	-61,716	-42,393	-76,311
Financial items	-3,974	-2,735	-2,777	4,188	3,397
Profit before tax	-17,533	-11,952	-64,493	-38,205	-72,914
Tax	-	20	-	60	61
Profit/loss for the period	-17,533	-11,932	-64,493	-38,145	-72,853

Condensed consolidated balance sheet

Scout Gaming Group AB (publ)

559119-1316

Group balance sheet (kSEK)	2022-09-30	2021-09-30	2021-12-31
Assets			
Intangible assets	24,685	24,937	29,603
Property, plant and equipment	535	687	717
Financial assets	122	77	122
Total non-current assets	25,342	25,701	30,442
Accounts receivable	6,900	2,311	4,838
Other receivables	102,947	9,905	6,774
Prepaid expenses and accrued income	1,063	3,779	3,019
Cash and cash equivalents	19,268	66,774	49,413
Total current assets	130,178	82,768	64,160
TOTAL ASSETS	155,520	108,470	94,602
Equity and liabilities			
Share capital	1,185	1,185	1,185
Non-registered share capital	11,223	-	-
Other capital contributed	423,152	334,776	334,776
Reserves	4,243	1,151	3,619
Retained earnings including profit for the period	-334,691	-253,478	-270,186
Total equity	105,113	101,635	69,394
Provisions for deferred tax	-	10	-
Deferred tax liability	9	-	9
Total long-term liabilities	9	10	9
Accounts payable	5,049	3,284	2,248
Current tax liabilities	-	5	54
Other current liabilities	41,419	1,144	19,886
Accrued expenses and prepaid income	3,929	2,391	3,011
Total short-term liabilities	50,398	6,825	25,199
TOTAL EQUITY AND LIABILITIES	155,520	108,470	94,602

Consolidated changes in equity

	Share capital	Capital contributed	Reserves	Retained earnings	Total equity
2021-01-01	1,081	283,135	3,078	-197,333	89,962
Conversion difference			-3,735		-3,735
Profit/loss for the period				-9,258	-9,258
2021-03-31	1,081	283,135	-656	-206,592	76,968
2021-04-01	1,081	283,135	-656	-206,592	76,968
Conversion difference			-63		-63
Profit/loss for the period				-16,953	-16,953
2021-06-30	1,081	283,135	-719	-223,545	60,002
2021-07-01	1,081	283,135	-719	-223,545	60,002
Rights issue	104	53,641			53,745
Expenses from rights issue		-2,000			-2,000
Conversion difference			1,820		1,820
Profit/loss for the period				-11,932	-11,932
2021-09-30	1,185	334,776	1,151	-235,478	101,635
2021-10-01	1,185	334,776	1,151	-235,478	101,635
Conversion difference			2,468		2,468
Profit/loss for the period				-34,709	-34,709
2021-12-31	1,185	334,776	3,619	-270,186	69,394
2022-01-01	1,185	334,776	3,619	-270,186	69,394
Conversion difference			1,916		1,916
Profit/loss for the period				-19,649	-19,649
2022-03-31	1,185	334,776	5,535	-289,835	51,661
2022-04-01	1,185	334,776	5,535	-289,835	51,661
Conversion difference			-14,807		-14,807
Profit/loss for the period				-27,323	-27,323
2022-06-30	1,185	334,776	-9,272	-317,158	9,532
2022-07-01	1,185	334,776	-9,272	-317,158	9,532
Rights issue	11,223	90,117			101,340
Expenses from rights issue		-1,741			-1,741
Conversion difference			13,515		-13,515
Profit/loss for the period				-17,533	-17,533
2022-09-30	12,408	423,152	4,243	-334,691	105,113

Consolidated statement of cash flows

Group (kSEK)	Jul-Sept 2022	Jul-Sept 2021	Jan-Sept 2022	Jan-Sept 2021	Jan-Dec 2021
Operating profit	-17,533	-11,952	-64,493	-40,735	-72,913
<i>Adjustment for items not included in cash flows</i>					
Depreciation, amortization and impairments	3,335	2,885	9,882	4,565	10,887
Non cashflow affecting	0	2,110	-627	-5,367	-3,489
Tax paid	0	0	0	0	0
Cash flows from operating activities before change in working capital	-14,188	-6,956	-55,238	-35,729	-65,365
Changes in working capital	5,147	-953	-10,439	-11,667	8,003
Cash flows from operating activities	-9,051	-7,908	-65,677	-39,488	-57,362
Capitalized intangible assets	-	-4,477	-4,225	-13,058	-20,024
Acquisition of intangible assets	-	-	-	-78	-157
Change in non-current receivables	-	30	-	-69	-112
Cash flow from investing activities	0	-4,447	-4,225	-13,205	-20,293
Rights issue, after transaction costs	-	51,745	-	51,745	51,745
Loan	20,000	-	40,000	-	-
Cash flow from financing activities	20,000	51,745	40,000	51,745	51,745
Cash flow for the period	10,949	39,391	-29,902	-8,855	25,910
Cash and cash equivalents at start of period	8,388	27,560	49,413	73,337	73,337
Exchange rate differences	-69	-177	-243	2,292	1,986
Cash and cash equivalents at end of period	19,268	66,774	19,268	66,774	49,413

Condensed Parent Company income statement

Parent Company income statement (kSEK)	Jul-Sept 2022	Jul-Sept 2021	Jan-Sept 2022	Jan-Sept 2021	Jan-Dec 2021
Total revenue	0	0	257	531	914
Personnel expenses	-1,322	-1,003	-4,712	-4,777	-6,720
Other external expenses	-842	-1,314	-2,853	-3,578	-4,293
Depreciation, amortization and impairment of PPE	-3	-3	-8	-8	-11
Total expenses	-2,167	-2,320	-7,573	-7,836	-11,024
Operating profit/loss	-2,167	-2,320	-7,216	-7,305	-10,110
Financial items	-2,431	-1	-180,362	-4	8,999
Profit before tax	-4,598	-2,321	-187,678	-7,309	-1,111
Profit before tax	-4,598	-2,321	-187,678	-7,309	-1,111

Condensed Parent Company balance sheet

Parent company balance sheet (kSEK)	2022-09-30	2021-09-30	2021-12-31
Assets			
Property, plant and equipment	11	22	19
Financial assets	75,115	1,115	253,037
Total non-current assets	75,126	1,137	253,056
Group internal receivables	44,703	241,449	-
Other receivables	92,193	599	396
Prepaid expenses and accrued income	367	133	154
Cash and cash equivalents	7,576	23,496	21,241
Total current assets	144,840	265,677	21,791
TOTAL ASSETS	219,966	266,813	274,848
Equity and liabilities			
Share capital	1,185	1,185	1,185
Non-registered share capital	11,223	-	-
Other contributed capital	379,693	290,821	290,819
Retained earnings excluding profit for the period	-207,701	-26,803	-20,075
Total equity	184,400	265,203	271,929
Accounts payable	1,683	484	216
Loans from shareholders	31,952	-	-
Tax liabilities	-	5	-
Other current liabilities	71	317	1,335
Accrued expenses and prepaid incomes	1,860	803	1,368
Total current liabilities	35,566	1,610	2,919
TOTAL EQUITY AND LIABILITIES	219,966	266,813	274,848

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 18 2022

Niklas Braathen, Chairman

Fredrik Rūden, Member

Jonathan Petteimerides, Member

Hans Isoz, Member

Niklas Jönsson, acting CEO

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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. Redeye 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