



Interim report | January–September 2022 | Evolution AB (publ)

Third quarter of 2022 (Q3 2021)

- Operating revenues increased by 37.1% to EUR 378.5 million (276.0)
- EBITDA increased by 35.3% to EUR 261.0 million (192.9), corresponding to a margin of 69.0% (69.9)
- Profit for the period amounted to EUR 221.3 million (157.4)
- Earnings per share amounted to EUR 1.04 (0.73)

January–September 2022 (9M 2021)

- Operating revenues increased by 36.5% to EUR 1,049.3 million (768.5)
- EBITDA increased by 38.1% to EUR 728.9 million (527.7), corresponding to a margin of 69.5% (68.7)
- Profit for the period amounted to EUR 619.9 million (433.9)
- Earnings per share amounted to EUR 2.91 (2.03)

Events during the third quarter of 2022

- High demand for Live Casino generates a +45% growth YoY.
- Acquisition of Nolimit City completed, included in the consolidated financial statements from 1 July 2022.
- Continued expansion in the US with opening of a new live casino studio in Connecticut.

Summary of the third quarter and the first nine months of 2022

Group, EUR thousands	Jul-Sep 2022	Jul-Sep 2021	%	Jan-Sep 2022	Jan-Sep 2021	%	Oct 2021- Sep 2022	Jan-Dec 2021	%
Operating revenues	378,532	276,016	37.1%	1,049,257	768,544	36.5%	1,349,490	1,068,777	26.3%
EBITDA	261,015	192,942	35.3%	728,911	527,735	38.1%	935,826	734,650	27.4%
EBITDA margin	69.0%	69.9%	-	69.5%	68.7%	-	69.3%	68.7%	-
Operating profit	236,393	171,963	37.5%	658,058	469,463	40.2%	842,599	654,004	28.8%
Operating margin	62.4%	62.3%	-	62.7%	61.1%	-	62.4%	61.2%	-
Profit for the period	221,297	157,434	40.6%	619,859	433,878	42.9%	791,416	605,435	30.7%
Profit margin	58.5%	57.0%	-	59.1%	56.5%	-	58.6%	56.6%	-
Earnings per share before dilution, EUR	1.04	0.73	41.8%	2.91	2.03	42.9%	3.70	2.83	30.8%
Equity per share, EUR	15.51	14.76	5.1%	15.51	14.76	5.1%	15.51	14.91	4.0%
OCF per share before dilution, EUR	1.11	0.90	23.7%	2.89	1.97	46.8%	3.72	2.80	32.8%
Average number of FTEs	10,960	8,013	36.8%	10,365	7,587	36.6%	9,961	7,917	25.8%

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Evolution develops, produces, markets and licenses fully integrated B2B Online Casino solutions to gaming operators. Since its inception in 2006, Evolution has developed into a leading B2B provider with 600+ operators among its customers. The group currently employs 16,000 people in studios across Europe and in North America. The parent company is based in Sweden and listed on Nasdaq Stockholm with the ticker EVO. Visit www.evolution.com for more information. Evolution is licensed and regulated by the Malta Gaming Authority under license MGA/B2B/187/2010. Evolution is also licensed and regulated in many other jurisdictions such as the United Kingdom, Belgium, Canada, Romania, South Africa, and others.

CEO's comments

We delivered a strong revenue growth in the third quarter of 2022. Total revenues amounted to EUR 378.5 million, an increase of 37.1 percent compared to last year. EBITDA amounted to EUR 261.0 million, corresponding to a margin of 69.0 percent. For the nine-month period, the EBITDA margin was 69.5 percent.

Live Casino reported a continued rapid growth of 45 percent in the quarter. We continue to see very strong global demand for our new as well as existing products and we are increasing market shares and our distance to competitors. The roll-out of the full product suite to all regulated markets continues.

Total RNG revenue increased by 11 percent compared to last year, including the acquired Nolimit City business, comparing to pro-forma figures growth year-on-year is 2 percent. This is not yet satisfactory. We have delivered too few slot games during the past period, however we remain fully committed to the target of double-digit growth. We continue to see great potential in OSS and are now focusing on accelerating rollouts. On the road to double digit growth, we will continue to see fluctuating quarterly performance, as earlier stated the development will not be a straight line.

We completed the acquisition of Nolimit City during the quarter and the acquisition is fully consolidated in the third quarter. Operations have started off strongly, but it is worth noting that the double-digit growth target for RNG is set excluding Nolimit City. As already communicated, the acquisition was financed through our cash flow and highlights our financial strength. Our very strong balance sheet, with no debt, is in the current unstable macro environment an even stronger asset.

End-user entertainment, satisfaction and preference are always the most important factors for any game we create. We always go the extra mile to create something exceptional to the end-users and I am very satisfied with the product rollout of Live 2022. Our game shows continue to attract players, and in this quarter, we introduced a bingo-style live game show called MONOPOLY Big Baller, also new in this quarter is Crazy Coin Flip – a game combining both Live and RNG game mechanics. We also introduced a new addition to the live Roulette family called Gold Bar Roulette, in which a spectacular studio and some fresh game features take Roulette to a new exiting level. As part of expanding the portfolio in the North American region, we launched Live Craps - our version of the classic dice game - in Pennsylvania and after end of the period we also launched in New Jersey, with more states to follow.

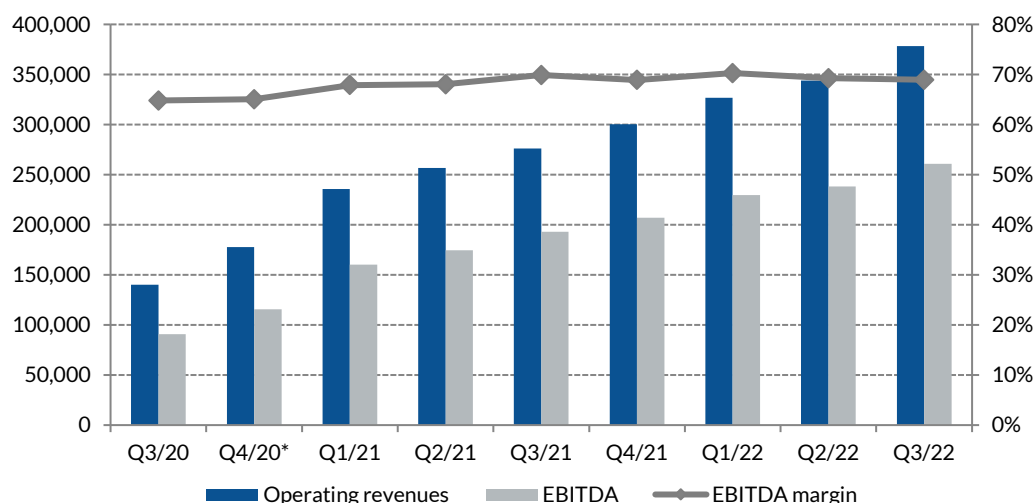
Our offering continues to find an audience across the globe and OSS is just in the beginning of showing traction. All regions reported growth in the quarter. In North America, we continued to expand studio capacity, and the European markets reported stronger growth in the quarter than earlier this year. We continue to experience an increasing end user preference for our products in Asia, driving a continuous strong growth. The Other region which includes Latin America and Africa shows very good growth once again and we continue to see good potential in both markets over time.

Online Casino continues to grow world-wide and the growth path in a long term perspective is very strong. With that said, increased interest rates, increased inflation, signs of a weakening economy in some markets as well as an uncertain geopolitical situation are all factors that also affect our business. It is difficult to separate the effect of these circumstances to conclude what the implications may have been in the quarter or what they will be in the next. We certainly see higher cost in supplies, electricity, transport and also upward pressures on salaries. Our guidance at the beginning of this year was an EBITDA-margin in the 69-71 percent range for the full year. So far for the nine-month period margin is at 69.5 percent. I am satisfied with our delivery under the current circumstances. We make no change to our previously guided range of EBITDA-margin of 69-71 percent for the full year.

Evolution employees are fantastic. The delivery of Evolution is due to them! I am proud of the way that the Evolution-team handles the difficult world we currently see. Evolution continues to push forward, working across multiple time-zones full of energy with a hunger to improve - always striving to be a little bit better, every single day. I look forward to the final months of this year and onwards to 2023.

Martin Carlesund
CEO

Quarterly results trend



*Q4/20 adjusted for non-recurring items

Financial performance in the third quarter of 2022

Revenues

Revenues amounted to EUR 378.5 million (276.0) in the third quarter, equivalent to an increase of 37.1 percent compared with the corresponding period in 2021. EUR 68.1 million (61.5) of the revenue was derived from RNG-games. The positive revenue development within live casino mainly derives from increased commission income from existing customers and, to a certain extent, from new customers. Demand for online casino games continues to grow, partly as a result of our continuous launch of successful new games and variations on traditional games.

Revenue by game type

Group, EUR million	Jul-Sep 2021	Oct-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022
Live	214.5	237.4	264.5	278.5	310.4
RNG, as reported	61.5	62.9	62.3	65.5	68.1
Total	276.0	300.2	326.8	344.0	378.5
RNG incl. Nolimit City, pro-forma	66.8	69.0	69.1	72.2	-

Nolimit City is included in the consolidated financial statements from 1 July 2022.

Expenses

Operating expenses amounted to EUR 142.1 million (104.1). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables in the company's studios and the expansion in general compared to the third quarter of 2021. The expansion has also increased other operating expenses compared with Q3 2021.

Profitability

Operating profit amounted to EUR 236.4 million (172.0), corresponding to an increase of 37.5 percent. The operating margin was 62.4 percent (62.3). The EBITDA margin was 69.0 percent (69.9).

Net financial items only had small impact on profits and related mostly to leasing interest expenses and currency exchange differences. The Group's effective tax rate for the quarter amounted to 6.9 percent (7.1). The tax rate is influenced by the countries in which earnings are generated, which may vary between reported periods. Profit for the quarter amounted to EUR 221.3 million (157.4). Earnings per share before dilution were EUR 1.04 (0.73).

Investments

Investments in intangible assets amounted to EUR 9.6 million (6.5) during the quarter and were mainly attributable to development of new games and technical improvements of the platform, such as new functionality.

Investments in property, plant and equipment amounted to EUR 13.9 million (7.3) and comprised new studio space, new gaming tables, servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new platform launches.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 237.0 million (193.4) during the quarter. Cash flow from investing activities was negative in the amount of EUR 206.9 million (negative 9.8) and included investment in subsidiaries of EUR 184.7 million. Cash flow from financing activities was negative in the amount of EUR 5.1 million (6.9), Q3 2021 included cash received in new share issue related to incentive programmes of EUR 23.2 million. Cash and cash equivalents amounted to EUR 319.7 million (391.9) at the end of the quarter.

First nine months of 2022 in brief

Revenues

For the January-September 2022 period, revenues amounted to EUR 1,049.3 million (768.5), corresponding to an increase of 36.5 percent compared with the same period in 2021. EUR 195.9 million (166.7) of the revenue was derived from RNG-games. The positive revenue development within live casino mainly derives from increased commission income from both new and existing customers.

Expenses

Operating expenses amounted to EUR 391.2 million (299.1). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables and studios. The strong expansion has also increased other operating expenses compared with the previous year.

Profitability

Operating profit amounted to EUR 658.1 million (469.5) with an operating margin of 62.7 percent (61.1). The EBITDA margin was 69.5 percent (68.7).

Investments

Investments in intangible assets amounted to EUR 26.3 million (19.9) for the period. Investments in property, plant and equipment amounted to EUR 42.7 million (19.5). Investments in other financial assets amounted to EUR 2.1 million (1.2).

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 616.9 million (420.5) over the period. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 329.9 million (negative 132.7) and included investment in subsidiaries of EUR 258.8 million (92.2). Cash flow from financing activities was negative in the amount of EUR 391.9 million (negative 120.7) and included dividend to shareholders of EUR 302.8 million (144.4) and repurchase of own shares of EUR 75.6 million (-).

Market development

Online Casino market

The global online casino market (Live & RNG) has grown strongly in recent years and is expected to continue to be among the fastest-growing gaming segments in the coming years. Evolution's growth target is to grow faster than the total global online casino market. Market growth is influenced by several underlying factors, such as technological advances with, among other things, improved hardware and increased bandwidth, the migration of land-based casinos to online environments and market regulations. Increased use of mobile devices has been a growth driver for many years, and in the third quarter 67.5 percent (69.7) of the operators' GGR via Evolution's platform was generated by mobile devices. RNG is the largest vertical of the online casino market. However, to a large extent, growth is driven by Live Casino having grown in importance for most gaming operators and has become an integrated and strategically important product for them.

As a B2B supplier, Evolution has customer relationships with gaming operators, who in turn own the relationships with the end users. Generally, the gaming operators are licensed in a limited number of jurisdictions while operating in a global market and allowing play from various geographic areas. The table below shows the geographic markets from which Evolution's revenues originate. Revenues based on player activity are allocated according to the end-users' location, while revenues not based on player activity are allocated to the operator's location. The UK includes the Crown Dependencies.

Revenue per geographical region

Group, EUR million	Jul-Sep 2021	Oct-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022
Nordics	19.5	20.9	21.8	21.6	23.2
UK	19.1	21.0	21.8	20.3	20.7
Rest of Europe	103.2	105.6	108.8	110.0	115.3
Asia	76.7	90.8	103.4	110.9	127.8
North America	31.9	33.8	36.8	46.1	50.1
Other	25.6	28.0	34.3	35.1	41.5
Total operating revenue	276.0	300.2	326.8	344.0	378.5
Share of regulated markets	38%	41%	40%	43%	41%
Revenue, regulated markets	103.8	123.0	131.1	147.9	156.4

Other

Parent Company

The Parent Company is a holding company. Net sales for the third quarter of 2022 amounted to EUR 4.6 million (4.8) and expenses to EUR 4.5 million (4.2). Operating profit amounted to EUR 0.1 million (0.6). Result for the period amounted to EUR 0.7 million (0.4). The Parent Company's cash and cash equivalents amounted to EUR 5.2 million (25.2) at the end of the period and equity amounted to EUR 2,452.1 million (2,703.2). No significant investments were made in intangible or tangible assets.

Employees

As of 30 September 2022, Evolution had 15,917 employees (12,289), corresponding to 11,207 full-time positions (8,091). The average number of full-time equivalents for the quarter was 10,960 (8,013).

Acquisitions of own shares

The Company has, during the period 9 February 2022 – 18 February 2022, acquired a total of 747,000 own shares within the framework of the repurchase programme introduced by the Board of Directors. Since 6 December 2021 up to and including 18 February 2022, a total of 1,905,865 shares have been acquired within the scope of the programme. The repurchase program, announced 3 December 2021, is thereby completed and closed.

Events following the balance sheet date

No significant events.

Significant risks and uncertainties

Evolution's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, and financial risks. When assessing the Group's future development, it is important to take into account the risk factors, alongside any opportunities for profit growth.

The development of laws and regulations relating to the supply of gaming services that Evolution provides is a central risk factor for the Group's future earnings. Since most of Evolution's licensees are active in Europe, the legal situation in the EU is of particular interest and is continuously monitored and managed by the Group. Despite this, there remains a risk that, in the event of legislation being interpreted in an unfavourable or unanticipated way, Evolution's conditions for growth, profitability, and the games that may be supplied could be changed. Likewise, a favourable interpretation could have a positive impact on the Group.

One or more markets may be affected by events that may result in rapid changes in the business environment. Examples of this kind of events which could lead up to production disruption are extreme weather events, social unrest, diseases (e.g. virus outbreaks) or other macroeconomic or geopolitical events affected by external influences.

For further information about Evolution's risk exposure and handling, please see the Group's Annual Report for 2021, which is available on the company's website.

Calendar

Year-end report 2022	2 February 2023
Annual General Meeting	4 April 2023
Interim report January – March 2023	27 April 2023
Interim report January – June 2023	21 July 2023
Interim report January – September 2023	26 October 2023

Stockholm, 27 October 2022**Martin Carlesund
CEO**

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Presentation for investors, analysts and the media

CEO Martin Carlesund and CFO Jacob Kaplan will present the report and answer questions on Thursday, 27 October 2022 at 09:00 a.m. CET via a telephone conference. The presentation will be in English and can also be followed online. Number for participation by telephone:

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Follow the presentation at: <https://ir.financialhearings.com/evolution-gaming-group-q3-2022>

This information is such that Evolution AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above on 27 October 2022, at 07:30 am CET.

Condensed consolidated income statement

Group, EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct 2021- Sep 2022	Jan-Dec 2021
Revenues - Live	310,392	214,531	853,361	601,883	1,090,716	839,238
Revenues - RNG	68,140	61,485	195,896	166,661	258,774	229,539
Total operating revenues	378,532	276,016	1,049,257	768,544	1,349,490	1,068,777
Personnel expenses	-76,255	-51,549	-208,060	-151,913	-263,312	-207,165
Depreciation, amortisation and impairments	-24,622	-20,979	-70,853	-58,272	-93,227	-80,646
Other operating expenses	-41,262	-31,525	-112,286	-88,896	-150,352	-126,962
Total operating expenses	-142,139	-104,053	-391,199	-299,081	-506,891	-414,773
Operating profit	236,393	171,963	658,058	469,463	842,599	654,004
Financial items	1,341	-2,533	8,065	-6,221	7,773	-6,513
Profit before tax	237,734	169,430	666,123	463,242	850,372	647,491
Tax on profit for the period	-16,437	-11,996	-46,264	-29,364	-58,956	-42,056
Profit for the period	221,297	157,434	619,859	433,878	791,416	605,435
<i>Of which attributable to:</i>						
Shareholders of the Parent Company	221,297	157,434	619,859	433,878	791,416	605,435
Average number of shares before dilution	213,205,250	215,111,115	213,288,250	213,377,825	213,647,394	213,714,575
Earnings per share before dilution, EUR	1.04	0.73	2.91	2.03	3.70	2.83
Average number of shares after dilution	217,125,300	222,980,433	217,642,323	221,570,284	218,872,854	221,818,828
Earnings per share after dilution, EUR	1.02	0.71	2.85	1.96	3.62	2.73
Operating margin	62.4%	62.3%	62.7%	61.1%	62.4%	61.2%
Effective tax rate	6.9%	7.1%	6.9%	6.3%	6.9%	6.5%

Condensed comprehensive income statement

Group, EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct 2021- Sep 2022	Jan-Dec 2021
Profit for the period	221,297	157,434	619,859	433,878	791,416	605,435
Other comprehensive income						
<i>Items that may be reclassified to profit</i>						
Exchange differences arising from the translation of foreign operations	-32,809	12,005	-126,915	-23,680	-159,069	-55,834
Other comprehensive income	-32,809	12,005	-126,915	-23,680	-159,069	-55,834
Total comprehensive income for the period	188,488	169,439	492,944	410,198	632,347	549,601

Consolidated balance sheet

Group, EUR thousands	30/09/2022	30/09/2021	31/12/2021
Assets			
Goodwill	2,361,411	2,217,651	2,188,482
Other intangible assets	766,198	763,630	757,250
Buildings	11,242	11,464	11,409
Right of use assets	59,518	56,523	54,313
Property, plant and equipment	105,373	59,255	68,745
Other non-current receivables	9,654	11,868	11,096
Deferred tax assets	2,718	1,849	2,360
Total non-current assets	3,316,114	3,122,240	3,093,655
Accounts receivable	265,419	180,180	200,700
Other receivables	262,350	219,500	155,495
Prepaid expenses and accrued income	38,672	32,863	31,785
Cash and cash equivalents*	319,666	391,931	421,432
Total current assets	886,107	824,474	809,412
TOTAL ASSETS	4,202,221	3,946,714	3,903,067
Equity and liabilities			
Share capital	647	647	647
Other capital contributed	2,404,207	2,406,346	2,405,622
Reserves	-145,201	13,868	-18,286
Retained earnings including profit for the period	1,046,674	753,587	802,967
Total equity	3,306,327	3,174,448	3,190,950
Deferred tax liabilities	59,914	55,410	58,816
Non-current lease liabilities	52,036	58,191	53,171
Other non-current liabilities	365,835	230,000	230,000
Total non-current liabilities	477,785	343,601	341,987
Accounts payable	10,871	7,824	8,578
Provisions	488	3,541	2,253
Current tax liabilities	302,036	247,888	189,053
Other current liabilities	43,184	112,197	111,127
Current lease liabilities	17,173	11,918	14,639
Accrued expenses and prepaid income	44,357	45,297	44,480
Total current liabilities	418,109	428,665	370,130
TOTAL EQUITY AND LIABILITIES	4,202,221	3,946,714	3,903,067
*Including restricted cash for jackpot liabilities	19,001	16,377	16,838

Consolidated changes in equity

Group 2021, EUR thousands	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2021	638	2,225,817	37,548	462,168	2,726,171
Dividend	-	-	-	-144,382	-144,382
Warrants	-	8,826	-	3,061	11,887
Repurchase of own shares	-	-	-	-123,315	-123,315
Non cash issue	3	147,801	-	-	147,804
New share issue	6	23,178	-	-	23,184
Profit for the period	-	-	-	605,435	605,435
Other comprehensive income	-	-	-55,834	-	-55,834
Closing equity 31/12/2021	647	2,405,622	-18,286	802,967	3,190,950

Group 2022, EUR thousands	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2022	647	2,405,622	-18,286	802,967	3,190,950
Dividend	-	-	-	-302,751	-302,751
Warrants	-	-1,415	-	2,190	775
Repurchase of own shares	-	-	-	-75,591	-75,591
Profit for the period	-	-	-	619,859	619,859
Other comprehensive income	-	-	-126,915	-	-126,915
Closing equity 30/09/2022	647	2,404,207	-145,201	1,046,674	3,306,327

Consolidated statement of cash flow

Group, EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct 2021- Sep 2022	Jan-Dec 2021
Operating profit	236,393	171,963	658,058	469,463	842,599	654,004
<i>Adjustment for non-cash items:</i>						
Depreciation/amortisation/impairments	24,622	20,979	70,853	58,272	93,227	80,646
Provisions	9	-677	-1,410	-6,682	-2,424	-7,696
Other	-1,113	-133	-884	-2,561	-1,163	-2,840
Interest received	42	76	137	182	185	230
Interest paid	-271	-969	-1,193	-2,516	-2,049	-3,372
Tax paid	-4,088	13,028	-41,538	-20,088	-48,244	-26,794
Cash flow from operating activities before changes in working capital	255,594	204,267	684,023	496,070	882,131	694,178
Increase/decrease in accounts receivable	-15,655	-4,377	-59,391	-52,834	-76,999	-70,442
Increase/decrease in accounts payable	-7,120	440	1,772	-7,840	2,498	-7,114
Increase/decrease in other working capital	4,219	-6,925	-9,489	-14,937	-12,279	-17,727
Cash flow from operating activities	237,038	193,405	616,915	420,459	795,351	598,895
Acquisition of intangible assets	-9,555	-6,495	-26,319	-19,853	-34,751	-28,285
Acquisition of tangible assets	-13,866	-7,328	-42,678	-19,452	-56,533	-33,307
Acquisition of subsidiary	-184,729	4,288	-258,814	-92,230	-258,814	-92,230
Increase/decrease in other financial assets	1,263	-221	-2,060	-1,150	-2,040	-1,130
Cash flow from investing activities	-206,887	-9,756	-329,871	-132,685	-352,138	-154,952
Repayment of lease liability	-4,980	-3,840	-12,181	-9,013	-16,002	-12,834
Repurchase of own shares	-	-	-75,591	-	-198,906	-123,315
Warrants	-166	-12,423	-1,415	9,550	-2,139	8,826
New share issue	-	23,189	-	23,189	-	23,189
Dividend	-	-	-302,751	-144,382	-302,751	-144,382
Cash flow from financing activities	-5,146	6,926	-391,938	-120,656	-519,798	-248,516
Cash flow for the period	25,005	190,575	-104,894	167,118	-76,585	195,427
Cash and cash equivalents at start of period	293,915	200,392	421,432	221,675	391,931	221,675
Exchange rate differences	746	964	3,128	3,138	4,320	4,330
Cash and cash equivalents at end of period	319,666	391,931	319,666	391,931	319,666	421,432

The company presents certain financial measures in the interim report that are not defined under IFRS. The company believes that these measures provide useful supplemental information to investors and the company's management as they permit the evaluation of the company's financial performance and position. Since not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Consequently, these financial measures should not be seen as a substitute for measures defined under IFRS. The tables below include measurements that are not defined in accordance with IFRS, unless otherwise stated. For definitions and purposes, see also the last page of the report.

Consolidated key ratios

Group, EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct 2021- Sep 2022	Jan-Dec 2021
Operating revenues (IFRS)	378,532	276,016	1,049,257	768,544	1,349,490	1,068,777
EBITDA margin	69.0%	69.9%	69.5%	68.7%	69.3%	68.7%
Operating margin	62.4%	62.3%	62.7%	61.1%	62.4%	61.2%
Profit margin	58.5%	57.0%	59.1%	56.5%	58.6%	56.6%
Equity/assets ratio	78.7%	80.4%	78.7%	80.4%	78.7%	81.8%
Cash and cash equivalents	319,666	391,931	319,666	391,931	319,666	421,432
Average number of full-time employees	10,960	8,013	10,365	7,587	9,961	7,917
Full-time employees at end of period	11,207	8,091	11,207	8,091	11,207	8,987
Earnings per share before dilution, EUR (IFRS)	1.04	0.73	2.91	2.03	3.70	2.83
Equity per share, EUR	15.51	14.76	15.51	14.76	15.51	14.91
Op. cash flow per share before dilution, EUR	1.11	0.90	2.89	1.97	3.72	2.80
Average number of outstanding shares before dilution	213,205,250	215,111,115	213,288,250	213,377,825	213,647,394	213,714,575
Number of outstanding shares	213,205,250	215,111,115	213,205,250	215,111,115	213,205,250	213,952,250

Consolidated key ratios by quarter

Group, EUR thousands	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20
Operating revenues (IFRS)	378,532	343,958	326,767	300,233	276,016	256,687	235,841	177,658	140,020
EBITDA	261,015	238,218	229,678	206,915	192,942	174,668	160,125	96,219	90,728
EBITDA margin	69.0%	69.3%	70.3%	68.9%	69.9%	68.0%	67.9%	54.2%	64.8%
Operating profit	236,393	214,580	207,085	184,541	171,963	155,852	141,648	84,837	83,572
Operating margin	62.4%	62.4%	63.4%	61.5%	62.3%	60.7%	60.1%	47.8%	59.7%
Revenue growth vs prior year	37.1%	34.0%	38.6%	69.0%	97.1%	100.1%	104.8%	67.6%	47.8%
Revenue growth vs prior quarter	10.1%	5.3%	8.8%	8.8%	7.5%	8.8%	32.8%	26.9%	9.1%
Cash and cash equivalents	319,666	293,915	439,516	421,432	391,931	200,392	326,041	221,675	283,203

Reconciliation of selected key ratios not defined in accordance with IFRS

Group, EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct 2021- Sep 2022	Jan-Dec 2021
Operating margin						
Profit before tax	237,734	169,430	666,123	463,242	850,372	647,491
Net financial items	-1,341	2,533	-8,065	6,221	-7,773	6,513
Operating profit (EBIT)	236,393	171,963	658,058	469,463	842,599	654,004
Divided by Total operating revenues	378,532	276,016	1,049,257	768,544	1,349,490	1,068,777
Operating (EBIT) margin	62.4%	62.3%	62.7%	61.1%	62.4%	61.2%
EBITDA and EBITDA margin						
Profit before tax	237,734	169,430	666,123	463,242	850,372	647,491
Net financial items	-1,341	2,533	-8,065	6,221	-7,773	6,513
Depreciation/amortisation	24,622	20,979	70,853	58,272	93,227	80,646
EBITDA	261,015	192,942	728,911	527,735	935,826	734,650
Divided by Total operating revenues	378,532	276,016	1,049,257	768,544	1,349,490	1,068,777
EBITDA margin	69.0%	69.9%	69.5%	68.7%	69.3%	68.7%
Profit margin						
Profit for the period	221,297	157,434	619,859	433,878	791,416	605,435
Divided by Total operating revenues	378,532	276,016	1,049,257	768,544	1,349,490	1,068,777
Profit margin	58.5%	57.0%	59.1%	56.5%	58.6%	56.6%
Equity/Assets ratio						
Total equity	3,306,327	3,174,448	3,306,327	3,174,448	3,306,327	3,190,950
Divided by Total assets	4,202,221	3,946,714	4,202,221	3,946,714	4,202,221	3,903,067
Equity/Assets ratio	78.7%	80.4%	78.7%	80.4%	78.7%	81.8%

Condensed Parent Company income statement and other comprehensive income

Parent Company, EUR thousands	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct 2021- Sep 2022	Jan-Dec 2021
Net sales	4,559	4,799	14,748	14,312	19,611	19,175
Other external expenses	-4,450	-4,249	-14,026	-13,316	-19,621	-18,911
Operating profit	109	550	722	996	-10	264
Interest income and similar income	764	-14	2,588	24	253,505	250,941
Interest expenses and similar expenses	-	-	-	-	-	-
Profit before tax	873	536	3,310	1,020	253,495	251,205
Tax on profit for the period	-193	-186	-705	-313	-715	-323
Profit for the period*	680	350	2,605	707	252,780	250,882

*Profit for the period coincides with comprehensive income for the period.

Condensed Parent Company balance sheet

Parent Company, EUR thousands	30/09/2022	30/09/2021	31/12/2021
Assets			
Intangible assets	494	743	681
Property, plant and equipment	16	50	23
Participating interest in Group companies	2,630,780	2,635,756	2,635,756
Other non-current receivables	14	18	14
Total non-current assets	2,631,304	2,636,567	2,636,474
Receivables from Group companies	8,537	115,500	258,537
Other current receivables	1,777	1,564	958
Prepaid expenses and accrued income	7,941	12,925	11,524
Cash and cash equivalents	5,178	25,202	79,952
Total current assets	23,433	155,191	350,971
TOTAL ASSETS	2,654,737	2,791,758	2,987,445
Equity and liabilities			
Share capital	647	647	647
Retained earnings including profit for the period	2,451,495	2,702,511	2,828,647
Total equity	2,452,142	2,703,158	2,829,294
Accounts payable	17	89	247
Current tax liabilities	1,147	510	390
Liabilities to Group companies	200,170	14,000	84,347
Other current liabilities	299	73,554	72,345
Accrued expenses and prepaid income	962	447	822
Total current liabilities	202,595	88,600	158,151
TOTAL EQUITY AND LIABILITIES	2,654,737	2,791,758	2,987,445

Notes to the financial statements

Note 1. Accounting principles

Evolution prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The Group's interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Parent Company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation; RFR 2, Accounting for Legal Entities. The accounting policies are unchanged from the 2021 annual report. There are no amendments to IFRS standards in 2022 that have had material impact on the Group's results of operations and financial position.

Amounts are expressed in thousands of Euro (EUR) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year.

Note 2. Events following the balance sheet date

No significant events.

Note 3. Incentive programme

The company has two incentive programmes. Upon full exercise of the warrants within the programme 2020/2023 (adopted by the Extra General Meeting on 16 January 2020), the dilution effect will be approximately 1.8 percent. Upon full exercise of the warrants within the programme 2021/2024 (adopted by the Extra General Meeting on 28 January 2021), the dilution effect will be approximately 1.8 percent. More information about the programmes is available in the 2021 annual report.

Note 4. Seasonality

Evolution's operations are, to a certain extent, influenced by seasonal patterns in end-user activity. The Group's customers generally notice increased end-user activity and an increased volume of operations in the fourth quarter of each year, which is consistent with the Group's experience of increased online casino traffic and commission income earned in the fourth quarter.

Note 5. Acquisition of group companies

During the first quarter, the redemption of outstanding shares in NetEnt was finalised and an amount of EUR 63.8 million was paid. Working capital adjustment for BTG was also paid during the first quarter, amounting to EUR 10.3 million.

Nolimit City

Evolution has acquired 100 percent of the share capital in Nolimit City Holding Ltd (NLC). NLC are included in the consolidated accounts from 1 July. The upfront consideration was EUR 200 million on a cash and debt free basis and was paid in cash. In addition, Evolution may pay earn-out payments in cash, based on Nolimit City's EBITDA for the years 2022, 2023 and 2024, respectively. The earn-out payments will amount to a maximum of EUR 140 million, and become payable in 2023, 2024 and 2025, respectively.

According to the preliminary acquisition analysis, a non-tax-deductible goodwill of EUR 260.9 million arose that is primarily attributable to the skills that NLC's employees contribute and strengthened presence in important markets. The useful life of customer relationships and game portfolio is estimated to be ten years, and platform five years.

Fair value acquired net assets, EUR thousands	NLC
Customer relationships	35,482
Brand	22,222
Game portfolio	8,145
Platform	518
Other intangible assets	3
Right of use assets	66
Property, plant and equipment	228
Deferred tax assets	22
Other long-term receivables	336
Accounts receivable	4,166
Other short-term receivables	2,791
Accrued income and prepaid expenses	756
Cash and cash equivalents	15,271
Deferred tax liability	-6,637
Leasing liability	-71
Accounts payable	-255
Tax liability	-7,413
Other short-term liabilities	-825
Accrued expenses	-295
Total acquired net assets	74,510

Purchase consideration, EUR thousands	NLC
Consideration paid, cash	200,000
Additional purchase consideration, NPV debt	135,391
Total purchase consideration	335,391
Fair value acquired net assets	-74,510
Goodwill	260,881

Investing activities, Group EUR thousands	2022
Redemption outstanding shares NetEnt	-63,792
Working capital settlement BTG	-10,293
Consideration paid Nolimit City	-200,000
Cash in acquired NLC companies	15,271
Effect on consolidated cash and cash equivalents	-258,814

NLC's contribution during the year	2022
Operating revenue	7,473
Amortisation of excess values	-1,117
Profit after tax for the year	4,547

Evolution Group as if the acquisition of NLC took place on 1 January 2022

EUR thousands	NLC	Evolution	Group
Operating revenue	20,948	1,041,784	1,062,732
Profit after tax for the year	11,355	615,312	626,667

NLC profit for the year include amortisation of excess values of EUR 3,351 thousand.

NLC, EUR thousands	Jul-Sep 2021	Okt-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022
Operating revenue	5,288	6,073	6,799	6,676	7,473

Definitions of key ratios

Key ratios	Definition	Purpose
Operating profit (EBIT)	Profit before tax excluding net financial items.	Key ratio used by management to monitor the earnings trend in the Group.
Operating margin (EBIT)margin	Operating profit in relation to operating revenues.	Key ratio used by management to monitor the earnings trend in the Group.
EBITDA	Operating profit less depreciation.	Key ratio used by management to monitor the earnings trend in the Group.
EBITDA margin	Operating profit excluding depreciation and amortisation in relation to operating revenues.	Key ratio used by management to monitor the earnings trend in the Group.
Profit margin	Profit for the period in relation to operating revenues.	Key ratio used by management to monitor the earnings trend in the Group.
Equity/assets ratio	Equity at the end of period in relation to total assets at the end of period.	Key ratio indicates the Group's long-term payment capacity.
Cash and cash equivalents	Cash and bank assets.	Used by management to monitor the Group's short-term payment capacity.
Revenue growth compared with the previous year	Operating revenues for the period divided by operating revenues in the same period last year.	Key ratio used by management to monitor the Group's revenue growth.
Revenue growth compared with the preceding quarter	Operating revenues for the period divided by operating revenues for the preceding quarter.	Key ratio used by management to monitor the Group's revenue growth.
Average number of full-time employees	The average number of full-time employees during the period. Full-time equivalents include part-time positions.	Key ratio used by management to monitor the Group's number of employees' growth.
Per share		
Earnings per share before dilution	Profit for the period in relation to the average number of shares outstanding before dilution during the period.	Key ratio used by management to monitor the earnings trend in the Group.
Equity per share	Shareholders' equity divided by the number of shares outstanding at the end of the period.	Key ratio used by management to monitor the earnings trend in the Group.
Operational cash flow per share before dilution	Cash flow from operating activities in relation to the average number of shares outstanding before dilution during the period.	Key ratio used by management to monitor the cash flow trend in the Group.
Average number of shares outstanding	The average number of shares outstanding before dilution during the period.	Used to calculate key ratios in relation to the number of shares during the period.
Number of shares outstanding	Number of shares outstanding at the end of the period.	Used to calculate key ratios in relation to the number of shares at the end of the period.



Auditor's report

Evolution AB (publ), reg. no. 556994-5792

Introduction

We have reviewed the condensed interim financial information (interim report) of Evolution AB (publ) as of 30 September 2022 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 27 October 2022

Öhrlings PricewaterhouseCoopers AB

Johan Engstam

Authorized Public Accountant