



Year-end report | January–December 2022 | Evolution AB (publ)

Fourth quarter of 2022 (Q4 2021)

- Operating revenues increased by 36% to EUR 407.5 million (300.2)
- EBITDA increased by 35% to EUR 279.5 million (206.9), corresponding to a margin of 68.6% (68.9)
- Profit for the period amounted to EUR 223.5 million (171.6)
- Earnings per share amounted to EUR 1.05 (0.80)

Full-year 2022 (2021)

- Operating revenues increased by 36% to EUR 1,456.7 million (1,068.8)
- EBITDA increased by 37% to EUR 1,008.4 million (734.7), corresponding to a margin of 69.2% (68.7)
- Profit for the year amounted to EUR 843.4 million (605.4)
- Earnings per share amounted to EUR 3.95 (2.83)
- The Board proposes a dividend of EUR 2.00 per share (1.42)

Events during the fourth quarter of 2022

- Rising demand and good leverage from investments generated a growth rate of 41.1% for Live casino and 5.1% for RNG compared to pro-forma Q4 2021.
- Evolution reached +1,300 Live Tables by the end of the period.
- Continued expansion in North America with second studio launched in New Jersey.

Summary of the fourth quarter and the full-year 2022

Group, EUR thousands	Oct-Dec 2022	Oct-Dec 2021	%	Jan-Dec 2022	Jan-Dec 2021	%
Operating revenues	407,480	300,233	35.7%	1,456,737	1,068,777	36.3%
EBITDA	279,529	206,915	35.1%	1,008,440	734,650	37.3%
EBITDA margin	68.6%	68.9%	-	69.2%	68.7%	-
Operating profit	250,004	184,541	35.5%	908,062	654,004	38.8%
Operating margin	61.4%	61.5%	-	62.3%	61.2%	-
Profit for the period	223,502	171,557	30.3%	843,361	605,435	39.3%
Profit margin	54.8%	57.1%	-	57.9%	56.6%	-
Earnings per share before dilution, EUR	1.05	0.80	31.2%	3.95	2.83	39.6%
Equity per share, EUR	16.23	14.91	8.8%	16.23	14.91	8.8%
OCF per share before dilution, EUR	1.22	0.83	47.1%	4.11	2.80	46.8%
Average number of FTEs	11,916	8,707	36.9%	10,802	7,917	36.4%

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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 700+ operators among its customers. The group currently employs 17,000+ 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 wrapped-up a strong financial year 2022 with a very good fourth quarter. This despite the challenging market environment reflected in the war in Ukraine, rising inflation, lower consumer confidence and remaining COVID-effects on supply chains - all of which are currently impacting the recovery of the post pandemic world economy. The employees at Evolution have once again shown extraordinary focus on the task at hand and done great work in these challenging market conditions – Thank you!

We remain firmly anchored and we continue to deliver according to our plans with the everlasting ambition to always perform better. Revenues in the fourth quarter of 2022 amounted to EUR 407.5 million, an increase of 35.7 percent compared to last year. EBITDA amounted to EUR 279.5 million, corresponding to a margin of 68.6 percent in the fourth quarter. Full year EBITDA margin was 69.2 percent, this is at the lower end of our guidance of 69-71 percent. In the very challenging market conditions of 2022, 69.2 percent margin reflects our competitive offering and strong execution during the past year.

As we now move into 2023, we expect an EBITDA-margin in the range of 68-71 percent for the full-year 2023. Given the high level of uncertainty in the world we give a slightly wider range for our guidance compared to previous year.

In the quarter, top-line growth continued to be driven by strong demand for Live Casino. Live Casino revenue increased by 41.1 percent year-on-year - which is very strong. Among many recent successful releases 2022 we see games like Monopoly Big Baller driving demand and increasing the entertainment factor for the end-user.

RNG revenue increased by 5.1 percent compared to pro-forma figures for last year. Performance is still below our expectations. The throughput of new games remains on the softer side and as we move forward, we need to improve efficiency as well as quality in our own production. The path to double digit-growth will not be linear - as we have communicated earlier - but we can do better and I really look forward to 2023.

With a strong fourth quarter, with many new titles including Live games such as Dead or Alive Saloon, Football Studio Dice and Freebet Blackjack together with RNG games such as Cupcakes from NetEnt, Christmas Bonanza from BTG, Shadow Society from RedTiger and Dead Canary from Nolimit City, we delivered on the 2022 target of 88 new game releases. I am very happy with the delivery in Q4.

For 2023 we plan to release over 100 games. Some of the highlights will be presented at the ICE trade show next week, among the games showcased will be our biggest, most complex game show ever. This release takes the player experience yet again to a completely new level! I am very excited about this release and hope that this fantastic game will get players full attention and also attract new players outside the current definition of Online Casino.

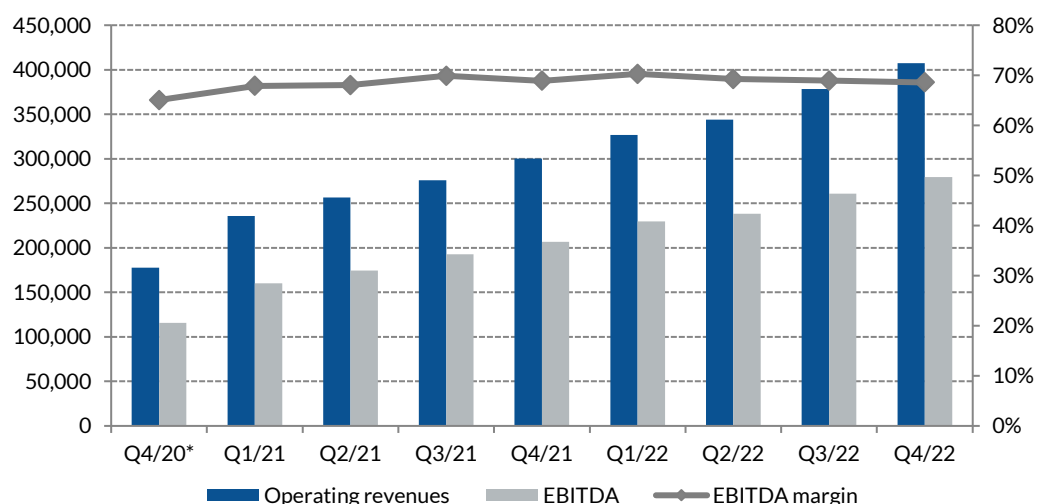
In terms of regional development, all regions reported year-on-year growth. We truly have a global audience for our offering. To continue the global expansion, we have continued to invest in studio expansion in Q4. During the quarter we launched the second New Jersey Live Casino studio – an important landmark for our North American operations. This years' studio investments increased significantly compared to 2021 and were fully in line with our plans. We continue to power online casinos around the world, and we increased the number of live tables by over 300 during the year, to a total of over 1,300 live tables at the end of 2022. For 2023 we will continue to invest in studio expansion, both in our existing locations and I also expect 1-2 new locations.

In these times I am proud to say that we are a financially very strong, an all-equity financed company with a solid balance sheet and strong cash flow. As the end result of a good 2022, the board of directors propose a dividend of EUR 2.00 (1.42) per share for 2022, in line with the dividend policy to distribute dividend of 50 percent of net profit annually.

As we move into 2023, our strategy and core values remain unchanged - for us at Evolution it is always about striving to be a little bit better, every day of the year, so that we can continue to widen the gap to competition and as I already stated, I very much look forward to an exciting 2023.

Martin Carlesund, CEO

Quarterly results trend



*Q420 adjusted for non-recurring items

Financial performance in the fourth quarter of 2022

Revenues

Revenues amounted to EUR 407.5 million (300.2) in the fourth quarter, equivalent to an increase of 36 percent compared with the corresponding period in 2021. EUR 334.9 million (237.4) of the revenue was derived from live-games. EUR 72.5 million (62.9) 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 new games and variations on traditional games.

Revenue by game type

Group, EUR million	Oct-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022
Live	237.4	264.5	278.5	310.4	334.9
RNG, as reported	62.9	62.3	65.5	68.1	72.5
Total	300.2	326.8	344.0	378.5	407.5
RNG incl. Nolimit City, pro-forma	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 157.5 million (115.7). 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 fourth quarter of 2021. The expansion has also increased other operating expenses compared with Q4 2021.

Profitability

Operating profit amounted to EUR 250.0 million (184.5), corresponding to an increase of 36 percent. The operating margin was 61.4 percent (61.5). The EBITDA margin was 68.6 percent (68.9).

Net financial items related mostly to leasing interest expenses and currency exchange differences. The Group's effective tax rate for the quarter amounted to 7.1 percent (6.9). 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 223.5 million (171.6). Earnings per share before dilution were EUR 1.05 (0.80).

Investments

Investments in intangible assets amounted to EUR 10.0 million (8.4) during the quarter and were mainly attributable to development of new games and technical improvements of the platform, such as new functionality. See Note 5 for information about acquisition of group companies.

Investments in property, plant and equipment amounted to EUR 18.0 million (13.9) 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 260.6 million (178.4) during the quarter. Cash flow from investing activities was negative in the amount of EUR 41.7 million (negative 22.3). Cash flow from financing activities was negative in the amount of EUR 2.3 million (negative 127.9). Cash and cash equivalents amounted to EUR 532.6 million (421.4) at the end of the quarter.

Full-year 2022 in brief

Revenues

For the January-December 2022 period, revenues amounted to EUR 1,456.7 million (1,068.8), corresponding to an increase of 36 percent compared with 2021. EUR 268.4 million (229.5) 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 548.7 million (414.8). 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 to the previous year.

Profitability

Operating profit amounted to EUR 908.1 million (654.0) with an operating margin of 62.3 percent (61.2). The EBITDA margin was 69.2 percent (68.7).

Investments

Investments in intangible assets amounted to EUR 36.3 million (28.3) for the year. Investments in property, plant and equipment amounted to EUR 60.7 million (33.3). Investments in other financial assets amounted to EUR 1.5 million (1.1). See Note 5 for information about acquisition of group companies.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 877.5 million (598.9) over the period. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 371.6 million (negative 155.0). Cash flow from financing activities was negative in the amount of EUR 394.2 million (negative 248.5) and included dividend to shareholders of EUR 302.8 million (144.4) and buy back of own shares of EUR 75.6 million (123.3).

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 fourth quarter 67.0 percent (69.1) 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	Oct-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022
Nordics	20.9	21.8	21.6	23.2	23.0
UK	21.0	21.8	20.3	20.7	22.6
Rest of Europe	105.6	108.8	110.0	115.3	124.4
Asia	90.8	103.4	110.9	127.8	136.2
North America	33.8	36.8	46.1	50.1	56.2
Other	28.0	34.3	35.1	41.5	45.1
Total operating revenue	300.2	326.8	344.0	378.5	407.5
Share of regulated markets	41%	40%	43%	41%	40%
Revenue, regulated markets	123.0	131.1	147.9	156.4	164.1

Customer dependency

Evolution's largest customer accounted for approximately 14 percent (11) of revenues in 2022, and the five largest customers accounted for roughly 30 percent (22) of revenues. At the end of the period the number of customers amounted to approximately 700.

Customer dependency, % of revenue

	2018	2019	2020	2021	2022
Top 1-5	32%	27%	33%	22%	30%
Top 1	7%	6%	11%	11%	14%

Other

Parent Company

The Parent Company is a holding company. Net sales for the fourth quarter of 2022 amounted to EUR 4.9 million (4.9) and expenses to EUR 5.5 million (5.6). Operating profit was negative in the amount of EUR 0.6 million (negative 0.7). Result for the period amounted to EUR 589.7 million (250.2) and include dividend income of EUR 590 million (250.0). The Parent Company's cash and cash equivalents amounted to EUR 6.3 million (80.0) at the end of the period and equity amounted to EUR 3,041.6 million (2,829.3). No significant investments were made in intangible or tangible assets.

Employees

As of 31 December 2022, Evolution had 17,026 employees (13,410), corresponding to 12,144 (8,987) full-time positions. The average number of full-time equivalents for the quarter was 11,916 (8,707).

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.

Dividend

The Board of Directors proposes that the Annual General Meeting resolve to transfer EUR 426.4 million (303.8) to shareholders, corresponding to EUR 2.00 (1.42) per share and 50.6 percent (50.2) of net profit respectively. The dividend is calculated by the number of shares 31 December 2022 with the deduction of Evolution's holding of own shares by the same date which amounted to 1,905,865 shares. Evolution has adopted a dividend policy according to which, 50 percent of the company's consolidated net profit is to be distributed over time, with a certain degree of flexibility in terms of the proportion distributed in dividends.

Acquisitions of own shares

The Company has, during the period 9 February 2022 – 18 February 2022, acquired a total of 747,000 of its 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.

Calendar

Annual report 2022	14 March 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, 2 February 2023

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, 2 February 2023 at 09:00 am 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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Pin code: 0309901#

Follow the presentation at: <https://ir.financialhearings.com/evolution-gaming-group-q4-2022>

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 2 February 2023, at 07:30 am CET.

This report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall apply. This report has not been subject to review by the company's independent auditor.

Condensed consolidated income statement

Group, EUR thousands	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Revenues - Live	334,947	237,355	1,188,308	839,238
Revenues - RNG	72,533	62,878	268,429	229,539
Total operating revenues	407,480	300,233	1,456,737	1,068,777
Personnel expenses	-81,538	-55,252	-289,598	-207,165
Depreciation, amortisation and impairments	-29,525	-22,374	-100,378	-80,646
Other operating expenses	-46,413	-38,066	-158,699	-126,962
Total operating expenses	-157,476	-115,692	-548,675	-414,773
Operating profit	250,004	184,541	908,062	654,004
Financial items	-9,534	-292	-1,469	-6,513
Profit before tax	240,470	184,249	906,593	647,491
Tax on profit for the period	-16,968	-12,692	-63,232	-42,056
Profit for the period	223,502	171,557	843,361	605,435
<i>Of which attributable to:</i>				
Shareholders of the Parent Company	223,502	171,557	843,361	605,435
Average number of shares before dilution	213,205,250	214,724,827	213,267,500	213,714,575
Earnings per share before dilution, EUR	1.05	0.80	3.95	2.83
Average number of shares after dilution	217,095,300	222,564,458	217,505,567	221,818,828
Earnings per share after dilution, EUR	1.03	0.77	3.88	2.73
Operating margin	61.4%	61.5%	62.3%	61.2%
Effective tax rate	7.1%	6.9%	7.0%	6.5%

Condensed comprehensive income statement

Group, EUR thousands	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Profit for the period	223,502	171,557	843,361	605,435
Other comprehensive income				
<i>Items that may be reclassified to profit</i>				
Exchange differences arising from the translation of foreign operations	-70,077	-32,154	-196,992	-55,834
Other comprehensive income	-70,077	-32,154	-196,992	-55,834
Total comprehensive income for the period	153,425	139,403	646,369	549,601

Consolidated balance sheet

Group, EUR thousands	31/12/2022	31/12/2021
Assets		
Goodwill	2,315,332	2,188,482
Other intangible assets	742,928	757,250
Buildings	11,187	11,409
Right of use assets	67,900	54,313
Property, plant and equipment	110,996	68,745
Other non-current receivables	8,868	11,096
Deferred tax assets	2,785	2,360
Total non-current assets	3,259,996	3,093,655
Accounts receivable	277,012	200,700
Other receivables	262,346	155,495
Prepaid expenses and accrued income	37,463	31,785
Cash and cash equivalents*	532,554	421,432
Total current assets	1,109,375	809,412
TOTAL ASSETS	4,369,371	3,903,067
Equity and liabilities		
Share capital	647	647
Other capital contributed	2,403,963	2,405,622
Reserves	-215,278	-18,286
Retained earnings including profit for the period	1,270,949	802,967
Total equity	3,460,281	3,190,950
Deferred tax liabilities	66,113	58,816
Non-current lease liabilities	65,158	53,171
Other non-current liabilities	351,926	230,000
Total non-current liabilities	483,197	341,987
Accounts payable	10,094	8,578
Provisions	380	2,253
Current tax liabilities	312,677	189,053
Other current liabilities	43,321	111,127
Current lease liabilities	14,395	14,639
Accrued expenses and prepaid income	45,026	44,480
Total current liabilities	425,893	370,130
TOTAL EQUITY AND LIABILITIES	4,369,371	3,903,067
*Including restricted cash for jackpot liabilities	20,602	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	-	-1,659	-	2,961	1,302
Repurchase of own shares	-	-	-	-75,591	-75,591
Profit for the period	-	-	-	843,361	843,361
Other comprehensive income	-	-	-196,992	-	-196,992
Closing equity 31/12/2022	647	2,403,963	-215,278	1,270,949	3,460,281

Consolidated statement of cash flow

Group, EUR thousands	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating profit	250,004	184,541	908,062	654,004
<i>Adjustment for items not included in cash flow:</i>				
Depreciation/amortisation/impairments	29,525	22,374	100,378	80,646
Provisions	9	-1,014	-1,401	-7,696
Other	-2,523	-279	-3,407	-2,840
Interest received	220	48	357	230
Interest paid	-106	-856	-1,299	-3,372
Tax paid	-5,562	-6,706	-47,100	-26,794
Cash flow from operating activities before changes in working capital	271,567	198,108	955,590	694,178
Increase/decrease in accounts receivable	-12,684	-17,608	-72,075	-70,442
Increase/decrease in accounts payable	-574	726	1,198	-7,114
Increase/decrease in other working capital	2,241	-2,790	-7,248	-17,727
Cash flow from operating activities	260,550	178,436	877,465	598,895
Acquisition of intangible assets	-9,959	-8,432	-36,278	-28,285
Acquisition of tangible assets	-17,983	-13,855	-60,661	-33,307
Acquisition of subsidiary	-14,322	-	-273,136	-92,230
Increase/decrease in other financial assets	539	20	-1,521	-1,130
Cash flow from investing activities	-41,725	-22,267	-371,596	-154,952
Repayment of lease liability	-1,964	-3,821	-14,145	-12,834
Repurchase of own shares	-	-123,315	-75,591	-123,315
Warrants	-299	-724	-1,714	8,826
New share issue	-	-	-	23,189
Dividend	-	-	-302,751	-144,382
Cash flow from financing activities	-2,263	-127,860	-394,201	-248,516
Cash flow for the period	216,562	28,309	111,668	195,427
Cash and cash equivalents at start of period	319,666	391,931	421,432	221,675
Exchange rate differences	-3,674	1,192	-546	4,330
Cash and cash equivalents at end of period	532,554	421,432	532,554	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	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating revenues (IFRS)	407,480	300,233	1,456,737	1,068,777
EBITDA margin	68.6%	68.9%	69.2%	68.7%
Operating margin	61.4%	61.5%	62.3%	61.2%
Profit margin	54.8%	57.1%	57.9%	56.6%
Equity/assets ratio	79.2%	81.8%	79.2%	81.8%
Cash and cash equivalents	532,554	421,432	532,554	421,432
Average number of full-time employees	11,916	8,707	10,802	7,917
Full-time employees at end of period	12,144	8,987	12,144	8,987
Earnings per share before dilution, EUR (IFRS)	1.05	0.80	3.95	2.83
Equity per share, EUR	16.23	14.91	16.23	14.91
Operating cash flow per share before dilution, EUR	1.22	0.83	4.11	2.80
Average number of outstanding shares before dilution	213,205,250	214,724,827	213,267,500	213,714,575
Number of outstanding shares	213,205,250	213,952,250	213,205,250	213,952,250

Consolidated key ratios by quarter

Group, EUR thousands	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20
Operating revenues (IFRS)	407,480	378,532	343,958	326,767	300,233	276,016	256,687	235,841	177,658
EBITDA	279,529	261,015	238,218	229,678	206,915	192,942	174,668	160,125	96,219
EBITDA margin	68.6%	69.0%	69.3%	70.3%	68.9%	69.9%	68.0%	67.9%	54.2%
Operating profit	250,004	236,393	214,580	207,085	184,541	171,963	155,852	141,648	84,837
Operating margin	61.4%	62.4%	62.4%	63.4%	61.5%	62.3%	60.7%	60.1%	47.8%
Revenue growth vs prior year	35.7%	37.1%	34.0%	38.6%	69.0%	97.1%	100.1%	104.8%	67.6%
Revenue growth vs prior quarter	7.6%	10.1%	5.3%	8.8%	8.8%	7.5%	8.8%	32.8%	26.9%
Cash and cash equivalents	532,554	319,666	293,915	439,516	421,432	391,931	200,392	326,041	221,675

Reconciliation of selected key ratios not defined in accordance with IFRS

Group, EUR thousands	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Operating margin				
Profit before tax	240,470	184,249	906,593	647,491
Net financial items	9,534	292	1,469	6,513
Operating profit (EBIT)	250,004	184,541	908,062	654,004
Divided by Total operating revenues	407,480	300,233	1,456,737	1,068,777
Operating (EBIT) margin	61.4%	61.5%	62.3%	61.2%
EBITDA and EBITDA margin				
Profit before tax	240,470	184,249	906,593	647,491
Net financial items	9,534	292	1,469	6,513
Depreciation/amortisation	29,525	22,374	100,378	80,646
EBITDA	279,529	206,915	1,008,440	734,650
Divided by Total operating revenues	407,480	300,233	1,456,737	1,068,777
EBITDA margin	68.6%	68.9%	69.2%	68.7%
Profit margin				
Profit for the period	223,502	171,557	843,361	605,435
Divided by Total operating revenues	407,480	300,233	1,456,737	1,068,777
Profit margin	54.8%	57.1%	57.9%	56.6%
Equity/Assets ratio				
Total equity	3,460,281	3,190,950	3,460,281	3,190,950
Divided by Total assets	4,369,371	3,903,067	4,369,371	3,903,067
Equity/Assets ratio	79.2%	81.8%	79.2%	81.8%

Condensed Parent Company income statement and other comprehensive income

Parent company, EUR thousands	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	4,893	4,863	19,641	19,175
Other external expenses	-5,512	-5,595	-19,538	-18,911
Operating profit	-619	-732	103	264
Interest income and similar income	590,334	250,917	592,922	250,941
Interest expenses and similar expenses	-	-	-	-
Profit before tax	589,715	250,185	593,025	251,205
Tax on profit for the period	-5	-10	-710	-323
Profit for the period*	589,710	250,175	592,315	250,882

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

Condensed Parent Company balance sheet

Parent company, EUR thousands	31/12/2022	31/12/2021
Assets		
Intangible assets	432	681
Property, plant and equipment	70	23
Participating interest in Group companies	2,630,780	2,635,756
Other non-current receivables	14	14
Total non-current assets	2,631,296	2,636,474
Receivables from Group companies	487,011	258,537
Other current receivables	1,386	958
Prepaid expenses and accrued income	6,517	11,524
Cash and cash equivalents	6,250	79,952
Total current assets	501,164	350,971
TOTAL ASSETS	3,132,460	2,987,445
Equity and liabilities		
Share capital	647	647
Retained earnings including profit for the year	3,040,961	2,828,647
Total equity	3,041,608	2,829,294
Accounts payable	197	247
Current tax liabilities	763	390
Liabilities to Group companies	87,841	84,347
Other current liabilities	318	72,345
Accrued expenses and prepaid income	1,733	822
Total current liabilities	90,852	158,151
TOTAL EQUITY AND LIABILITIES	3,132,460	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

On the 23 January 2023 a notice to an extra general meeting on 16 February 2023 was made public.

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 1.7 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. Working capital adjustment was paid during the fourth quarter, amounting to EUR 14.3 million. 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, debt NPV	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 NLC	-200,000
Working capital settlement NLC	-14,322
Cash in acquired NLC companies	15,271
Effect on consolidated cash and cash equivalents	-273,136

NLC's contribution during the year	2022
Operating revenue	13,573
Amortisation of excess values	-2,233
Profit after tax for the year	7,973

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

Group, EUR thousands	NLC	Evolution	Group
Operating revenue	27,048	1,443,164	1,470,212
Profit after tax for the year	12,547	835,388	847,935

NLC profit for the year include amortisation of excess values of EUR 4,466 thousand.

NLC, EUR thousands	Okt-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Okt-Dec 2022
Operating revenue	6,073	6,799	6,676	7,473	6,100

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.