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LeoVegas enters into agreement to acquire rapidly growing UK casino operator for GBP 65 million

LeoVegas AB (publ) (“LeoVegas”) has entered into an agreement to acquire the assets of Intellectual Property & Software Limited (“IPS”) and other related assets from two further companies, including top brands such as 21.co.uk, Slotboss, Bet UK and UK Casino. During the fourth quarter of 2017, IPS generated revenues of GBP 11.7 million and, together with the companies whose assets are also being acquired as part of the transaction, an adjusted EBITDA* of GBP 3.8 million. The acquisition will be financed by cash and from existing debt facilities for a total consideration of GBP 65.0 million (EUR 73.5 million). The acquisition will further strengthen LeoVegas’ presence in the UK and its position as the leading mobile operator.

About the acquisition

LeoVegas has, through its wholly-owned subsidiary, LeoVegas Gaming Ltd, entered an agreement to acquire assets from the gaming operator IPS and related assets from European Domain Management Ltd (“EDM”), both of which are based in Alderney, Channel Islands. In addition, LeoVegas has agreed, through a wholly-owned UK subsidiary, to acquire the assets of Rocket 9 Ltd (“Rocket 9”). Rocket 9 is a marketing services business based in Newcastle-upon-Tyne, UK.

During the fourth quarter of 2017 IPS had revenues of GBP 11.7 million and, together with EDM and Rocket 9, adjusted EBITDA* of GBP 3.8 million, representing an EBITDA* margin of 32.6%. Revenue for the fourth quarter of 2017 grew by 49% compared with the fourth quarter of 2016. Of IPS’s total revenue**, 96% comes from the UK and 73% via mobile devices. The transaction is subject to certain closing conditions, and is scheduled to close late in the first quarter of 2018.

Financing

In connection with the 2017 acquisition of Royal Panda, LeoVegas secured debt financing of EUR 100 million. Of this amount, EUR 40 million consists of a Revolving Credit Facility. The facility has a term of three years, and amortisation will begin during the second quarter of 2019 at EUR 10 million per quarter. Interest on the facility is approximately 2%. This loan is now partly being used for this acquisition.

Gustaf Hagman, LeoVegas’ Group CEO, comments: *“To be able at our 6-year anniversary of the launch of LeoVegas to conduct this remarkable acquisition feels just great! Since its start LeoVegas has pursued a highly successful global brand strategy. Following the acquisition of Royal Panda, LeoVegas now works with two scalable brands. We believe that in larger markets our global brands, LeoVegas and Royal Panda, can be complemented with a local, multibrand strategy. The UK market is a very large and mature market and that is the reason to work with several brands that attract various types of customers. In IPS we see several attractive attributes, and they have tremendous momentum in their growth and profitability. Combined with one of the market’s most effective customer acquisition models, we are now gaining a firm stronghold in the UK with the acquisition of 85 employees with local expertise. With this acquisition, we are adding a company culture with a strong technology and product focus which is a perfect fit with LeoVegas’ to further strengthen the Group’s position as the leading GameTech company.”*

IPS

IPS’s strategy focusses on digital and data-driven customer acquisition that incorporates keyword optimisation with multiple brands and customer acquisition sites. As a result, IPS operates one of the market’s most effective customer acquisition models. This strategy, which is based on demographic segmentation and targeting, state-of-the-art technology and multiple customer acquisition sites, is optimised so that it can efficiently and effectively reach all potential customers from the online gaming category.

IPS currently uses a technical platform from Bede Gaming, and in connection with the acquisition LeoVegas has entered into a services agreement with Bede Gaming. During the due diligence process LeoVegas has determined that Bede’s platform is very advanced from both a technical and product standpoint, thus a very good technology solution for the UK gaming market.

*EBITDA is adjusted for a platform agreement in which EBITDA for Q4 2017 has been recalculated as if the agreement that LeoVegas has for the platform from the closing date of the acquisition applied for the entire Q4 2017. IPS has conducted limited white label business that has contributed to sales for 2017, but which has had a neutral effect on EBITDA. This

business is not included in the transaction. Some minor cost items in the month of December have been estimated.

** Including revenue and player activity of IPS derived from the white label business

The information in this release is such that LeoVegas AB (publ) is required to make public in accordance with the EU Market Abuse Regulation (596/2014). The information was submitted, by the agency of the contact persons below, for publication at 08:00 CET on 12 January 2018.

For further information, please contact:

Gustaf Hagman, Group CEO co-founder: +46 70 880 55 22, gustaf.hagman@leovegas.com

Viktor Fritzen, Group CFO: +46 73 612 26 67, viktor.fritzen@leovegas.com

Philip Doftvik, Head of Investor Relations: +46 73 512 07 20, philip.doftvik@leovegas.com

Visitors address: Luntmakargatan 18, Stockholm

Corporate identity number: 556830-4033

About the LeoVegas mobile gaming group

LeoVegas' passion is "Leading the way into the mobile future". LeoVegas is Sweden's premier GameTech company and is at the forefront of using state-of-the-art technology for mobile gaming. In 2017 the company passed the threshold for being classified as a unicorn, i.e., a start-up valued at more than USD 1 billion. A large part of this success can be credited to an extreme product and technology focus coupled with effective and data-driven marketing. Technology development is conducted in Sweden, while operations are based in Malta. LeoVegas offers casino, live casino and sport gaming, and operates two global and scalable brands – LeoVegas and Royal Panda. The company's shares are listed on Nasdaq First North Premier, and Avanza Bank AB is the company's Certified Adviser. For more about LeoVegas, visit www.leovegasgroup.com.