

Kahoot! AS



Quarterly Report
Q3 - 2020

Kahoot!

Kahoot! AS – Quarterly Report – Q3 2020

OSLO, October 29, 2020 – Kahoot! AS, (KAHOOT-ME) today announced financial results for its fiscal quarter ended September 30, 2020. Kahoot! is on a mission to make learning awesome! The game-based learning platform makes it easy to create, share and play learning games driving compelling engagement with more than one billion participating players in 200 countries in the last twelve months.

Q3 2020 was another strong quarter and reflects focused execution by the team in the Kahoot! Group. The Kahoot! Group grew invoiced revenue in Q3 2020 to \$11.6m, a 241% increase from reported invoiced revenue in Q3 2019. The quarter over quarter invoiced revenue growth was 21% in Q3 2020 (vs. Q2 2020). The Kahoot! Group had in Q3 2020 solid cash flow with 45% cash conversion from billed revenue, being the fourth consecutive quarter with positive cash flow from operations. The Kahoot! Group reached more than 360K paid subscriptions per Q3 2020.

An update from the CEO of Kahoot!, Eilert Hanoa: Third Quarter 2020

2020 certainly has been an unprecedented year thus far and represented extraordinary challenges for the world community. At Kahoot! we are fortunate to provide services and solutions that can help mitigate some of the strains posed by the COVID pandemic. With our learning platform we can make learning awesome by provide engagement in the classroom and at the workplace, support a richer learning experience and foster connections between students and schools, employees and their coworkers - or in a family settings.

We are almost closing in on the year 2020, and I am proud to share that our organization has stepped up to the challenges and provided more value to all Kahoot! users around the world. At Kahoot!, we have continued to deliver new initiatives quarter after quarter helping users from all segments to make learning awesome as we get closer to our vision of building the leading learning platform in the world.

This past quarter was special as a large portion of the globe experienced a back-to-school season like no other, and we are very happy to be able to deliver our best offerings for teachers and students to successfully start the school year. We continued to add a record number of users and paid subscribers of our offerings as our users accustomed themselves to the “new normal” in the post-COVID reality.

After raising additional capital in June this year to help fuel the next phase of Kahoot!’s growth, we shared that we will use the funds to further invest in product innovation, as well as consider new strategic partnerships and acquisitions to further strengthen our platform.

I am delighted to share that we have followed through on our promise. Last month, we announced that we are adding **Actimo** to our growing family, helping us strengthen our offerings for organizations to help them with corporate learning, culture and engagement.

Earlier in the quarter, we announced our collaboration with **Disney** to launch a new series of Kahoot! Academy premium curriculum collections with characters from Disney franchises such as Pixar, Star Wars including Frozen, Cars and more. We also teamed up with **Marvel** to launch learning games from Kahoot! Academy covering a diverse range of subjects and topics wrapped in Marvel characters!

This back-to-school season, we delivered several initiatives, to make the transition to virtual learning much easier for teachers and students.

We launched **Kahoot! EDU**, our new and most advanced scalable offering that will help administrators and school leaders bring an enhanced Kahoot! experience to their entire school or district -- whether students are in-class or in virtual learning environments. More than 10,000 educational institutions around the world have already deployed Kahoot! site licenses to connect their staff across departments, schools, districts colleges, or universities, and help them save time.

We also launched **study leagues** in the Kahoot! app to better connect students both at home and in class, and make studying with peers even more fun. The study leagues feature is a new social way to study and increases engagement through friendly competition. In addition, we also overhauled our popular professional development program, **Kahoot! Certified**, to reflect our latest product updates and new teaching realities to help teachers make the most of Kahoot!.

Finally, we are proud that we launched the **Kahoot! app for iOS and Android in Spanish** as the first step to better cater for growing needs from our users and customers globally. In the coming months, Kahoot! will be available on the app and the web in several other languages, including Portuguese, French and more.

Soon we will launch our new **"Courses"** feature for **Kahoot! 360**, our next generation corporate learning platform. This blended learning solution will let corporate trainers combine instructor-led training with self-paced mobile learning to maximize engagement and allow employees to take control over their own learning.

Before the end of the year, we will also be launching **Kahoot! Family**: a combo pack offering families a set of tools and apps to learn at home. This pack will include subscription to the premium version of the Kahoot! app as well as our other learning apps, covering math and reading and chess.

For brands and publishers, Kahoot! will be launching a new tailor-made offering later this year, to help them distribute their high-quality content and reach more relevant audiences through the power and reach of the Kahoot! platform.

In the beginning of October, we were pleased to announce that we **raised USD 215 million** after completing a private placement to a subsidiary of SoftBank Group. In addition, a private placement to a fund advised by Capital World Investors was completed.

As we enter the final few weeks of the year, we promise to continue with strong growth and better functionality in our products, paying close attention to our users' needs. And lastly, we will spend the Q4 preparing the organization for our main listing on the Oslo Stock Exchange in Q1 2021.

Highlights Q3 2020

The main figures were reported in the company trading update October 2, 2020.

- The user growth on the Kahoot! platform continued with more than 21 million active accounts in the last twelve months (45% YoY growth). Number of hosted games in the last twelve months was 224m (10% YoY growth) with 1.3bn participants (19% YoY growth).
- Kahoot! launched several new features and editions for all three main categories (at Work, at School and at Home), contributing to the growth of both free and paid users in the quarter.
- Strong growth in paid subscriptions for the Kahoot! Group, reaching more than 360K in Q3 2020, an increase of 90K paid subscriptions from Q2 2020. The year on year growth in paid subscriptions was approx. 160% per Q3 2020 vs. Q3 2019. Per Q3 2020 the Kahoot! Group had approx. 105K subscriptions in the Work category, 180K subscriptions in the School category and 75K subscriptions in the Home and Study category, including DragonBox curriculum.
- Invoiced revenue for the Kahoot! Group for Q3 2020 was \$11.6 million, compared to \$3.4m in Q3 2019 as reported, representing 241% year on year growth. The quarter over quarter invoiced revenue growth was 21% in Q3 2020 (vs. Q2 2020).
- Invoiced revenue for the first three quarters 2020 for the Kahoot! Group was \$27.7 million, compared to \$7.7 million as reported for the corresponding period 2019, representing 259% year on year growth. The vast majority of Kahoot's revenue is subscription based.
- The Kahoot! Group customer base MRR (Monthly Recurring Revenue) as of 30.09.2020 reached \$2.7m corresponding to ARR (Annual Recurring Revenue) of \$32m.
- Recognized revenue for the Kahoot! Group was \$7.6m in Q3 2020 compared to \$2.2m in Q3 2019, representing 245% year on year growth.
- Recognized revenue for the first nine months 2020 for the Kahoot! Group was \$17.9m compared to \$4.8 million as reported for the corresponding period 2019, representing 275% year on year growth.
- EBITDA for Q3 2020 was \$1.0m compared to -\$1.7m for Q3 2019.
- For the first nine months 2020 EBITDA was -\$1.2m (including \$1.3m in social security cost for exercised share options in the second quarter) compared to -\$5.8 million as reported for the corresponding period 2019.
- The Kahoot! Group had positive cash flow from operations of \$5.2m in Q3 2020, compared to -\$0.6m in Q3 2019. Cash flow from operations for the first nine months of 2020 was \$10m compared to -\$3.9m for the corresponding period 2019.
- Cash and cash equivalents as of 30.09.2020 were \$72m. The company has no interest-bearing debt.
- Announced the acquisition of Actimo, an employee engagement platform that empowers organizations to more efficiently build corporate culture with better communication, training and interaction with the workforce. The transaction was completed October 5, 2020.

Forward looking statement

- In Q4, the Kahoot! Group expects invoiced revenue to reach \$14m, a 20% quarter on quarter growth, where Actimo will contribute with approx. 10%.
- For the full year 2020, the Kahoot! Group expects invoiced revenue to reach \$41-42m (including contribution from Actimo in Q4), a 220% growth year on year. Invoiced revenue for the full year 2019 was \$13m as reported for the Kahoot! Group.
- Continued solid cash flow from operations in the fourth quarter 2020.
- Paid subscriptions (not including Actimo) are expected to exceed 400K by the end of 2020.
- Total active accounts for the FY 2020 are expected to exceed 22m.

The information contained in this statement has not been audited and may be subject to change.

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About Kahoot!

Kahoot! is on a mission to make learning awesome! We want to empower everyone, including children, students, and employees to unlock their full learning potential. Our game-based learning platform makes it easy for any individual or corporation to create, share, and play learning games that drive serious engagement. In addition, our family of apps takes math learning to a new level and empowers children to learn to read through play. Launched in 2013, Kahoot!'s vision is to build the leading learning platform in the world. In the last 12 months, more than 200 million games have been played on the Kahoot! platform with over one billion participating players in 200 countries. The company is headquartered in Norway with offices in the US, the UK, France, Finland, Denmark and Spain. Let's play!

Interim consolidated statement of profit and loss

Figures presented in USD thousands

	Q3 2020	Q3 2019	Growth	YTD 2020	YTD 2019	Growth	FY 2019
Invoiced revenue	11 642	3 411	241 %	27 717	7 722	259 %	13 041
Net change unrecognized revenue	-4 029	-1 205		-9 838	-2 949		-4 284
Total recognized revenue	7 613	2 206	245 %	17 879	4 773	275 %	8 757
Cost of goods sold	-865	-242		-2 056	-531		-970
Payroll & consulting ¹⁾	-3 662	-2 602		-11 477	-6 765		-10 086
Other operating expenses	-2 067	-1 052		-5 542	-3 317		-4 694
Total operating expenses	-6 593	-3 895	69 %	-19 075	-10 614	80 %	-15 750
EBITDA	1 019	-1 689		-1 196	-5 841		-6 993
Depreciation tangible assets	-32	-19		-86	-48		-73
Depreciation intangible assets	-211	-218		-607	-667		-878
Amortization goodwill	-1 239	-419		-3 562	-419		-1 716
Total depreciation and amortization	-1 482	-656		-4 255	-1 134		-2 667
EBIT	-463	-2 345		-5 452	-6 974		-9 659
Net financial items	-332	78		-500	143		-42
Profit before tax	-795	-2 267		-5 951	-6 831		-9 701

¹⁾ YTD 2020 includes \$1.3m in social security cost related to exercised share options in the second quarter.

Interim consolidated balance sheet statement

Figures presented in USD thousands

	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
Capitalized R&D	1 834	2 785	2 640
Licenses & domain	190	193	204
Goodwill	18 720	24 713	24 086
Deferred tax asset	4 694	3 341	5 069
Total intangible fixed assets	25 437	31 034	31 999
Property and equipment	319	273	313
Financial fixed assets	0	6	0
Total fixed assets	25 757	31 313	32 312
Inventory/deferred cost of goods sold	516	194	147
Accounts receivable	1 020	1 268	1 322
Prepaid expenses and other current assets	1 329	639	590
Cash and cash equivalents	72 493	13 400	40 851
Total current assets	75 357	15 501	42 910
Total assets	101 114	46 814	75 222
Total equity	81 592	40 300	64 998
Accounts payable	1 178	481	940
Public duties payable	1 009	39	1 715
Deferred revenue	16 278	5 275	6 718
Other current liabilities	1 056	718	852
Total current liabilities	19 521	6 514	10 224
Total equity and liabilities	101 114	46 814	75 222

Interim consolidated cash flow statement

Figures presented in USD thousands

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	FY 2019
Profit/(loss) before tax	-795	-2 267	-5 951	-6 831	-9 701
Depreciation and amortization	1 482	656	4 255	1 134	2 667
Changes in accounts receivables	-377	-341	203	-787	-937
Changes in accounts payables	382	-41	306	226	762
Changes in public duties payable	-679	-454	476	-502	340
Changes in deferred revenues	4 041	1 186	9 994	2 879	5 065
Changes in other current balance sheet items	1 190	693	744	-24	-915
Net cash flow from operating activities	5 243	-567	10 026	-3 906	-2 719
Capitalized R&D	-	-	-	-	-
Acquisition, net of cash acquired	-	-9 426	-	-9 541	-9 755
Purchase of tangible fixed assets	-24	-64	-115	-173	-247
Net cash flow from investment activities	-24	-9 489	-115	-9 714	-10 002
Proceeds from equity issue	-6 818	-	24 933	245	25 958
Net cash flow from financing activities	-6 818	-	24 933	245	25 958
Translation differences	741	-1 244	-3 203	-1 516	-677
Net change in cash and cash equivalents	-858	-11 301	31 642	-14 892	12 559
Cash and cash equivalents at begin. of period	73 350	24 701	40 851	28 292	28 292
Cash and cash equivalents at end of period	72 493	13 400	72 493	13 400	40 851

Proceeds from equity issue in Q3 reflects payments of employee withholding taxes, social security cost and transaction cost related to the new share issue and share option exercise which took place in June.

Notes to the interim consolidated financial statements:

Note 1 – General

Kahoot! AS is a Norwegian company and the parent company in the Kahoot! Group. The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The interim financial statements are presented in USD translated from NOK.

Note 2 – Basis of preparation

The consolidated condensed interim financial statements comprise the financial statements of the parent company and its subsidiaries as of 30 September 2020, authorized for issue by the board of directors on October 28, 2020. The condensed interim financial statements are unaudited. This quarterly report does not include the complete set of accounting principles and disclosures and should hence be read in conjunction with the Annual Financial Statement for 2019. All accounting principles applied in preparing this interim financial statement are consistent with the annual report as of 2019.

Note 3 – Revenue and segment information

The Kahoot! Group has one segment: software to make learning awesome. The market for Kahoot!'s software is global. The chief decision maker will therefore follow up revenue and profitability on a global basis. This is consistent with the internal reporting submitted to the chief operating decision maker responsible for allocating resources and assessing performance as well as making strategic decisions.

Note 4 – Goodwill

Goodwill is stated to the difference of historic cost at the time of acquisition of the company and actual value of identifiable assets and debt of the company. Amortization of goodwill is charged to the income statement using the straight-line method over estimated lifetime of 5 years.

Note 5 – Intangible assets

Intangible assets are stated at historical cost less depreciation and adjustments for impairment losses. Depreciations are charged to the income statement using the straight-line method over estimated utilized lifetime. Kahoot! capitalized R&D until 2017. From 2018 all R&D related costs are expensed. Depreciation of intangible assets are depreciation of R&D capitalized before revenue models were implemented.

Active Kahoot! accounts last twelve months per September 30, 2020

Numbers in millions	Active accounts ²⁾ (Unique)	YoY Growth	Hosted games	YoY Growth	Participants (Non-unique)	YoY Growth
Total	21,5	45 %	223,8	10 %	1 339,1	19 %
By Territory (free and paid)						
USA and Canada	9,6	28 %	101,8	-5 %	683,3	2 %
Europe	6,7	49 %	66,2	14 %	360,2	31 %
Asia Pacific	2,4	58 %	24,6	23 %	143,0	30 %
Latin America and The Caribbean	1,8	124 %	18,6	66 %	99,0	101 %
Africa, The Middle East, and India	0,9	121 %	12,5	73 %	53,7	114 %
Total	21,5		223,8		1 339,1	
By Category (free and paid)						
School	6,9	28 %	76,9	1 %	879,9	12 %
Work	0,5	20 %	3,1	17 %	23,1	22 %
Home & Study	14,2	57 %	143,8	16 %	436,1	36 %
Total	21,5		223,8		1 339,1	

²⁾ Active accounts LTM is defined as unique user accounts hosting a game with one participant or more the last twelve months.

Quarterly development of paid subscriptions

Numbers in thousands	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
School	15	33	41	58	74	91	125	180
Work	25	38	54	63	72	83	100	105
Home & Study	5	5	5	18	24	28	45	75
Total	46	76	101	139	171	203	270	360
Net new paid subscriptions ³⁾		30	25	38	32	32	68	90

³⁾ Paid subscriptions are defined as total number of users on paid subscription per the end of the period.

Shareholders Kahoot! AS

Per October 27, 2020 Kahoot! AS had more than 9,000 shareholders. The shares are listed on Merkur Market on Oslo Stock Exchange with ticker code KAHOOT-ME.

Shareholders per October 27, 2020	Shares	%
1 Datum Group	52 130 865	11,7 %
2 Northzone Ventures Norway AS	48 033 280	10,8 %
3 Goldman Sachs International	42 994 000	9,7 %
4 AS Real-Forvaltning/Glitrafjord	36 708 910	8,2 %
5 Creandum III LP	23 550 832	5,3 %
6 Microsoft Global Finance	20 820 000	4,7 %
7 Citigroup Global Markets Inc.	13 500 000	3,0 %
8 Versvik Invest AS	12 962 076	2,9 %
9 Newbrott AS	7 606 000	1,7 %
10 State Street Bank and Trust Comp	7 439 085	1,7 %
11 J.P. Morgan Bank Luxembourg S.A.	6 600 000	1,5 %
12 MP Pensjon PK	5 991 435	1,3 %
13 Gamification AS	5 372 777	1,2 %
14 Morgan Stanley & Co. LLC	5 145 713	1,2 %
15 Verdipapirfondet DNB Norden	4 998 354	1,1 %
16 J.P. Morgan Bank Luxembourg S.A.	4 800 000	1,1 %
17 Sanden AS	4 340 000	1,0 %
18 Goldman Sachs & Co. LLC	4 131 932	0,9 %
19 Verdipapirfondet DNB Grønt Norden	3 171 985	0,7 %
20 Adrian AS	3 156 750	0,7 %
Other	131 778 804	29,6 %
Total outstanding shares	445 232 798	100,0 %
Outstanding share options	17 515 153	
Total no. of shares (fully diluted)	462 747 951	

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