



Full year report 2019

Message from the CFO

Since our previous and initial reporting of 2019 financial results on April 30th 2020, we have experienced unprecedented times that have disrupted much of our everyday sentiment. Since then, with the necessary challenges posed by the effects of the global pandemic, we have succeeded in completing a consolidated first year audit of our 2019 financial statements and fully transitioning our organisation to company-wide financial reporting in accordance with the International Financial Reporting Standards (IFRS).

PriceWaterhouseCoopers audited Azerion's 2019 consolidated financial statements resulting in an unmodified audit opinion which reflected a significant improvement compared to previous years and sets Azerion in a robust path to further ambitions.

The 2019 financial statements were approved under the assumption of a going concern, which considering the Covid-19 pandemic and its economic impacts, is additional indication for the robustness of the Azerion ecosystem.

I hereby present to you Azerion's audited and restated 2019 financial results, with a comprehensive comparison to the results reported earlier on April 30th.

Dado Alonso
CFO Azerion Holding

Financial highlights

Income statement (EURm)	Audited FY19	FY19 IFRS	FY18
Net revenue	163.3	182.7	126.9
<i>yoy net sales growth</i>	<i>29%</i>	<i>44%</i>	<i>-</i>
Adjusted EBITDA	8.3	13.6	7.5
<i>Adjusted EBITDA margin</i>	<i>5%</i>	<i>7%</i>	<i>6%</i>
EBIT	(2.6)	1.9	(5.2)
<i>EBIT margin</i>	<i>(2%)</i>	<i>1%</i>	<i>(4%)</i>
Net profit	(9.4)	(6.8)	(6.9)
Net cash flow from operations	(11.5)	(4.3)	18.5

Financial overview Full year 2019

Net revenue

EUR 183m

Net revenue 2019

The Group's consolidated net revenue for the period amounted to EUR 182.7m, an increase of 44% compared to the full year 2018. Net revenue increased by EUR 55.8m and this is mainly on account of 2018 acquisitions annualization, business growth driven primarily by increasing numbers of users in our Content segment (primarily Governor of Poker, Hotel Hideaway and Habbo Hotel) and further M&A expansion in 2019.

Earnings

EUR 14m

Adjusted EBITDA 2019

Adjusted EBITDA significantly improved to EUR 13.6m from EUR 7.5m in 2018. This improvement comes on the back of lower operating expenses and realised synergies from prior acquisitions as the Ecosystem offers significant cost saving opportunities. Non-recurring items amounted to EUR 4.4m (EUR 4.1m in 2018) and mainly include acquisition expenses, restructuring costs and transition costs.

Azerion's cost base is dominated by COGS and personnel expenses, resulting in a highly variable cost structure with good flexibility to reduce costs and preserve EBITDA, should net revenue decline. At 67% of net revenue, COGS improved in 2019 compared to 2018 by 5.0 bps mainly driven by optimisations in AdTech. Opex amounted to 28% of net revenue in 2019 (2018: 26%) and reflects the limited increase in relative SG&A costs enabled by a streamlined internal sales setup.

Azerion capitalises some of its development costs, primarily relating to developers' time devoted to create games, platforms and other new features. EUR 6.4m was activated in 2019, representing 3.5% of revenues and 18.4% of personnel expenses.

EBIT amounted to EUR 1.9m (EUR (5.2m) in 2018) and included depreciation and amortisation totaling EUR 7.3m (EUR 8.6m in 2018).

Net profit for the year amounted to EUR (6.8m) (EUR (6.9m) in 2018).

Cash flow

The Group's cash flow from operating activities totalled EUR (4.3m). Cash flow from investing activities totalled EUR (24.1m). This was the result of new investments in intangible assets driven by our 2019 acquisitions: AdPulse, Semilo, HiMedia, Wooworld, Spil Games and ZoomIn. Cash flow from financing activities totalled EUR 29.0m, and this was mainly the result of a bond issuance in June 2019. As a result, the cash flow for 2019 ended at EUR 0.6m, resulting in a year-end cash and cash equivalent position of EUR 9.9m.

Net interest-bearing debt

Azerion's net interest-bearing debt amounted to EUR 31.1m, as per 31-Dec-2019. Interest-bearing debt mainly comprises the Company's outstanding bond loan with a nominal value of EUR 25m, less the cash and cash equivalents position of EUR 9.9m.

Comparison between unaudited and audited 2019 consolidated financial statements

PriceWaterhouseCoopers completed the audit of Azerion's 2019 consolidated financial statements. This was a first-year audit by PwC, the audit of our prior year financial statements was performed by HLB van Daal.

As is typical with a first-year consolidated audit, opening balances and classes of transactions are thoroughly reviewed, as are company processes and financial policies. As such, the expectation was that this first-year audit would lead to restatements and changes in assumptions previously adopted in the reporting of financial results.

We classify and present the differences between the unaudited reporting of financial results published on April 30th, and our current audited reporting in the following three categories:

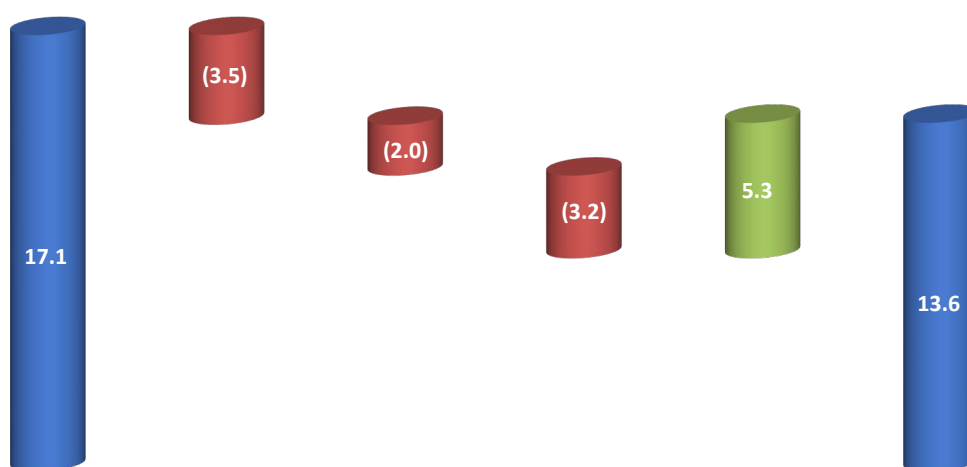
- Misstatements: factual or judgmental misreportings within the financial figures.
- Reclassifications: alterations in the presentation of account balances and/or classes of transactions, with no net impact on the consolidated balance sheet and/or profit and loss account.
- PPA adjustments: alterations in the assumptions of acquisition accounting through the application of results from detailed purchase price allocation assessments.

Azerion's consolidated financial statements have been prepared and audited applying Dutch GAAP standards. Reporting alterations resulting from differences in accounting standards between Dutch GAAP and IFRS are adjusted and presented separately in the financial figures.

Earnings

Result after tax (excl. minority interests) amounts to EUR (6.8m), compared to the previously reported EUR (3.8m), a difference of EUR (3.0m). A comparison of the reported adjusted EBITDA against the earlier reported figure within the financial results published on April 30th, is presented in the following chart, with explanation of the movements between the balances.

Adjusted EBITDA development



April 30, 2020 Misstatements Reclassifications PPA adjustments IFRS adjustments Sept 30, 2020

Balance sheet

As illustrated by the table below, the main adjustments in the balance sheet result from purchase price allocation assessment, related to acquisitions completed in 2018 and 2019.

Adjustments summary	Eur Mln.	Adjustments summary	Eur Mln.
Assets		Equity & Liabilities	
Misstatement	-3,9	Misstatement	-0,9
Reclassification	-2,9	Reclassification	0,0
PPA adjustment	14,2	PPA adjustment	8,3
IFRS adjustments and others	6,5	IFRS adjustments and others	6,5
Total	14,0	Total	14,0

Cash flow statement

Following the advice of our auditors, the cash flow statement has been compiled using an alternative method, when compared to the reported cash flow statement within the unaudited reporting of financial results on April 30th.

Consolidated financial statements

Consolidated balance sheet

Balance sheet (EURm)	April 30, 2020			Sept 30, 2020		
	FY19	IFRS adjustments	FY19 IFRS Basis	Audited FY19	IFRS adjustments and others	FY19 IFRS Basis
ASSETS						
Fixed assets						
Development costs	4,8	-	4,8	-	-	-
Concessions permits & IPR	0,5	-	0,5	33,1	-	33,1
Goodwill	34,4	1,9	36,3	34,7	2,9	37,5
Games	21,0	-	21,0	-	-	-
Website	5,5	-	5,5	-	-	-
Intangible fixed assets	66,2	1,9	68,1	67,7	2,9	70,6
Renovations	0,4	-	0,4	0,4	5,5	5,9
Office equipment	2,6	-	2,6	1,3	-	1,3
Transportation	0,1	-	0,1	-	-	-
Tangible fixed assets	3,1	-	3,1	1,7	5,5	7,3
Other participating interests	1,0	-	1,0	1,0	-	1,0
Other receivables	1,3	-	1,3	5,9	-	5,9
Financial fixed assets	2,3	-	2,3	7,0	-	7,0
Current assets						
Trade receivables	32,7	-	32,7	29,4	-	29,4
Receivables from other related parties	-	-	-	-	-	-
Taxes and social securities	1,1	-	1,1	11,2	-	11,2
Other receivables, deferred assets	34,7	-	34,7	30,5	-	30,5
Receivables, prepayments and accrued income	68,5	-	68,5	71,1	-	71,1
Cash and cash equivalents	9,9	-	9,9	9,9	-	9,9
TOTAL	150,0	1,9	151,9	157,5	8,4	165,9

Balance sheet (EURm)	April 30, 2020			Sept 30, 2020		
	FY19	IFRS adjustments	FY19 IFRS Basis	Audited FY19	IFRS adjustments and others	FY19 IFRS Basis
LIABILITIES						
Equity						
Group equity	-7,7	1,9	-5,8	-13,1	2,6	-10,4
Third party share in group equity	-0,1	-	-0,1	0,5	-	0,5
Total group capital	-7,8	1,9	-5,9	-12,5	2,6	-9,9
Subordinated loans	8,3	-	8,3	-	11,8	11,8
Total Protective Capital Resources	0,5	1,9	2,4	-12,5	14,4	1,9
Provisions						
Provisions	5,7	-	5,7	2,9	-	2,9
Deferred tax liability	1,6	-	1,6	4,9	-	4,9
Total provisions	7,3	-	7,3	7,8	-	7,8
Non-current liabilities						
Subordinated loans	-	-	-	8,7	-8,3	0,4
Convertible loans	3,5	-	3,5	-	-	-
Bond	25,1	-	25,1	-	-	-
Finance company debt	0,2	-	0,2	1,2	-	1,2
Debt to participating interests and companies	8,5	-	8,5	-	-	-
Other	-	-	-	1,3	1,6	2,9
Total non-current liabilities	37,3	-	37,3	11,2	-6,7	4,5
Current liabilities						
Finance company debt	13,1	-	13,1	11,5	-3,5	8,0
Repayment obligation long-term debt	3,7	-	3,7	42,9	-	42,9
Difference Sellbranch equity	-1,9	-	-1,9	-	-	-
Trade creditors	57,4	-	57,4	56,4	-	56,4
Payables to other related parties	0,3	-	0,3	0,3	-	0,3
Taxes and social securities	4,7	-	4,7	15,3	-	15,3
Other liabilities, accrual and deferred income	27,6	-	27,6	24,6	4,1	28,7
Total current liabilities	104,9	-	104,9	151,0	0,6	151,6
TOTAL	150,0	1,9	151,9	157,5	8,4	165,9

The tables underneath summarize the account balances differences between the IFRS basis balance sheet published on April 30th and the IFRS basis balance sheet reported herein.

Adjustments summary	Eur Mln.
Assets	
Misstatement	-3,9
Reclassification	-2,9
PPA adjustment	14,2
IFRS adjustments and others	6,5
Total	14,0

Adjustments summary	Eur Mln.
Equity & Liabilities	
Misstatement	-0,9
Reclassification	0,0
PPA adjustment	8,3
IFRS adjustments and others	6,5
Total	14,0

FS account balance	Eur Mln.
Intangible fixed assets	2,5
Misstatement	-0,3
Reclassification	-
PPA adjustment	1,9
IFRS adjustments and others	1,0
Tangible fixed assets	4,2
Misstatement	-
Reclassification	-
PPA adjustment	-1,3
IFRS adjustments and others	5,5
Financial fixed assets	4,7
Misstatement	-
Reclassification	3,4
PPA adjustment	1,3
IFRS adjustments and others	-
Receivables, prepayments and accrued income	2,6
Misstatement	-3,6
Reclassification	-6,3
PPA adjustment	12,4
IFRS adjustments and others	-
Cash and cash equivalents	0,0

FS account balance	Eur Mln.
Protective Capital Resources	-0,5
Misstatement	-0,9
Reclassification	-9,7
PPA adjustment	-2,4
IFRS adjustments and others	12,5
Provisions	0,5
Misstatement	-
Reclassification	0,5
PPA adjustment	-
IFRS adjustments and others	-
Total liabilities	13,9
Misstatement	-
Reclassification	9,2
PPA adjustment	10,8
IFRS adjustments and others	-6,1

Consolidated income statement

Income statement (EURm)	April 30, 2020			Sept 30, 2020		
	FY19	IFRS adjustments	FY19 IFRS basis	Audited FY19	IFRS adjustments	FY19 IFRS basis
Net Revenue	182,1	-	182,1	163,3	19,5	182,7
COGS	-122,1	-	-122,1	-111,8	-10,8	-122,6
Other operating income	-	-	-	-	-	-
Gross margin	60,0	-	60,0	51,5	8,7	60,1
Personnel expenses	-36,3	-	-36,3	-29,2	-5,5	-34,8
Other operating expenses	-11,0	-	-11,0	-18,3	2,2	-16,1
EBITDA	12,7	-	12,7	3,9	5,3	9,2
D&A	-7,8	1,9	-5,9	-6,6	-0,8	-7,3
EBIT	4,9	1,9	6,8	-2,6	4,6	1,9
Financial results	-9,4	-	-9,4	-6,1	-1,3	-7,4
EBT	-4,5	1,9	-2,6	-8,7	3,3	-5,4
Income taxes	-1,6	-	-1,6	-1,4	-0,0	-1,4
Results on participation	0,9	-	0,9	0,5	-	0,5
Result from operations after tax	-5,2	1,9	-3,3	-9,7	3,3	-6,4
Third party share	-0,5	-	-0,5	0,2	-0,6	-0,4
Result after tax (excl. minority interests)	-5,7	1,9	-3,8	-9,4	2,6	-6,8
EBITDA	12,7	-	12,7	3,9	5,3	9,2
Non-recurring items	4,4	-	4,4	4,4	-	4,4
Adj. EBITDA	17,1	-	17,1	8,3	5,3	13,6

Consolidated cash flow statement

Cash flow statement (EURm)	Audited FY19	IFRS adjustment	FY19 IFRS basis
<u>Cash flow from operating activities</u>			
Operating profit/ (loss)	-2,6	-0,3	-2,9
<i>Adjustments for:</i>			
Depreciation, amortisation and other impairments	10,7	1,6	12,3
Movement in provisions	-1,2	-1,0	-2,1
	9,5	0,6	10,1
<i>Movement in working capital:</i>			
Receivables	4,2	2,1	6,3
Current liabilities (excluding finance balances)	-17,6	5,3	-12,3
	-13,4	7,4	-6,0
Interest received	0,6	-	0,6
Foreign exchange gains/ (losses)	-1,7	-	-1,7
Corporate income tax paid	-0,3	-	-0,3
Interest paid	-3,6	-	-3,6
Others	-	-0,6	-0,6
Total	-5,1	-0,6	-5,6
Net cash generated from operations	-11,6	7,2	-4,3
<u>Cash flow from investment activities</u>			
Acquisition of group companies	-0,6	1,5	0,9
Acquisition of other participating interests	-1,0	-1,8	-2,9
Investments in intangible fixed assets	-13,7	-5,7	-19,5
Investments in tangible fixed assets	-2,3	-0,5	-2,8
Disposal of other participating interests	0,1	-	0,1
Divestments in intangible fixed assets	0,0	-	0,0
Divestments in tangible fixed assets	0,0	-	0,0
Net cash generated from investment activities	-17,5	-6,6	-24,1
<u>Cash flow from financing activities</u>			
Movement reserves and minority interests	-	-	-
Increase non-current other receivables	-1,7	-0,4	-2,1
Decrease non-current other receivables	0,7	-	0,7
Increase of other borrowings	9,5	-	9,5
Decrease of other borrowings	-3,1	-	-3,1
Increase of debts to credit institutions	25,1	-0,2	24,9
Decrease of debts to credit institutions	-1,0	-	-1,0
Net cash generated from financing activities	29,6	-0,6	29,0
Net cash flows	0,6	0,0	0,6
Exchange gains/(losses) on cash at bank and in hand	0,0	-	0,0
Net increase/(decrease) in cash at banks and in hand	0,6	0,0	0,6

Other information

About Azerion

Azerion is a leading pan-European technology, entertainment and media company engaged in numerous interrelated operating activities. We develop, publish, and operate online social games and digital entertainment. In addition, we provide technology solutions to automate the purchase and sale of digital advertising inventory for buyers and sellers.

Founded in 2014, the company has experienced rapid growth since its inception owing to organic initiatives as well as a successful M&A track record, including 37 acquisitions completed since 2014, of which 8 in 2019. Azerion currently employs ~850 employees across 15 European offices.

By strategically combining and integrating its various product segments, Azerion efficiently monetizes its users whilst offering a compelling solution to content creators, publishers, advertisers and other third-parties; supported by carefully selected strategic partnerships.

Declaration/ Management statement

To the best of our knowledge, the full year consolidated financial statements present a true and fair view of the operations, the consolidated assets, liabilities, the financial position and the profit or loss of Azerion Holding B.V.; and that the material risks impacting our business are noted.

The consolidated financial statements are held and can be viewed upon request at the offices of Azerion Holding B.V., Beechavenue 182, 1119 PX Schiphol-Rijk, Netherlands.

Legal

This report has been prepared solely for informing the bond holders as per the bond terms and conditions dated 9 March 2020.

Financial calendar

Quarterly report, Q3 2020	30 November 2020
Quarterly report, Q4 2020	28 February 2021
Audited Annual Report 2020	30 April 2021

Contact

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