



Interim report

Q3 2021

Highlights of Q3 2021

Net Revenue Increase
Q3 2021 vs prior year

+99.2%

Adjusted EBITDA
Increase Q3 2021 vs prior
year

+201.5%

- Strong results in Q3 2021 driven by organic growth and also acquisitive growth.
- Net revenue for the quarter amounted to EUR 83.5m, an increase of EUR 41.6m, 99.2% compared to Q3 2020 (EUR 41.9m). EUR 18.4m driven by acquisitions made in 2021, EUR 23.2m (equivalent to 55% organic growth) across Platform and Premium Gaming.
- Adjusted EBITDA amounted to EUR 17.4m, an increase of EUR 11.6m or 201.5% compared to Q3 2020 (EUR 5.8m).
- Adjusted EBITDA margin improvement to 20.8% from 13.8% in Q3 2020 mostly driven by operational efficiencies and the contribution by our Habbo Hotel NFT pilot discussed more fully below.
- All activities have continued to perform well throughout Q3 2021.
- During Q3 2021, Azerion acquired 3 companies, Admeen, KMobile and Sublime.

Financial overview

Financial results (EURm) of the Azerion Consolidated Companies	Q3 2021	Q3 2020	Pro forma LTM
Net Revenue	83.5	41.9	307.7
COGS	(47.7)	(26.1)	
Gross profit	35.8	15.8	
Operating Expenses	(20.1)	(11.3)	
Reported EBITDA	15.6	4.5	
Adjusted EBITDA	17.4	5.8	53.6
Revenue growth %	99.2%		
Gross margin %	42.9%	37.7%	
Adjusted EBITDA growth %	201.5%		
Adjusted EBITDA margin %	20.8%	13.8%	17.4%

Message from our CEOs



“During the third quarter we have continued to execute on our growth strategy aimed at building an integrated platform at the heart of the digital entertainment and digital advertising business. We have invested in and added technological capabilities, increased our content portfolio, and continued to further integrate our products and tech in order to meet the needs of consumers, advertisers, digital publishers and game creators.

In this light, we are extremely pleased to report a very strong set of financials for Q3 2021. Our net revenue increased by 99.2% to EUR 83.5m compared to Q3 2020. Our profitability increased, both on a reported EBITDA basis (up 245.8% vs Q3 2020 to EUR 15.6m) as well as on an adjusted EBITDA basis (up 201.5% vs Q3 2020 to EUR 17.4m). This resulted in an adjusted EBITDA margin of 20.8%. The strong results are driven mainly by organic growth across both Premium Gaming and Platform, supplemented by acquisitive growth.

During Q3 we added a range of new (premium) publishers to our platform and continued to add new direct and open RTB advertisers. In addition, we added many new content titles, among others through an asset deal with Softgames and through license deals with well-known brands such as Smurfs and Miffy. We also signed a partnership with Adverty, on the back of which we will be able to provide even more opportunities for brands to effectively reach and engage with premium gaming audiences through new and innovative in-game ad formats. In addition, we introduced unique Habbo Hotel avatars in the form of NFTs, which were received very well by our community. These are just a selection of operational highlights of the quarter aimed at increasing the value of our platform for each of our stakeholders.

We have also continued to deploy the proceeds from our April 2021 bond issuance, as previously indicated. We welcome three new companies to our family, bringing this year’s total acquisition count to seven for the period until Q3. We acquired a long-term partner of our Game Distribution titles Admeen, Swedish mobile advertising company Keymobile and French digital advertising company Sublime. Our teams are working hard on integrating the platforms and products in order to unlock the synergy potential embedded in those acquisitions.

We believe that the very strong results of the third quarter further demonstrate the benefits of our integrated platform strategy. It gives us tremendous energy to see that the hard work of our employees continues to pay off and we look forward to an exciting Q4.”

Atilla Aytekin and Umut Akpinar

CEOs and Founders of Azerion

EUR 83.5m**Net revenue Q3 2021**

Financial overview Q3 2021

Net revenue

Azerion's net revenue for Q3 2021 amounted to EUR 83.5m, higher (99.2%) than Q3 2020. The increase is attributable to acquisitions done in 2021 (EUR 18.4m) as well as organic growth in Premium Gaming (EUR 4.7m) and Platform (EUR 18.5m).

During Q3 2021, Azerion acquired 3 companies, KMobile AB, Sublime Skinz Labs SAS and Admeen B.V. In addition, Azerion signed an asset purchase agreement with Softgames - Mobile Entertainment Services GmbH and became the sole shareholder of Talpa Azerion Gaming B.V.

In September 2021, Azerion successfully sold 10,000 NFT Habbo Hotel avatars generating EUR 6.0m revenue.

Earnings

Azerion delivered EUR 17.4m adjusted EBITDA compared to EUR 5.8m in Q3 2020. EUR 11.6m additional margin is the result of a combination of top line growth (including our Habbo Hotel NFT pilot), improved platform margins and increased operational efficiencies. Non-recurring items amounted to EUR 1.8m, mostly related to transition expenses driven by acquisitions.

Earnings before tax amount to EUR 4.8m compared to EUR 0.5m in Q3 2020. This result was driven by improved EBITDA.

Given the need for additional office space to support the further growth, Azerion entered into a new leasing agreement in the Netherlands, that will leave the former office-building unoccupied. While Azerion finds a sub-tenant an impairment loss of EUR 2.5m has been recognised.

Cash flow

The Group's cash flow from operating activities totalled negative EUR 5.6m mostly driven by movements in working capital. Cash flow from investing activities amounted to negative EUR 19.4m reflecting the acquisitions performed in Q3 2021. Cash flow from financing activities totalled negative EUR 11.5m and includes the settlement of the Billfront revolving credit facility.

Capex and Investments

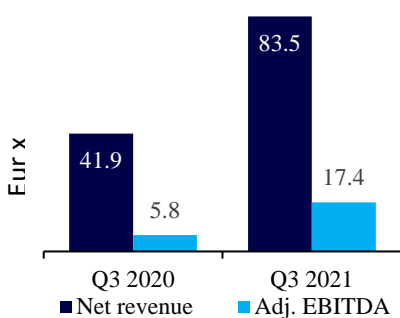
Azerion capitalizes development costs which are related to asset development, a core activity to support innovation in our platform. These costs primarily relate to developers' time devoted to the development of games, platforms, and other new features. EUR 3.1m were capitalized in Q3 2021, equivalent to 16.7% of personnel costs.

Acquisitions

On July 30, 2021, an asset purchase agreement with Softgames - Mobile Entertainment Services GmbH was executed.

On Aug 4, 2021, another Swedish company Kmobile AB was acquired. Kmobile is an advertising company helping advertisers and publishers with mobile advertising.

On August 12, 2021, Talpa Azerion Gaming B.V. repurchased the shares from Talpa shareholder. By virtue of this transaction, Azerion Holding B.V. became the sole shareholder of Azerion Talpa Gaming B.V.

EUR 17.4m**Adjusted EBITDA Q3 2021**

On August 30, 2021, Dutch company Admeen B.V. was acquired. Admeen is a publisher and operator of casual games, web/mobile gaming portals.

On August 31, 2021, Sublime Skinz Labs SAS was acquired. Sublime is a French leading advertising sales house and adtech company. By combining market leading technology with a creative-first approach, Sublime simplifies the delivery of premium, user-friendly digital ad formats.

Financial position and financing

Azerion's net interest bearing debt amounted to EUR 185.3m, as per 30 September 2021. Interest-bearing debt mainly comprises the Company's outstanding bond loan with a nominal value of EUR 200m and lease liabilities with a balance of EUR 19.6m less the cash and cash equivalents position of EUR 41.1m.

Significant events after the end of the quarter

On October 15, 2021, a Bulgarian company, Titan Gate AD (Pubgalaxy), was acquired. Titan Gate operates a monetization platform which enables the publishers to sell desktop and mobile inventory to advertisers.

On October 16, 2021, Inskin Media LTD was acquired. Inskin is a British advertising technology company creating and delivering creative advertising formats including video advertising and has offices also in Germany, France, Hong Kong, Singapore and Australia.

Current trading

We are delighted with the performance of the business during Q3 2021, and we continue to see the business performing strongly in Q4 to date.

ⁱ Net interest bearing debt equals interest bearing debt minus cash and cash equivalents.

Segment information

Platform

We are pleased that our scaled platform services all actors of our market, providing concrete solutions to Direct Advertisers, Agencies, DSP (Demand Side Platform), SSP (Supply Side Platform), Publishers, Games creators and Consumers. This has been evidenced by a strong Q3 2021 performance.

The activity grew through cooperating with new publishers like TCA and Chicago Tribune and via launches of branded games as part of wider agreements with the likes of Storms and Ubisoft. In addition, a number of license deals were made with Smurfs (IMPS) and Miffy. By doing an asset deal with Softgames, we enlarged our content portfolio with 300+ titles significantly increasing our own inventory capabilities. With our e-commerce platform we were able to increase volume by successfully executing promotional deals. As a result of all these actions, the active audience increased and brought more volume for advertising monetization.

Q3 2021 showed that both consumers and advertisers have been gaining trust in the recovery of the economy. The sales teams were able to efficiently process these bigger budgets and deliver for our clients thanks to new integrations with programmatic solutions and new partnerships unlocking more inventory. Increasing the effectiveness of the solutions offered to the market also resulted in a bigger share of voice of the advertiser spend.

Azerion Platform delivered EUR 57.5m net revenue in Q3 2021, compared to EUR 31.4m the year before. EUR 7.6m net revenue was contributed by the acquisitions made in 2021. Excluding these acquisitions, Azerion Platform grew year on year at an impactful 59% demonstrating full recovery post-covid and setting up for a promising Q4 2021.

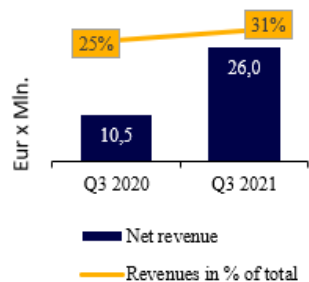
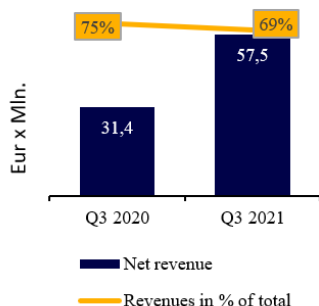
Premium Gaming

Premium Gaming net revenue was EUR 26.0m in Q3 2021, compared to EUR 10.5m in Q3 2020. Whow acquisition contributed EUR 10.7m revenue in Q3 2021. Excluding this acquisition, Premium Gaming grew year on year 45%.

Q3 2021 has been the quarter in which the business reached stabilisation after the lifting of the lockdown measures. Whow has been integrated in the business and it has been very synergistic to the overall performance as it reaches similar affiliates, partners and users of the Governor of Poker Group.

In the social space, we entered the non-fungible tokens (NFT) arena and launched avatars NFTs for the Habbo community. The avatar NFTs were created on Ethereum blockchain and could be collected or traded by the players; owners can use their avatars in the gameplays with extra perks and features. This initiative turned out extremely successful, ca 10,000 avatars were sold via an auction within an hour from launch at an average of 0.21 Ethereum (ca EUR 600 per avatar) generating EUR 6.0m revenue and delivering much above expectations.

The MAUs of our premium portfolio remains very stable. Towards the end of Q3 2021, we saw a strong uplift in users and spending behaviour implying a solid Q4 2021.



Interim consolidated financial results

The group adopted International Financial Reporting Standards in 2020 and the consolidated financial results have been prepared and are stated in accordance with IFRS.

The figures are presented in millions of Euros and rounded, unless otherwise stated.

Interim consolidated balance sheet

Balance sheet (EURm)	Q3 21	Q2 21
<i>Goodwill</i>	171.2	147.1
<i>Other intangible assets</i>	71.2	59.9
Intangible fixed assets	242.4	207.0
Tangible fixed assets	17.6	19.7
Financial fixed assets	40.9	43.8
Total fixed assets	300.9	270.4
Receivables, prepayments and accrued income	84.0	83.6
Cash and cash equivalents	41.1	77.9
Total current assets	125.1	161.5
TOTAL ASSETS	426.0	431.9
Group equity	15.3	14.0
Minority share	1.3	1.1
Total equity	16.6	15.1
Provisions	13.4	12.7
Bond	198.0	198.4
Finance company debt	17.2	17.3
Total non-current liabilities	228.6	228.4
Finance company debt	13.1	14.8
Trade & other payables	78.9	94.1
Taxes and social securities	32.3	29.7
Other liabilities	56.4	49.8
Total current liabilities	180.6	188.5
TOTAL EQUITY AND LIABILITIES	426.0	431.9

Interest Bearing Debt	Q3 21	Q2 21
Total non-current indebtedness	215.2	215.7
Total current indebtedness	13.1	14.8
Total financial indebtedness	228.3	230.5
<u>Facilities excluded</u>		
Accrued Interests	1.1	1.0
Zero interest bearing loans	0.7	0.8
Interest Bearing Debt*	226.5	228.6

* As defined per section 1.1 in the Terms & Conditions of the Senior Secured Callable Floating Rate Bonds ISIN: SE0015837794.

Interim consolidated income statement (unaudited)

Income statement (EURm)	Q3 21	Q3 20
Net revenue	83.5	41.9
COGS	(47.7)	(26.1)
Gross profit	35.8	15.8
Operating expenses	(20.2)	(11.3)
EBITDA	15.6	4.5
D&A	(7.4)	(2.8)
Other gains and losses	(1.3)	
EBIT	6.9	1.7
Financial/other results	(2.1)	(1.2)
EBT	4.8	0.5
Income taxes	(0.6)	(0.4)
Result from operations after tax	4.3	0.1
Third party share	(5.8)	0.6
Result after tax (excl. minority share)	(1.6)	0.8
EBITDA	15.6	4.5
Transition expenses - Capital Markets	0	0
Transition expenses - Acquisitions/Disposals	1.5	0.9
Other non-recurring income or expenses	0.4	0.4
Adjusted EBITDA	17.4	5.8

Interim consolidated cash flow statement

Cash flow statement (EURm)	Q3 21	Q2 21
Cash flow from operating activities:		
Operating results	6.9	1.6
<i>Non-cash items adjustments</i>	9.9	4.9
<i>Movement of working capital</i>	(20.1)	20.1
Cash flow from operating activities	(3.3)	26.6
<i>Other operating cash flows</i>	(2.3)	4.2
Cash flow from operating activities	(5.6)	30.8
Cash flow from investing activities	(19.4)	(85.1)
Cash flow from financing activities	(11.5)	99.8
Effect of exchange rate changes and accounting principles	(0.3)	1.0
Total cash flows	(36.8)	46.5
Compilation cash		
Opening cash	77.9	31.3
Movement of cash and equivalents	(36.8)	46.5
Closing cash	41.1	77.9

Other information

About Azerion

Azerion is a high growth, profitable digital entertainment and media platform. It is a content, technology and data company, serving consumers, digital publishers, advertisers and game creators globally. Azerion is engaged in a number of interrelated operating activities such as developing, publishing and operating online, social and casual games and digital entertainment, as well as providing technology solutions to ultimate the purchase and sale of digital advertising inventory for advertisers and publishers.

Founded in 2014, Azerion has experienced rapid expansion since its inception owing to organic initiatives as well as a successful M&A track record, including 45 acquisitions completed since 2014 of which 9 were in 2021 (including Q4 acquisitions). At end of September 2021, Azerion employed 1,048 staff across 21 European offices.

Risks and uncertainties

Commentary on the risks and uncertainties relating to our business can be found in the consolidated annual report FY20 of Azerion Holding B.V., which is held and can be viewed upon request at the offices of Azerion Holding B.V., Beechavenue 182, 1119 PX Schiphol-Rijk, Netherlands.

Declaration/ Management statement

To the best of our knowledge, the interim Q3 2021 financial results are truly and fairly presented.

Legal

This report has been prepared solely for informing the bond holders as per the initial bond terms and conditions dated 23 April 2021. This report has not been reviewed or audited by the Company's auditor.

Financial calendar

Publication audited annual report FY20

December 2021

Further to the press release dated 29th November 2021 we expect to publish the audited annual report FY20 within a very short time.

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