

betsson ab

Q3 2019

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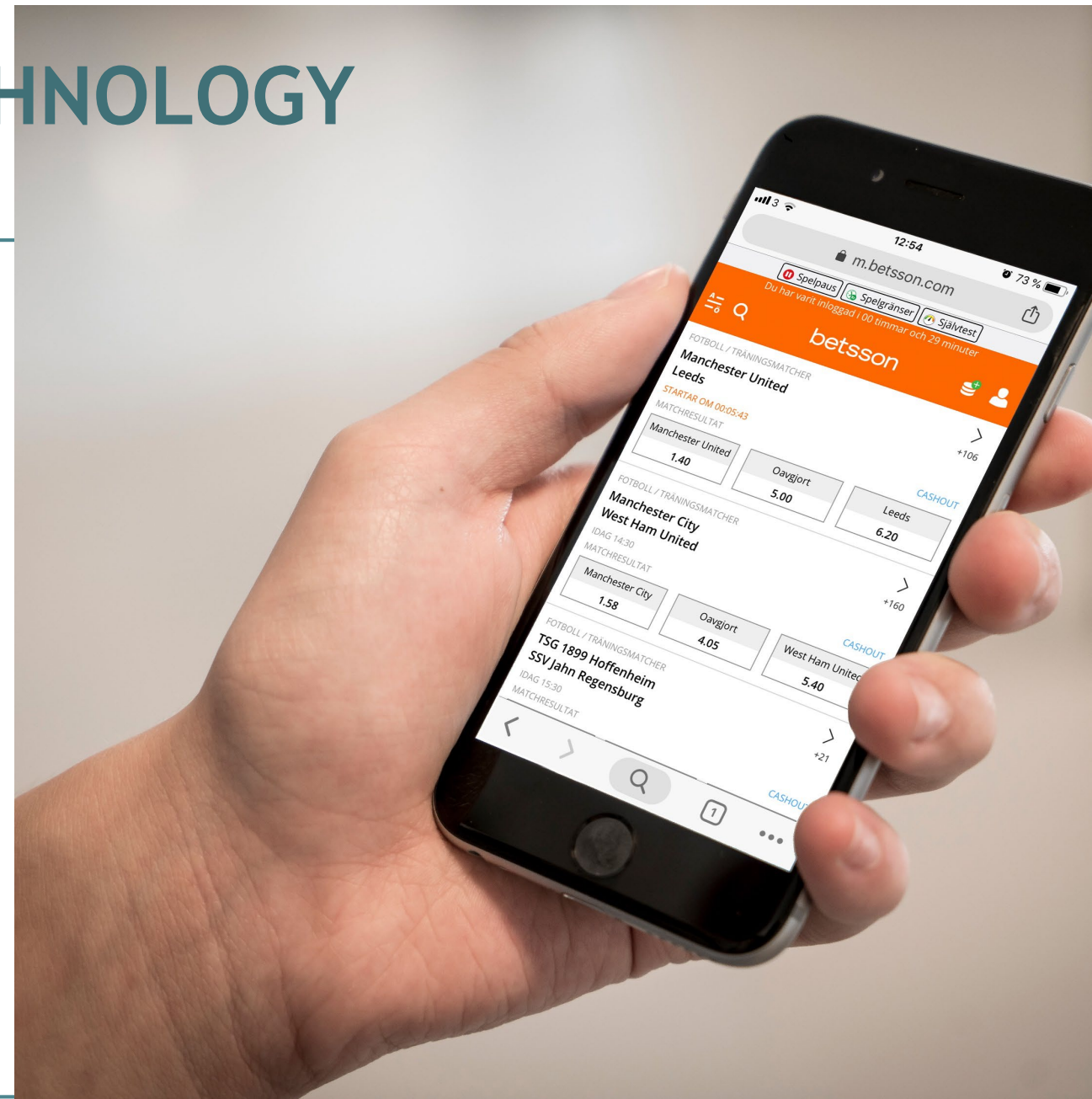
# Q3 IN BRIEF

- Gaming industry undergoing changes
  - Ongoing consolidation, more to come
  - Regulated markets under pressure
- Strong operating income in challenging quarter
  - Revenue at SEK 1,275 million
  - EBIT at SEK 213 million, EBIT margin 16.7%
  - Short-term downturns mitigated by geographical spread
- Continuous investments in our own technology to provide customer entertainment and extend the product offering
- SHL contract extended to multi-year sponsorship of Swedish ice-hockey
- Bond issued to facilitate long-term strategy to outgrow the market organically and through acquisitions



# RECENT PRODUCT & TECHNOLOGY INITIATIVES

- Multigame window launched in Casino
  - Allows customers to enjoy multiple games simultaneously on desktop
- Sportsbook enhancements
  - Competitive edge with widest ice-hockey offering
  - Developed to be an attractive third-party product
- ISO27001 certification
  - Accredited for implementation of Information Security Management System, by the leading international testing body ASM, after rigorous audit



# ACCREDITED WITH ISO 27001

## WHAT

- A framework to keep our assets secure.
- Recommended for accreditation.

## HOW

- 116 controls within 14 categories.

## WHEN

- Officially accredited in September, 2019.

## WHY

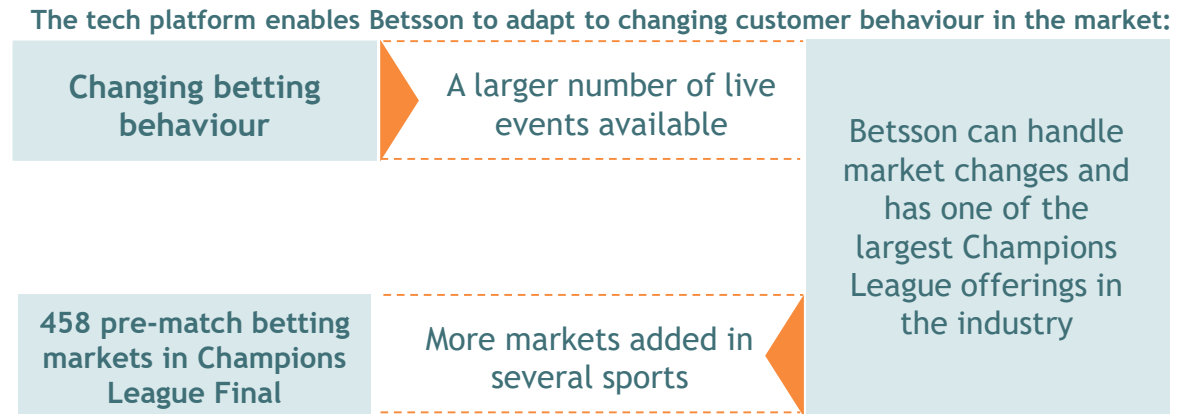
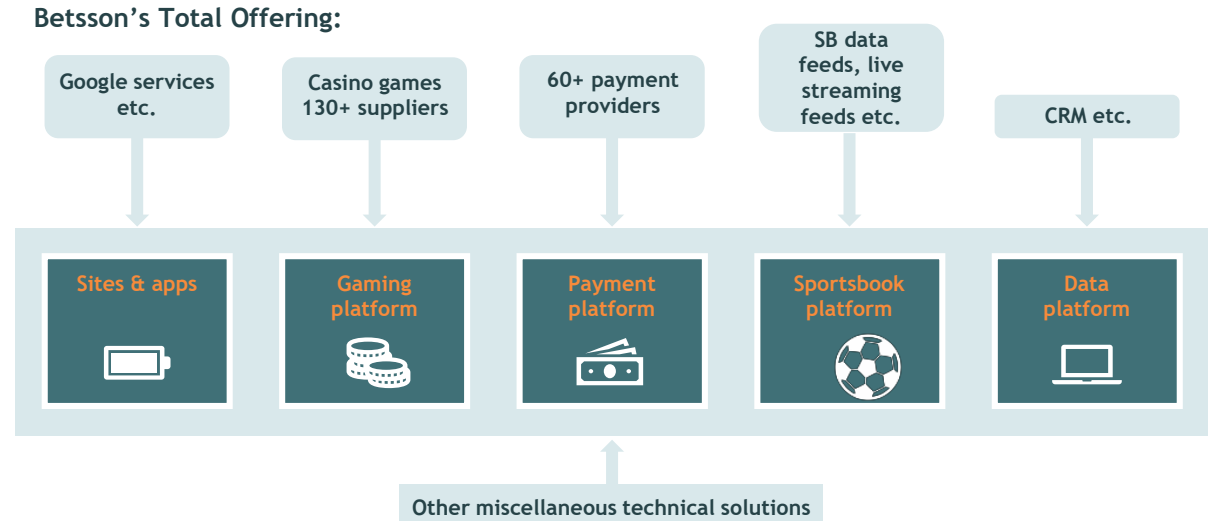
- We have 12 licenses that use part of ISO 27001 controls.
- An InfoSec framework caters for our growing business.
- Show the customer that we value their data.





# PROPRIETARY TECHNOLOGY

- Betsson’s technology is the core of the offering and customer experience
  - We control our technology in-house
  - We can differentiate the customer experience as the gaming market and customer behaviour is constantly changing
  - We control prioritisation and adapt fast to changing market conditions
- The technological platform
  - allows scalability
  - provides complete ownership of product development
  - makes migration of acquired brands easier
  - contributes to cost efficiency
  - We develop our core business critical capabilities in house, while we use standardized solutions when appropriate
- Our proprietary technology secures the future



# BETSSON WITH FOCUS ON ESG

## Four focus areas



### Responsible gaming

- First full-time employee within responsible gaming (RG) more than 10 years ago
- “Duty to care” principle in all operations to ensure customer protection
- No betting on under-aged
- Categorisation of customers, based on >50 attributes, in low/medium/high risk lead to appropriate actions
- Continuous development of RG tools for customers



### Conducting responsible business

- 80 people employed within AML/fraud prevention
- One person designated in each jurisdiction to co-operate with authorities
- Accredited by 4G regarding compliance with its ethical rules for marketing
- Continuous affiliate assessments to safeguard brands and maintain trust
- Team focused on IT security to provide safe and secure gaming platforms



### Being an attractive employer

- Encourage diversity and equality
- Improved employee health
- Continuous investment in employee training and development



### Environment responsibility

- Ambition to be climate neutral
- Increase the number of virtual meetings

# COMITTMENT TO PLAYER PROTECTION

- Betsson was the first company to hire a person within Responsible Gaming (RG) more than 10 years ago
- “Duty to care” principle in operations
- Investments in RG beyond what is required
- Analytics to understand customer behaviour due to large data volumes
- Recent development and initiatives
  - Release of “automated responsible gaming interaction tool” across key jurisdiction. The tool allows real time interaction with customers at predefined triggers relating to wager, deposits, losses, winning, to ensure that the customer is comfortable.
  - Release of global self-exclusion, irrespective of jurisdiction or company.
  - Focus on increasing the number of pro-active interactions for Responsible Gaming purposes

## Selected initiatives



### Budget/deposit limits

In Q3 2019, 34% of all new depositing customers chose to set a deposit limit



### Gaming overview

Gives customers a clear picture of their gaming history and increases their control



### “GamTest”

Allows customers to test whether or not their gaming habits are healthy



### External whistleblowing system

For reporting irregularities



### Self-exclusion

Customers can exclude themselves from gaming for a period up to one year



### ISO 27001 certification

By international testing body ACM for Information Security Management System



### AI used

to identify potential RG issues



### External audits/certifications

to review, evaluate and ensure procedures

# REGULATORY UPDATE

## – Sweden

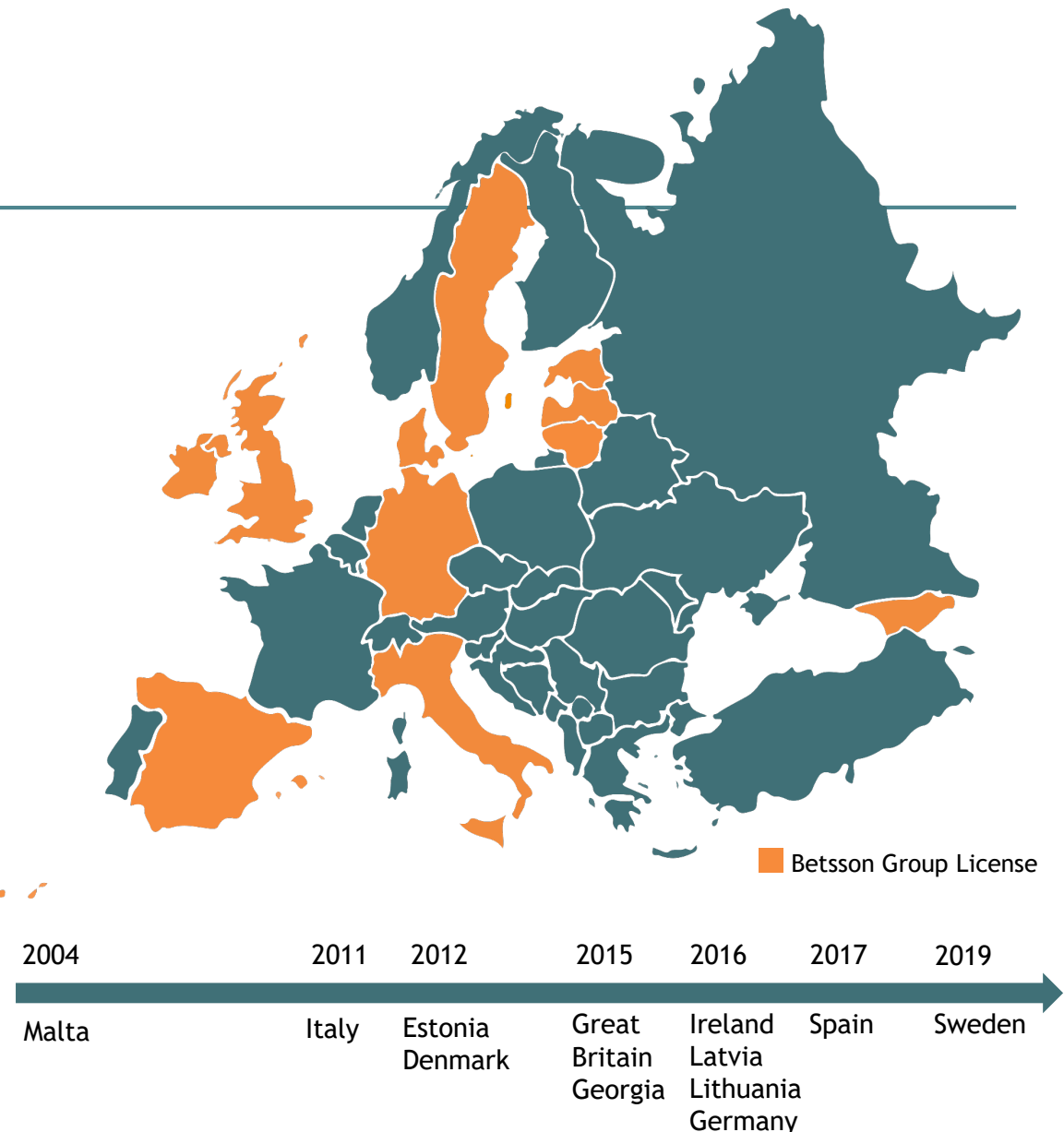
- Sweden is an important market long-term, in which Betsson aims to grow sustainably
- High channelisation degree needs to be secured for customer protection
- Fine regarding Nordicbet appealed

## – The Netherlands

- Market expected to open Q1 2021
- Betsson made adjustments to the product offering and is compliant with cooling-off period
- Expression of interest for license filed in June 2019

## – Italy

- Marketing ban effective from July 1, 2019





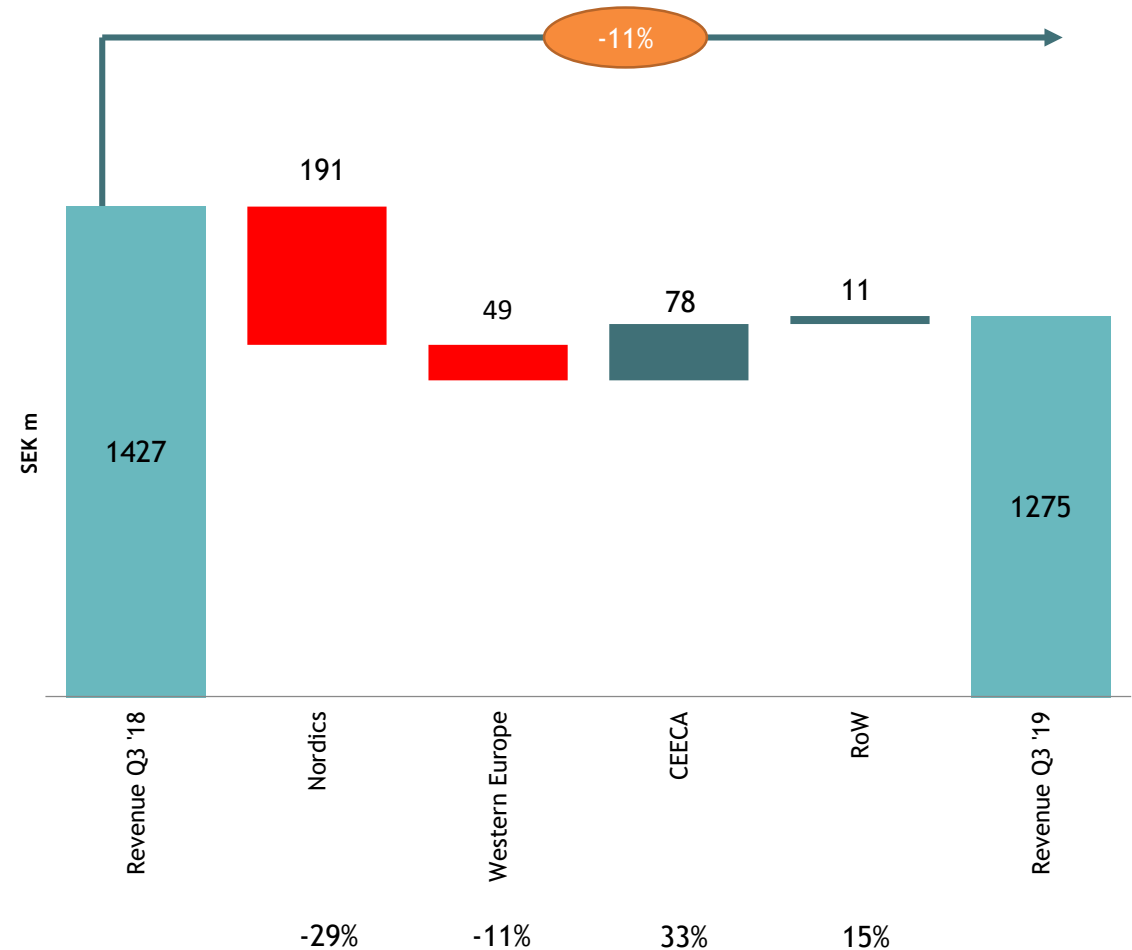
# FINANCIAL SUMMARY Q3

- Total revenue SEK 1,275 million
- Sportsbook
  - Sportsbook revenue in line with last year, excluding world cup effect
  - Gross turnover on par with last year
  - Sportsbook margin at 7.8%
- Casino revenue decline of 12%
- EBIT at SEK 213 million
  - Impacted by revenue decline
  - impacted by gaming tax and payment costs
  - Cost efficiencies contribute positively
  - EBIT margin at 16.7%

SEK m	Q3 2019	Q3 2018	Change	YTD 2019	YTD 2018
Revenue	1,275	1,427	-11%	3,884	3,983
Gross profit	831	1,010	-18%	2,589	2,842
Gross margin	65.2%	70.8%		66.7%	71.4%
EBITDA	304	424	-28%	938	1,086
EBITDA margin	23.9%	29.7%		24.1%	27.3%
EBIT	213	340	-38%	665	852
EBIT margin	16.7%	23.8%		17.1%	21.4%
EPS, SEK	1.31	2.20	-40%	4.21	5.52
Casino revenue	942	1,066	-12%	2,873	3,006
SB revenue	315	339	-7%	953	903
SB margin	7.8%	7.4%		7.3%	6.7%

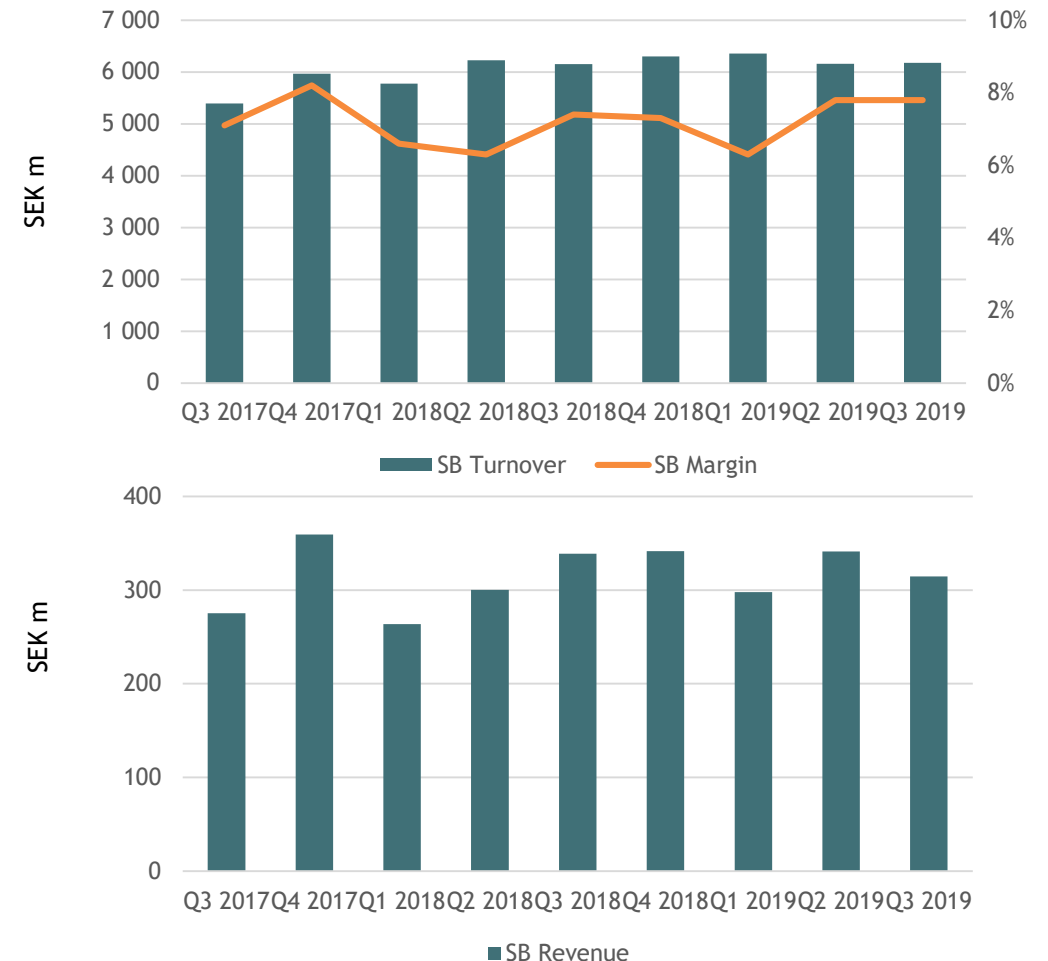
# THIRD QUARTER - BY REGION

- The Nordics under pressure
  - Weak revenue trend due to regulatory challenges
  - Betsson’s payment platform solution provide future flexibility
- Western Europe on par with Q2
  - Initial revenue decline in direct connection with actions taken in the Netherlands to be in the best possible position for license
  - Hard to predict market conditions in the Netherlands, channelization important issue
- Other markets show favorable trends



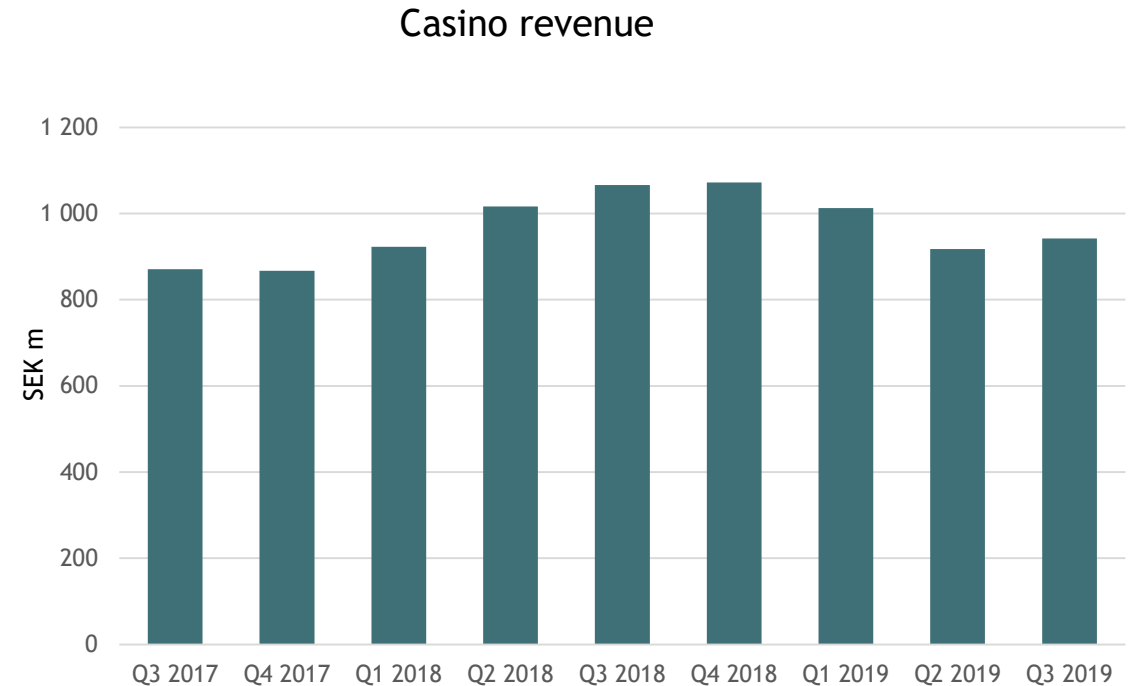
# SPORTSBOOK DEVELOPMENT

- Sportsbook gross turnover in line with last year
- 44,053 live betting events in Q3 2019 reflecting a competitive offering
- SB revenue decline of 7%, flat excluding world cup 2018 effect
  - Growth in CEECA and RoW, flat in Western Europe
  - Decline in the Nordics due to Swedish regulation and payment solutions in Norway
  - Sportsbook margin at 7.8% (7.4%)
  - Mobile Sportsbook accounting for 81% of total Sportsbook revenue
  - Sportsbook revenue 25% of total revenue



# CASINO DEVELOPMENT

- Betsson offer 2,700 casino games of which 2,000 on mobile
- Casino revenue decreased by 12%
- Total revenue grew Q/Q driven by all regions except the Nordics
- Casino 74% of total revenue



# CASH FLOW

- Operating cash flow SEK 307 million
  - Mainly driven by operating income and positive impact from changes in working capital
- Investments
  - Driven by investments in Betsson’s proprietary technology
- Financing activities
  - Bond of SEK 1 billion issued under a total framework of SEK 2.5 billion
  - Interest STIBOR 3 months+400bps
  - Maturity September 26, 2022
- Net debt SEK 478 million (826)
  - Net debt/EBITDA 0.4 (0.6)
- Equity/assets ratio 59% (58%)

SEK m	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Operating cash flow	307	401	913	984
Cash flow from investing activities	-82	-59	-218	-212
Cash flow from financing activities	235	-294	-244	-659
<b>Cash flow for the period</b>	<b>460</b>	<b>424</b>	<b>451</b>	<b>113</b>
Cash and cash equivalents, end of period	960	604	960	604



# SUMMARY

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- Third quarter revenue impacted by regulatory challenges
- Betsson confident about the long-term opportunities
  - Sportsbook enhancements provide both performance and commercial opportunities
  - Increased focus on geographical spread
  - Cost efficiencies throughout the organisation secure strong EBIT
- Betsson's strong financial position and proprietary technology provide a strong foundation to manage market changes and to offer competitive product solutions

Long gaming industry experience and considerable size

Proprietary technology secures the future

Strong financials to execute strategy

Diversified business through geographical spread and multi-brand strategy

Transition from land-based to online gaming vouch for industry growth

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