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Ticker EVO (STO)
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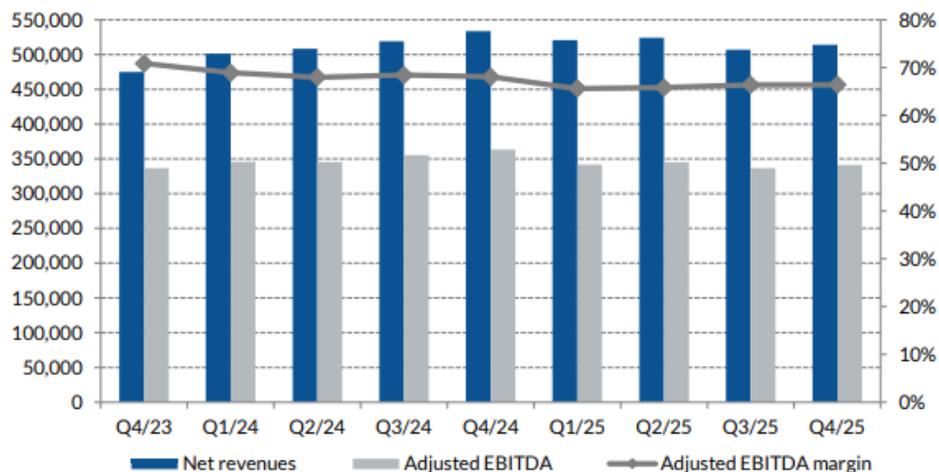
Evolution AB (EVO:ST) is an online casino game creator based in Sweden, with approximately 870 clients across the globe. They produce live casino games like blackjack and roulette with live dealers, streamed online for end-customers.

FY 2025 earnings

EUR millions	FY 2025	FY 2024	% change
Live revenue	1,773	1,776	-0.2%
RNG revenue	294	287	2.4%
Revenue	2,067	2,063	0.2%
Operating income	1,206	1,268	-4.9%
Net income	1,062	1,244	-14.6%
FCF	1,111	1,157	-4.0%
EPS	5.23	5.91	-11.5%
Operating margin	58.3%	61.5%	-3.2%
Equity	4,076	3,972	2.6%
RoE (annualized)	26.1%	31.3%	-5.2%
Revenue from regulated markets	45%	39%	6%

Quarterly Results Trends

Quarterly results trend



Financial Highlights

- Revenue was flat YoY, recording Evolution's first ever annual decline in live revenue. RNG revenue was up 2.4%. These figures mark a sharp slowdown in growth from 14.7% in 2024 to flat in 2025.
- Revenue growth varied across regions with North America growing at 15.2% YoY, Asia down 1.1%, Europe down 6.3% and Latam up 34.2%.

- Asia has faced continued pressure from cyber-attacks that Evolution has yet to thwart. Evolution has struggled to clamp down on attacks without damaging legitimate end-user experience, and this has resulted in the revenue drop in Asia. The biggest concern for investors is not knowing how long this impact may last, or if it may ever fully be resolved and what the impact of that might look like. Evolution claims to be making progress but it's difficult to externally verify progress.
- Evolution has completed their ring-fencing of Europe but the growth outlook is unclear. Given the market is already more mature in Europe, I would anticipate growth here being limited.
- Strong growth continued across North America (+15.2%) and Latam (+34.2%) and will be a focus going forward. However, they are relatively smaller regions representing 14.4% and 9.4% of 2025 revenue respectively. Evolution's main competitor in Argentina withdrew from live in 2025. While we remain optimistic on both regions, improvement in Europe and Asia will be needed to deliver solid overall growth.
- The drop in net income is distorted by a large reduction in an earn-out liability in 2024, recorded as positive income in the 2024 statements. As such, net income is down 14.6% YoY but should be closer to a 4-5% drop on an adjusted basis. A \$52m reduction in earn-out liability was recorded in 2025 and so net income for 2026 will be \$52m lower, all else equal.
- Margins remained stable following cost control measures and were in-line with expectations. We expect margins to depend on business in Asia – resolution of the issues there would keep margins stable but further deterioration would lead to some margin decline as well as the obvious revenue decline.
- Spend on personnel was up 6.3% YoY as number of tables in operation grew 17.6%.
- FCF was down 4.0%, in-line with the decline in operating income and adjusted net income. We don't anticipate any large changes in capex / sales going forward and translation from operating cashflow to FCF should be similar.
- Cash was returned to shareholders through €573m of dividends and €500m share repurchases for the year.
- The balance sheet remains strong with €0 debt, €818m of cash and equivalents, and €4.1bn of equity.

Operational Highlights

- Evolution opened 4 new studios in 2025 – one in each of Brazil, Philippines, Romania and New Jersey. This takes the total of studios to 24 across 16 jurisdictions.
- Evolution launched Ezugi as the second live casino brand in the US.
- Expansion of Evolution's RNG portfolio with the launch of Sneaky Slots, a bold new slot studio.
- No news from the UK Gambling Commission on their investigation.
- Evolution discovered that major competitor Playtech was responsible for commissioning a 2021 report by Black Cube that accused Evolution of allowing users access to games in unlicensed countries. The report was submitted to the New Jersey regulator and the investigation was subsequently closed in 2024 without action.

CEO Comments

- CEO Martin Carlesund: "Looking at 2025 as a whole from an operational perspective, it might have been one of our strongest years ever with amazing new games and studio expansions in all parts of the world. On top of that, we have handled several tough and sometimes unexpected situations; ring-fencing, extremely questionable or even criminal activities from competitors, and cyber criminality. Despite these challenges we still delivered a solid margin of 66.1 percent and a fantastic cash flow. The financial performance was not as strong as we would have wanted when entering the year, but I am happy with the way the company has stood up for what is right and lived up to our ambition to become a little bit better every day. So with that said, overall, we are proud but not happy with 2025. Our amazing people look forward to doing more in 2026 by expanding with full speed. Our primary

focus will be on the USA, Latin America and new innovative games. We will also invest in Europe, but slightly less aggressively. With this expansion in mind, we estimate to deliver a margin in line with 2025.”

- CEO Martin Carlesund privately purchased €6m of shares in June 2025.

Ben Jones Investments Outlook

- The key deliberation for Evolution is revenue growth going forward. It has stalled from higher levels with no growth in the largest markets of Europe and Asia. Growth in North America and Latam continues as more US states and Brazil open their markets to regulated online gaming. We expect that over time, growth will continue at a mid-single digit rate for Evolution. This is due to two core factors:
 - The online casino market has been growing at a 24% CAGR for the last 5 years and continues to grow. Approximately 78% of casino gaming is done in land-based casinos and we expect to see online take a greater share of the market going forward.
 - Increased regulation helps widen the moat for Evolution because it raises barriers to entry for competitors and favours large incumbents who have the capital and personnel to jump the regulatory hurdle. Evolution is the largest incumbent with about 80% market share in online live casino. Small margin erosion is a price well worth paying to widen the moat. Increased regulation is temporarily stalling growth in Europe but helps provide a stronger competitive advantage over the long-run.
- Evolution was priced as if it would experience no growth at all going forward. Given that online casino has been growing at a 24% CAGR over the last 5 years and still only makes up 22% of the casino market, the prospect of Evolution failing to grow going forward seems misplaced and mispriced.
- 53% of revenue comes from unregulated markets which presents a risk, but it's difficult to see how that revenue is severely impacted beyond the cyber-attacks. If governments were able to shut it down, they would have already done it. It would seem more sensible that governments would move towards regulation (as Brazil and the Philippines have done recently), and a move towards regulation would help Evolution. That said, India has moved in the opposite direction with a ban on online gambling. The risk does remain but it seems overly priced in.
- The RNG market is more competitive and growth for Evolution here has been slower than live casino (bar the most recent quarters). RNG growth is something we're watching closely.
- We see good growth opportunities across North America and Latam, and expect those regions to help buoy growth as ring-fencing in Europe continues. We can see those opportunities being explored via the new studio in Sao Paulo and the agreement with Hasbro.
- Playtech was unveiled as the client who commissioned a report by Black Cube into illegal practices by Evolution. The Black Cube report was presented to the New Jersey regulator and closed without action in 2024. I would expect Evolution to sue for defamation and it is likely we see legal action between the two companies going forward. For now, it is too early to anticipate the result of such a legal battle.
- Evolution's dividend policy is to pay out at least 50% of net income. We would prefer to see more aggressive share repurchases at current prices but acknowledge that the capital allocation policy is unlikely to change significantly.
- Insider ownership is around 14% and we were pleased to see the CEO privately purchase €6m of stock in Q2.