



| Q2

Interim Report

April-June 2020

Scout Gaming Group AB



SCOUT
gaming group

ALL FIGURES IN THIS REPORT ARE STATED IN SWEDISH SEK UNLESS OTHERWISE STATED. 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.

Second quarter: April - June 2020

- Revenues increased to SEKm 6.3 (4.0), corresponding to a growth of 58% compared to same quarter last year.
- EBITDA improved to SEKm -10.0 (-12.1).
- Net result was SEKm -17.5 (-13.3).
- Earnings per share amounted to SEK -1.0 (-1.0).
- Operator trading index (which illustrates the underlying client activity) increased to 1074 (687), a growth of 56%.
- Scout Gaming launched Esport-related markets for its entire range of products, launched initially on its own operator Fanteam.com and since mid-April available on external partners.
- Scout Gaming signed an agreement with GLHF.gg, a platform that strengthens the bond between professional sports teams and their fans.

Interim period: January-June

- Revenue amounted to SEKm 14.9 (7.6).
- EBITDA amounted to SEKm -21.8 (-26.7)
- Net result amounted to SEKm -27.3 (-29.4)
- Earnings per share amounted to SEK -1.7 (-2.2)

Events after the period ended

- Scout Gaming completed a heavily oversubscribed directed share issue towards international institutional investors amounting to SEKm 75, to enable an accelerated growth and product development.
- For the third consecutive year, Scout Gaming won EGR Award “Fantasy Sports Supplier of the year”.
- Scout Gaming launched 1 million Euro Fantasy Premier League Season Game.
- The company widened and extended the current agreement with Kaizen Gaming (Stoiximan and Betano).
- Scout Gaming signed an agreement with the market leading operator in the CIS region, Parimatch.

Trailing 12 months (SEKm)



The chart shows the overall development of the past 12 months for every given quarter.

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CEO comment: From silence to record activity

The quarter began with very low activity as most sports and leagues globally had breaks related to the ongoing COVID-19 pandemic. However, we quickly managed to complete our esports offering and launch parts of it in mid-April. In mid-May, the German Bundesliga games resumed and from that moment on we experienced a rapid recovery which in June resulted in record activity. We have had an accelerating underlying growth throughout the second half of the quarter and are pleased that we were able to demonstrate this so quickly after the restart of European sports.

Scout Gaming's operator index for the quarter was 1074, a growth of 56%. The total revenue base grew, despite very limited activity during the first half of the quarter, by 58% to SEK 6.3 million. We have previously stated that we did not see any long-term business-related risks with the pandemic for us as a company and are happy to be even more strengthened in that belief.

Activity in July and the first half of August continues to be high and we see very good opportunities for strong future growth.

After the end of the period, we launched our season-long Premier League game for the season 20/21, where we offer 1 million euro in the prize pool, of which 200,000 euro will be received by the winner. Ever since the start, this has been something of an important transitional goal for Scout Gaming.

The general interest in Fantasy Sports outside the United States continuously continues to grow. After the official season of the English Premier League ended, it emerged that 7.5 million players participated in the league's official

free-to-play game. In order for real money gambling in Fantasy Sport to be as big in the world outside as in the US, our thesis since the start has been that the prize pools must be able to reach considerable sizes, something we now to an increasing extent, have been able to start offer.

Furthermore, we have noted that our own operator Fanteam, which is used for product development and testing, has experienced sharply increasing activity, despite the fact that limited resources for marketing have been allocated to it. In the future, we will invest more resources in Fanteam because we see favorable development for a number of KPI's, on the limited scale we currently work with marketing. We see potential for an upcoming heavy growth of Fanteam.

The customer dialogues, in addition to those that have been esports-related, temporarily stopped during beginning of the spring, but have gradually returned as sports and leagues have been restarted. A key to being able to reach further major significant agreements is to be able to offer larger prize pools and more products, something we focus heavily on. After the end of the period, we were pleased to present an agreement with the market leading operator in the CIS region, Parimatch. We currently have a number of far-reaching customer dialogues with market-leading operators in their respective regions.

Norsk Tipping has beta launched the product for free-to-play and is currently awaiting approval from the Norwegian Gaming Authority to be able to launch for real money gambling. We still expect to get seriously started during the second half of the year.

After the quarter ended, we renewed and extended our agreement with Kaizen Gaming, the company behind Stoiximan and Betano brands. Their ambition is to both widen their current use of Scout Gaming products to include our new developed betting services as well as expand the use of our services geographically. We are very pleased to widen this agreement since they currently are perceived as the market leading operator on the Greece online market through Stoiximan and the Romanian market leader through Betano, which quickly widening their geographical presence.

We continue to invest in long-term organic growth by gradually increasing prize pools and the number of playable events as the number of players and volumes increase. We are doing the assessment that we now are close or may have reached a level that opens interest in the product for both end users and operators in a broader extent than before. We are also investing in product development and see that during the second half of the year we will gain increasing volumes from our betting-related products.

In order to be able to secure the aforementioned growth ambitions, we carried out a heavily oversubscribed directed share issue of SEK 75 million towards international institutional investors and sector specialists after the quarter ended. The issue was subscribed for by both existing major owners and new institutional investors. I am happy for the shown confidence and sure that we can deliver on our growth ambitions in the coming years.

The second half of the year has the potential to be as intense as we hoped!

Andreas Ternstrom
CEO

Scout Gaming Operator Trading Index



The Operator Trading Index, increased to 1074 (687), during the second quarter 2020. The increase corresponds to a growth of 56% compared to the same quarter last year. The increase is explained by increased activity from current clients and revenues generated from new markets and products. The activity was severely negatively affected from the start of the quarter, when global sports calendar changed as a result of the outbreak of COVID-19.

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"), as well as their sportsbook margin which may vary between different markets and product categories.

Financial performance

Revenues

Revenues amounted to SEKm 6.3 (4.0) during the second quarter and mainly relates to gaming related services that Scout Gaming provides to its clients. 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. The increase is due to current partners compared to corresponding period previous year. A vast majority of the revenues are assignable to June. Revenues for the period January-June were SEKm 14.9 (7.6)

Costs

Total costs amounted to SEKm -17.8 (-18.5) and mainly consist of personnel. Personnel costs are not expected to increase in any larger extent going forward. Potential cost increase will mainly relate to guaranteed prize pools which is a marketing cost under other costs. Scout Gaming is striving to optimize this in the long run and takes into consideration variables such as the number of affiliated external partners and their size as well as the general sports calendar. In addition, marketing costs related to Fanteam could increase going forward. Cost for the period January-June were SEKm 39.6 (39.0).

Result

Operating profit was SEKm -11.5 (-14.5). Net result was SEKm -17.5 (-13.4) during the quarter. Financial items of SEK -6.0 million refer to exchange rate losses on intra-group loans, which may fluctuate in the future but do not affect cash flow. Increased activity from current clients compared to

corresponding period, hence the result has improved during the quarter. Operating profit for the first half-year amounted to SEK -24.6 million (-31.5) and net profit to SEK -27.3 million (-29.4).

Liquidity, financing and financial position

Cash flows from operating activities amounted to SEKm -11.2 (-13.8) during the quarter and to SEKm -24.2 (30.4) for the period.

Cash flows from investing activities amounted to SEKm -2.0 (-1.9) for the second quarter. Cash flows from financing activities amounted to SEKm 0 (0) and to SEKm 35.1 (0) for the period. Cash flows for the quarter was SEKm -18.9 (-15.5). Cash and cash equivalents amounted to SEKm 27.1 (13.6) at the end of the quarter. Scout conducted a directed share issue amounting to approximately SEKm 75 before costs, after the quarter ended.

Capitalised development costs

During the quarter development expenditure of SEKm 2.0 (1.7) was capitalised. Capitalised development costs are included as part of the revenue. These capitalised development costs are amortised over four years, starting when the costs incurred.

Key Ratios

Key ratios, Group (SEKm)	Apr-Jun 2020	Apr-Jun 2019	Jan-Dec 2019
Revenue	6.3	4.0	25.7
Revenue growth, %	58	neg	76
EBITDA	-10.0	-12.1	-42.8
EBITDA-margin, %	Neg	Neg	Neg
Operating profit	-11.5	-14.5	-52.8
Number of shares at the end of the period	17,501,592	13,283,455	14,533,455
Average number of shares *	17,501,592	13,283,455	13,908,455
Employees at end of period **	83	79	83
Earnings per share (SEK)	-1.0	-1.0	-3.8
Shareholders' equity per share (SEK)	2.1	8.3	2.0
Operator Trading Index	1074	687	N/A

* 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 second quarter of 2020 amounted to SEKm 1.0 (1.3). Operating profit amounted to SEKm 0.6 (-1.2). Profit for the quarter amounted to SEKm 0.5 (-1.1). The parent company's cash and cash equivalents amounted to SEKm 11.8 (5.1) at the end of the period and equity amounted to SEKm 146.5 (109.8).

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 2019, 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). Amounts are expressed in SEKm (millions of SEK) unless otherwise stated.

Related party transactions

No material related party transactions were conducted during the quarter.

Owners per 30 June

Shareholders	No. Shares	Amount
Topline Capital Partners LP	3,695,508	21.1%
Atle Sundal Holding AS	1,578,705	9.0%
Novobis AB	1,498,238	8.6%
Knutsson Holdings AB	1,432,200	8.2%
Nordnet Pensionsförsäkring	1,017,115	5.8%
SIA Optibet	833,333	4.8%
Swedbank Robur micro cap	774,418	7.1%
Andreas Sundal Holding AS	803,464	4.6%
Avanza Pension	628,470	3.6%
Björn Fjellby Holding AS	606,131	3.5%
Tekcorp LLC	549,545	3.1%
Total largest shareholders	14,238,090	75.6%
Other shareholders	3,263,502	24.4%
Number of shares	17,501,592	

Calendar

Scout Gaming will publish reports according to the following schedule:

Q3 report: 26 November

Year-end report 2020: February 26, 2021

Condensed consolidated income statement

Scout Gaming Group AB (publ)

559119-1316

Group income statement (kSEK)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2020	Jan-Dec 2019
Revenue	6,260	4,032	14,939	7,558	25,691
Personnel expenses	-6,840	-9,738	-17,567	-21,225	-39,790
Other external expenses	-9,446	-6,352	-19,133	-13,080	-28,655
Depreciation, amortization and impairment of PPE	-1,468	-2,447	-2,878	-4,742	-10,058
Total operating expenses	-17,754	-18,538	-39,577	-39,046	-78,503
Operating profit/loss	-11,494	-14,505	-24,638	-31,488	-52,812
Financial items	-5,983	1,148	-2,668	2,007	580
Profit before tax	-17,477	-13,357	-27,307	-29,281	-52,232
Deferred tax	0	0	0	0	66
Tax	16	18	33	40	-52,166
Profit/loss for the period	-17,461	-13,339	-27,273	-29,441	25,691

Condensed consolidated balance sheet

Scout Gaming Group AB (publ)

559119-1316

Group balance sheet (kSEK)	2020-06-30	2019-06-30	2019-12-31
Assets			
Intangible assets	13,325	9,031	8,425
Property, plant and equipment	788	1,283	909
Financial assets	7	30	7
Total non-current assets	14,120	10,343	9,342
Subscribed but unpaid capital	0	26,844	0
Accounts receivable	3,012	2,480	1,525
Other receivables	5,866	4,178	8,863
Prepaid expenses and accrued income	1,303	2,439	2,622
Cash and cash equivalents	27,063	13,684	21,473
Total current assets	37,245	49,626	34,483
TOTAL ASSETS	51,364	59,969	43,825

<i>Equity and liabilities</i>			
Share capital	921	699	765
Other capital contributed	207,960	173,102	172,958
Reserves	-2,115	-1,925	-1,281
Retained earnings including profit for the period	-170,022	-120,024	-142,749
Total equity	36,744	51,852	29,694
Provisions for deferred tax	108	0	0
Deferred tax liability	0	211	162
Total long-term liabilities	108	211	162
Short term debt to creditors	3,341	42	0
Accounts payable	2,761	2,346	1,788
Current tax liabilities	273	374	444
Other current liabilities	6,855	2,624	9,056
Accrued expenses and prepaid income	1,283	2,519	2,682
Total short-term liabilities	14,513	7,906	13,969
TOTAL EQUITY AND LIABILITIES	51,364	59,969	43,825

Consolidated changes in equity

	Share capital	capital contributed	Reserves	Retained earnings	Total equity
2019-01-01	699	146,214	376	-92,571	54,718
Revaluation of conversion difference			-1,988	1,988	
Conversion difference			437		437
Profit/loss for the period				-16,102	-16,102
2019-03-31	699	146,214	-1,175	-106,685	39,053
2019-03-31	699	146,214	-1,175	-106,685	39,053
Rights issue		26,888			26,888
Conversion difference			-750		-750
Profit/loss for the period				-13,339	-13,339
2019-06-30	699	173,102	-1,925	-120,024	51,852
2019-07-01	699	173,102	-1,925	-120,024	51,852
Rights issue	66	-66			
Fee for rights issue		-20			-20
Conversion difference			-1,104		-1,104
Profit/loss for the period				-9,471	-9,471
2019-09-30	765	173,016	-3,029	-129,495	41,257
2019-10-01	765	173,016	-3,029	-129,495	41,257
Rights issue		-58			-58
Conversion difference			1,749		1,749
Profit/loss for the period				-13,254	-13,254
2019-12-31	765	172,958	-1,281	-142,749	29,694

2020-01-01	765	172,958	-1,281	-142,749	29,694
Rights issue	156	35,001			35,157
Conversion difference			-6,510		-6,510
Profit/loss for the period				-9,812	-9,812
2020-03-31	921	207,959	-7,791	-152,561	48,529
2020-04-01	921	207,959	-7,791	-152,561	48,529
Rights issue					
Conversion difference			5,676		5,676
Profit/loss for the period				-17,461	-17,461
2020-06-30	921	207,959	-2,115	-170,022	36,743

Consolidated statement of cash flows

Group (kSEK)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating profit	-17,477	-13,357	-27,307	-29,481	-52,232
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortization and impairments	1,468	2,702	2,878	4,508	10,058
Non cashflow affecting	2,625	-990	-1,375	-1 764	-568
Tax paid	0	0	0	0	0
Cash flows from operating activities before change in working capital	-13,384	-11,645	-25,803	-26,737	-42,741
Changes in working capital	2,175	-2,141	1,575	-3,629	-1,530
Cash flows from operating activities	-11,209	-13,786	-24 228	-30,366	-44,271
Capitalized intangible assets	-1,979	-1,707	-4,532	-3,378	-8,039
Acquisition of intangible assets	0	-87	0	-140	-194
Change in non-current receivables	0	-8	0	-8	14
Cash flows from investing activities	-1,979	-1,802	-4,532	-3,526	-8,218
	0	0	0	0	0
Rights issue, after transaction costs	0	0	35,157	43	26,810
Cash flows from financing activities	0	43	35,157	43	26,810
Cash flow for the period	-13,188	-15,545	6,398	-33,849	-25,679
Cash and cash equivalents at start of period	40,005	29,407	21,473	46,554	46,554
Exchange rate differences	246	-178	-808	979	598
Cash and cash equivalents at end of period	27,063	13,684	27,063	13,684	21,473

Condensed Parent Company income statement

Parent Company income statement (kSEK)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	FY 2019
Total revenue	955	1,275	2,124	2,550	5,100
Personnel expenses	-1,278	-2,507	-3,206	-6,597	-8,958
Other external expenses	-747	-888	-1,603	-2,557	-3,815
Depreciation, amortization and impairment of PPE	-7	-8	-15	-15	-30
Total expenses	-2,033	-3,402	-4,823	-9,169	-12,803
Operating profit/loss	-1,078	-2,127	-2,700	-6,619	-7,703
Financial items	1,622	916	3,069	1,797	4,162
Profit before tax	545	-1,211	370	-4,822	-3 541
Profit before tax	545	-1,211	370	-4,822	-3,541

Condensed Parent Company balance sheet

Parent company balance sheet (kSEK)	2020-06-30	2019-06-30	2019-12-31
Assets			
Property, plant and equipment	42	125	57
Financial assets	1,115	1,625	105,916
Total non-current assets	1,157	1,750	105,973
Subscribed capital unpaid	0	26,844	0
Group internal receivables	134,678	77,908	0
Account receivables	-7	20	0
Other receivables	123	177	131
Prepaid expenses and accrued income	141	130	28
Cash and cash equivalents	11,833	5,136	6,421
Total current assets	146,767	110,214	6,599
TOTAL ASSETS	147,924	111,964	112,572

Equity and liabilities

Share capital	921	699	765
Other contributed capital	164,004	129,146	129,003
Retained earnings excluding profit for the period	-18,412	-20,082	-18,782
Total equity	146,512	109,763	110,985
Accounts payable	376	539	222
Group internal liabilities	0	8	0
Tax liabilities	273	392	444
Other current liabilities	-72	502	267
Accrued expenses and prepaid incomes	835	761	653
Total current liabilities	1,411	2,193	1,586
TOTAL EQUITY AND LIABILITIES	147,924	111,964	112,572

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, 21 August 2020

Jorgen Ragnarsson, Member

Anders Encohsson, Chairman

Atle Sundal, Member

Andreas Ternstrom, CEO

Hans Isoz, Member

Carla Maree Vella, Member

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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 21 August 2020.

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, +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

Operator Trading Index - Scout Gaming has established an index to report the total turnover on Scout Gaming's products to the company's customers