Q3 2019 interim report

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Therese Hillman, Group CEO
Lars Johansson, Group CFO
Report highlights

• Continued challenging situation in some key markets

• Excluding acquisition and FX effects, NetEnt’s revenues -10 percent YoY in Q3-19
  • Sweden accounted for 7 percent of the revenue decrease

• Continued progress in the US
  • Solid growth in New Jersey
  • Strong start in Pennsylvania since mid-July

• NetEnt released 8 (4) slot games, of which Butterfly Staxx 2 was the most successful

• Acquisition of Red Tiger in September
  • Strategically important, product and geographic fit with NetEnt, adding scale
  • Annual synergies of at least 150 SEKm from 2021, mainly revenue synergies
Q3 2019

Gamewin split by Region – NetEnt

- Sweden 9%
- Other Nordic 16%
- United Kingdom 12%
- Other Europe 50%
- Other World 13%

Excluding Red Tiger
Gamewin split by Region – Red Tiger

- Sweden 4%
- Other Nordic 7%
- United Kingdom 34%
- Other Europe 29%
- Other World 26%

- September data
Locally Regulated Markets – NetEnt

Q3 2019

• 47 (35)% of gamewin from locally regulated markets

• Europe: Headwinds in some important regulated markets due to regulatory changes
  • Sweden, UK, Italy

• US
  • Successful Pennsylvania market entry in July

Excluding Red Tiger.
Locally Regulated Markets – Red Tiger

- Locally regulated markets; UK, Sweden, Denmark, Italy, Spain, Switzerland and Georgia
- September data

58% Locally regulated
42% Non-locally regulated
By Quarter

Game Transactions

Excluding Red Tiger.
Q3 2019 – NEW GAMES AND PRODUCTS

NETENT
BETTER GAMING

RED TIGER

NETENT live
Mobile Games

SHARE OF GAMEWIN

Excluding Red Tiger.
Gamewin By Game Type

Q3 2019

Table Games
9% (8%)

Slots
91% (92%)

Excluding Red Tiger.
Comparable figures from Q3 2018 in parenthesis
• Red Tiger consolidated as of September 2019

• Excluding Red Tiger, revenues down 10.0% YoY in EUR

• Excluding Red Tiger contribution and acquisition-related items*, EBIT margin of 30.0 (38.3)%

  * • Amortization of intangibles of 9 SEKm (PPA)
  • Non-recurring costs of 25 SEKm
  • Prepaid financing costs of 34 million SEKm and will be depreciated over the term of the bank loans (4 years)
Q3 2019

Balance Sheet

• Red Tiger acquisition increases net assets by 2,552 MSEK in Q3
  • Net assets (mainly Client relations, Brand, Technical platform, Games): 1,108 MSEK
  • Goodwill: 1,444 MSEK
  • Estimated amortization of 27 MSEK in Q4-19

• Net debt of 2,465 MSEK
  • Cash & cash equivalents: 300 MSEK
  • Bank loans: 2,300 MSEK
  • NPV of earn-out liability: 216 MSEK (discounted @ WACC 10%)
  • IFRS 16 capitalized lease liabilities: 249 MSEK
LAST 12 MONTHS ROLLING

Free Cash Flow

- Free cash flow of 48 (167) SEKm in Q3
- Free cash flow of 485 SEKm L12M
Focus looking ahead

• Return to solid revenue growth in 2020
  • Slot games by NetEnt and Red Tiger
  • Revenue synergies with Red Tiger
    • Leverage joint distribution and product development
  • Live Casino contribution

• New open platform for functionality and content aggregation

• Players in focus to support core business
  • Affiliate business and social casino

• Continued focus on cost control and efficiency
  • Red Tiger acquisition catalyst for further improvements