

SM Tech B.V.
(Slotmill)

BUSINESS PLAN

UPDATED

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Executive Summary

Slotmill is a game studio founded by three Industry Veterans, developing and licensing high quality slot games focusing the online gambling market and specifically optimized for the mobile channel. The target industry is huge, yet growing rapidly and there are a number of incumbent B2B suppliers, however few of which focusing purely the mobile channel. Slotmill is founded by three industry veterans with the aim to build a small organization handling the core business, using sub-suppliers to deliver defined components for the game productions. Slotmill will take its games to market through directly and via distributors thereby maximizing reach in the shortest possible time, and keeping operational costs at a minimum. The first game was released during 2nd half of 2019 and the company is cash flow positive today.

Introduction

Over the past decade, the world of online gaming has expanded massively. The global online casino industry was estimated to have turned over 46 Bn USD in 2017 and is expected to grow to a whopping 94 Bn USD by 2024 meaning that the market is expected to double over the next couple of years. Online gambling consists of casino, poker and sports betting via the Internet. The incredible growth that we have seen historically, has mainly been driven by increasing Internet penetration. Today 11% of the total Internet traffic comes from online casino players.

The market growth ahead is driven by technological advancements improving the player experience, higher trust for playing online but most importantly the increasing mobile penetration combined with monumental advancements in mobile technology. In 2018 on average 45% of all online gambling was done on mobile devices and in the Nordics this figure was 80%.

Most existing casino game suppliers are despite this continuing to develop and release games that are built on legacy technology optimized for desktop computers which limits the player experience on mobile devices.

The continued market growth combined with a rapid player transition to the mobile channel, gives a compelling business opportunity for a niche supplier despite there being a large number of existing B2B suppliers on the market already.

Company Description and Governance

Slotmill is founded by Johan Öhman, Ander Holmgren and Andreas Ternström. Johan Öhman was the President and CEO for Net Entertainment between 2006 and 2011 and has extensive experience from building a company like Slotmill before. Andreas Ternström has served as CEO from Bonnier Lottery and Evoke Gaming and CEO for Scout Gaming Group. Anders Holmgren is the Founder of Betsson and former CEO. Anders has had several C-level appointments in the Gaming Industry in the last 20 years and having several investments in the Gaming Industry.

Slotmills objective is to be a pure B2B supplier of casino games exclusively targeting the online gambling market. The founder's extensive industry experience, contact networks and in depth understanding of player psychology has played a pivotal role in the rapid success and growth of the company.

Slotmill produces game specifications, graphics, animations and server programming in-house whereas non-core activities such as sound production is outsourced. Slotmill has developed bespoke

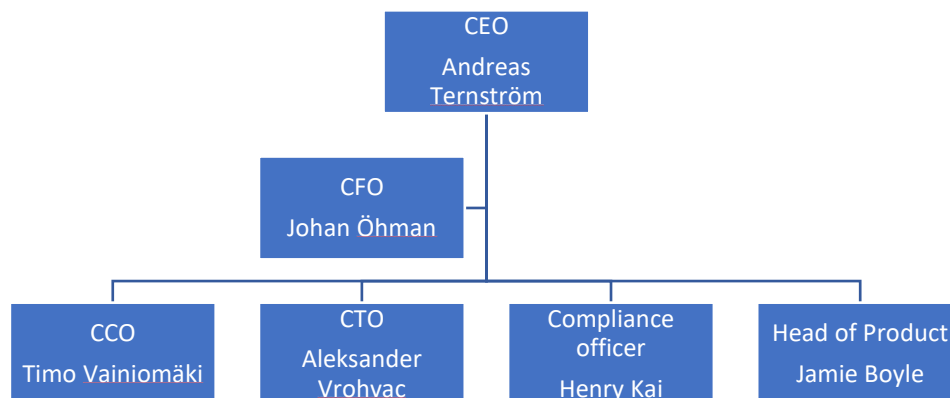
processes, frameworks and tools which ensure a super-efficient development process allowing for production of AAA-class games in just 10 weeks. This set-up allows for easy scaling up- and down as needed giving maximum flexibility and optimized cost base at every given point in time. Slotmill will hence maintain a small core organization albeit highly skilled and experienced and it is expected to have no more than 22 employees at the end of 2024.

Slotmill builds its games on a proven and reliable third-party platform (RGS) which in turn integrates with the distributors / operators. This set-up ensures a fast time to market as Slotmill does not have to develop a platform in-house. In addition, it lessens the need for staff to support and maintain the platform. The platform is licensed and contractually Slotmill has an option to acquire the source code to secure and mitigate risk.

The games are first and foremost delivered to the market through distributors thereby piggy-backing on existing integrations and infrastructure ensuring a rapid time to market and hence revenues. There is an ambition to do direct integrations and 50% of the revenue is currently derived from direct integrations.

Today we are 17 employees in 4 offices around the world. We aim to be closer to 25 in the year end of 2024.

Organization:



Products and Services

Slotmill currently has a portfolio of 28 games and 3 in production. We are producing 10-12 games/year.

Slotmill focus primarily on slot games developed and optimized for the mobile channel. Through full HD graphics, well thought through themes, first class sound effects coupled with balanced mathematics with a high Return-To-Player (RTP) (in the region of 96%), the Slotmill games offer a players an experience that is second to none. The RTP is fixed and not possible to adjust by the operators.

Slotmill has developed its own game proprietary development frameworks based on the latest technology, standards and best practices for mobile devices. This ensures full flexibility and eliminates dependencies on legacy technology that many competitors are struggling with.

Time to Market

By having our own proprietary framework, we are able to produce unique new games in just 10 weeks. This is a distinct competitive advantage and allow us to adapt to shifting market trends and preferences faster than anyone else.

Light-weight games

Slotmill has developed a secret process for compressing and optimizing the games whereby they on average weigh 6-10MB including sounds and bonus games – a fraction of competitors games. As people's acceptance for latency diminish, fast load times is a key competitive advantage. In addition, light weight games is critical in markets with poor Internet infrastructure or high cost of bandwidth but equally when offering services as an App's as they then need to download via "IOS bundles".

Feature-rich games

Slotmill has built a User Interface (UI) that not only has been specifically designed and optimized for ease of use on small screens. Furthermore, we have integrated multiple ways of playing the games to cater for the preferences of all players. In addition to normal gameplay and auto-play, the Slotmill games offers three other distinct and unique ways of playing the games; **"Fast track"** which offers players the option to buy not only the bonus in each game but also unique and exclusive features only available via Fast Track which creates extra excitement and new ways of exploring the games. Some of the Fast Track options can also be played using auto-play; **"Extra-bet"** which offers players the chance to increase of triggering the bonus game by raising the bet slightly during normal gameplay. Extra-bet can also be rung during auto-play; and **"Burst Mode"** which essentially is an enhanced auto-play with a play-through of 2 rounds per second. The grid and symbols are replaced with a unique interface which focus purely on winnings. Burst Mode can be configured such that it stops when the bonus game is won such that the player can enjoy this bonus game sequence.

The Slotmill games are carefully crafted with multiple bonus features for an engaging and rich player experience. The games are built using full HD graphics and animations as well as sound effects have been designed for maximum excitement and engagement.

By eliminating the concept of coins, Slotmill has enhanced transparency for players, removing uncertainty regarding bets and wins.

The Slotmill games currently offers support for 25 languages and 63 currencies.

Market Analysis

At the top of the online gambling food chain are the operators which offers the games to players. Globally there are tens of thousands of operators and even though most have multiple brands it is most commonplace to target a fairly small geographical region. The operators spend large amounts on marketing activities, they carry the costs for player support as well as payment costs associated with player deposits and withdrawals. Typically, the operators have fairly large organizations to handle their operation. On average the online operators generate profit margins in the region of 10%.

The operators rely on various technology suppliers to provide them with solutions for the products they offer such as poker, casino and lottery. Normally the operators have multiple suppliers within each product segment and pricing is based on revenue share in the range of 8-10% of Net Gaming Revenue (NGR). The suppliers of casino games continuously release new games and in recent years we have seen many new suppliers emerge and there is a constant flow of new games most of which are

still not optimized for mobiles. The degree of innovation is relatively low as is the quality of the gameplay. On average the casino suppliers generate profit margins in the region of 30%.

There are a vast number of suppliers of online casino games whereof many are quite small, and it is fair to say that the market is dominated by circa 10 larger companies each of which have hundreds to thousands of employees. In particular the incumbents tend to do everything from graphical design to sound production in-house and they have their own platforms which all in all makes them quite slow and sluggish and they constantly battle with legacy technology which was not developed for the mobile channel.

In recent years there has been a tendency among most casino vendors to focus on volume in lieu of quality and as a result the market has been flooded by new games of mediocre quality. There have been few novelties, and the lifetime of games has become increasingly short. There has been a move by some vendors to create increasingly complex and intricate bonus game structures which are difficult for players to understand and in general these games have not been very successful. There has also been an increasing use of animations in backgrounds, of symbols and paytables which has increased the size of the games making load times longer thereby impacting the user experience negatively especially on poor mobile networks.

Commercial Model

The standard industry pricing model is to license the games based on Revenue Share with a minimum guaranteed license fee. The revenue share is a percentage of the Gross Gaming Revenue (GGR). Slotmill develop games of high quality, feature rich games with high player values. This means that we are in the position to offer our games at a premium price. A minimum monthly fee is charged to ensure that we receive a guaranteed each month. As distributors charge a commission which typically is 15-20% of our retained earnings the business volumes must be significant to compensate for the additional costs.

Business forecast 3-year plan

Last update 2024-01-15			
SLOTMIL Budget			
Income Statement (KEURO)	TOTAL 24	TOTAL 25	TOTAL 26
REVENUE			
Curacao	1 575,6	2 065,6	2 781,0
Malta	2 938,1	7 216,9	11 378,6
Social Casinos	935,5	1 139,7	1 494,2
TOTAL REVENUE	5 449,2	10 422,2	15 653,8
	71%		
COSTS			
Personnel	2 095,7	1 790,7	1 916,4
Office Costs	176,7	182,7	182,7
Marketing & Events	191,6	192,6	192,6
General corporate costs	155,8	155,8	155,8
IT costs	325,7	372,7	372,7
Consultants	445,0	504,0	504,0
Miscellaneous	138,0	282,0	282,0
TOTAL COSTS	3 528,5	3 480,6	3 606,3
EBIT	1 920,7	6 941,6	12 047,5
INCOME TAXES 10%	- 192,1	- 694,2	- 1 204,8
NET INCOME / LOSS	1 728,6	6 247,4	10 842,8

Strategy

Marketing

Slotmill will focus on a combination of social media- and traditional marketing to build brand awareness and create demand for its games. Slotmill will own the URL for all game titles to create awareness among end users and drive traffic to Slotmills games at the Operators websites.

Slotmill has employed a team of experienced and driven account managers that actively works with the operators to ensure that the Slotmill games are given maximum exposure and promotion at the respective sites.

Branding-wise Slotmill will create sequels on successful games leveraging the brand awareness.

We use our games as marketing tools e.g by advertising new game releases in the loader of existing games. We also enable players to easily distribute links to specific game-rounds that they want to share which also serves as a marketing tool. In addition, the Slotmill games offer a premium player experience thanks to rich graphics, extensive feature sets, short load times and an exciting gameplay. This makes the games themselves a marketing tool creating loyal, high-profile customers and has given Slotmill a strong reputation in the player community.

Data driven Growth strategy.

The Slotmill growth strategy rests on three main pillars;

- Producing feature rich, high Quality games
- Geographic expansion
- Segment expansion

Products

Slotmill carefully analyzes the operational data to design and build even better games which is a key factor for our success. The operation generates massive amounts of data on player behavior, preferences etc from which we can draw conclusions and learn how to improve. This one of the most important factors of our growth strategy as is producing games of the highest quality that are feature rich and offers multiple ways of playing the games.

Geographical Markets

When it comes to geographical expansion, we have successfully ventured into new markets, expanding throughout Europe into Asia as well to North- and South America. This has mainly been done through distribution partners, or aggregators, that are established and licensed in the new markets and that can handle the regulatory efforts required on our behalf.

Market Segments

We have also expanded into new market segments or verticals where sweepstake or social casinos is an excellent example. These customers today represent well over 25% of our revenues.

Expansion into both new geographical markets as well new market segments often require product adaptation. Much thanks to a modern product architecture and highly efficient development process, we have been able to swiftly and with small efforts make the necessary adjustments in our products to meet the requirements faced when expanding into new markets and segments.

Our plan is to grow revenues by more than 500% over the coming 3 years and entering new markets and gaming verticals constitute a key driving factor behind this. Furthermore, we will focus on growing within existing accounts by producing even better games and by working closely with the operators to ensure that they promote Slotmill games.

Slotmill has an articulated strategy to focus on regulated markets which we believe not only creates shareholder value but also eliminate legal and commercial risk.

The more games and the more customers we have the more data we get in each market on player behavior and preferences. We continuously analyze this data and use the insights in the development process to constantly build better and more revenue-generating games.

Suppliers and material dependencies

Production of the games is done 90% inhouse in Sweden and only non-core activities such as sound production, hosting, certification, and translations are outsourced. Slotmill has well documented processes and culture of knowledge sharing to ensure continuity, limit risk and dependencies on specific individuals.

Slotmill license a third party RGS / platform on which the games are running which is developed and maintained by Miracle Gaming. Their technology is used by numerous industry companies including e.g. Yggdrasil Gaming. By licensing the RGS we have minimized investments and operational costs during the start-up phase but are planning to acquire the source code during 2024 and bring this in-house. This puts us in control of the technology and is a way to mitigate risk.

Hosting is handled via Amazon Web Services (AWS) eliminating the need for investment in hardware and operational staff. Disaster recovery is handled via AWS and clearly defined and implemented processes are in place to handle any operational disruptions. Slotmill is ISMS certified, and both platform and games are certified by a third-party certification body.

A core dependency for conducting our business is our banking partners. Today we have a set-up consisting of 3 banks (SEB, Svea Bank, and Bank of Valletta) and one EMI (Finductive) . We are in the process of adding one more EMI to further safeguard our operation. This is a security measure we have taken to be redundant given the importance of being able to pay- and receive funds.

Last but not least we are dependent on our Licenses, Permits and Certifications for each jurisdiction we operate in. To mitigate this risk, we are working with established and recognized representatives in each market for Directorships, Compliance services, Auditing, Legal and other services necessary for securing our operations.

Risk evaluation and management.

Slotmill has a Risk Management Policy in place as part of the ISMS certification.

The Slotmill organization is committed to effective risk management as a strategy for protecting the organization, board, employees, clients, stakeholders, visitors and the community from unnecessary injury, loss or damage relating to the business and activities that Slotmill undertakes.

The risk management policy aligns with the standard published by the International Organization for Standardization (ISO) as more specifically set forth in ISO 27001 and 27002. By the implementation of this Policy helps Slotmill comply with various aspects of such Risk Management Standards.

The Policy encompass but is not limited to:

- Identifying, assessing and treating risks
- Ongoing risk monitoring and review
- Communication and consultation
- Financial and governance risk
- Record-keeping
- Other specific risk areas.

Financial governance and risk

We use external auditors in all markets for financial reporting. On top of this our Principal Auditor audits the company on a group level. We file our audited reports every year with the local state governed reporting institutions.

Legal and Governance

To start with we have Policies included as part of the certification for Board governance as well. On a risk Management level the Board of Directors have the following delegations:

- Endorse and ensure the compliance with the Risk Management Policy
- Ensure compliance with the relevant legislation.
- Lead and support the CEO to manage risk.
- Monitor and contribute to internal risk treatment strategies and activates including regular review of the Risk Register.

When it comes to Governance of the company, the Board of Directors of the Swedish parent company Slotmill AB, is currently chaired by Andreas Ternström and member Johan Öhman. Anders Holmgren acts as alternate. Together the three board members above control the majority of the shares in the company. As Johan Öhman is the largest shareholder with a holding of more the 50%, he ultimately controls the decisions and can take any decisions through the general meeting. This means that there can be no dead-lock in decisions. We sometimes invite our Auditors and Legal representatives into our Board discussions to obtain advice.

Legal support and guidance is provided by local law firms regarding gaming compliance, finance, IP and tax in each jurisdiction. Today that is sourced through Virae Management in Curacao, Fenlex and Fenech&Fenech in Malta and QAPlegal in Sweden. We have no internal ESG policy in place except for what follows with the different Licensing Regimes that we are subject to.

Target KPI's and business objectives

To ensure our long-term success and that we tactically and strategically fulfill our objectives, we work with an extensive set of KPI's where the most important are; *GGR, Unique Users, Session length, Rounds, Bet amount, RTP and License Fee*. We follow these on a daily, weekly, monthly and yearly basis and in addition detailed analysis is performed on each game that is released. This is how we learn and follow our journey to success.

Our long term target is to reach group revenues of \$1million/month with an EBITDA of more than 50%. We aim to achieve this target within 18-36 months.

Policies and Procedures

In our quest to obtain and maintain certifications, licenses and permits in the various market, we have document ted processes, routines and policies which have been developed together with our auditor and have been certified by a third-party certification bod - Gaming Associates.

As part of the certification under ISO we have received the following certifications:

Security Audit Report:

Report Identification SML-SE-220526-SC-R1

UKAS Accreditation No. 9263 ISO/IEC 17025, ISO/IEC 17020
ISO/IEC 17065

We have the following Policies in place:

1. Whistleblowing Policy
2. Fraud Management and AML Policy
3. Access Control Policy
4. Supplier Security Policy
5. Incident Management Process
6. Business Conduct Policy
7. Information Security Policy
8. Risk Management Policy
9. Business Continuity Plan
10. Roles, Responsibilities & Authorities
11. Portable Media & BYOD Policy
12. Information Classification Policy
13. Media Handling & Destruction Policy
14. Password & Authentication Policy
15. Change Management Policy
16. Backup and Restoration Policy

Except for this we have a process in place where we inform the shareholders, management, and group auditor on a monthly basis regarding the financial, legal & compliance, and commercial development.

We are fully committed to keep any timelines keep GCB apprised with the help of our director and service provider Virae Management to secure weekly and monthly reporting.

The board consists of (as described above) industry veterans that also are the founders of the company. The board of directors have been working in the gaming industry for 20+ years and has been licensed in several jurisdictions as UBO's and Directors without any issues or reprimands.

Corporate Structure

The founders of Slotmill are Johan Öhman, Ander Holmgren and Andreas Ternström. Johan Öhman was the President and CEO for Net Entertainment between 2006 and 2011 and has extensive experience from building a company like Slotmill before. Andreas Ternström served as CEO for Bonnier Lottery and Evoke Gaming and CEO for Scout Gaming Group. Anders Holmgren was the Founder and

former CEO for Betsson. Anders has had several C-level appointments in the Gaming Industry in the last 20 years and has several investments in the Gaming Industry.

Slotmill has been – and is - funded by the 15 shareholders whereof 5 are employees with minority stakes. The three largest shareholders (Mr Öhman, Mr Holmgren and Mr Terström) together hold 80% of the shares- and voting rights in the company. Key personnel have been granted stock-options, to build long term commitment and loyalty.

The parent company Slotmill AB is incorporated in Sweden with its HQ in Stockholm and company registration number 559195-2071. A company structure comprising Slotmill Holding Ltd, company registration number C92384, Slotmill Ltd, company registration number C92612 and Slotmill Gamehub Ltd, company registration number C105518, has been established in Malta where the responsibility for sales, marketing and product management will reside. A B2B license has been granted Slotmill Ltd by the Malta Gaming Authority (MGA) and similarly SM Tech B.V has been granted a B2B license by Curacao eGaming.

Corporate Structure:

